



De Mazenod College- Kandana

1<sup>st</sup> Term Evaluation-Grade 12 (EM)

Accounting I

30.11.2016



**Answer all questions**

1. Which of the following statement best describe the objective of "Accounting"?
  - i. Provide information to all users to take economic decisions.
  - ii. Record, classify, summarize and analyses the information.
  - iii. Record the information in prime entry books and source documents
  - iv. Record the information in ledger accounts
  - v. Provide information to the use of managers.
  
2. Which of the following is not a qualitative characteristic of accounting information?
  - i. Relevance
  - ii. Understandability
  - iii. Comparability
  - iv. Communication
  - v. Reliability
  
3. Which of the following statement is true relating to the accounting process of a business?
  - i. All source documents are prepared by the accountant of a business.
  - ii. Agreement of the trial balance totals in both debit and credit sides ensure the accuracy of accounting information.
  - iii. Petty cash book is not considered as a ledger account in a business.
  - iv. Return outwards journal can be seen in a business that purchases goods on credit.
  - v. All summery information relating to credit purchase of goods are recorded in the debtor control account.

4. Imposing the value Added Tax by the government relates to,
- Economic and political environment
  - Political and legal environment
  - Social and economic environment
  - Legal and economic environment
  - Professional and legal environment
5. A debtor settled the business Rs 50000 after deducting Rs 5000 discount. The amount received was withdrawn by the owner. What is the effect of this transaction to the assets and equity of the business?

	Assets	<u>Equity</u>
i.	Decrease by Rs 50000	Decrease by Rs 45000
ii.	Increase by Rs 45000	Increase by Rs 45000
iii.	Decrease by Rs 50000	Decrease by Rs 50000
iv.	Decrease by Rs 45000	Decrease by Rs 50000
v.	Decrease by Rs 45000	Decrease by Rs 45000

6. Which of the following statement gives the correct order of prime entry books to record the following transactions?

- Cash purchases
- Credit purchases
- Credit purchase of office equipment
- Cash discount given

- Purchases journal, purchase journal, general journal, cash receipt journal
- Cash payment journal, purchases journal, purchases journal, cash payment journal
- Cash payment journal, purchases journal, general journal, and cash receipt journal.
- Cash receipt journal, purchases journal, general journal, cash payment journal
- Cash payment journal, purchases journal, purchases journal, and cash receipt journal.

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Accounting I



7. Following information is relating to a company for the month of March 2016.

Transaction	List price(Rs)	Trade discount	Cash discount
Credit purchases	100000	20%	10%
Credit sales	400000	15%	10%

Paid 50% of the amount owing to creditors by getting a discount and received 50% of dues from the debtors after allowing a discount. Discount received and discount allowed of the month respectively would be,

- |                      |                     |
|----------------------|---------------------|
| i. 4000 and 17000    | iv. 10000 and 40000 |
| ii. 20000 and 60000  | v. 6000 and 15000   |
| iii. 24000 and 77000 |                     |

8. Totals of prime entry books in a business for a month are provided as follows.

	Rs
Sale journal	80000
Purchases journal	90000
Return inwards journal	10000
Return outwards journal	20000
Receipts from debtors	40000
Payments to creditors	30000
Discount allowed	5000
Discount received	10000

What are the closing balances in debtors and creditors control accounts at the end of the month?

- |      | Debtor balance | Creditor balance |     |                  |
|------|----------------|------------------|-----|------------------|
| i.   | 80000          | 90000            | iv. | 25000      30000 |
| ii.  | 70000          | 70000            | v.  | 50000      60000 |
| iii. | 30000          | 40000            |     |                  |

9. Which of the followings are considered as characteristics of a liability according to financial accounting

- A- It's cost can be reliably estimate
- B- An outflow of economic resources will result when settling the due amount
- C- It is an obligation at present

- i. A,B, and C
- ii. A and B
- iii. B and C
- iv. A and C
- v. None of the above

10. Following information relates to a business for an accounting period.

	Rs
Sales	200000
Cost of sales	120000
Rent income received	10000
Operating expense paid	70000

The total income and expense of the business for the accounting period would be,

- |      | Income    | Expense   |
|------|-----------|-----------|
| i.   | Rs 90000  | Rs 70000  |
| ii.  | Rs 210000 | Rs 190000 |
| iii. | Rs 20000  | RS 70000  |
| iv.  | Rs 200000 | Rs 70000  |
| v.   | Rs 10000  | Rs 190000 |



11. Following are the steps in accounting process
- A- Preparing the source documents for the transactions
  - B- Preparing the trial balance
  - C- Record the transactions in to prime entry books
  - D- Posting the totals in prime entry books to ledger accounts
  - E- Occurrence of transactions

The correct order of accounting process would be,

- i. ACDEB
  - ii. ECADB
  - iii. ABCDE
  - iv. EACDB
  - v. EADCB
12. The trial balance prepared on 31.3.2016 did not get balanced in Asela's business. Following reasons were later discovered.

