



BSc DEGREE PROGRAMME IN HOSPITALITY MANAGEMENT
YEAR I SEMESTER I EXAMINATION – SEPTEMBER/OCTOBER 2017

BUSINESS ACCOUNTING - HM 1123 ®

Time allowed: **THREE (03) Hours**

Answer all questions.

01. Following trail balance has extracted from the books of Fernando as at 31st March 2015.

	Dr. (Rs.)	Cr. (Rs.)
Opening stock 01.04.2014	20,000	
Salaries & Wages	63,000	
Advertising	85,000	
Bad debts	50,000	
Rent for building	60,000	
Sales		920,000
Other income		55,000
Purchase	360,000	
Fixed Assets as at 01.04.2014		
Buildings	280,000	
Motor Vehicles	150,000	
Furniture	60,000	
Provision for depreciation as at 01.04.2014		
Buildings		52,500
Motor Vehicles		32,500
Furniture		22,000
20% Loan (Received at 01.10.2014)		100,000
Sales return	10,000	
Purchase return		8,000
Insurance	10,000	
Discount allowed	5,000	
Discount received		7,000
Distribution expenses	20,000	
Cash in hand	35,000	
Bank Overdraft		17,000
Capital		140,000
Debtors	146,000	
	1,354,000	1,354,000

Additional information

- (i) Closing stock has been valued as Rs. 100,000.
- (ii) Paid in advanced; Salaries & Wages Rs. 3,000, Advertising Rs. 15,000.
- (iii) Accrued insurance Rs. 10,000.
- (iv) It was not paid interest for loan.
- (v) Fixed assets should be depreciated as follows;
 - Building 5% per annum on straight line basis
 - Motor vehicle 10% per annum on straight line basis
 - Furniture 10% per annum on reducing balance method
- (vi) Consider 5% on debtors as provision for doubtful debt.

You are required to prepare;

- (a) Income statement for the year ended 31st March 2015
- (b) Statement of financial position as at 31st March 2015.

(15 marks)

02. The trail balance of A Ltd at 31st Dec 2015 showed the difference of Rs. 580 (excess debit). It was put into suspense account and the books were closed. While going through the books in the business following errors were discovered.

- i. Rs. 540 received from M Ltd was posted to the debit of his account.
- ii. Rs. 100 being purchases return was posted to the debit of purchase account.
- iii. Discount received Rs. 200 entered in the cash book was not posted to the ledger.
- iv. Rs. 575 paid for repairs the motor car was debited to the motor car account as Rs. 175.
- v. A sale of Rs. 350 to X Ltd was entered in the sales book as Rs. 530.
- vi. While carrying forward the total of one page in Kamal's account the amount of Rs. 250 was written on the credit side instead of debit side.
- vii. The purchase of machinery for Rs. 6000 was entered in the purchase account.

You are required to pass suitable rectifying journal entries and prepare the suspense account.

(10 marks)

03. From the information given below, prepare

- (a) a bank reconciliation statement as of 31st December 2015 and
- (b) the adjusted cash at bank account for Mount Pharmacy

- i. The balance per bank statement issued by the firm's bank, as of 31st December 2015 was Rs. 52,643.50.
- ii. Two sundry debit entries appeared on the December bank statement: one for Rs. 300.00 on service charges, and the other for Rs. 3,000.00 in respect of a dishonored cheque of Lionel Perera.
- iii. The paid cheque on the December bank statement disclosed two errors in the firm's cash records. Cheque No. 7230 issued for Rs. 2,231.50 in respect of advertising expenses had been erroneously recorded as Rs. 2,321.50 in the cash payments journal, and cheque No. 7241 for Rs. 886.60 in respect of electricity expenses had been recorded as Rs. 868.60.

- iv. Cash receipts of 30th December amounting to Rs. 5,322.50 were sent to the bank too late to be included in the December bank statement.
- v. Cheques outstanding as of 31st December were as follows;
 Cheque No. 7243 Rs. 1,600.00
 Cheque No. 7245 Rs. 1,411.00
 Cheque No. 7248 Rs. 1,520.00
- vi. The cash at bank account had a balance of Rs. 56,663.00 as of 31st December 2015.

