

University of Colombo – Sri Lanka
Faculty of Arts
Second Year Examination in Arts – 2017/18
(End of the First Semester)
ECN 2112: Introductory Financial Accounting
Time Allowed: Two (02) Hours only
Answer any FOUR (04) questions
This paper carries sixty (60) marks

Question 01

1. Name five types of stakeholders of a company and their interests in the company (10 Marks)
2. Accountants usually follow certain assumptions when accounts are prepared. Name and describe 05 such assumptions (05 Marks)

Question 02

1. What do you understand by the term double entry (03 Marks)
2. Write the double entries for the following transactions (12 Marks)
 - (i) Mr Wimal invested Rs 800,000 and commenced a Wimal company (Pvt) Ltd
 - (ii) The company purchased furniture to the value of Rs 100,000
 - (iii) The company obtained a loan of Rs 500,000 from Bank of Ceylon.
 - (iv) The company purchased stocks worth Rs 100,000
 - (v) The company sold items worth Rs 120,000 to ABC Ltd
 - (vi) Company paid interest of Rs 10,000 on the Bank of Ceylon loan

Question 03

1. Name three types of issues a company faces by Accountants making errors in entering data and preparing financial statements (03 marks)
2. When the trial balance of Kesara Company was prepared there was a shortfall of Rs 15,000 identified on the debit side. Following errors had been identified and you are required to write the Journal entries to correct them. (12 Marks)
 - (i) An amount of Rs 16,000 of Electricity costs was not extracted to the Trial Balance
 - (ii) Interest received of Rs 10,000 has been debited in the Trial balance
 - (iii) Purchases of Rs 130,000 had been recorded as Rs 150,000
 - (iv) Payment of Loan has been recorded only in the cash book
 - (v) Electricity bill account has been totaled as Rs 34,000 whereas it should be Rs 43,000

Given below is the information derived by balancing the ledger accounts for XYZ Ltd. You are required to answer questions 04, 05 and 06 using the following information.

XYZ Ltd

<u>Account</u>	<u>Amount (Rs)</u>
Cash	40,000
Rent paid	30,000
Sales	365,000
Purchases	150,000
Capital	250,000
Motor Vehicle	400,000
Bank Loan at 15%	90,000
Furniture	20,000
Debtors	35,000
Creditors	24,000
Insurance Expenses	6,000
Discounts received	8,000
Discounts given	4,000
Stationeries	5,000
Fixed Deposits at 12%	50,000
Interest Income	3,000

Additional information

- Motor vehicle and Furniture needs to be depreciated at 10% per annum
- Bad debt is Rs 5,000
- Following expenses needs to be paid
 - Electricity bill Rs 5,000
 - Telephone bill Rs 2,000

Question 04

You are required to prepare the Trial balance based on the information given (15 marks)

Question 05

You are required to prepare the Profit and Loss Statement of the Company (15 marks)

Question 06

You are required to prepare the Balance Sheet of the Company (15 marks)
