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A team of alumni of department of accounting - University of Sri Jayewardenepura and a team of chartered accountants created this revision paper. This is only revision paper and these questions should not be considered as a target or model questions.

G.C.E A/L Examination

33 - Accounting

New Syllabus

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PREFACE

This paper has been created according to the prototype paper structure which has been issued by the department of examination of Sri Lanka in 2019 and the G.C.E Advanced level examination paper in 2020. We are expecting to maintain high-level quality in this paper by getting supervision of chartered accountants. The intention of this project is to ensure the equal rights of the education to all the students by providing high quality study materials in free of charge, and also eliminating the traditional barriers to the education by giving support to the teachers.

This magazine is posted to the accounting teacher of the schools on or before 15th of every month. Students and tuition teachers can download the soft copy via following link.



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General Certificate of Education (Adv. Level) Examination - 2023

Accounting

33 E I

Two Hours

Instructions:

* Answer all questions.

Select the correct answer for questions

* No. 1-30 and write its number on the dotted line.

* Write short answer for questions No.31-50 on the dotted lines.

* Each question carries equal marks.

* Write your Index Number in the space provided above.

Index No. :

For Examiner's Use Only

	Signature	Code No.	For Paper I	
			Q. No.	Marks
1st Examiner			1 - 30	
2nd Examiner				
Addl. Chief			31 - 50	
E.M.F			TOTAL	
Chief				

01. Which of the following statement states the correct role of financial accounting in a business?

- 1) It provides past and future information to owners of the business to make economic decisions
- 2) It prepares general purpose financial statements for stakeholders of the business.
- 3) It provides only financial information to internal stakeholders to make future decisions
- 4) It records the transactions and events of a business in books and provides the information required for audit.
- 5) It prepares special purpose financial statements needed for business managers.

02. The following information is provided to you about a sole proprietor who does not have complete set of accounting records.

- Opening stock Rs. 190,000
- Closing stock excluding damaged stock Rs. 80,000
- Purchases during the year Rs. 350,000
- Stocks destroyed Rs. 10,000

The selling price is determined at a profit margin of $33 \frac{1}{3}$ based on the cost of sale. Sales amount of the sole proprietor during the year,

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 450,000 | 2) Rs. 337,500 | 3) Rs. 550,000 |
| 4) Rs. 650,000 | 5) Rs. 600,000 | |

03. Red Soap Business purchased stock of goods from the Blue Soap business and issued a check within a month and paid part of the amount due. Some of the soap stock was damaged, so those damaged stock was returned. The source documents for these transactions to be recorded in the books of the Blue Soap Business are,

- 1) Sales invoice, Cheque receipt, Debit note
- 2) Purchase invoice, Bank statement, Credit note
- 3) Purchase invoice, Cheque receipt, Debit note
- 4) Sales invoice, Bank statement, Credit note
- 5) All the above are incorrect

04. The following details are provided to you about Siyapatha PLC for the year ended 31.03.2023.

- Purchases of Raw material Rs. 610,000
- Return outwards Rs. 10,000
- Carriage inwards Rs. 20,000
- Prime cost Rs. 900,000

The closing stock of raw materials was 80% less than the opening stock of raw materials on 01.04.2022. The sum of direct labor and other direct costs is 25% of the prime cost. The raw materials amount at the beginning and the end of the year are respectively,

- 1) Rs. 20,000 and Rs. 30,000
- 2) Rs. 66,667 and Rs. 80,000
- 3) Rs. 70,000 and Rs. 42,000
- 4) Rs. 68,750 and Rs. 13,750
- 5) Rs. 60,000 and Rs. 36,000

05. Questionbank.lk PLC has provided following information.

Balance of debtor control account as at 01.04.2022	1,400,000
Credit sales	1,600,000
Cash receipts	800,000
Provision for doubtful debts as at 31.03.2023	22,000
Received previous year written-off bad debts	23,000

(Return of bad debts written-off is not included in the cash receipts from debtors)

What is the Net debtors balance as at 31.03.2021?

- 1) Rs. 2,200,000
- 2) Rs. 2,155,000
- 3) Rs. 2,178,000
- 4) Rs. 1,555,000
- 5) Rs. 2,955,000

06. Number of members in a sports club is 100. The annual membership fee of a member is Rs. 10,000. During the year, Rs. 1,050,000 was received as membership fees, including money received from 10 members for the previous year and 5 members for the next year. The membership fee due at the end of the year is,

- 1) Rs. 200,000
- 2) Rs. 100,000
- 3) Rs. 178,000
- 4) Rs. 155,000
- 5) Rs. 295,000

07. Amantha and Samantha shared profits accordingly ratio of 3:2 in a partnership. The new profit sharing ratio between Amantha, Samantha and Saman was 5: 3: 2 after Saman joined the partnership. If Saman brought his goodwill share Rs. 100,000 in cash, how should it be shared between Amantha and Samantha?

