



General Certificate of Education (Adv. Level) Examination - 2024

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			31 - 50	
Addl. Chief			TOTAL	
E.M.F				
Chief				

1. "Accounting is the process of providing information related to the business entity for the stakeholders to take decisions". Based on the above statement what is the correct order of the following steps in the accounting process?

- 1) Recording, identifying, classifying, summarizing, communicating
- 2) Identifying, classifying, recording, summarizing, communicating, interpreting
- 3) Identifying, recording, summarizing, interpreting, communicating
- 4) Identifying and measuring, recording, classifying, summarizing, communicating and interpreting
- 5) Identifying, classifying, compressing, summarizing and interpreting, communicating

2. Following are some transactions of Nuwan's business.

- 02.01.2024 - credit sales Rs.30,000 worth of goods to Ruwan
- 03.01.2024 - Purchased a machine worth of Rs. 1,000,000 for credit to use as PPE
- Returned a stock worth of Rs. 10,000 purchased from Anil

The source documents related to the above transactions in order are shown:

- 1) Receipt, journal voucher and debit note
- 2) Receipt, journal voucher and credit note
- 3) Invoice, journal voucher and debit note
- 4) Invoice, Payment voucher and debit note
- 5) Invoice, payment voucher and credit note

3. Sales of Dhanushka's business was Rs. 1,500,000. They earn 20% gross profit margin on sales. The business purchased a stock worth Rs. 1,000,000 and at the end of the year Rs .400,000 of stock was remaining. What was the value of the stock had in the beginning?

- 1) Rs. 400,000
- 2) Rs. 200,000
- 3) Rs. 300,000
- 4) Rs. 600,000
- 5) Rs. 525,000

4. What is not a reason to maintain a separate set of prime entry books?

- 1) Segregation of Duties
- 2) Prevent complexity of ledgers
- 3) To reduce errors and frauds
- 4) To complex accounting activities
- 5) To make easier to record transactions in the ledger

5. Following are details extracted from a business which is not maintaining proper accounting records for the year ended 31.03.2024.

(Rs)	
Sales	300,000
Purchases	240,000
Return outwards	10,000
Stock as at 2023.04.01	?
Stock as at 2024.03.31	20,000

When deciding the selling price, the policy of the business is to keep 20% gross profit margin on selling price. What is the value of opening stock as at 01.04.2020?

- 1) Rs. 20,000
- 2) Rs. 30,000
- 3) Rs. 45,000
- 4) Rs. 50,000
- 5) Rs. 60,000

6. Veerasekara and Company PLC was not able to count its physical stock until 05.04.2024. Therefore, they request assistance to estimate the value of the closing stock as at 31.03.2024. The cost of the physical stock as at 05.04.2024 was estimated as Rs. 565,000.

Following information has been revealed by you;

- Gross profit ratio is 25% on cost.
- Sales for the period 01.04.2024 to 05.04.2024 were Rs. 125,000. The goods sold for Rs. 5,000 out of the above stock have not been dispatched until 05.04.2024.
- Purchases for the period 01.04.2024 to 05.04.2024 were Rs. 84,000. Out of that, goods cost of Rs. 17,000 have not been received to the business until 05.04.2024.

The balance of the stock to be shown in final accounts in the year ended 31.03.2024,

- 1) Rs. 665,000
- 2) Rs. 656,000
- 3) Rs. 581,000
- 4) Rs. 518,000
- 5) Rs. 594,000

Use the following information to answer questions No.7 and 8

Balance of the creditors control account as at 31.03.2024 is Rs. 600,000

Balance of the creditors subsidiary ledger as at 31.03.2024 is Rs.560,000

Following are some reasons for the difference.

- A. Sum of purchase journal Rs. 680,000 has recorded as Rs. 860,000 in the control account
- B. Rs. 3,000 of cancelled discount received related to the dishonored cheque of Rs. 30,000 has been recorded only in the creditors control account
- C. Return outwards of Rs. 30,000 has only been debited to the debtors control account and credited to return outwards account

D. No record has been kept on Rs. 12,000 credit balance of creditors transferred to debtors ledger

7. Balance of the creditors control account as at 31.03.2024,

- | | | |
|----------------|----------------|----------------|
| 1) Rs. 530,000 | 2) Rs. 768,000 | 3) Rs. 378,000 |
| 4) Rs. 408,000 | 5) Rs. 560,000 | |

8. To correct the balance of creditors subsidiary ledger,

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

Use the following information to answer question No.9 and 10

Sudeera and Ruchira started a partnership business on 01.04.2023 with following conditions.

- Sudeera contributed Rs. 5,000,000 as capital
- Ruchira contributed Rs. 8,000,000 worth of distribution vehicle and Rs. 3,000,000 cash as capital
- Annual salary
 - Sudeera - Rs. 600,000
 - Ruchira - Rs. 500,000
- To pay an annual interest rate of 10% on capital for each partner
- To share profit and losses equally

Net profit for the year ended 31.03.2024 is Rs. 2,100,000. 50% out of interest on capital and salaries entitled for the partners have been taken by them in cash. Madhura joined to the partnership as a partner on 31.03.2024. On this date, Madhura contributed Rs. 2,000,000 in cash as capital and the goodwill of the partnership was estimated as Rs. 900,000. All adjustments relating to goodwill shall be done through capital accounts of the partners. Sudeera Ruchira and Madhura agreed to share profit and losses 3:2:1 respectively.

9. Current account balances of sudeera and ruchira as at 31.03.2024

	Sudeera(Rs)	Ruchira(Rs)
1)	1,105,000	945,000
2)	610,000	420,000
3)	610,000	500,000
4)	1,160,000	940,000
5)	60,000	60,000

10. What is the balance of capital accounts of partners as at 01.04.2024?

	Sudeera(Rs)	Ruchira(Rs)	Madhura(Rs)
1)	5,000,000	3,950,000	1,850,000
2)	5,000,000	3,800,000	2,000,000
3)	5,000,000	3,000,000	2,000,000
4)	5,000,000	3,800,000	1,850,000
5)	5,000,000	3,650,000	2,150,000

11. Production process consists by different types of costs in several stages. What is the prime cost and the conversion cost out of the below production costs given?

- 1) Direct raw material cost 2) Electricity 3) Total production overheads
 4) Direct labour cost 5) Raw material cost

12. Unrealized cheques and unpresented cheques as at 30.11.2024 are Rs. 12,000 and Rs. 15,000 respectively. On 31.12.2024 total deposits received and issued cheques were Rs. 55,000 and Rs. 90,000 respectively. Bank statement as at 31.12.2024 is given below.

