

QUESTION BANK

YOUR E-LEARNING PARTNER

G.C.E. A/L

Accounting

Monthly Education Magazine

WWW.QUESTIONBANK.LK - YOUR E-LEARNING PARTNER

WWW.QUESTIONBANK.LK - YOUR E-LEARNING PARTNER

Special Revision Kit

- ✓ Financial Statement Preparation
- ✓ Cash Flow Statement
- ✓ Suggested Answers - 01
- ✓ Suggested Answer - 02

Issue No-31
April 2024

This Magazine is sent to
School Accounting Teachers
on 15th of Every Month via Post
And Students can download
The E-Magazine (PDF)
From Below
Website

To Download
the E-Magazine
Visit Here



WWW.QUESTIONBANK.LK

FREE DISTRIBUTION
ONLY

නොමිලේ බෙදාහැරීම
සඳහා පමණි

QUESTION BANK
YOUR E-LEARNING PARTNER



QUESTION BANK

YOUR E-LEARNING PARTNER



Why ACCA for the students?

- | Globally recognized Chartered Accounting qualification**
- | Work in any aspect of finance or management in any business**
- | Get BSc (Hons) degree in Applied Accounting in just 1 ½ years**
- | Get MSc in Professional Accountancy awarded by University of London**
- | More than 80 international accountancy body partnerships**
- | Better employment prospects**

G.C.E A/L Examination

33 - ACCOUNTING

New Syllabus

To build knowledgeable future generation, this social project is done by **questionbank.lk** and **Achievers Lanka Business School** together. E - Version of this magazine can be downloaded at

www.questionbank.lk/CSR

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

QUESTION BANK

YOUR E - LEARNING PARTNER



Publication & Rights

Questionbank.lk (Pvt) Ltd

No - 11

Mayura Road

Bellanvila

Borelasgamuwa

T: P – 077 3125364

Email – Questionbank.lk@gmail.com

Supervision

Dhanushka Maduranga

ACA, BSc. Accounting (Sp) J'pura

Namal Dayarathne

BSc. Administration (Sp) J'pura

Dimuthu Madusanka

CBA, BSc. Accounting (Sp) J'pura

Ashan Chandimal

BSc. Accounting (Sp) J'pura

Lahiru Bandara

BSc. Finance (Sp) J'pura

Designed & Created By

Gayana Rukantha

Dip in Graphic Design

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.



www.questionbank.lk/CSR

If you want to clarify any subject matter or complex subject matter in this magazine do not hesitate to contact us through Whatsapp or send a text message to below Facebook page

Facebook – Questionbank.lk

Whatsapp - 077 3125674

Preparation of Company Accounts & Cash Flow Statements

- (1) As at 01.04.2023, balances of the issued ordinary shares were 400,000 and the stated ordinary share capital account was Rs. 10,000,000 of Enrich Business School. 1 out of every 4 ordinary shares held on 01.10.2023 was capitalized at Rs. 25 each. Further, a rights issue of Rs. 20 each was made for 1 out of 5 shares held as at 31.03.2024. All rights are subscribed by the shareholders.

What is the increase or decrease of the company's equity as at 31.03.2024 due to these transactions?

- | | |
|--------------------------------|-------------------------------|
| 1) Increase by Rs.. 2 ,000,000 | 2) Decrease by Rs. 2 ,000,000 |
| 3) Increase by Rs. 2 ,500,000 | 4) Increase by Rs.4 ,500,000 |
| 5) Decrease by Rs. 4 ,500,000 | |

- (2) The value of income tax paid to the Inland Revenue Department on the basis of self-assessment for the first three quarters for the year ended 31.03.2024 by ACCA PLC was Rs. 400,000. Tax liability for the last quarter of the financial year 31.03.2024 was estimated as Rs. 200,000. Under provision of tax for the year ending 31.03.2023 was Rs. 50,000. The income tax expenditure relevant for the year ended 31.03.2024 is,

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 600,000 | 2) Rs. 200,000 | 3) Rs. 650,000 |
| 4) Rs. 500,000 | 5) Rs. 400,000 | |

- (3) What is the correct statement(s) out of the below according to the Company Act No 07 of 2007?

- A. Private Limited Companies raise capital by issuing shares to the general public.
- B. Public Limited Companies issue shares to the general public through the Colombo Stock Exchange.
- C. The maximum number of possible shareholders in a Public Limited Companies is 50.

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

- (4) The correct statement/(s) from the following relating to the right share issue is,

- A. In a right issue, the shares can only be purchased by the existing shareholders or another party at their (Existing Shareholders) discretion.

- B. No cash payment is required to purchase shares in a right issue.
 C. In a right issue, stated ordinary share capital of a company does not change.

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

(5) Issuance of bonus shares using retained profits by a limited public company,

- 1) Increase stated ordinary share capital.
 2) Decrease stated ordinary share capital.
 3) There will be a cash inflow in the cash flow statement under financing activities.
 4) Cash and cash equivalents increase even though stated ordinary share capital does not change.
 5) Stated ordinary share capital does not change.

(6) What would be the effect on the value of the company's assets and equity if all rights were subscribed by existing shareholders in a right issue?

Assets	Equity
1) Increase	Increase
2) Decrease	Decrease
3) Decrease	Increase
4) Increase	Decrease
5) Not change	Not change

(7) Which of the following transactions and events in a company does not affect the equity?

- A.** A right issue
B. Capitalizing reserves
C. Disposal of MV to its carrying value
D. Make a provision for annual income tax

- 1) A and B only 2) A and C only 3) A and D only
 4) B and C only 5) B and D only

(8) Following information are relevant for the Enrich Business School for the year ended 31.03.2024.

	Rs. 000
01.04.2023 retained earnings	1,000
Total comprehensive income	800
Profit from first time land revaulation	200
Capitalizing reserves	300
31.03.2024 retained earnings	1,200

Retained earnings are used for reserve capitalization and the stated capital is only consisted of ordinary shares. What is the value of interim dividends for the year ended 31.03.2024?