- 1) Amantha Rs. 50,000 and Samantha Rs. 50,000
- 2) Amantha Rs. 60,000 and Samantha Rs. 40,000
- 3) Amantha Rs. 40,000 and Samantha Rs. 60,000
- 4) Amantha Rs. 30,000 and Samantha Rs. 20,000
- 5) None of the above

08. Muthukuda Business sold a machine on 31.03.2023 for Rs. 250,000 with a profit of Rs. 40,000 which was purchased on 31.03.2020. Depreciation rate is 10%. What is the accumulated depreciation value of the machine sold?

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 200,000 | 2) Rs. 100,000 | 3) Rs. 178,000 |
| 4) Rs. 55,000 | 5) Rs. 90,000 | |

09. The subscription arrears in the previous year's accounts of a sports club were Rs. 16,000 and the subscription received for the coming year was Rs. 4,000. Rs. 100,000 received in the current year as subscription. At the end of the year the subscription fee receivable was Rs. 18,000 and for the coming year Rs. 5,000 had been received. The amount to be shown in the income and expenditure account for this year as contributions is,

- | | | |
|---------------|----------------|----------------|
| 1) Rs. 99,000 | 2) Rs. 90,000 | 3) Rs. 105,000 |
| 4) Rs. 10,000 | 5) Rs. 101,000 | |

10. Sigiriya PLC purchased a new building on 01.04.2022. Payment made at the time of purchase was Rs. 600,000 and Rs. 50,000 was paid as the Lawyer's fee. The building had several renovation activities and was in a usable condition from 01.10.2022. But the company started using this building on 31.12.2022. The residual value of this building is Rs. 100,000 and the usefull lifetime of the asset is estimated as 10 years. The amount of depreciation in this building for the year ending 31.03.2023 is,

- | | | |
|---------------|----------------|----------------|
| 1) Rs. 13,750 | 2) Rs. 90,000 | 3) Rs. 105,000 |
| 4) Rs. 27,500 | 5) Rs. 101,000 | |

11. Donations in cash and goods were made to the Nugegoda Help Age Non-Profit Organization during the financial year 2022/2023. The prime entry books to record these donations are,

- 1) Cash book only
- 2) Cash book, Purchase journal and Sales journal
- 3) Cash book and General journal
- 4) Cash book and Donations received account
- 5) Cash book and Petty cash book

12. The opening balance of accounts payable balance in a business was Rs. 148,000. Closing balance was Rs. 98,000 while credit purchases during the period were Rs. 48,000 and the discount received was Rs. 8,000. What is the amount paid in cash to the creditors? (Must be adjusted 15% VAT on purchases.)

- 1) 97,200 2) 104,400 3) 105,000
4) 104,000 5) 94,400

Use the following information to answer question No. 13 and 14.

Ruwan Company entered into a lease agreement with Questionbank.lk on 01.04.2022 to purchase a machine. The details are given below.

- Purchase price of the machine is Rs. 500,000.
- Useful life of the machine is 5 years.
- Lease period is 3 years.
- Initial deposit is Rs. 30,000.
- Lease interest relevant for a year is Rs. 20,000.
- Annual lease installment Rs. 120,000.
- At the end of the lease period, the asset should be transferred to the lessor.
- Repairing expenses for the year ended 31.03.2023 Rs. 50,000 was borne by the lessee.

13. What is the value of right-to-use asset as at 01.04.2022?

- 1) Rs. 400,000 2) Rs. 330,000 3) Rs. 100,000
4) Rs. 500,000 5) Rs. 460,000

14. The total expenses related to the lessee for the year ended 31.03.2023,

- 1) Rs. 180,000 2) Rs. 190,000 3) Rs. 100,000
4) Rs. 120,000 5) Rs. 170,000

Use the following information to answer question No. 15 and 16.

Lanka PLC made a bonus share issue of 10,000 ordinary shares for Rs. 10 per share using general reserves. Subsequently the company made a right issue of 50,000 ordinary shares at 75% of the market price per share on that day. At that date the market price of a share was Rs. 20.