Balance as at 30.11.2024	Cr	90,000
Deposits	Cr	50,000
Cheques	Dr	95,000
Bank charges	Dr	1,000
Balance as at 31.12.2024	Cr	44,000

What is the bank balance to be shown in statement of financial position as at 31.12.2024?

- 1) Rs. 52,000 2) Rs. 9,000 3) Rs. 44,000
 4) Rs. 43,000 5) Rs. 89,000

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

Information related to Araliya PLC for the year ended 31.03.2024 are given below.

Description	Rs.
Sales revenue	1,400,000
Depreciation on PPE (A)	200,000
Reduction of value due to building revaluation(B)	50,000
Profit from Motor vehicle disposals	100,000
Other total expenses (Excluding A and B above)	800,000

Profit gained from building revaluation for the year ended 31.03.2023 is Rs 80,000.

13. Total income and other comprehensive income of the company for the year ended 31.03.2024;

- 1) 1,530,000 (50,000)
 2) 1,450,000 (30,000)
 3) 1,450,000 -
 4) 1,500,000 (30,000)
 5) 1,500,000 (50,000)

14. Total comprehensive income and the increase in equity of the company for the year ended 31.03.2024;

- 1) 450,000 450,000
 2) 450,000 420,000
 3) 500,000 500,000
 4) 400,000 400,000
 5) 450,000 500,000

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

The following items are included in statement of financial position of Vickrama PLC 31.12.2021.

Debtors	12,000
Less – Provision for doubtful debts	<u>(600)</u>
	<u>11,400</u>

Before deducting provision for doubtful debts in 2022 and 2023 years, debtor balances were Rs. 8,500 and Rs. 18,000 respectively. The policy of the company is to provide constant rates for provision for doubtful debts in each year. Actual amount of bad debt written off in 2022 is Rs. 750 and in 2023 Rs. 865. Rs. 500 bad debts written off before 2 years ago was received in July 2023.

15. What is the expense amount taken to the profit and loss account from bad and doubtful debts account for the financial year 2023?

- 1) Rs. 565 2) Rs. 365 3) Rs. 840 ₨.
4) Rs. 685 5) Rs. 750

16. Closing balance of provision for doubtful debts account as at 31.12.2023,

- 1) Rs. 800 2) Rs. 750 3) Rs. 900
4) Rs. 700 5) Rs. 1,100

Use the following information to answer below 03 questions

Net profit after tax of Nilimini PLC for the year ended 31.03.2023 is Rs. 400,000. The company made losses continuously for last three years. Therefore the company has not paid any dividends during last 3 years. Further, no new share issue has been made during the past 3 years. Given below are balances of share capital and reserves as at 31.03.2023.

Rs. 10 ordinary share capital	Rs. 500,000
Debit balance of retained earnings	Rs. 100,000

17. Board of Directors declared a final dividend of 15% on this year profit to ordinary shareholders on 31.03.2023. How to present this declared dividend in the financial statements?

- 1) Rs. 60,000 as payable dividends
2) Rs. 75,000 as payable dividends
3) Only as a note to financial statements
4) Include as a part of the capital
5) Charge to the profit and loss account as appropriation

18. Retained earnings balance to be shown in statement of financial position as at 31.03.2023,

- 1) Rs. 300,000 2) Rs. 340,000 3) Rs. 360,000
4) Rs. 380,000 5) Rs. 190,000

19. If the leverage ratio is 0.5 as at 31.03.2023, what is the total amount of debt capital?

- 1) Rs. 400,000 2) Rs. 500,000 3) Rs. 350,000
4) Rs. 150,000 5) Rs. 320,000

20. Due to the production activities of Kalana PLC, their work place has been dirty. Environmental Conservation Authority ordered to clean the workplace and for the year ended 31.03.2023 they planned to provide Rs .200,000 as a provision. Out of the below accounting concepts given, which of them will affect the above scenario?

A – Accounting Entity

B - Accrual

C - Prudence

D - Matching

1) A, B and C

2) A, C and D

3) B, C and D

4) C only

5) A, B, C and D

21. What is true in relation to the realizable concept?

A. It implies that the income should be earned.

B. It implies that the income should be realized.

C. It implies that, it is not necessary to complete the production process of the goods.

1) A only

2) B only

3) A and B only

4) A and C only

5) All A, B and C

22. Not an important characteristic of the income,

1) To be realized in the accounting period

2) Equity should be increased

3) Increase in the economic benefits

4) Existence of a form of depreciation of assets or occurrence of liabilities

5) None of the above

23. Araliya PLC had a Motor vehicle which cost of Rs. 2,000,000 as at 01.01.2023. Balance of the provision for depreciation account as at 31.01.2023 was Rs. 500,000. On 01.10.2023 the Motor vehicle was revalued for Rs. 1,250,000. PPE of the business is depreciated at 12% on reducing balance method. What is the result of revaluation of motor vehicle?

1) Loss of Rs. 115,000.

2) Loss of Rs. 130,000

3) Profit of Rs. 130,000.

4) Loss of Rs. 90,000.

5) Loss of Rs. 115,000.

24. What is the most suitable ratio to measure profit contribution out of the below ratios?

1) Stock turnover ratio

2) Leverage ratio

3) Price earning(P/E) ratio

4) Interest coverage ratio

5) Return on assets ratio

25. In a company, to request materials from store department, production and service departments prepare,

1) Price quotation

2) Invoice

3) Purchase order

4) Material requisition note

5) Purchase requisition note

26. Following are the details extracted from the books of Tulip Company relevant to the month of December 2023.

	Rs.
Basic salary	650,000
Fixed allowances	175,000
OT	225,000
Loan installment	52,000
Pay As You Earn (PAYE) tax	7,500
EPF 8%	66,000
EPF 12%	99,000
ETF 3%	24,750

Based on the above information what is the Net salary should be paid to employees in the month of December 2023?

- 1) Rs. 800,750 2) Rs. 924,500 3) Rs. 825,500
 4) Rs. 249,250 5) Rs. 874,750

27. "Sevana Tile manufacturers" manufacture special type of tiles. Details of a raw material used to production is given below.