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 50,000 | 2) Rs. 100,000 | 3) Rs. 150,000 |
| 4) Rs. 200,000 | 5) Rs. 250,000 | |

(9) Total comprehensive income of ACCA PLC for the year ended 31.03.2024 was Rs. 600,000. It was revealed later that the following errors have been made when calculating it.

- A stock of Rs. 20,000 has been missed when calculating the closing stock.
- Rs. 40,000 of interest income has been recorded as an interest expense.
- Rs. 100,000 of revaluation loss generated from second time revaluation of land has not been recorded. Rs. 50,000 of revaluation profit has been generated from first time land revaluation.
- Bad debt of Rs. 30,000 written off last year has been received this year and it has been credited to the debtors control account and debited to the cash book.

The correct total comprehensive income after correcting the above errors,

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 600,000 | 2) Rs. 610,000 | 3) Rs. 620,000 |
| 4) Rs. 630,000 | 5) Rs. 660,000 | |

(10) The following information was extracted from the financial position statement of Enrich Business School as at 01.04.2023.

Ordinary share capital	2,500,000
Revaluation reserve	150,000
Retained earnings	250,000

- During the year 2023/2024, 10,000 of shares were issued for Rs. 50 each and has collected cash at once.
- Profit for the period ended 31.03.2024 was Rs. 180,000.
- Rs. 60,000 should be transferred to the general reserve.
- Rs. 100,000 of reserves has been decided to be capitalized.
- A right issue of Rs. 120,000 has been made and all rights were subscribed.
- A loss of Rs. 90,000 has occurred from first time revaluation of land.

The total equity of the business after recording the above transactions,

- | | | |
|------------------|------------------|------------------|
| 1) Rs. 3,770,000 | 2) Rs. 3,610,000 | 3) Rs. 3,400,000 |
| 4) Rs. 3,710,000 | 5) Rs. 5,700,000 | |

(11) As at 01.04.2023, ACCA PLC had an ordinary share outstanding of 100,000 and Rs. 2,000,000 of stated ordinary share capital. The company capitalized its retained earnings by issuing shares for Rs. 20 each of 1 share for every 5 shares held as at 01.07.2023. Further, on 01.01.2024 a right issue was made for 1 share for every 6 shares at Rs. 15 each as at that date. 75% of the shareholders subscribed shares at the right issue. What is the amount of increase or decrease in the value of equity due to the above transactions?

- | | |
|----------------------------|----------------------------|
| 1) Increase by Rs. 300,000 | 2) Decrease by Rs. 700,000 |
| 3) Increase by Rs. 700,000 | 4) Increase by Rs. 225,000 |
| 5) Decrease by Rs. 300,000 | |

Use the following information to answer question No 12 and 13.

ACCA PLC which was started on 01.04.2023 had a total equity balance of Rs. 1,000,000. Total income and total expenditure for the year ended 31.03.2024 were Rs. 2,000,000 and Rs. 1,500,000, respectively. Out of the total income identified for the year, the profit obtained from the first time revaluation of the land Rs. 200,000 was also included. An interim dividend paid during the year was Rs. 50,000 and Rs. 100,000 of a right issue was made and collected all the money from it.

(12) Profit for the period and the total comprehensive income for the year 31.03.2024,

	Profit for the year	Total comprehensive income
1)	Rs. 300,000	Rs. 500,000
2)	Rs. 300,000	Rs. 200,000
3)	Rs. 500,000	Rs. 200,000
4)	Rs. 300,000	Rs. 2,000,000
5)	Rs. 500,000	Rs. 300,000

(13) Retained earnings and total equity as at 31.03.2024,

	Retained earnings	Total equity
1)	Rs. 300,000	Rs. 1,000,000
2)	Rs. 250,000	Rs. 1,550,000
3)	Rs. 450,000	Rs. 1,550,000
4)	Rs. 300,000	Rs. 2,000,000
5)	Rs. 250,000	Rs. 1,000,000

(14) If the directors declared a dividend of Rs. 3 for ordinary share holders on 31.03.2024, how will that be shown in the financial statements? (No.of ordinary shares issued was 20,000)

- 1) Rs. 60,000 of payable dividends
- 2) Rs. 240,000 of payable dividends
- 3) It has to be revealed as a note to the financial statements
- 4) Should be shown as deduction of the equity
- 5) Should be shown as a dividend payment in the changes in equity statement

(15) Following information was extracted from the trial balance prepared as at 31.03.2024 of ACCA PLC.

Rs. 000

		Dr	Cr
Income tax payments	2023/2024	300	
	2022/2023	285	
Provision for income tax	2022/2023		350

The income tax for the year 2022/2023 has been agreed with the inland revenue department as Rs. 325,000. Income tax for the year ended 31.03.2024 has been estimated as Rs. 350,000.

According to the above information, what is the correct values to be included in the financial statements for the year ended 31.03.2024?

Income tax expense	Income tax liability
1) Rs. 325,000	Rs. 50,000
2) Rs. 325,000	Rs. 40,000
3) Rs. 325,000	Rs. 90,000
4) Rs. 350,000	Rs. 65,000
5) Rs. 350,000	Rs. 90,000

(16) Out of the below transactions what is the transaction/(s) that affects to reduce the equity of a limited liability company?

- A. Company selling purchased shares of other companies
- B. Has made a right issue and all the shareholders purchased the shares
- C. Capitalizing reserves
- D. Gaining a loss from first time revaluation of land

- 1) A only
- 2) B only
- 3) C only
- 4) D only
- 5) A and D only

(17) Following details are the income tax details for the year 2023/24 of ACCA PLC extracted from the trial balance.