15. Impact to the cash balance considering the above transactions,

- 1) Increase by Rs. 850,000 2) Increase by Rs. 750,000 3) Increase by Rs. 650,000
4) Increase by Rs. 1,000,000 5) Does not change

16. If the shareholders subscribed only 40,000 shares in the right issue, Impact to the stated capital account due to the right issue,

- 1) Increase by Rs.600,000 2) Increase by Rs. 500,000 3) Increase by Rs. 400,000
4) Increase by Rs. 1,000,000 5) Increase by Rs. 750,000

17. Below are the details of three categories of stocks held in a manufacturing business at the end of a financial year.

Stock category	No. of units	Unit cost (Rs.)	Estimated selling price (Rs)	Estimated selling expenses (Unit) (Rs.)
A	10,000	15	12	2
B	5,000	8	12	2
C	5,000	20	15	3

The value of the above stock according to the Sri Lanka accounting standards,

- 1) Rs. 290,000 2) Rs. 300,000 3) Rs. 200,000
4) Rs. 225,000 5) Rs. 235,500

18. The following information was extracted on 31.03.2023 from a retail store which keeps incomplete records. The cost of the physical stock which was in good condition as at 31.03.2022 was Rs. 927,000. During the year 01.04.2022 to 31.03.2023, Rs. 100,000 stock has been destroyed and it is estimated that the stock can be sold for Rs. 33,000 after spending a cost of Rs. 5,000. What is the value of the closing stock as at 31.03.2023?

- 1) Rs. 899,000 2) Rs. 894,000 3) Rs. 889,500
4) Rs. 794,000 5) Rs. 955,000

19. A limited company has the following characteristics in relation to an event that has already taken place by the end of the financial year.

- A. Present obligation as a result of past event.
B. There is a probability of outflow of assets in settling the event.
C. The amount of the obligation cannot be reliably measured.

How the above event can be recognized in financial statements?

- 1) As a liability
2) As a provision
3) As an estimate
4) As an accumulated obligation
5) As a contingent liability

20. On 01.04.2022 the company sold Rs. 200,000 worth of five year telephone network connection and an antenna worth of Rs. 25,000 to a customer. What is the amount of income to be recognized as at 31.03.2023 according to the standard SLFRS 15?

- 1) Rs. 65,000 2) Rs. 225,000 3) Rs. 175,000
4) Rs. 200,000 5) Rs. 25,000

21. At what point should income be recognized according to SLFRS 15?

- 1) After satisfying the performance obligation by giving the risk & return of the goods and services to the customer
- 2) After customer pay in cash for goods and services
- 3) At the time customer place the order for goods and services
- 4) After consuming the goods and services by the customer
- 5) This standard does not present a specific point to recognize the income

22. What is the correct statement/(s) related to the realizable concept?

- A. It means that the income must be earned.
- B. It means that the income must be realized.
- C. This means that the production process related to a product does not have to be completed.

- 1) A Only
- 2) B Only
- 3) A and B Only
- 4) A and C Only
- 5) All A , B and C

23. When reviewing the expected useful lifetime of buildings owned by a company, the change in annual depreciation of the reviewed asset shall be reported in the financial statements by,

- 1) Adjusting the current period profit or loss as an error.
- 2) Adjusting current and future period profit or loss as a change in accounting estimate.
- 3) Adjusting the retained profits and opening balance as an error.
- 4) Adjusting the opening balance of the retained earnings as a change in accounting policy.
- 5) Adjusting the opening balance of the retained earnings as a change in accounting estimate.

24. Below are the information regarding payroll of Sarasi Flower Pot Production business in March 2023.

	Rs.
Salary paid for employees	83,000
Deductions from employees salary	
Festival Advance	12,000
Salary Advance	15,000
EPF	10,000
Employer contribution	
EPF	15,000
ETF	3,000

What is the gross salary of employees for March 2023 and the total expenses related to the employees?

	Employee gross salary (Rs.)	Total expenditure related to employees
1)	83,000	101,000
2)	101,000	83,000

3)	102,000	83,000
4)	120,000	138,000
5)	138,000	120,000

25. Namal pays the two employees of his production company on an output basis. Information related to X and Y employees are given below.

- 50 units to be produced by an employee in 8 hours.
- Payment per unit is Rs. 20.
- Payment for a unit exceeding the production target is Rs. 25.
- X produced 60 units in 8 hours.
- Y produced 48 units in 8 hours.