Minimum usage of units per day	800
Average usage of units per day	1,000
Minimum lead time - Days	3
Average lead time – Days	4
Maximum stock level - Units	8,000

Re-order level and Re-order quantity related to the raw material respectively,

- 1) 4,000 and 2,400 2) 4,000 and 3,200 3) 6,000 and 3,200
 4) 6,000 and 4,000 5) 6,000 and 4,400

28. Calculate the Break even units in relation to the details given below,

Production levels (units)	Profit /(Loss) Rs.
0	(30,000)
40	50,000

- 1) 24 units 2) 15 units 3) 13 units
 4) 12 units 5) 14 units

29. Which is the correct statement according to the cost-volume-profit analysis?

- 1) The Contribution sales ratio shows variable cost as a percentage on sales price
- 2) At the breakeven, fixed cost is less than total contribution
- 3) Profit earned at a given activity level is shown by the margin of safety
- 4) When the activity level changes income, expenses and profit does not change.
- 5) To earn profit it is necessary to have a margin of safety

30. What is the Present value of an amount of Rs. 11,000 expected to be received at the end of one year with a discount rate of 10%?

- 1) Rs. 9,090 2) Rs. 10,000 3) Rs. 12,100
4) Rs. 12,222 5) Rs. 10,100

31. Classify below given accounts, whether it is an Asset, Equity, Income or an Expense.

Account Name	Classification
• Purchases	_____
• Cash at bank	_____
• Commision received in advance	_____
• Sales returns	_____

32. What are main two methods to record entrance fees in not for profit organization?

.....

33. Following information are related to a period of 12 months of a retail shop.

	Rs. 000
Opening stock	3,600
Closing stock	4,800
Purchases	8,400

Using the above information, gross profit for the period was Rs. 7,800,000. Later, it revealed that the closing stock of the shop were over-estimated by Rs. 20,000 and the opening stock were under-estimated by Rs. 400,000. Correct gross profit of the shop for the period is,

.....

34. Below information is given related to bank transactions of Gamage stores.

	Rs. 000
OD balance as per the bank statement	39,200
Incorrect debit entry made in bank column of the cash book	1,200
Cheque deposits but not realized	75,000
Cheques issued but not yet presented	225,000

In relation to the above information, the correct balance as per the bank column in cash book should be,

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35. The trial balance prepared by Aruna PLC as at 31.03.2023 did not tallied. Reasons for the difference are as follows,

- Electricity charges paid Rs. 5,000 has been credited to the telephone expense account as Rs. 500. It has been recorded correctly in the cash book.
- Discount allowed for debtors Rs. 4,000 has been credited to Discount received account. It has been recorded correctly in the control account.
- There was a balance of Rs. 18,000 rent income received in advance as at 01.04.2022. However, the balance of rent income received in advance account has not been carried forward.

- Rs. 37,000 cash received from a debtor Nadeera was recorded as Rs 43,000 in the Debit side of creditor Nadee's account.

If a balance of Rs. 1,300 still remained in the suspense account after correcting the above errors what was the balance of the suspense account before correcting the above errors?

36. Details given below are related to a business.

	As at 31.03.2024	As at 01.04.2023
Creditors	₹. 32,500	₹. 26,250
Stocks	₹. 20,000	₹. 22,500

Cash paid for creditors during the year is Rs. 112,500. The selling price of the business is always decided by adding a 20% gross profit on cost of sales. According to the above information, sales value to be shown in the income statement for the year 2023/2024,

37. The policy of Ranabhima business is, when the business purchased an asset charge depreciation for that entire year of purchased and not to depreciate the asset in the year of disposal. The company sold a motor vehicle for Rs. 300,000 on 01.10.2023 which was purchased on 01.04.2021. The motor vehicle is depreciated annually at a rate of 10%, If the business did not earn neither a profit or loss from the disposal what is the purchase price of the motor vehicle?

38. Debtors balance shown in the statement of financial position of a business is Rs. 153,125. The policy of this business is to show only 87.5% out of the total balance of debtors as at the balance sheet date as actual debtors. 60% out of the total amount of debtors in the balance sheet at the end of the year was shown in debtors control account at the beginning of financial year. What is the expense from doubtful debts to the business in the financial year?

39. What is the rule related to the recognition of stocks according to LKAS 02?

40. What is the accounting concept based in relation to the Assets and liabilities to classify as Non-current and current in the statements of financial position?

41. In a business as at 31.03.2023, the balance of debtors control account is compared to the balance of debtors list in the ledger.

Description	Rs. 000
Balance as per debtors control account	8,000
Add: Recording a low value of sales	800
Less: Recording a low value of return inwards	(300)

Balance as per the debtors ledger 8,500

Before the comparison a provision of 10% for doubtful debts has been made on the balance of debtors control account. The draft financial statements made ignoring the above comparison & shows a profit of Rs. 2,000,000. What is the profit for the year after correcting the above?

42. An extract of the balance sheet of Tharindu PLC as at 31.03.2023 is given below.

Balance sheet

	Rs.	Rs.
Stated capital		
Ordinary shares (20,000)	-	600,000
Reserves		
General reserves	40,000	
Retained profit	30,000	70,000
Total Equity		670,000

On 31.03.2023 a bonus issue of 1,000 shares for Rs. 50 each, was made for the ordinary shareholders using the maximum of retained profits.

Show the journal entries used to capitalize the reserves.

43. State the reason for not recognizing the goods sold on the basis of sale or return as an income, at the time they are issued.

44. At the beginning of the year, Marina Oil Company had a cash balance of Rs. 50,000. On this date, the bank balance was Rs. 450,000. Payments made through the bank is Rs. 80,000. During the year the bank balance has been increased by Rs. 300,000 and the cash received during the year is Rs. 500,000. What is the closing balance of the cash? (All receipts to the business is received by notes and coins to the cashier. All payments are done through the bank account).

45. State whether the following statements are TRUE or FALSE.

A) All financial statements are prepared on the accrual basis.

B) Normally, contingent assets are shown in the financial position statement.

C) Provision for doubtful debts are made according to the prudence concept.

D) Goods sold on the basis of sales or return should be recognized as an income, when the

goods are sent to the agent.

46. Production overheads of Viraj's business are given below.

	Output 1	Output 2
Budgeted overhead costs	180,000	120,000
Budgeted production labor cost	6,000	4,000
Labor cost needed to produce one unit	5	1.5

Overheads are absorbed on the labor hour basis.

Show separately the overhead cost absorbed to the each output in finishing department.

Output 1:

Output 2:

47. Categorize the below given records used to control labor cost in a company as "waiting time records" or "active time records". Put a tick (✓) mark.

Record.	Waiting time	Active time
A. Daily time sheet.	_____	_____
B. Finger print machine.	_____	_____
C. Signing sheet.	_____	_____
D. Job card	_____	_____

48. State two labor records maintained by a company to measure the amount of work done by a labor and the time taken to complete the task.