- provision for income tax for the year 2022/2023 Rs. 21,600 (Cr)
- Income tax paid during the year 2023/2024 Rs. 32,000 (Dr)
- The income tax liability of Rs. 20,000 for the year 2022/2023 was totally paid in the year 2023
- Statement of Financial position shows a balance of Rs. 24,000 as income tax payable for the year 2023/2024

The amount to be shown in the financial position statement for the year ended 31.03.2024 is,

- 1) Rs. 56,000
- 2) Rs. 35,000
- 3) Rs. 34,400
- 4) Rs. 36,600
- 5) Rs. 32,000

(18) Following information are relevant for the share issue of Enrich Business School.

No.of shares allocated	4,000,000
Issue price per share	Rs. 20
No.of shares rejected	400,000
No.of shares allotted (cash for the surplus shares has been sent back)	2,000,000
share issue expense	Rs. 1,000,000

What is the net effect from the above share issue for the net assets of the company?

- 1) Rs. 19 Mn 2) Rs. 20 Mn 3) Rs. 21 Mn
4) Rs. 35 Mn 5) Rs. 39 Mn

(19) Trail balance of ACCA PLC as at 31.03.2024 is given below.

	Rs. 000	Rs. 000
Sales		20,000
Purchahses	12,500	
PPE – carrying value as at 01.04.2023	2,860	
Right to use assets – carrying value as at 01.04.2023	800	
Opening stock	450	
Lease Liability		640
Debtors and creditors	1,800	960
Income tax paid - 2023/24	420	
2022/23	380	
Provision for income tax as at 01.04.2023		500
Discount allowed	160	
Other distribution expenses	870	
Impairment loss on trade receivables	20	
Allowance for expected losses on trade receivables – 01.04.2023		80
Administration expenses	2150	
Warranty expenses	120	
Provision for warranty certificates		180
Other expenses	80	
Ordinary share capital – (100,000 shares)		3000
Retained earnings		380
General reserve		120
EPF expense	270	
ETF expense	54	
Fixed deposit 10%	4,000	
Fixed deposit interests received		80

Cash and cash equivalents		994
	26,934	26,934

Additional Information

I. Summary of the closing stock of the company as at 31.03.2024 were as follows.

Item	Marked price	Trade discount received	Expected sales expenses	Expected selling price
A.	25,000	3,000	3,000	23,000
B.	28,000	4,500	1,800	24,300
C.	85,000	8,000	1,900	80,000
D.	98,000	4,200	1,500	86,100

Company measure the inventory using the Item method.

II. Summary of the PPE and right to use assets of the company as at 01.04.2023 is as follows.

Item	Carrying value	Acc: dep	Expected total useful lifetime	Residual value
Land	1,200,000	-	-	-
Building -01	800,000	400,000	12	-
Building-02	400,000	800,000	10	200,000
MV -01	300,000	1,000,000	6	100,000
MV - 02	800,000	-	6	200,000
Furniture	160,000	40,000	4	40,000

- “MV – 02” has been purchased on 01.04.2023.
- Due to the reduction of sales capacity of the company, Building – 02 was sold for Rs. 400,000 on 01.10.2023. Cash received from this sale has been credited to the sales account and no any other record has been kept.
- PPE is depreciated under the straight line method.

III. MV purchased on 01.04.2023 has been purchased under the lease basis and conditions of the lease agreement is as follows.

- 80% of the value of the asset should be financed by the leasing company and 20% by the ACCA Plc.
- The lease should be paid off in equal four annual installments and the value of one installment is Rs. 200,000.
- At the end of the lease, ownership of the asset is transferred to the ACCA Plc.
- Each installment should be paid on 01st of April.
- Lease interest relevant for the lease is as follows.

First year	60,000
Second year	50,000
Third year	30,000
Fourth year	20,000

- This transaction has been correctly recorded on 01.04.2023.

IV. Debtors list balance and debtors control account balance of the company did not match each other as at 31.03.2024. Reasons for the difference are as follows.

- Rs. 150,000 of cash received from a debtor has been credited to the debtors control account.
- Rs. 10,000 of discount allowed has not be recorded in the relevant debtor account (sub ledger).
- Rs. 15,000 of discount allowed has only been recorded in the relevant debtor account. This transaction was totally ommited from the general ledger.
- Discount received of Rs. 10,000 has been recorded as discount allowed.

V. The company should pay 25% as income tax from the net profit.

VI. The company policy is to provide 5% from the year end debtor balance as allowance for expected losses on trade receivables

VII. Company sells goods and services under warranty certificates and Company policy is to provide 5% on sales as provision for warranty certificates.

VIII. The company pays EPF and ETF quartely and EPF and ETF for the final quarter has not been paid or recorded. Net salary per month of employees is Rs. 180,000. EPF contribution of the employer is 15% and the employee is 10% and the employer contribution to the ETF is 3%. (salary remains unchanged during the year).

IX. Directors came to the following decisions on 31.03.2024.

- Transfer Rs. 100,000 to general reserve.
- Pay a bonus allowance for the employees.
- Pay a final dividend of Rs. 10 per share to ordinary shareholdres.

Required,

According to LKAS 01,

1. Profit & Loss and Comprehensive income statement of ACCA PLC for the year ended 31.03.2024.
2. Statement of changes in equity of ACCA PLC for the year ended 31.03.2024.
3. Statement of Financial position of ACCA PLC as at 31.03.2024.
4. Notes to the financial statements

(20) Trail balance of Enrich Business School as at 31.03.2024 is given below.