The cost of salary paid to the two employees of the company for 8 hours,

- | | | |
|--------------|--------------|--------------|
| 1) Rs. 2,160 | 2) Rs. 2,200 | 3) Rs. 2,210 |
| 4) Rs. 2,460 | 5) Rs. 2,500 | |

26. The functions of cost collection, distribution and control are called as,

- 1) Financial accounting
- 2) Keeping control accounts
- 3) Cost accounting
- 4) Project appraisal
- 5) Analysis of cash flows

27. Following information are extracted from a project.

- Total total capital of the company is Rs. 1,000,000 and equity ratio is 80%.
- Total sale of the company is Rs. 400,000 and the net profit ratio is 40%.
- Interest expenses of the company is Rs. 10,000 and dividends for the year is Rs. 40,000.

The return on equity ratio of the company is,

- | | | |
|--------|--------|--------|
| 1) 15% | 2) 20% | 3) 25% |
| 4) 30% | 5) 28% | |

28. A company provides the following information regarding a raw material used within a week. Every Sunday is a corporate holiday.

	Maximum	Minimum
Units consumed (per day)	300	100
Lead time (weeks)	6	2

What is the Minimum stock level of this raw material?

- | | | |
|----------------|----------------|----------------|
| 1) 1,000 units | 2) 1,600 units | 3) 1,200 units |
| 4) 6,000 units | 5) 9,600 units | |

29. The following information is provided on the item X.

		Rs.
Unit selling price		50
Unit variable cost	- Labour	10
	- Material	10
	- Other	5
Total fixed cost		10,000

	Unit contribution (Rs.)	Breakeven (units)	Profit/Volume ratio
1)	25	500	20%
2)	15	400	30%
3)	25	300	40%
4)	20	400	50%
5)	25	400	50%

30. Below information is given related to a product.

Fixed overhead cost	Rs. 400,000
Margin of safety	Rs. 200,000
Contribution sales ratio	60%

What is the total contribution related to the product?

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 200,000 | 2) Rs. 240,000 | 3) Rs. 360,000 |
| 4) Rs. 520,000 | 5) Rs. 600,000 | |

31. The profit calculated on the accrual basis of the Araliya business was Rs. 300,000. No prepayments or revenue received in advance. The accrued expenses at the end of the year were Rs. 2,000 greater than the opening balance and the receivable income due at the end of the year were Rs. 6,500 less than the opening balance. What is the profit of the business under cash basis?

.....

32. As at 31.03.2023, Maruti PLC showed a favorable bank balance of Rs. 18,000. But in the bank statement, it showed a favorable balance of Rs. 15,000. The reasons for the difference are as follows.

Issued but not presented cheques for payments	8,000
Direct Inward Remmitances	2,000
Deposited but unrealized cheques	6,000
Bank cahrges	?

If only 1/2 of the bank charges are recorded in the cash book, what is the bank balance to be recorded in the statement of financial position as at 31.03.2023?

.....

33. Identify two instances where stock can be identified as an expense according to the standard LKAS 02 (Inventory).

- I.
- II.

34. What will be the impact on the profit for the year ended 31.03.2023 if a revenue expenditure of Rs. 100,000 incurred on 01.10.2022 is recorded as a capital expenditure and also if the asset is depreciated at a rate of 10%?

.....

35. Indicate whether the trail balance of a business "change" or "does not change" due to the following errors.

- A. Omission of a sales invoice of Rs. 40,000 from books
 B. Bank overdraft of Rs. 15,000 is taken to the trial balance as a favourable balance
 C. Rs. 4,000 of discount allowed has been credited to the discount received account
 D. Bad debts written-off Rs. 30,000 has been recorded in the control account but not recorded in the relevant debtor account.

36. The opening stock and the closing stock of a business were overstated by Rs. 23,000 and Rs. 28,000 respectively. If this error is not corrected, what will be the impact on this year's profit and next year's profit?

.....

37. Indicate the impact on equity and assets by the following transactions that take place in a company. (Whether "Increase" or "Decrease" or "does not change")

Transaction	Equity	Assets
A. A right issue
B. Capitalizing retained earnings
C. Payment of Interim dividends
D. Revaluation of a land from Rs. 2,000,000 to Rs. 3,000,000.

38. On 01.01.2023, ABC Company entered into agreement with XYZ Company to sell a motor vehicle & provide one year service for Rs. 20 million. The normal selling price of this car is Rs. 18 million and if the service is done separately for the year, it will charge Rs. 2 million. On the commencing day of the agreement, XYZ paid the full contract price of Rs. 20 million to ABC and the car was delivered to XYZ on the same day. The journal entry required to record this transaction for the year ending 31.03.2023 is,

.....

39. Mahima PLC buys chemical “Z” for retail sale. Below are the purchases and sales made during the quarter ended March 31.