- Insurance payment of Rs 10000 has been correctly credited to the cash book but it has not been recorded in the insurance expense account.
- A machine purchased for Rs 5000 has been debited to the purchases account and credited to the cashbook.
- Discount received from a creditor RS 6000 has been debited correctly in to the creditor control account but it has been credited to the discount allowed account

The suspense account balance before rectifying the above errors would be,

- i. RS 2000 DR
- ii. Rs 10000 CR
- iii. Rs 2000CR
- iv. Rs 12000DR
- v. Rs 1000DR

13. The trial balance of Akila's business did not agree on 31.3.2016. The difference was transferred to a suspense account. Following errors were discovered later.

- A- Sales journal has been overstated by Rs50000.
- B- Cash paid to a creditor Rs 30000 has been correctly recorded in the cash book but it has been recorded as a cash receipt in a debtor control account.
- C- Rates paid account has not been extracted to the trial balance
- D- Credit purchase of Rs 40000 has been recorded in to sales journal.

The errors revealed by the trial balance would be,

- i. A and B
- ii. A B and C
- iii. B and C
- iv. A B C and D
- v. D only

14. Ruwan started a business by investing Rs 500000. He obtained a bank loan for Rs 100000 and purchased goods worth Rs 80000 for resale purpose. And he sold those goods on credit for Rs120000.

Which of the following statement gives the source documents of each transaction in correct order?

- i. Cash payment journal, cash receipt journal, cash payment journal, invoice
- ii. Journal voucher, receipt, invoice, invoice
- iii. Payment journal, payment journal, receipt journal, invoice
- iv. Journal voucher, receipt journal, payment journal, invoice
- v. Receipt journal, payment journal, invoice, receipt journal

15. The owner has settled part of the bank loan of the business from his personal money. The effect of this transaction to the basic accounting equation would be,

	Assets	=	Liabilities	+	Equity
i.	-80000		-80000		-80000
ii.			-80000		-80000
iii.	-80000		-80000		
iv.	+80000		-80000		+80000
v.			-80000		+80000

16. State five components of financial accounting.

17. State the relevant element of accounting for the each item given below.

- |                    |              |
|--------------------|--------------|
| A- Return inwards  | D- Creditors |
| B- Return outwards | E- Cash      |
| C- Drawings        |              |

18. State the impact of following transactions to the creditor control account balance as increase, decrease or no change,

1. Credit purchases
2. Cash purchases
3. Return outwards
4. Discounts received from creditors



19. State whether the following statements are true or false

True False

- i. Equity decrease when a creditor is settled by the business
- ii. The profit of the year will decrease due to owners drawings
- iii. Equity will increase due to credit sales
- iv. Assets will not change due to credit purchases.

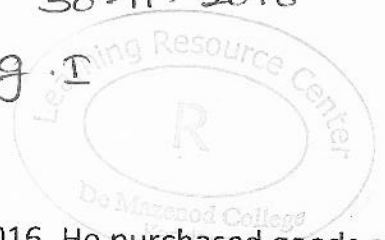
20. Provide the source document and prime entry book for each transaction given below.

Transaction	Source document	Prime entry book
Cash sales		
Cash drawings		
Cash purchases		
Bad debt written off		

21. The petty cash imprest of a business is Rs 5000. The balance in hand on 1.3.2016 was Rs 1000. Petty cashier spent Rs 3500 during the month including owner's drawing of Rs 500.

- (i) Provide the journal entries relating to the reimbursement of petty on 1.03.2016
- (ii) Petty cash balance as at 31.3.2016





22. Athula obtained bank loan for Rs 50000 on 1.8.2016. He purchased goods on credit for resale purpose using the money obtained as a bank loan. He sold those goods for Rs 60000. What is the net effect to the accounting equation from the transaction given above.