	Rs. 000	Rs. 000
PPE	9,200	
Stock as at 01.04.2023	1,300	
Trade receivables	1,500	
Trade payables		1,600
Allowance for expected losses on trade receivables as at 01.04.2023		50
Provision for warranty certificates		100
Provision for income tax		150
Tax paid- for year 2022/2023	200	
For year 2023/2024	200	
Stated capital- ordinary shares (100,000 shares)		8,000
Revaluation reserve		100
General reserve		300
Retained earnings		150
Sales		13,000
Purchases	7,200	
Administration expenses	1,900	
Electricity	200	
10% fixed deposits	2,000	
Impairment loss on trade receivable	50	
Cash	260	
Dividends paid – ordinary shares	400	
Sales distribution expenses	400	
Bank OD interest	50	
Stock damages	60	
Fixed deposit interests		150
10% debentures		1,400
Debenture interests	80	
	25,000	25,000

Additional information:-

- I. Company issue a one year warranty certificate for the goods sold as a practice. Rs. 30,000 has been spent to repair goods under warranty certificates for the year 2023/2024. This amount is included in the sales distribution expenses. For the warranty certificates, 2% out of total sales should be provided as at 31.03.2024.
- II. Property, plant & equipment as at 31.03.2024 are as follows.

	Cost Rs.000	Acc dep Rs.000
Land	4,500	

Building	4,000	1,500
Motor vehicle	3,000	2,000
Office equipment	1,700	500
	<hr/> 13,200	<hr/> 4,000

- On 01.04.2023, lands of the company has been estimated for Rs. 5 Mn by the chartered valuer
- A new MV has been purchased for Rs. 500,000 on 01.01.2024 and that has been correctly recorded.

III. Fixed assets are depreciated under the following rates.

- Buildings on cost 5%
- Office equipment 10%
- MV (excluding lease MV) 20%

IV. On 01.04.2023, the company has purchaed a MV of Rs. 2,000,000 under a lease and the present value of the minimum lease installments is equaling to the purchase value. Rs. 500,000 should be paid annually over five years in order to paid off the lease. Annual interest rate is 10% and useful lifetime of the asset is 5 years. Installment paid on 31.03.2024 has been debited to the administration expenses a/c.

V. Cost of the closing stocks of the company is Rs. 600,000 and this is expected to be sold for Rs. 650,000 by spending Rs. 70,000 to repair this stock.

VI. A special provision of Rs. 10,000 should be made from the debtor balance as at 31.03.2024 and from the remaining debtor balance 5% should be provided as allowance for expected losses on trade receivables.

VII. Income tax for the year 2023/2024 is estimated as Rs. 400,000 and the tax liability for the year 2022/2023 has been paid in this year.

VIII. A bonus share issue of 1 for every 10 shares was given to all the shareholders who held shares on 31.03.2024 at Rs. 15 each.

IX. Following expenses were accrued as at 31.03.2024.

- Directors salary Rs. 60,000
- Audit fees Rs. 80,000
-

X. Directors took the following decisions on 31.03.2024.

- Transfer Rs. 100,000 to general reserve.
- Pay a dividend of Rs. 2 per share for ordinary shares.

Required,

1. Profit or loss and other comprehensive income statement for the year ended 31.03.2024

2. Statement of changes in equity for the year ended 31.03.2024
3. Statement Financial position as at 31.03.2024
4. Notes to the financial Statements

(21) Trail balance of ACCA PLC as at 31.03.2024 is as follows.

Trail balance

	Rs. 000	Rs. 000
Sales		13,500
Purchases	6,500	
Right to use assets (carrying value -01.04.2023)		
Land	1,000	
Building	1,800	
MV	1,600	
Furniture	400	
Opening stock	950	
Debtors and creditors	1,100	1,050
Paid income tax 2022/23	180	
2023/24	260	
Provision for income tax 2019/20		200
Allowance for Expected losses on trade receivables - 01.04.2023		110
Provision for warranty certificates 01.04.2023		1,400
Payment for warranty certificates 2023/24	1,100	
Lease Liability		2,800
Ordinary shares (100,000)		1,000
Retained earnings		200
General reserve		400
Share issue A/C		1,500
Salaries and wages	1,200	
Other administration expenses	1,700	
Distrubution expenses	1,800	
Finance expenses	80	
Cash and cash equivalents	2,490	
	22,160	22,160

Additional Information,

- I. Physical closing stock of the company as at 31.03.2024 was Rs. 645,000. A stock worth of Rs. 120,000 which was still on the transitt has been destroyed by an accident on 31.03.2024 and the remainings of those damaged goods were sold to Rs. 25,000 on 02.04.2024.
- II. All the existing fixed assets of the company were purchased under lease basis. Summary of those information are as follows. Ownership of these leased assets are transferred to the company at the end of the lease period.

Item	Date of purchase	Lease percentage on Fair value of the asset	Lease period	Useful lifetime of the asset	Fair value of the asset (date of purchase)
Land	4/1/2021	80%	5	-	1,000,000
Building	4/1/2022	75%	5	10	2,000,000
Motor Vehicle	4/1/2023	50%	4	8	1,600,000
Furniture	4/1/2023	40%	2	5	400,000

Item	value of annual installment	Interest			
		2021/2022	2022/23	2023/24	2024/25
Land	200,000	80,000	60,000	30,000	20,000
Building	400,000	-	200,000	150,000	80,000
MV	250,000	-	-	100,000	50,000
Furniture	100,000	-	-	30,000	10,000

Lease installment of all the items should be paid at the end of each year and no any installments had been paid yet for the year 2023/24. (consider no any residual value for these assets).

- III. Company sells goods under warranty certificates and the company policy is to provide 5% on total sales revenue of the company.
- IV. In order to purchase a new car under a lease basis, the company made a rights issue of 1 to every 5 shares held on 01.04.2023. The market price per share on 01.04.2023 was Rs. 100 and the issue price of the right issue was $\frac{3}{4}$ on the market price. Rs. 800,000 out of the cash received from the right issue was used to purchase the car mentioned in note number two. All the money received related to this right issue was only credited to the share issue A/C. (All the rights were subscribed by the shareholders).
- V. The company should pay 25% on profit as income tax.
- VI. Rs. 500,000 of salary advance paid for the employees for Christmas festival was incorrectly included in the salaries and wages as an expense. This should be re-paid by the employees during the month of April 2024 to the company.
- VII. 10% of year end debtors balance should be provided as allowance for losses from the trade receivables.
- VIII. An employee who was terminated from his job by the company has filled a case against the company asking for a compensation of Rs. 200,000. Final decision of this case was not given by the court until 31.03.2024. According to the lawyers of the company, it is reliably estimated that 50% of the requested compensation will have to be paid by the company.