Purchases	February 01	1,000 liters for Rs. 50 per liter
	March 01	1,000 liters for Rs. 60 per liter
Sales	March 30	Issued 1,500 liters to selling purposes

Complete the table below considering that one liter of chemical is sold for Rs. 70.

Pricing method	Closing stock Rs.	Cost of sales Rs.	Sales Rs.	Gross profit
First In First Out (FIFO)
Weighted Average Cost (WAC)

40. Mention the most relevant accounting concept that has been violated in each case below.

Accounting concept

- A. Demonstrating the lease liability for the next four years under the current liabilities in the Statement of Financial Position.
- B. Not mentioning the name of the business in top of the Income Statement.
- C. Pre-paid insurance expenses has been recorded as an expense.
- D. Sales income is recognized when the cash is received from goods sold on credit.

41. Part of the stock in the Asiri business as at 31.03.2023 was destroyed due to floods. The cost of the stock saved on that day was Rs. 80,000. The following information is relevant for the year ending 31.03.2023 in Asiri business.

Stock as at 31.03.2022	Rs. 180,000
Purchases	Rs. 900,000
Sales	Cash Rs. 500,000
	Credit Rs. 700,000

The business keeps a gross profit margin of 25% on costs. What is the cost of the stock destroyed due to flood?

.....

42. State the reason why the goods sent on the basis of sale or return is not recognized as income at the time of their issue.

.....

43. The accounting period of a limited liability company ends on 31.03.2023 and the approved date of financial statements is on 30.05.2023. Categorize the following events that occurred between those two days as adjusting events or non-adjusting events by marking a "✓".

	Matching events	Non-matching events
A. Declaration of final dividends to ordinary shareholders.
B. Giving judgment of a case where a provision for compensation has been allocated.
C. Market Price reduction of investments.
D. Bankruptcy of a debtor who had a balance as at the end date of the period.

44. An extract of the Financial Position Statement as at 31.03.2023 of Tharindu PLC is given below.

Financial Position Statement

	Rs.	Rs
Stated capital		
Ordinary shares (20,000)	-	600,000
Reserves		
General reserve	40,000	
Retained profits	30,000	
		70,000
Total equity		670,000

On 31.03.2023, a bonus share issue of 1,000 shares was issued for Rs. 50 each by utilizing the maximum of retained earnings to the existing ordinary shareholders.

Write the journal entries needed to capitalize the reserves.

.....

.....

.....

45. As at 01.01.2023, the cost of machinery equipment in a business is Rs. 1,200,000 and the amount of the accumulated depreciation account on that day was Rs. 400,000. On 01.10.2023, this machine was revalued for Rs. 900,000. Rs. 30,000 of the deficit created due to the revaluation of this machine had been charged to the income statement last year. The annual depreciation rate is 10% per annum (based on cost). The remaining useful lifetime after the revaluation on 01.10.2023 is 10 years.

- I. What is the amount transferred to the revaluation reserve account?.....
- II. What is the amount of machine depreciation for the year ended 31.12.2023 ?.....

46. The following information is relevant to a product of Masha PLC and has been presented for the year ended 31.03.2023.

- Opening stock Rs. 90,000

- Purchases during the year Rs. 270,000
- Closing stock Rs. 110,000

Considering the above details, (Assume 360 days per year)

- I. Calculate the Inventory Turnover Ratio
- II. Stock holding period

47. Following information are related to two companies for the year ended 31.03.2023.

	Company A	Company B
Debt ratio	0.4	0.8
Return on equity	30%	20%
Current ratio	1.5:1	2:1
Earnings per share (Rs.)	30	25

Answer the following questions in relevant to the above data.

- I. Company with the highest earning per share
- II. Company which has less capability to settle the short term liabilities
- III. Company which have invested more debt capital to acquire assets
- IV. Company which make a higher return to shareholders

48. Mention four assumptions when calculating Economic Order Quantity.

- I.
- II.
- III.
- IV.

49. Budgeted overhead cost of the Maintenance department of a manufacturing company is Rs. 60,000 and it should be apportioned on the basis of labor hours. Below are the information related to Production department 1 and 2.

Production Department	Budgeted labour hours	Actual labour hours
1	200	220
2	400	300

What is the overhead cost apportioned for the production department 1 from the maintenance department?

.....

50. Profit for the year is Rs. 200,000. Variable cost per unit is 60% from selling price. Margin of safety is 25% from total sales.