(10 marks)

04. Prepare income & expenditure account and the balance sheet as at 31st December 2015 from the following receipts & payments account and the balance sheet as at 31st December 2014.

Receipts & Payments Account

	Rs.		Rs.
B/C/F	10,000	Expenses 2014	1,200
Subscriptions 2014	200	2015	2,000
2015	2,100	Land	4,000
2016	100	Interest	400
Entrance Fee	800	Other expenses	2,000
Locker Rent	700		
Other income	4,000	B/C/D	8,300
	17,900		17,900
B/C/F	8,300		

Balance Sheet as at 31st December 2014

	Rs.		Rs.
Capital Fund	33,620	Buildings	30,000
Subscription received in advanced	600	Outstanding subscriptions	380
Outstanding expenses	1,400	Outstanding locker rent	240
Loan	5,000	Cash in hand	10,000
	40,620		40,620

(10 marks)

05. Ranil, Rajan and Anwer are in partnership under the business name of Trio Grocery and share profits and losses in the ratio of 2:2:1 respectively. The partnership agreement includes the following additional clauses in respect of their salaries and interest.
- Rajan and Anwer are to be allocated salaries of Rs. 120,000 and Rs. 144,000 per annum respectively.
 - All partners are entitled to interest on capital of 10% per annum.
 - Interest is to be charged on drawings at the rate of 5% per annum.
 - Partners are entitled to interest on any advances or loans given to the partnership at the rate of 10% per annum.

The trail balance as at 31st December 2015 is as follows.

	Dr.	Rs.	Cr.	Rs.
Capital Account Ranil			700,000	
Rajan			500,000	
Anwer			200,000	
Current Account Ranil			112,000	
Rajan			96,000	
Anwer	36,000			
Drawing Account Rajan	50,000			
Anwer	30,000			
Loan from Ranil, 01 st January 2015			100,000	
Land and Buildings	1,633,600			
Furniture and Fittings	68,000			
Accumulated Depreciation on Furniture and Fittings			13,600	
Office Equipment	75,000			
Accumulated Depreciation on Office Equipment			22,500	
Inventory, 01 st January 2015	349,000			
Debtors	224,000			
Provision for doubtful debts			9,900	
Cash at bank	101,000			
Creditors			198,000	
Purchases	1,260,000			
Purchase returns			8,000	
Sales			2,400,000	
Sales returns	36,000			
Discount received			25,600	
Sales staff salaries	256,000			
Office staff salaries	144,000			
Advertising	24,000			
Telephone	14,400			
Electricity	31,200			
Discount allowed	32,700			
Bank charges	2,400			
Miscellaneous Expenses	18,300			
	4,385,600		4,385,600	

The following additional information is also available.

- Inventory at 31st December 2015 was valued at Rs. 216,000.
- Bad debts for this year of Rs. 8,500 should be written off.
- The provision for doubtful debts should be adjusted to 4% of debtors.
- Depreciation on Furniture and Fittings and Office Equipment is 10% per annum.
- Dates of partners' drawings are as follows;
01st April for Rajan and 01st July for Anwer
- Accrued telephone and electricity charges for December are estimated at Rs. 1,300 and Rs. 2,700 respectively.

Required;

- a. Prepare income statement for the year ended 31st December 2015.
- b. Show the partners' current accounts in columnar form for the year ended 31st December 2015.
- c. Prepare statement of financial position as at 31st December 2015.

(15 marks)

06. Explain selected **FIVE (05)** from the followings.

- a. Real Accounts Vs. Nominal Accounts
- b. Capital Expenditure Vs. Revenue Expenditure
- c. Historical Cost concept Vs. Periodicity concept
- d. Financial Accounting Vs. Management Accounting
- e. Book keeping Vs. Accounting
- f. En bloc Dissolution Vs. Piecemeal Dissolution
- g. Error of Omission Vs. Error of Commission

(3 x 5 = 15 marks)