IX. Directors have presented the following proposals on 31.03.2024.

- To pay a dividend of Rs. 3 per share for ordinary shareholders
- Transfer Rs. 100,000 to general reserve

Required,

According to LKAS 01,

1. Profit & Loss and other Comprehensive income statement of ACCA PLC for the year ended 31.03.2024.
2. Statement of changes in equity of ACCA PLC for the year ended 31.03.2024.
3. Statement of Financial position of ACCA PLC as at 31.03.2024.

(22) Trial balance of Enrich Business School as at 31.03.2024 is as follows.

Trial balance

	Rs. 000	Rs. 000
Sales and purchases	13,000	19,000
PPE (carrying value)	3,700	
Income tax paid -2022/23	300	
2023/24	400	
Provision for income tax-2022/23		350
Impairment of trade receivables	60	
Allowance for expected losses from trade receivables - 01.04.2023		160
EPF expenses	300	
ETF expenses	30	
Payable EPF		160
Payable ETF		10
Interim dividends-ordinary shares	170	
Opening stock 01.04.2023	1,800	
Retained earnings		1,200
ordinary shares-(100,000 shares)		3,000
General reserve		400
Administration expenses	1,200	
Down payment paid-Lease A/C	200	
Distribution expenses	1,100	
Finance expenses	100	
10% debentures		3,000
Debenture interests paid	190	
Debtors and creditors	1,800	900
15% fixed deposit interests	1,000	
Fixed deposit interests received		100
Cash and cash equivalents	2,930	
	28,280	28,280

Additional Information,

I. The physical stock verification conducted on 31.03.2024 identified that there was Rs. 50,000 discrepancy between physical stock and balance of stock ledger. The reason for the discrepancy could not be determined, so it was decided to write off the discrepancy from books of accounts. Stock balance as per the stock ledger as at 31.03.2024 was Rs. 280,000.

II. Property plant and equipment of the company as at 31.03.2024 is as follows.

Item	Carrying value	Acc: Dep	Usefull lifetime	Carrying value
Land	1,000,000	-	-	-
Building	500,000	500,000	10	-
MV	1,200,000	800,000	4	400,000
Computer	1,000,000	500,000	7	100,000

III. On 01.10.2023, the company came into an agreement with a leasing company to purchase a new motor vehicle. Conditions of that agreement is as follows.

- Carrying value of the assets is Rs. 1,000,000.
- 80% of the fair value of the asset should be financed by the leasing company.
- Lease period is 5 years.
- At the end of the lease period, ownership of the asset is transferred to the company.
- Lease installment is Rs. 200,000 and it should be paid on 09/30 each year.
- Interest amounts releted to the lease is as follows,

First year	80,000
Second year	50,000
Third year	40,000
Fourth year	20,000
Fifth year	10,000

- Useful lifetime of MV is 5 years and no residual value. Only the down payment has been recorded in the books of accounts.

IV. Income tax for the year 2023/24 should be 30% from the profit before tax.

V. Company policy is to provide 5% from year end debtor balance as as allowance for expected losses from trade receivables. Furthermore, a debtor who had balance of Rs. 200,000 as at 31.03.2024 has been bankrputed and it was informed by the court on 28.04.2024. Direcotors have given their approval for the financial statements on 08.05.2024.

VI. Rs. 240,000 of building rent was included in the administration expenses and it is relevant for 2 years from 01.04.2023 to 31.03.2025

VII. On 01.01.2024, a team of new employees were recruited for the company and the net salary paid for those employees was Rs. 180,000 (to the entire quarter) and it was included in the administration expenses. EPF/ETF relevant for them was not paid or provisioned. Contributions of EPF and ETF are as follows.

EPF employer - 15%

EPF employee - 10%

ETF employer - 3%

VIII. As at 31.03.2024, the balance of bank statement and the bank account of the business was not equal and the followings are the reasons for the difference.

- Payment of distribution vehicle rent of Rs. 60,000 under a standing order has not been recorded in the company bank account.
- Rs. 200,000 of a cheque deposited in the bank which was received from debtors has been dishonoured and that was not recorded in the bank account.
- Rs. 2,000 and Rs. 19,000 of cheque book charges and bank charges respectively have not been recorded in the bank account.

IX. Directors have come to the following decisions on 31.03.2024.

- To give ordinary share holders a dividend of Rs. 10 per share
- To transfer Rs. 100,000 to the general reserve

Required,

1. Profit & Loss and other Comprehensive income statement of Enrich Business School for the year ended 31.03.2024.
2. Statement of changes in equity of Enrich Business School for the year ended 31.03.2024.
3. Statement of Financial position of Enrich Business School as at 31.03.2024.

23. What is most unlikely to occur with a cash flow?

- | | | |
|------------------------|---------------------------|--------------------|
| 1) Share capital | 2) Profit or loss balance | 3) General reserve |
| 4) Revaluation reserve | 5) Bank loan | |

24. What is the increase or decrease of net cash flow generated from operating activities during the financial year of a business as per the following information?