1. Breakeven (Rupees)?
2. Sales value needed to earn a profit of Rs. 300,000?

Suggested Answers – I Paper

(1) 2	(11) 3	(21) 1
(2) 5	(12) 1	(22) 3
(3) 4	(13) 2	(23) 2
(4) 4	(14) 1	(24) 4
(5) 2	(15) 2	(25) 3
(6) 2	(16) 1	(26) 3
(7) 1	(17) 3	(27) 2
(8) 5	(18) 5	(28) 4
(9) 5	(19) 2	(29) 5
(10) 4	(20) 1	(30) 4

(31) Profit on cash basis is Rs. 308,500

(32) Rs. 13,000

(33) When NRV is less compared to the cost, expenses incurred due to stock damages, expire, destroys/ When the stocks are sold identifying the cost of sales as an expense.

(34) Increase in the profit of 20/2021 year by Rs. 95,000

(35) 1. No change. 2. Change. 3. Change. 4. No change.

(36) overstate the current year profit by Rs. 5,000 and understate the next year profit by Rs. 28,000.

(37)

Trans	Equity	Assets
A	Increase	Increase
B	No change	No change
C	Decrease	Decrease
D	Increase	Increase

(38) Cash Dr Rs. 20Mn

Sales Cr Rs. 18.5Mn

Income received in advance Cr Rs. 1.5Mn

(39)

Pricing method	Closing stock Rs.	Cost of sales Rs.	Sales Rs.	Gross profit
FIFO	30,000	80,000	105,000	25,000
WAC	27,500	82,500	105,000	22,500

(40) A – Going concern B- Entity C- Matching D - Realizable

(41) Rs. 40,000

(42) When the goods are transferred, they are not realized at that time (Realizable concept)

	Adjusting	Non-Adjusting
A.		✓
B.	✓	
C.		✓
D.	✓	

(44) Retained earnings Dr Rs. 30,000
General Reserve Dr Rs. 20,000
Share capital Cr Rs. 50,000

(45)

- I. 160,000
- II. 112,500

(46)

- I. 2.5 times
- II. 144 days

(47)

- 1. A
- 2. A
- 3. B
- 4. A

(48)

- 1. Demand for the year is known
- 2. Price remains unchanged
- 3. No lead time
- 4. No discounts when purchasing

(49) Rs. 22,000

(50)

- 1. Rs. 1,500,000
- 2. Rs. 2,250,000



01.

Virajini PLC
Profit and loss and other comprehensive statement
For the year ended 31.03.2021(Rs.000)

Sales	6,000
Cost of sales	(3,260)
Gross profit	2,740
Other income	84
Factory and Administration	(988.5)
Sales and distribution	(215)
Finance expenses	(117.5)
Other expenses	(100)
Profit before expenses	1,403
Income tax	(566.5)
Profit after tax	836.5
Other comprehensive income	
Revaluation gain	170
Total comprehensive income	1,006.5

Virajini PLC
Statement of changes in equity
For the year ended 31.03.2021 (Rs.000)

	Ordinary shares	Preference shares	Revaluation reserve	General reserve	Retained earnings
B/F	5,000			500	300
Previous year errors					360
B/F	5,000	-	-	500	660
Building revaluation			170		
Transfers to general reserve				100	(100)
Profit for the year					836.5
Dividend – Ordinary shares					(200)
	5,000		170	600	1,196.5

Virajini PLC
Financial position statement as at 31.02.2021 (Rs.000)

Non-current assets		
PPE	1,710	
Assets that have ownership to use	937.5	
10% Investments	560	3,207.5
Current assets		
Closing stock	990	
Debtors	2,043	
Receivable investment income	59	
Prepaid expenses	57.5	
Bank and Cash	3,732.5	6,882
		10,089.5
Equity and Liabilities		
Ordinary shares	5,000	
General reserve	600	
Revaluation reserve	170	
Retained profits	1,196.5	6,966.5
Non-current liabilities		
Lease creditor	430	
20% Debentures	1,000	1,430
Current liabilities		
Liability related to lease asset	250	
Lease creditor - Current	170	
Lease loan interest	17.5	
Payable EPF	75	
Payable ETF	9	
Trade payables	800	
Payable debenture interest	25	
Payable income tax	346.5	1,693
		10,089.5

Note 01	
Opening stock	400,000
purchases	4,000,000
	(100,000)
Closing stock	(1,040,000)
	<u>3,260,000</u>