I:

II:

49. Fill the below table in relation to the documents used by a production company.

Document	Issuing division	Receiving division
Purchase Requisition Note. (P.R.N)	_____	_____
Material Requisition Note. (M.R.N)	_____	_____

50. Fill in the blanks using "Increase" or "Decrease" according to the cost profit volume analysis.

	Breakeven point	Margin of safety
I. When fixed cost is increasing.	_____	_____
II. When selling price is decreasing.	_____	_____

General Certificate of Education (Adv. Level) Examination - 2024

Accounting

33 E II

Three Hours

Additional Reading Time - 10 minutes

Index No:

Use additional time to go through the question paper,select the questions you will answer and decide which of them you will prioritise.

Use of non-programmable calculators is allowed.

Instructions:

- * Answer **five** questions only, including questions **one** and **two**.
- * Begin each answer on a **fresh sheet** of paper.
- * Relevant workings should be attached to the answer script.
- * This questions and paper carries **200** marks.

01. The following details are related to Namal PLC for the year ended 31.03.2023.

Trial Balance

	(Rs.000)	(Rs.000)
Ordinary share capital – 100,000 shares		4,500
Opening stock 01.04.2022	720	
Retained earnings		2,180
General reserve		120
Purchases and Sales	4,900	8,100
Temporary asset account	1,000	
PPE – 01.04.2022	3,200	
Salary and Wages	810	
Other factory and administration expenses	560	
Debenture interest	120	
10% debentures (purchased on 01.04.2022)		1,400
Provisions for employee compensation (01.04.2022)		450
Investment on company ordinary shares	2,400	
Income tax paid 2022/23	80	
2021/22	100	
Provision for income tax - 2021/22		180
Sales and distribution	180	
Investment income		160
10% Investment	1,800	
Debtors and creditors	520	440
Pre-paid electricity expenses	100	

Bank and cash	1,540	
Dividends received		500
	18,030	18,030

Additional Information,

- I. The stock held by the company as at 31.03.2023 consisted of three items and the selling price was determined on the basis of different, cost-based profit margins for those items.

Item	Cost	Profit ratio	Direct sales expenses
A	1,200,000	10%	350,000
B	400,000	12%	120,000
C	800,000	8%	40,000

- II. On 01.04.2022, the company started designing and utilizing a unique machine in its factory. The following expenses are borne by the company for that machine.

Raw material (special equipment)	780,000
Labour	125,000
Electricity cost	5,000
Engineer's consultancy cost	30,000
Employee training on using the machine	60,000
	1,000,000

This machine has been used for the production activities of the company from 01.10.2022. The machines depreciate in a straight line method at a rate of 10% and these costs are only recorded by the new accountant in the temporary asset account.

- III. The cash book balance and the bank book balance was not equal. It was later discovered that the following errors and omissions were the reasons for the difference.

- deposited but unrealized cheques 120,000
- Company insurance paid through a standing order 120,000
(This insurance is relevant for the period 01.01.2023 to 31.12.2023)
- Direct remittances not recorded in the cash book 80,000
- Issued cheque but not presented for payments 140,000

- IV. PPE of the company as at 01.04.2022 is as follows.

Item	Carrying value	Accumulated depreciation	Total useful lifetime
Laand	1,200,000	-	-
Building	800,000	900,000	17 Years
Motor vehicle	700,000	500,000	12 Years
Furniture	500,000	500,000	20 Years

All the assets is depreciated under the straight line method.

- V. Income tax of the company was self-estimated by them for the first three quarters of the year was Rs. 80,000 and the balance amount of income tax paid this year is the relevant for the last year. The tax rate applicable to the company is 30%.
- VI. The company has not remitted EPF / ETF to the Central Bank throughout the year 2022/23 and has not made any provision. The employer must contribute 15% for the EPF, the employee 10% and 3% for the ETF. Balance of the salaries and wages account in the trail balance shows the net salary paid to employees.
- VII. The company allocates 5% as provision for doubtful debts on the debtor's balance.
- VIII. An employee had filed a lawsuit against the company before several years and the company lost the case and the court has ordered on 05.04.2023 to pay Rs. 500,000 as compensation and Rs. 35,000 as legal fees to the relevant employee.
- IX. Rs. A debit note worth Rs. 80,000 has been omitted from the books of the business.
- X. An independent valuer estimated that the land in the business should be worth about 50% more of the existing value.
- XI. The Board of Directors decided to transfer Rs. 100,000 to general reserve and pay a final dividend of Rs. 10 per share for ordinary shareholders.

Required,

Financial statements for publication purposes of Namal PLC according to the standard LKAS 01 (including notes).

- Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2023
- Statement of Changes in Equity for the year ended 31.03.2023
- Statement of Financial Position as at 31.03.2023

02. A). A company manufactures two products, X and Y, which go through the assembly and finishing divisions. There is a separate technical service division to serve the two assembly and finishing divisions. Following is an extraction from the company's records for January 2023.

I. Budgeted production overhead costs

	(Rs.)
Quality control cost	50,000
Building maintenance	60,000
Electricity	11,000
Employee welfare	116,000

II.

Basis	Production dep		Service dep	
	Assem bly	Finishin g	Technical service	
Floor area (square meters)	800	1,400	200	2,400
No. of employee	40	66	10	116
No. of kilo watts consumed	300	700	100	1,100
No. of quality tests	4	16	-	20
No. of inquiries send to the Technical Services Division	25	75	-	100

III. Actual direct costs.

	Product X	Product Y
Direct material unit costs (Rs.)	300	200
Direct labour unit costs (Rs.)	500	300
Direct other costs (Rs.)	80% of direct material costs	25% of direct labour costs

IV. Other information,

	Product X		Product Y	
	Budgeted	Actual	Budgeted	Actual
Machine hours per unit – Assembly department	1	2	1.5	1
Labour hours per unit – Finishing department	4	3	3	2
Budgeted production during the month (Units)	500		400	

Required,

1. Prepare the overhead cost analysis statement showing clearly the apportionment basis.
2. Re-apportionment of the technical service department's overhead costs to production departments using the no.of inquiries of technical service.
3. Calculate overhead absorption rates separately for assembly department and finishing department based on machine hours and labour hours respectively.
4. Calculate the unit production costs for X and Y separately.

B). Following are extracted from financial statements of Janahitha PLC.

I. For the month end

	31.01.2024 (Rs.000)	28.02.2024 (Rs.000)
Sales	800	1,200
(-) Cost of sales	(600)	(750)
Gross profit	200	450
(+) Operating expenses	10	40
(-) Operating expenses	(220)	(130)
Net profit	(10)	360

- II. 80% of the total sales are on credit basis, of which 3/4 of the cash is received in the month in which the sale is made and the balance is received in the next month.
- III. All purchases are made on credit basis, half of the amount is settled during the month of purchase being made and the balance being settled in the following month.
- IV. Bank statement for the month ended 28.02.2024.