	Rs.
Profit before tax	120,000
Depreciation	20,000
Increase in trade receivables	60,000
Decrease in accrued wages	40,000
Decrease in pre-paid expenses	50,000

- | | | |
|---------------------------|---------------------------|----------------------------|
| 1) Decrease in Rs. 10,000 | 2) Increase in Rs. 90,000 | 3) Increase in Rs. 140,000 |
|---------------------------|---------------------------|----------------------------|

4) Increase in Rs. 150,000

5) Increase in Rs. 190,000

25. Which of the following cash flow belongs to operating cash flows?

- 1) Purchase a new land to start a new factory
- 2) Disposal of a Motor vehicle which was removed from usage and received Rs. 50,000
- 3) Received Rs. 500,000 of dividend income during the year
- 4) A debtor settled a receivable balance of Rs. 200,000 by paying Rs. 190,000
- 5) Issued Rs. 500,000 worth of debentures in order to build a new factory

26. Following information was extracted from Sara PLC.

	31.03.2023	31.03.2024
PPE – Carrying value	1,000,000	1,200,000
Stock	150,000	100,000
Trade receivables	200,000	269,000
Trade payables	400,000	500,000
Retained earnings	200,000	400,000
General reserves	100,000	750,000

Company has acquired PPE worth of Rs. 300,000 during the year ended 31.03.2024. Sara PLC was completely exempted from income tax.

Using the above information, what is the net cash flow generated from operating activities for the year ended 31.03.2024 according to the standard LKAS 07?

1) Rs. 381,000

2) Rs. 669,000

3) Rs. 19,000

4) Rs. 440,000

5) Rs. 1,031,000

27. Below is some of the information used in preparing the cash flow statement.

A. Profit before tax

B. Cash received from debtors

C. Fixed asset depreciation

D. Increase in creditors balance

E. Cash paid for expenses

F. Cash purchases

The category which included items which are used in the preparation of a cash flow statement under the indirect method.

1) A, B, F

2) A, C, D

3) A, C, E

4) B, D, E

5) B, E, F

28. Euro Lanka PLC earned a profit before tax of Rs. 60,000 after deducting all the expenses including Rs. 4,000 of depreciation for the year ended 31.03.2024. During this period, Current assets increased by Rs. 3,000 and Current liabilities decreased by Rs. 5,000. What is the net cash flow generated from operating activities of the company during the year?

1) Rs. 48,000

2) Rs. 50,000

3) Rs. 52,000

4) Rs. 56,000

5) Rs. 51,000

29. Saranga PLC engages in apparel sales. Summarized cash account of the company for the year ended 31.03.2024 is given below.

Cash A/C (Rs.)			
Balance 01.04.2023	70,000	Creditor payments	720,000
Cash sales	850,000	Rent expenses	40,000
Debtor receipts	550,000	Distribution expenses	180,000
Dividend income	10,000	Administration expenses	270,000
Bank loan	500,000	Purchase of MV	560,000
		Income tax	125,000
		Balance 31.03.2024	85,000
	<u>1,980,000</u>		<u>1,980,000</u>

Net cash flow generated from operating activities for the year ended 31.03.2024 according to the standard LKAS 07 (Cash flow statement).

1) Rs. 65,000

2) Rs. 75,000

3) Rs. 85,000

4) Rs. 115,000

5) Rs. 190,000

30. A company which was started its operation on 01.04.2023, has reported a profit of Rs. 250,000 for the year ended 31.03.2024. Total assets as at 31.03.2024 included followings. There were no any liabilities as at that date.

	Rs.
Equipment (cost Rs. 640,000)	600,000
Stock	200,000
Cash	350,000

What is the net cash flow generated from operating activities for the year ended 31.03.2024?

1) Rs. 10,000

2) Rs. 50,000

3) Rs. 90,000

4) Rs. 250,000

5) Rs. 350,000

31. According to LKAS 07, when preparing a company's cash flow statement, Select the answer that consist items belongs to the cash flows under the financing activities?

1) Share issue, loan repayment, loan interest payment

2) Share issue, income tax payment, dividend payment

3) Initial lease payment, lease loan payment, lease interest payment

4) Lease loan payment, cash received from loan, dividend payment

5) Cash received from loan, dividend payment, dividend received

32. Following information is provided in relation to ACCA company.

	Rs.		Rs.
Profit before tax	1,000,000	Depreciation	200,000
Dividend payment	25,000	Dividends received	20,000

Increase in receivables during the year	105,000	Increase in payables during the year	120,000
Decrease in accrued expenses during the year	75,000	Decrease in stocks during the year	50,000

According to Cash flow standard (LKAS 07), the net cash flow generated from operating activities,

- | | | |
|------------------|------------------|----------------|
| 1) Rs. 1,280,000 | 2) Rs. 1,130,000 | 3) Rs. 785,000 |
| 4) Rs. 1,210,000 | 5) Rs. 1,190,000 | |

33. Following information is provided in relation to the operating activities of Rusiru PLC for the year ended 31.03.2024.

	(Rs. 000)
Net cash flow generated from operating activities	6,000
Interest expenses (accrued interest Rs. 400,000)	600
Income tax expenses (accrued income tax Rs. 200,000)	1,600
Depreciation	1,200
Increase in stock	500
Increase in trade payables	1,000

Profit before income tax according to the above information for the year ended 31.03.2024 is,

- | | | |
|------------------|------------------|------------------|
| 1) Rs. 4,900,000 | 2) Rs. 5,300,000 | 3) Rs. 5,900,000 |
| 4) Rs. 6,400,000 | 5) Rs. 6,500,000 | |

34. Following information was extracted from the book of ACCA company for the year ended 31.03.2024.

	Rs. Mn	
Net profit before tax	12	
Depreciation during the year	2	
Income tax payments	3	
	31.03.2024	31.03.2023
Stock	8	4
Debtors	4	3
Creditors	5	4
Accrued expenses	2	3

Select the net cash flow generated from operating activities?