Note 02	
Cost	1,000,000
Depreciation	(62,500)
	<u>937,500</u>

Note 03

	ඉඩම්	ගොඩනැගිලි	මෝටර් රථ	ලී බඩු
B/F	1,000	500	800	120
Motor vehicle-omitted			400	
Motor vehicle disposals			(437.5)	
Revaluation		170		
	1,000	670	762.5	120
Depreciation		200	420	20
MV dep-omitted			40	
MV disposals			(87.5)	
Annual depreciation		134	98	18
		334	470.5	38
	1,000	336	292	82

02. A)

Cost	Cost basis	Total cost	Production dep P	Production dep Q	Stores
Equipment dep	Book value	12,000	6,000	4,000	2,000
Building rent	Floor area	10,000	3,000	4,000	3,000
Canteen	No. of employees	9,000	4,000	3,000	2,000
Rates	Area	1,000	300	400	300
Quality costs	quality tests	5,000	2,000	3,000	-
AC	Area	7,800	2,340	3,120	2,340
Employee insurance	No. of employees	18,000	8,000	6,000	4,000
Electricity charges	Light bulbs	2,000	6,000	8,000	6,000
Power	Machine capacity	5,000	3,000	2,000	-

Manager's salary	No. of employees	27,000	12,000	9,000	6,000
			15,384	10,256	(25,640)
			62,024	52,776	

B). 1

Name	Basic salary	Additions			Deductions		Net salary	Employee	
		OT	Attendance Bonus	Gross salary	EPF	Advances		EPF	ETF
Nimshi	40,000	21,000	5,000	66,000	3,200	16,000	46,800	4,800	1,200
Nishini	40,000	22,000	5,000	67,000	3,200	12,000	51,800	4,800	1,200
Sithumi	40,000	15,000	-	55,000	3,200	13,000	38,800	4,800	1,200

2. Salary expenses = 206,000

Gross salary = 188,000

EPF Expenses = 14,400

ETF Expenses = 3,600

206,000

3. Payable EPF account

Cash	24,000	B/F	24,000
		Employer	14,400
		Employee	9,600
B/C/D	24,000		
	<u>48,000</u>		<u>48,000</u>

Payable ETF account

Cash	3,600	B/F	3,600
		Employer	3,600
C/D	3,600		
	<u>7,200</u>		<u>7,200</u>

Debtor control

Payable salary	137,000	Gross salary	188,000
Payable EPF	9,600		
Advances	41,000		
	<u>188,000</u>		<u>188,000</u>

Payable salary account

Cash	145,500	B/F	145,500
		Salary	137,400
C/D	<u>137,400</u>		
	<u>282,900</u>		<u>282,900</u>

03. A).

1.

	offi equ.	+	Stock	+	Receivables	+	Bank	=	Payable (VAT)	+	Other payables	+	Equity
	250	+	50	+	30	+	80		10	+	20	+	380
1						+	105		5			+	100
2		+	20							+	20		
3		+	(10)								(10)		
4					(10)	+	9						(1)
5	50 (1) (8)	+					(50)						(1) (8)
6													4 (4)
7					21				1				20
8							(18)				(20)	+	2
9						+	1					+	1
10							(1)					+	(3)
	292	+	60	+	41	+	126		16	+	10	+	493

2. Gross profit = (End equity – Opening equity) + drawings – Additional capital
 = (492,000 – 380,000) - 2,000
 = 112,000 – 2,000
 Gross profit = 110,000

B).

1.

Debtors control account			
B/B/F	80,000	MV disposals	40,000
Sales	4,500	Returns inwards	2,500
Dishoured cheques-bank	3,000	Bad debts	8,000
Cancelled discount	<u>1,000</u>	B/C/D	<u>38,000</u>
88,500	<u>88,500</u>		<u>88,500</u>

2.

Debtor reconciliation statement

Adjusted debtor control balance		38,000
+ Mistaken credit balance	500	
Cash received from piyumi	1,800	
Return inwards	2,500	
Bad debts	8,000	12,800
(-) Mistaken debit balance	5,000	
Sales for kasuni	4,500	(9,500)
Total of debtors list		41,300

04.

A).

Profit correction statement

Calculated profit		715
+ Goods drawings	60	
- loan interest	-5	
Corrected profit		770

Profit / Loss division statement

Profit		770
Capital interest - S	100	
W	80	
	50	(230)
		540
Salaries - M	175	(175)
		365
Profit shares - S	182.5	
W	121.6	
M	60.9	(365)
		-

Current accounts

	S	W	M		S	W	M
Drawings	200	220	140	B/F	500	300	
Drawings	20	20	20	Capital interest	100	80	50
				Salary			175
				Profit shares	182.5	121.6	60.9
C/D	562.5		125.9				
	782.5	261.6	285.9		782.5	501.6	285.9

Capital accounts

	S	W	M		S	W	M
Goodwill			50	B/F	1,000	800	
				Capital interest			550
				Goodwill	25	25	
C/D	1,025	825	500				
	1,025	825	550		1,025	285	550

B).