Date	Description	Dr (Rs.)	Cr (Rs.)	Balance
2024.02.01	B/B/F	-	-	(50,000)
2024.02.05	Cash deposit	-	280,000	230,000
2024.02.07	Creditor cheque payment	250,000	-	(20,000)

2024.02.10	Bank charges	1,000	-	(21,000)
2024.02.15	Debtor cheque deposits	-	539,000	518,000
2024.02.24	Debtor remittances	-	15,000	503,000

- V. A check issued in January 2024 for Rs. 37,000 has not been presented to the bank account till February 2024. All other checks issued in January and all checks deposited is duly matched with the bank statements within January.
- VI. Direct remittances and bank charges are disclosed upon the receipt of the bank statement.
- VII. As at 01.01.2024, stock of the company is Rs. 40,000. During the month of January, value of this stock was increase by Rs. 15,000 and during the month of February decreased by Rs. 22,000. Debtor balance as at 01.01.2024 is Rs. 30,000 and the creditors balance on that day was Rs. 25,000.
- VIII. The business pays its operating expenses properly in each month. All operating income indicated in the income statement have been received in cash during the relevant month.
- IX. Cash drawings made by the owner amount to Rs. 12,000 was recorded in the cash control account of the business as Rs. 21,000.

Required,

- Cash control account prepared by the business for the month of February 2024 (Before receiving the bank statement)
- Balances to be shown in the financial position statement as at 28.02.2024
 - Cash balance
 - Debtor balance
 - Creditor balance
 - Calculate the value of the closing stock

03. A). Kamal started a business on 01.04.2023. Below are the balances taken from the draft financial statements as at 31.03.2024 of this business.

Description	(Rs. 000)
Property Plant and Equipment (At cost)	4,500
Stock (on the basis of accounting records)	600
Trade receivbles	820
Pre-paid rent	480
Cash balance	610
Trade payables	100
Accrued expenses	90
Advances received	240
Profit for the year ended 31.03.2024	580
Capital invested on 01.04.2023	6,000

All cash transactions in the business are done through a bank current account. It was later revealed that the following items were not taken into consideration in preparing the draft financial statements for the year ending 31.03.2024.

- Depreciation on property, plant and equipment for the year ended 31.03.2024 was Rs. 500,000.
- The rent of the showroom for the month of March 2024 is Rs. 80,000 has been recorded in the pre-paid rent account.

- III. For the month of March 2021 electricity bill of Rs. 5,000 had not been paid or accounted as at 31.03.2024.
- IV. Goods purchased for credit which costs Rs. 80,000 on 30.03.2024 were not recorded in the books of account.
- V. On 30.03.2024, goods were sold on cash basis for Rs. 400,000 which the cost of the goods were Rs. 200,000. It was not recorded in books of account. However, the check received from this sale was deposited in the bank on 01.04.2024.
- VI. Cost Rs. 40,000 stocks of items were destroyed during the year and those items were not in a condition to be sold. However, the cost of these items was included in the inventory as at 31.03.2024 and there was no net realizable value for those stocks
- VII. An order was placed by a customer to purchase 40 items. The selling price of those items was Rs. 240,000 and this amount was received during the year. This amount was recorded in the advance received account. However, only half of these items have been delivered to the customer by 31.03.2024 and their cost is Rs. 80,000. Furthermore, no record of this distribution has been made. The remaining items should be distributed within the next year.
- VIII. The bank dishonored a cheque on 31.03.2024 which was received on 28.03.2024 by a debtor. It was discovered by the bank statement received on 03.04.2024.
- IX. Further, on 31.03.2024, a debtor has directly deposited a cheque of Rs. 50,000 in the bank and it was revealed by the bank statement received. When preparing draft financial statements, this amount was written-off as bad debts.
- X. The examination fee of the owner's child paid by the business was Rs. 2,000 and it was revealed by the bank statement.

Required,

1. Indicate the effect of items (i) to (x) using the accounting equation with values, and indicate (+) if it increases and (-) if it decreases in front of each value. (When answering, use a format similar to the one below.)

Item No.	Assets					Liabilities			Equity
	PPE	Stock	Trade receivables	Prepaid rent	Cash	Trade payables	Accrued expenses	Received advances	
Balance	4,500	600	820	480	610	100	90	240	6,580
(i)									
(ii)									

(Rs. 000)

2. A statement for reconciling the draft profit for the year ended 31.03.2024.
3. Correction of above items (ii), (iii), (iv), (ix) and (x) and the journal entries to record them (including narration).

B). Following information are related to Thisara PLC. Items included in the bank reconciliation statement for the month of July 2023,

- I. Information extracted from the bank reconciliation statement prepared as at 30.06.2023,

Issued cheques but not presented to payments:

Cheque No.	Payee	Value (Rs.)
100100	Saliya	2,000
100110	Sunimal	5,000

Deposited but not realized cheques:

Cheque No.	Payer	Value (Rs.)
456371	Sarath	2,000
900200	Sunil	6,000

II. Bank account of the business for the month of July 2023,

Date	Description	Dr (Rs)	Date	Description	Cr (Rs)
7.01	B/B/F	3,000	7.06	Thilak(Cheque No. 100120)	800
7.02	Nimal (Cheque No. 124500)	5,000	7.02	Saliya(Cheque No. 100121)	3,000
7.04	Lal (Cheque No. 840222)	1,000	7.03	Silva(Cheque No. 100122)	200
7.08	Alan (Cheque No. 750200)	1,200	7.03	Sanath (Cheque No. 100125)	2,000
7.12	Sarath (Cheque No. 500500)	1,800	7.31	Insuarance installment	5,000
7.12	Cash	5,000	7.1		
7.20	Rajan (Cheque No. 123456)	10,000	7.31	B/C/D	16,000
		27,000			27,000

III. An extraction of the bank statement for the month of July is as follows.

Date	Description	Dr (Rs.)	Cr (Rs.)	Balance
7.01	B/B/F	-	-	2,000
7.02	Cheque 124500	-	5,000	7,000
7.03	100110	5,000	-	2,000
7.04	Cheque 900200	-	6,000	8,000
7.06	Cheque 840222	-	1,000	9,000
7.06	Dishonored 840222	1,000	-	8,000
7.08	Cheque 750200	-	1,200	9,200
7.10	100120	800	-	8,400
7.22	100121	3,000	-	5,400
7.30	Cash deposit	-	5,000	10,400
7.31	Transfers from savings account	-	10,000	20,400
7.31	Standing order (Insuarance installment)	5,000	-	15,400
7.31	Bank Charges	400	-	15,000

IV. It is the business policy to deposit all checks in the bank within two days from the date of receipt. However, the cheque 123456 of Rs. 10,000 received from Rajan was not deposited in the bank at his request.