- | | | |
|--------------|--------------|-------------|
| 1) Rs. 6 Mn | 2) Rs. 8 Mn | 3) Rs. 9 Mn |
| 4) Rs. 10 Mn | 5) Rs. 12 Mn | |

35. Summarized Statement of financial position as at 31.03.2024 and 31.03.2023 of Nayagam PLC is given below.

Description	As at 31.03.2024 (Rs. 000)	As at 31.03.2023 (Rs. 000)
PPE – Revalued amount	312	240
Acc. Depreciation – PPE	(72)	(40)
Stock	184	104
Trade receivables	80	120
Provision for doubtful debts	(32)	(16)
Cash	192	-
Total Assets	664	408
Stated ordinary share capital	280	40
Revaluation reserve	56	16
Retained earnings	32	96
Long term loan	120	-
Trade payables	136	144
Payable wages	40	32
Bank Overdraft	-	80
Total liabilities and equity	664	408

Additional information:

I. Summarized income statement of the company for the year ended 31.03.2024.

Description	(Rs. 000)
Sales	120
Cost of sales	(80)
Commission income (No receivables at the year end)	8
Profit from furniture disposal (Carrying value of it was Rs. 40,000)	16
Doubtful debts	(16)
Depreciation	(40)
Wages	(72)
Profit for the year	64

II. PPE has been revalued during the year. During the year, purchase of PPE was done only on cash basis.

III. During the year, company has made a share issue and has obtained a loan for a period of 3 years on 31.03.2024.

Required,

Cash flow statement for the year ended 31.03.2024 of Nayagam PLC according to the standard LKAS 07.

36. Financial statements of Salgadhu PLC is as follows.

Salgadhu PLC
Statement of Profit and Loss
for the year ended 31.03.2024

(Rs. 000)

Sales (All sales are on credit basis)		8,300
Cost of sales		(4,900)
Gross profit		3,400
Other Income		
Investment income		120
		3,520
Distribution expenses	900	
Administration expenses	1,200	
Finance expenses	100	(2,200)
Profit before tax		1,320
Income tax for the year		(400)
Profit for the period		920

Salgadhu PLC
Statements of Financial position
as at 31.03.2024

	2024 (Rs. 000)	2023 (Rs. 000)
Non current assets		
Land	7,500	6,000
Building cost	8,000	8,000
Building accumulated depreciation	(1,200)	(1,000)
MV cost	4,900	2,500
MV acc depreciation	(1,300)	(750)
Investments	1,000	1,000
Current Assets		
Stock	800	1,100
Debtors	1,200	1,000
Cash	600	400
	21,500	18,250
Stated capital		
Ordinary shares	15,000	12,000
Reserves		
Revaluation reserves	500	-
Retained earnings	2,300	2,000
Non current liabilities		
Long term loan	2,500	3,000
Current liabilities		
Creditors	880	1,030
Payable interets	50	60
Payable income tax	200	100

Accrued expenses	70	60
	21,500	18,250

Additional information

- I. Company revalued its land for the first time on 01.04.2023 and it created a revaluation profit. During the year a land was acquired by the company.
- II. During the year company purchased a Motor vehicle.
- III. Company issued 30,000 ordinary shares on 30.06.2023 at Rs. 100 each.
- IV. The bank loan interest relevant for the year is only the expense included in the finance expenses shown in the income statement.
- V. Company has paid interim dividends during the year.
- VI. All sales and purchases are done on credit basis.

Required,

Cash flow statement for the year ended 31.03.2024 under the indirect method according to the standard LKAS 07.

37. Following information was extracted from the financial statements of Aloka PLC.

	(,000)	
	2024.03.31	2023.03.31
Non current assets		
Property Plant & Equipment (carrying value)	8,500	10,000
Investment	3,000	
Current assets		
Stock	1,500	1,700
Trade receivables	400	400
Receivable investment income	200	-
Cash and cash equivalents	570	500
	14,170	12,600
Stated capital		
Ordinary shares	6,000	4,000
Revaluation reserve	1,000	-
General reserve	1,000	2,000
Retained earnings	3,190	3,500
Non current liabilities		
5% Bank loan	400	500
Current assets		
Trade payables	2,500	2,530
Payable loan interests	20	40
Payable income tax	60	30

	14,170	12,600
--	--------	--------

- I. The following are some of the items extracted from Profit or Loss and other Comprehensive Income Statement for the year ended 31.03.2024.

	(Rs. 000)
Profit from MV disposal	300
Dividends received	370
Dividend payments	150
Loan interests	20
Income tax	40

- II. Company has sold a MV for cash on 01.04.2023 which its cost was Rs. 3,000,000 and accumulated depreciation of Rs. 800,000 . In addition to that a MV was purchased for Rs. 500,000.
 III. Land has been revalued for the first time and revaluation profit was Rs. 1,000,000.
 IV. Rs. 1,000,000 has been capitalized using general reserves.

Required,

Prepare the cash flow statement of Aloka PLC for the year ended 31.03.2024 according to the standard LKAS 07.

38. Sathsara PLC commenced its operation on 01.04.2023 and the financial statements of the first operating year is given below.

**Summarized comprehensive income statement
for the year ended 31.03.2024**

	(Rs. 000)
Sales	6,250
Cost of sales	<u>(2,850)</u>
Gross profit	3,400
Expenses	<u>(2,500)</u>
Profit before tax	900
Income tax for the year	<u>(300)</u>
Profit for the year	<u>600</u>

**Summarized financial position statement
as at 31.03.2024 (Rs. 000)**

PPE – carrying value	6,000
Stock	1,500
Trade receivables (Debtors)	4,000
Cash at bank	<u>1,000</u>
	<u>12,500</u>

Stated ordinary share capital (100,000 share at Rs. 70 each)	7,000
Retained earnings	500
12% Bank laon (Obtained on 01.04.2023 for 5 years)	2,500
Trade payables (creditors)	2,150
payable income tax	200
Payable loan interests	<u>100</u>
	<u>12,500</u>

Additional Information:

- I. All sales and purchases are on credit basis.
- II. PPE has been purchased and depreciated as follows. The depreciation amount is included in the expenses.

Assets	Dep for the year (Rs. '000)	Carrying value as at 31.03.2024 (Rs. '000)
MV	400	3,600
Office equipment	600	2,400
	<u>1,000</u>	<u>6,000</u>

III. Bank loan interests is included in the expenses. But only half of this amount has been paid during the year.

IV. During the year company has paid interim dividends.

Required,

Cash flow statement of Sathsara PLC for the year ended 31.03.2024 according to the standard LKAS 07.