Accumulated fund account

	Debit	Credit
Cash	7,000	
Receivable interest	200	
Receivable membership fee	1,000	
Non-current assets	72,900	
Investment	20,000	
Accumulated fund		101,100
	101,100	101,100

Income and Expense Account

Postal expenses	1,800	Interest income	800
Surplus/Deficit	6,300	Membership fee	8,400
Telephone expenses	1,000	Registration fee	1,600
Depreciation	9,600	Other donations	7,200
Salary	5,000	Deficit	9,200
Stationary	1,400		
Other expenses	2,100		
		Deficit	9,200
	27,200		27,200

Balance sheet

Accumulated fund	101,100	<u>Non-current Assets</u>	
Surplus/Deficit	(9,200)	PPE	63,300
		Investment	20,000
<u>Non-current liabilities</u>		<u>Current Assets</u>	
		Telephone expenses	1,500
<u>Current- liabilities</u>		Receivable membership fee	1,800
Payable postage	500	Cash	18,300
Rent and rates	1,700		
	104,900		104,900

05. A)

Bowaththa PLC

Cash flow statement for the year ended 31.03.2021 (Rs.000)

Cash flow from operating activities		
Profit before tax		6,000
Matchings		

Depreciation	1,250	
Loan expenses	600	1,850
Profit after matchings		7,850
Working capital changes		
Increase in stocks	(880)	
Decrease in debtors	1,000	
Increase in creditors	500	620
Cash flow from operating activities		8,470
Paid interest	(200)	
Paid Tax	(1,400)	(1,600)
Net cash flow from operating activities		6,870
Investment Activities		
Motor vehicle purchase	(8250)	
Net cash flow from investment activities		(8,250)
Financing Activities		
Share issue	4,800	
Dividends paid	(1,800)	3,000
Net cash flow from financing activities		
Net increase in cash and cash equivalents		1,620
Cash and cash equivalents as at 01.04.2020	2,200	
Bank OD	(1,400)	800
Cash and cash equivalents as at 31.03.2021		
Cash and cash equivalents	5,020	
Bank OD	(2,600)	2,420

B).

Cash book before adjustments

B/F	32,000	Issued cheques	143,000
Deposited cheques	193,000	C/D	82,000
	<u>225,000</u>		<u>225,000</u>

Adjusted cash book

B/F	82,000	Bank charges	3,000
Remmitances	12,000	Standing orders	10,000

Interest	8,000	C/D	89,000
	102,000		102,000

Bank Reconciliation statement

Balance as per adjusted cash book + Unpresented cheques for payments	16,000	89,000
- Deposited but not realized cheques	(23,000)	(7,000)
Balance as per bank statement		82,000

06. A).

1.

Description	Year				
	0	1	2	3	4
Expected increase in sales		600,000	750,000	700,000	800,000
New machine	(500,000)				
Operating expenses (Excluding depreciation)		(375,000)	(275,000)	(425,000)	(550,000)
WC at the end of the project	(130,000)				130,000
Net cash flow	630,000	225,000	475,000	275,000	380,000
Net present value	(630,000)	195,750	361,000	181,500	216,600

2. NPV - 324,853

Good to invest because the NPV is a positive value.

B).

1.

$$\text{Stock turnover ratio} = \frac{\text{Cost of sales}}{\text{Average stock}}$$

$$8 = \frac{3,200,000}{400,000}$$

$$\text{Sales} = \frac{3,200,000}{80\%}$$

$$\underline{\underline{\text{Rs.4,000,000}}}$$

02.

Total assets as at 31.03.2021,

$$\text{Asset turnover ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$0.5 = \frac{4,000,000}{\text{Total assets}}$$

$$\underline{\underline{\text{Rs. 400,000,000}}}$$

03.

Return on equity ratio

$$\text{Return on equity ratio} = \frac{\text{Net profit} \times 100}{\text{Equity}}$$

$$= \frac{400,000 \times 100}{3,600,000}$$

$$= 11.11\%$$

04.

$$\text{Return on equity ratio} = \frac{\text{Equity} \times 100}{\text{Total capital}}$$

$$= \frac{3,600,000 \times 100}{8,000,000}$$

$$= 45\%$$

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