Required,

1. The bank balance to be shown in the financial position statement of Thisara PLC as at 31.07.2023.
2. List the following seperately as at 31.07.2023
 - a) Issued but unrepresented cheques

b) Deposited but unrealized cheques

04. A). Kanishka and Anushka are partners. The accounting year ends in 31.12.2024 and on that day new partner Tharaka joined the partnership.

I. Partnership agreement is as follows.

	Kanishka and Anushka partnership	Kanishka, Anushka and Tharaka partnership
profit/loss ratio respectively	03:02	05:03:02
Monthly partnership salary (Rs.)		
Kanishka	5,000	6,000
Anushka	4,000	5,000
Tharaka		4,000
Annual capital interest ratio	10%	10%

- Tharaka brought Rs. 400,000 as capital and it was not recorded in the books.
- The goodwill was estimated as Rs. 600,000 and the transactions related to it should be made through capital accounts.

II. The balances as at 01.01.2024 is as follows.

		(Rs.000)
Total capital of partners	Kanishka	850
	Anushka	560
Capital account balances of partners	Kanishka	700
	Anushka	600
Provision for depreciation	Building	150
	Motor vehicle	300
	Machinery	60
10% loan amount	Kanishka	240

III. Net profit calculated for the year ended 31.12.2024 is Rs. 960,000 and the trail balance prepared as at that date shows the following balances.

	Rs.000
Trade payables	310
Bank loan	200
Bank OD	20
Land and Building (Land Rs. 500,000)	1,700
Machinery equipment	400
Motor vehicle	800
Stock	245
Trade receivables	180
Investment	140

Drawings - Kanishka	60
Anushka	45
Cash	80

IV. Following information should be considered.

- Purchas invoice of Rs. 25,000 and slaes invoice of Rs. 30,000 have been ommitted from the books of accounts.
- Out of the inventory as at 31.12.2024, Rs. 85,000 costs of stock was damaged and it is estimated that it could sold for 60,000, but no adjustments have been made related to this.
- The business is carried out in a building owned by Anushka and Rs. 15,000 monthly payable shop rent is accrued. Interest on partners' loans is also accrued.
- From the year 2025, Rs. 5,000 should be payable monthly as loan installment apart from the loan interest amount.
- When reconciling the bank statement received for the month of December 2024, the following have not been recorded in the bank account of the business.
 - Bank charges Rs. 2,000
 - Debtors direct remmitances Rs. 35,000
 - Investment income received Rs. 15,000
 - Bank loan instalment charged as per the standing order Rs. 18,000 (Rs. 8,000 included here is for bank loan interest.)
- Provision for depreciation of fixed assets should be as follows,
 - Building (on cost) 10%
 - Motor vehicle (on carrying value) 10%
 - Machinery (on cost) 20%
- Rs. 3,000 of business insurance charges was settled by Kanishka's personal money and it should be reimbursed. No transactions related to it were recorded.

Required,

1. Calculate the net profit to be apportioned for the year ended 31.12.2024.
2. Apportion the net profit for the year ended 31.12.2024.
3. Current accounts
4. Capital accounts
5. Financial Position Statement as at 31.12.2024.

B). Following information are related to employee payroll of Questionbank.lk PLC for the month ended 31.03.2024.

Name of the employee	No.of days worked (8 hours per day)	OT hours	
		Week days	Week end days
Indika	27	15	8
Deepa	24	8	4
Anil	22	5	

Additional information,

- I. Employee payment rates are as follows.
 - Normal wage rate for 8 hour working day is Rs. 800 (Excluding OT).
 - Overtime pay per hour for weekdays is twice the normal hourly wage on weekdays and on weekends Rs. 100 more than the normal overtime pay per hour in weekday is paid.
- II. As per the request of Indika, his personal monthly insurance installment of Rs. 2,000 was paid by the business directly to the relevant insurance company.

- III. Employer and employee contribute 15% and 10% respectively to the Employees Provident Fund (EPF) and employer contribution is 5% to the Employees Trust Fund (ETF). Overtime pay is not taken into consideration in EPF and ETF calculations.
- IV. A monthly trade union membership fee of Rs. 100 is deducted from their monthly salary of each employee.
- V. All payments related to wages is settled in the last day of each month.

Required,

1. Net salary sheet for the month ended 31.03.2024
2. Relevant accounts in the general journal

05. A). Summarized cash receipts and payments of Ajantha PLC for the year ended 31.03.2024 is as follows.

Cash receipts	Rs. 000
Debtors receipts	21,400
Debenture issues	600
Cash received from sale of old machine	250
Investment sales	160
Ordinary share issue	500
	22,910
Cash payments	
Operating expenses	3,780
Payments for creditors	12,760
Purchase of furniture	900
Settlement of bank loan	460
Income tax paid	850
Dividends paid	300
	19,050

Additional information,

- I. Loan interest paid included in the bank laon settlement is Rs. 160,000.
- II. Carrying value of the machine sold is Rs. 200,000.
- III. Depreciation of the PPE during the year is Rs. 300,000.
- IV. Carrying value of the investments as at the selling date is Rs. 140,000.
- V. Current assets and current liabilities as at 31.03.2024 is as follows.

	2023/2024	2022/2023
	('000)	('000)
Stock	570	520
Debtors	1,175	925
Creditors	820	730
Accrued expenses	80	160
Income tax payable	250	180
Accrued loan interest	120	150
Cash and bank balances	4,860	1,000

Required,

1. Cash flow statement using indirect method to present cash flows related to operational activities.

B). The following information is related to the welfare association called “Guru Gedara” established by the teachers of a school for the year ended 31.03.2024.

- I. As at 01.04.2023, the association had a cash balance of Rs. 80,000 and the accumulated fund as at that date was Rs. 320,000.
- II. Active members of the association as at 31.03.2024 was 124 and monthly membership fee for each member is Rs. 200. Following details are related to the joining and leaving members during the financial year.

Date	No.of members joined	No.of employees left
2023.07.01	2	5
2023.10.01	2	-

- The membership fee from newly joined members were received on time but the membership fee of the members left were not settled related to the period.