39. Summarized financial statements of QB PLC as at 31.03.2024 and 31.03.2023 is given below.

(Rs. '000)

	2024.03.31	2023.03.31
Non Current assets		
PPE	15,800	14,100
Accumulated depreciation	(1,200)	(800)
	14,600	13,300
Current assets:		
Stock	1,500	1,400
Trade receivables	1,800	2,000
Cash balance	410	510
	18,310	17,210
Equity:		
Stated capital – ordinary shares	9,500	8,000
Revaluation reserve	600	400
General reserve	500	1,000
Retained earnings	3,100	1,200
	13,700	10,600

Non-current liabilities:		
Bank loan	2,400	4,800
Current liabilities:		
Trade payables	1,750	1,600
Payable tax	250	100
Payable finance expenses	210	110
	18,310	17,210

Statement of changes in equity for the year ended 31.03.2024 (Rs. '000)

	Ordinary shares	Revaluation reserve	General reserves	Retained earnings	Total
Balance as at 01.04.2023	8,000	400	1,000	1,200	10,600
Share issue	1,000	-	-	-	1,000
Capitalizing reserves	500	-	(500)	-	-
Total comprehensive income	-	200	-	2,100	2,300
Dividends paid	-	-	-	(200)	(200)
Balance as at 31.03.2024	9,500	600	500	3,100	13,700

Additional Information:

- I. During the year company sold a MV with a cost of Rs. 1,200,000 for Rs. 500,000 and also purchased a new MV. Accounting profit gained by the MV disposal was Rs. 100,000.
- II. Income tax paid during the year was Rs. 125,000 and interest paid was Rs. 50,000.

Required:

Cash flow statement of QB PLC for the year ended 31.03.2024 according to the standard LKAS 07.

40. Following information is relevant for Ravindhu PLC.

- An extract of statement of profit or loss and other comprehensive income for the year ended 31.03.2024:

	Rs. '000
Gross profit	5,600
Profit on PPE disposals	700
Operating expenses	(800)
Depreciation	(1,200)
Finance expenses	(1,300)
Profit before tax	3,000

Income tax	(1,800)
Profit for the year	1,200

- Summarized statement of financial position :

Description	As at 31.03.2024 (Rs. '000)	As at 31.03.2023 (Rs. '000)
Non current assets		
Property Plant & Equipment	37,000	30,000
Accumulated depreciation	(12,000)	(14,900)
	25,000	15,100
Current assets		
Stock	2,000	3,000
Trade receivables	9,000	8,000
Cash balance	2,000	1,900
	38,000	28,000
Equity		
Stated capital - Ordinary shares	18,000	10,000
Retained earnings	2,100	1,800
Non current liabilities		
Bank loan	7,000	8,000
Current liabilities		
Trade payables	6,000	4,000
Payable income tax	4,000	3,000
Payable finance expenses	900	1,200
Total equity and liabilities	38,000	28,000

Additional Information:

- A PPE item purchased for Rs. 9,000,000 was sold on 31.03.2024 for cash. Accumulated depreciation of that asset as at that date was Rs. 4,100,000.
- During the year Rs. 900,000 was paid as dividends.
- Cash received from the share issue during the year was Rs. 8,000,000.

Required:

Cash flow statement of Ravindhu PLC for the year ended 31.03.2024 according to the standard LKAS 07.

41. Following information is provided to you in relation to CCL PLC for the year ended 31.03.2024.

CCL PLC

Statements of Financial position as at 31.03.2024 and 31.03.2023 Rs. (000)

	As at 31.03.2024	As at 01.04.2023
Non current assets		
Land (revalued amount)	2,500	2,000

Building (Cost)	1,200	1,200
Building acc depreciation	(220)	(180)
Office equipment (Cost)	450	300
Office equipment acc depreciation	(85)	(50)
10% Investments (Invested on 01.07.2023)	800	-
Current assets		
Trade receivables	170	280
Stock	160	120
Cash	125	240
Total assets	5,100	3,910
Capital and liabilities		
Ordinary share capital	3,000	2,500
Retained earnings	370	520
Revaluation reserve	600	400
General reserve	330	180
Non current liabilities		
Bank loan (Obtained on 01.04.2023)	500	-
Current liabilities		
Payable loan interest	25	-
Provision for income tax	30	20
Trade payables	210	270
Payable interim dividends	35	20
Total equity and liabilities	5,100	3,910

Additional Information:

- I. Company earned a profit before tax of Rs. 340,000 for the year ended 31.03.2024.
- II. Company declared and agreed to pay a final dividend of Rs. 80,000 for ordinary shareholders and it was correctly recorded in books of accounts.
- III. During the year, company issued Rs. 300,000 of a public share issue and made a bonus share issue by using retained earnings.
- IV. On 15.10.2023, company purchased a new land and the existing lands which company already had was revalued by a professional valuer. No other PPE was revalued during the year except land.
- V. Only half of the bank loan interest payable for the year was paid.

Required:

Cash flow statement for the year ended 31.03.2024 according to the standard LKAS 07.

what is ACCA?

Association of Chartered Certified Accountants (ACCA) qualification is a great way to build a career in Accounts and finance

ACCA is the Global Chartered Accounting qualification.



Course Duration
02
years



Recognised in
178+
countries



Global network of
500,000+
students



MULTIPLE QUALIFICATIONS IN JUST 02 YEARS AT THE LARGEST COLLEGE FOR ACCA



**WITHIN
3 MONTHS**



**WITHIN
1 YEAR & 3 MONTHS**



**WITHIN
1 1/2 YEARS**



**WITHIN
2 YEARS**



FOR MORE INFO

0777 895 900



No. 39, Bauddhaloka Mw,
Colombo -04



www.achieverslive.com