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

23. A business purchased an office equipment on credit basis at the list price of Rs 150000 under 10% trade discount.

(i) What is the value of credit purchase of office equipment ?

(ii) Provide the journal entry required to record the credit purchase of office equipment.

24. Provide the relevant qualitative characteristic for each situation given below.

Situation	Qualitative characteristic
1. The market value of furniture and fittings is Rs 40000. The business has recorded this value in the books	
2. Presenting the income statement of 2014 when the income statement for 2015 is provided.	
3. A disclosure of huge profit in the financial statements leads to the request to increase salaries by the employees.	
4. Correcting the accounting errors before preparing the financial statements.	

25. State the two types of accounting?

De Mazenod College –Kandana  
G.C.E (A/L) Examination 2018  
Accounting II –Grade 12  
1<sup>st</sup> Term Evaluation – November 2016

2 hours

Answer five questions only including questions No. one and two.

30.11.2016

**Question 01**

The following transactions have been taken place during the month of March in Sameera's business started on 1<sup>st</sup> March 2016.

1. Sameera started the business by investing Rs 100000 in cash and bringing Rs300000 worth building to the business.
2. Obtained a bank loan from a bank Rs 50000.
3. Purchased a stock worth Rs 80000 for cash for resale purpose.
4. Purchased a stock worth Rs70000 on credit for resale purpose.
5. Rent income received on building Rs 16000.
6. Paid salaries to employees Rs 20000.
7. Goods sold on credit for Rs 90000. The cost of these goods was Rs 60000.
8. Sold goods on credit Rs 75000. The cost of these goods was Rs 50000.
9. Received cash from debtors Rs 54000. Discount allowed RS 6000.
10. To settle a creditor paid Rs 63000 by receiving a discount of Rs 7000.

Required

1. Show the effects of above transactions into following accounting equation.  
Building + Inventory + Debtors + Cash = Bank loan + Creditors + Equity
2. Income statement for the month ended 31<sup>st</sup> March in Sameera's business (13marks)



**Question 02**

Following transactions have been taken place in Sanjeewa's business during the month of April. There were no any cash receipts and payments taken place during the month.

1<sup>st</sup> April – Balances as at 1.4

	Rs
Office equipment	150000
Bank loan	80000
Debtors	50000
Creditors	60000
Cash in hand	70000
Capital	130000

2<sup>nd</sup> April -Purchased goods on credit from Amal at the list price of Rs 50000.less trade discount Rs 5000.(Invoice No 20)

4<sup>th</sup> April-Goods sold on credit to Ruwan at the list price of Rs 80000. Less trade discount Rs 4000. (Invoice No 45)

6<sup>th</sup> April- Returned goods to Amal. The list price of these goods was Rs 20000. Rs 2000 discount was deducted when purchasing the goods.(Credit note No.8)

8<sup>th</sup> April-Goods returned by Ruwan under credit note no.16 Rs 40000(list price).Trade discount deducted when selling the goods Rs 2000.

10<sup>th</sup> April-Goods purchased on credit from Chandana under invoice No. 81 Rs 100000(list price).less 10% trade discount.

12<sup>th</sup> April-List price of Goods sold to Anil under invoice No.46 was Rs160000.Less 5% trade discount.

16<sup>th</sup> April- List price of goods returned to Chandana under debit note No 9 was Rs.30000.10% discount was deducted when purchasing the goods.

18<sup>th</sup> April- List price of goods returned by Sunil was Rs 60000. 5% discount was deducted at the point of sale of goods.(Credit note No.36)

30<sup>th</sup> April-Purchased 5 items of office equipment to use in the office at Rs 6000 each (list price).Less 20% trade discount.

Required

1. Record the above transactions into following prime entry books.

(i). General journal

(ii). Purchases journal

(iii).Sales journal

(iv).Return outwards journal

(v). Return inwards journal

2. Post the transactions in to accounts in the general ledger

3. Prepare the trial balance as at 30<sup>th</sup> April.(13marks)

### Question 03

Following cash receipts and payments have been taken place in Akila's business during the month of July. He commenced the business on 1<sup>st</sup> July 2016.