- III. In order to collect funds to the welfare society, a concert namely “Guru Prathibha” was held and earned an income of Rs. 300,000 from ticket sales and souvenir magazines. For that, printing expenses of Rs. 15,000, entertaining expenses of Rs. 50,000 and other expenses of the concert Rs. 35,000 was paid in cash.
- IV. On 01.04.2023 the society received a computer worth of Rs. 200,000 as a donation and it was decided that a provision for depreciation should be provided at 25% rate annually and to recognize the donation as an income within 4 years equally.
- V. During the accounting period, an amount of Rs. 15,000 had to pay annually as scholarships to their children for 12 members, but only for 8 members were paid in cash.

Required,

Calculate the following of “Guru Gedara” welfare association for the year ended 31.03.2024,

1. Annual membership fee income
2. Receipts and payments account (Cash account)
3. Statement of Income and Expenses
4. Accumulated fund as at 31.03.2024

06. A). Lahiru has considered on the following two investments. Useful lifetime of both the machines is 4 years. Only one of these machines should be selected.

	Machine A	Machine B
1. Profit in the year	85,000	50,000
2. Profit in the year	50,000	65,000
3. Profit in the year	75,000	45,000
4. Profit/(Loss) in the year	(95,000)	60,000
Residual value at the end of 4 years	50,000	50,000
Initial investment	1,150,000	1,250,000

Expected rate of return of Lahiru PLC is 15%.

Discount Factor

Period/ Years	1	2	3	4
Discount factor	0.87	0.76	0.66	0.57

Required,

1. Accounting rate of return
2. Payback period
3. Net present value
4. Considering the above (1), (2), (3) suggest the best investment opportunity to invest separately and write reasons separately for them.

B). Following are the information related to new two companies in same industry for the year ended 31.03.2024 (Calculations are done assuming 360 days for a year).

	QB Company	ACCA Company
Interest coverage ratio	208 8	208 6
Quick ratio	0.8	0.5
Debt-Equity ratio	0.2:1	0.5:01
Return on total assets	20%	40%
Stock holding period	දින 40	?
Cost of sales	?	4,000,000

(,000)

	QB Company	ACCA Company
Profit before tax	1,000	?
Interest expenses	?	300
Stock	400	200
Current liabilities	600	400
Total equity	2,000	3,000

Required,

1. Interest expenses of QB company and Profit before tax of ACCA company.
2. Cost of sales of QB company and stock holding period of ACCA company.
3. Current assets of QB company.
4. Income tax expenses of QB company.
5. The company which has a higher leverage.

Suggested Answers

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

- (31) 1) Expense.
2) Asset.
3) Liability.
4) Income.
- (32) 1) As an income for the year.
2) As an income from several years
- (33) Rs. 7,380,000
- (34) Rs. 189, 200
- (35) Rs. 85,800
- (36) Rs. 145,500
- (37) Cost of the motor vehicle Rs.400,000
- (38) Rs. 8,750
- (39) Stock have to be measured at the lower of cost or net realizable value.
- (40) According to the Going concern concept.
- (41) Rs. 2,450, 000
- (42) Retained profits Dr Rs. 30,000
General reserve Dr Rs. 20,000
Ordinary share capital Cr Rs.50,000
- (43) By the time goods sent, they are not been realized-Realizable concept (According to the entity concept, the ownership of the goods have not been transferred)
- (44) Rs. 170, 000
- (45) A) False B) False C) True D) False
- (46) Output 1 = 150.00 Output 2= 45.00
- (47) Waiting time Active time
- | | | |
|----|---|---|
| 1. | | ✓ |
| 2. | ✓ | |
| 3. | ✓ | |
| 4. | | ✓ |

Suggested Answers

01.

Namal PLC

Profit and loss and other comprehensive statement

For the year ended 31.03.2021(Rs.000)

Sales		8,100
Cost of sales		(3,140)
Gross profit		4,960
Other income		680
Factory and administration		(1,909)
Distribution		(302)
Finance expenses		(140)
Other		(387)
Profit before tax		2,902
Income tax		(790.6)
Profit after tax		2,111.4
Other comprehensive income		
Land revaluation		600
Total comprehensive income		2,711.4

Namal PLC

Statement of changes in equity

For the year ended 31.03.2021 (Rs.000)

	Ordinary shares	General reserve	Revaluation reserve	Retained earnings
B/B/F	4,500	120		2,180
Profit for the year				2,111.4
Land revaluation			600	
General reserve		100		(100)
Opening stock	720			
Purchases	4,820			
	4,500	220	800	4,191.4

Note 01

Note 02

Last year over provision (80,000)

Income tax 220 800,600

	5,540	
Closing stock	<u>(2,400)</u>	<u>790,600</u>
	<u>3,140</u>	

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

Non-current assets		
Property plant and equipment	4,443	
Ordinary share investment	2,400	
10% Investments	1,800	8,643
Current assets		
Closing stock	2,098	
Pre-paid insurance	90	
Debtors	418	
Receivable investment income	20	
Pre-paid electricity charges	100	
Bank and cash	1,500	4,226
		12,869
Equity and Liabilities		
Ordinary shares	4,500	
Revaluation reserve	600	
General reserve	220	
Retained earnings	4,191.4	9,511.4
Non-current liabilities		
10% debentures		1,400
Current-liabilites		
Payable EPF	225	
Payable ETF	27	
Payable employee compensation	535	
Creditors	360	
Payable debenture interest	20	
Payable income tax	790.6	1,957.6
		12,869

Note 03

Investment income	180,000
Dividend income	500,000

Note 04

	Land	Building	Motor vehicle	Furniture	Machinery
B/B/F Machines made Revaluation	1,200 600	1,700	1,200	1,000	940
	1,800	1,700	1,200	1,000	940
B/B/F Annual depreciation		900 100	500 100	500 50	47
	-	1,000	600	550	47
	1,800	700	600	450	893

02. A). 1/2

Overhead cost analysis sheet

Cost item	Basis	Total Overhead Rs.	Production		Technical service Rs.
			Assembly Rs.	Finishing Rs.	
Quality control cost	No.of quality tests 1:4	50,000	10,000	40,000	-
Building maintenance	Floor area 4:7:1	60,000	20,000	35,000	5,000
Electricity	Consumed KWH - 3:7:1	11,000	3,000	7,000	1,000
Employee welfare	No.of employees 40:66:10	116,000	40,000	66,000	10,000
		237,000	73,000	148,000	16,000
Overhead re- apportionment	No.of inquiries 1:3		4,000	12,000	- 16,000
		237,000	77,000	160,000	

3. Overhead absorption rates

$$\begin{aligned}
 \text{Assembly department} &= \frac{\text{Budgeted overhead costs}}{\text{Budgeted machine hours}} \\
 &= \frac{\text{Rs. 77,000}}{\text{Machine hours 1,100}} \\
 &= \text{Rs. 70 per machine hour}
 \end{aligned}$$

$$\text{Finishing department} = \frac{\text{Budgeted overhead costs}}{\text{Budgeted labour hours}}$$

$$= \frac{\text{Rs. 160,000}}{\text{Labour hours 3,200}}$$

$$= \text{Rs. 70 Per labour hour}$$

4.