1 <sup>st</sup> July	Started the business by investing Rs 80000 under receipt No. 01
3 <sup>rd</sup> July	Purchased goods for cash under voucher No.01 Rs 50000
5 <sup>th</sup> July	Cash sales under receipt No.02 Rs 60000
7 <sup>th</sup> July	Paid electricity expense under voucher No.02 Rs 4000
10 <sup>th</sup> July	Rent received under receipt No 03 Rs 9000
12 <sup>th</sup> July	Paid Rs 18000 to creditors under voucher No.03. discount received Rs 2000
14 <sup>th</sup> July	Received Rs 27000 from debtors under receipt No 04. Discount allowed Rs 3000
18 <sup>th</sup> July	Purchased goods under voucher No.05 Rs 10000
20 <sup>th</sup> July	Sold goods under receipt No. 05 Rs 15000
22 <sup>nd</sup> July	Paid Rs 36000 to a creditor to settle a debt of Rs 40000 under voucher no 06.
24 <sup>th</sup> July	Received Rs 45000 from a debtor to settle a debt of Rs 50000.(receipt No.06)
31 <sup>st</sup> July	Purchased a machinery Rs 25000.(voucher No.7)

Required

1. Cash receipt journal with analytical columns.

2. Cash payment journal with analytical columns

### Question 04

The debit side of the trial balance prepared as at 31<sup>st</sup> March was not agreed to the total of credit side of Sandakan traders. The difference of Rs 12000 was debited to a suspense account. Following errors and omissions were discovered later.

1. A credit note amounting to Rs 7000 has been correctly recorded in the Return inwards account but it has not been recorded in the debtor control account.
2. A debit note amounting to Rs 13000 has been correctly recorded in the returns outwards account but it has been debited to the creditor control account as Rs 3000.
3. Rent paid Rs 8000 has been correctly recorded in the cash book but it has been credited to the rent paid account.
4. Debit side of the purchases account has been overstated by Rs1000.
5. Opening balance of Rs 6000 of the bank loan account has not been posted to the bank loan account in the general ledger.
6. Bad debt written off Rs 2000 has been completely omitted from the books.

Required

1. Suspense account

2. Journal entries to rectify the above errors in a general journal.

(8marks)

## Accounting II

## Question 05

Petty cash imprest of the Tharanga enterprise is Rs 5000. The following petty cash transactions have been taken place during the month of January.

1/1	Petty cash balance Rs 1200
1/1	Reimbursed the petty cash imprest Rs 3800.
2/1	Fuel charges Rs 250(voucher no 10)
4/1	Purchases Rs 500 (voucher no 11)
6/1	Stationery purchased RS 400(voucher No. 12)
9/1	Paid for decorations Rs 300.(voucher No.13)
12/1	Paid parking charges Rs 100(voucher no 14)
14/1	Purchased photocopy papers Rs 380 (voucher No.16)
16/1	Purchased newspapers for wrapping Rs 220 (voucher No 17)
19/1	Paid to a creditor Rs 500(voucher No. 18)
22/1	Owner's cash drawings Rs 450(voucher No 19)
24/1	Taxi charges paid ( voucher no 20)

Required

1. Prepare the petty cash book with the following analytical columns. (Travelling, Stationery, other, ledger)
2. Ledger accounts in the general ledger. (8marks)

## Question 06

Following information is relating to the month of March in Sahan PLC.

1. Bank account of the business.

Date	Description	Amount (Rs)	Date	Description	Amount (Rs)
1/10	Balance	8000	5/10	Cheque (211)	4000
4/10	Cheque (540)	7000	9/10	Cheque (212)	12000
8/10	Cheque (250)	9000	16/10	Cheque (213)	15000
10/10	Cash	10000	26/10	Cheque (214)	2000
15/10	Cheque(806)	5000			
29/10	Cheque(684)	6000	31/1	Balance c/d	13000
		46000			46000
	Balance b/f	13000			

2. Bank statement received by the bank

Date	Description	Dr	Cr	Balance (Rs)
1/10	Balance b/f			8000
4/10	Cheque deposit(No.540)		7000	15000
5/10	Cheque issued(No.211)	4000		11000
9/10	Cheque deposit (No.250)		9000	20000
10/10	Cash deposit		10000	30000
15/10	Debtors(credit transfers)		11000	41000
20/10	Insurance (standing order)	8000		33000
25/10	Cheque deposit (No. 806)		5000	38000
28/10	Cheque issued (No. 212)	12000		26000
30/10	Cheque issued (No.213)	15000		11000
31/10	Bank charge	2000		9000

3. Debit side of the bank account of the business has been totaled Rs 1000 more.

Required

1. Corrected bank account of the business.
2. Bank reconciliation statement starting from the corrected bank account balance. (8marks)