Calculation of production cost	Product X	Product Y
Direct material	300	200
Direct labour	500	300
Direct expenses	240	75
Prime costs	<u>1,040</u>	<u>575</u>
Production overhead costs		
Assembly	140	70
Finishing	210	140
Production cost	<u>1,390</u>	<u>785</u>

B). 1.

Cash control account

Receipt from debtors	880,000	B/B/F	87,000
Cash sales	240,000	Payment to creditors	671,500
Operating expenses	40,000	Operating expenses	130,000
		Drawings	21,000
		B/C/D	<u>250,000</u>
	<u>1,160,000</u>		<u>1,160,000</u>

2. Cash balance = Rs. 273,000
 Debtor = Rs. 240,000
 Creditor = Rs. 364,000
 Closing stock = Rs. 33,000

03. A).

1.

2.

(Rs. 000)

Item No.	Assets					Liabilities			Equity
	PPE	Stock	Debtors	Pre-paid rent	Cash	Creditors	Accrued expenses	Advance received	
Balance	4,500	600	820	480	610	100	90	240	6,580
(i)	-500								-500
(ii)				-80					-80
(iii)							5		-5
(iv)		80				80			
(v)		-200			400				200
(vi)		-40							-40
(vii)		-80						-120	40
(viii)			20		-20				
(ix)					50				50
(x)					-2				-2
Balance	4,000	360	840	400	1,038	180	95	120	6,243

Draft profit correction statement**Rs. 000**

Draft profit		580
Add: Profit not recognized on goods sold	200	
Profit not recognized on goods distributed	40	
Receipt of bad debt written-off	50	290
		870
Less: Depreciation	500	
Rent	80	
Electricity expenses	5	
Loss from damage stocks	40	-625
Correct Net profit		245

3.

General journal**Rs. 000**

No.	Description	Dr	Cr
-----	-------------	----	----

(ii)	P & L (Rent) Pre-paid rent account (Correction of the error of recording showroom rent in pre-paid rent account)	Dr	80	80
(iii)	P & L (Electricity charges) Payable electricity expenses A/C (Recording of accrued electricity expenses)	Dr	5	5
(iv)	P & L (Rent) Trade payables A/C (Correction of the error of not recording credit purchases)	Dr	80	80
(ix)	Cash A/C P & L (Receipt of bad debt written-off) (Recording of receipt form bad debts written-off)	Dr	50	50
(x)	Drawings A/C Cash A/C (Recording of owners drawings)	Dr	2	2

B). 1.

Balance as per bank account		15,000
Unrealized cheques	<u>3,800</u>	3,800
LESS:		
Unpresented cheques	<u>4,200</u>	-4,200
Bank balance to be shown in the financial position statement		<u>14,600</u>

2. a). Unpresented cheques

Cheque No.	Payee	Value (Rs.)
100100	සාලිය	2,000
100110	සුනිමල්	200
100125	සනන්	<u>2,000</u>
		<u>4,200</u>

b). Unrealized cheques

Cheque No.	Payer	Value (Rs.)
456371	සරත්	2,000
500500	සරත්	1,800
		<u>3,800</u>

04. A).

1.

Net profit correction statement		(,000)	
Net profit given.			960
Add -	Unrecorded sales	30	
	Investment income	15	45
Less -			1,005
	Unrecorded purchases	25	
	Bank loan - Kanishka	24	
	Stock written-off	25	
	Building rent	180	
	Bank loan interest	8	
	Bank charges	2	
	Insuarance charges	30	
	Building dep	120	
	Machinery dep	80	
	Motor vehicle dep	50	(544)
	Net profit to be apportioned		461

2.

Profit Apportionment A/C		(,000)	
Net profit			461
Capital interest	Kanishka	70	
	Anushka	60	(130)
Salaries	Kanishka	60	
	Anushka	48	(108)
Profit shares	Kanishka	134	
	Anushka	89	(224)
			-

3.

Capital account	(,000)

	Kanishk a	Anushk a	Tharak a		Kanishk a	Anushk a	Tharak a
Goodwill	300	180	120	B/B/F	700	600	-
				Cash Goodwill	360	240	400
B/C/D	760	660	280				-
	1,060	840	400		1,060	840	400

4.

Current accounts				(,000)	
	Kanishka	Anushka		Kanishk a	Anushka
B/B/F		40	B/B/F	150	
Drawings	60	45	Capital interest	70	60
			Salary	60	48
			Profit shares	134	89
			Loan interest	24	-
			Building rent		180
			Insurance(Reimbursed)	30	-
B/C/D	408	292			
	468	377		468	377

5.

Financial Position Statement				(,000)	
Capital Accounts				Non-current assets	
	Kanishka	760		Land	500
	Anushka	660		Building	930
	Tharaka	280	1,700	MV	450
Current accounts				Machinery	260
	Kanishka	408		Investments	140
	Anushka	292	700		2,280
Non-current liabilities				Current assets	
Bank loan		240		Closing stock	220
Loan amount		130	370	Debtors	175
Current liabilities				Bank balance	10
Bank loan		60		Cash in hand	480
Creditors		335	395		
			3,165		3165

B). 1.

Employee	Basic salary	OT	Gross salary	Insurance	Trade union charges	EPF 10%	Net salary	EPF 15%	ETF 5%
Indika	21,600	5,400	27,000	2,000	100	2,160	22,740	3,240	1,080
Deepa	19,200	2,800	22,000		100	1,920	19,980	2,880	960
Anil	17,600	1,000	18,600		100	1,760	16,740	2,640	880
	58,400	9,200	67,600	2,000	300	5,840	59,460	8,760	2,920

Salary control account

Insurance	2,000	p&l	67,600
Trade union	300		
EPF	5,840		
Payable salary	59,460		
	<u>67,600</u>		<u>67,600</u>
		B/B/D	59,460

Trade Union

cash	300	Salary control account	300
	<u>300</u>		<u>300</u>

Insurance

Cash	2,000	Salary control account	2,000
	<u>2,000</u>		<u>2,000</u>

ETF

Cash	2,920	p&l	2,920
	<u>2,920</u>		<u>2,920</u>
Cash	59,460	Salary control account	59,460
	<u>59,460</u>		<u>59,460</u>

EPF

C/D	14,600	Salary	5,840
		EPF	8,760
	<u>14,600</u>	expenses	<u>14,600</u>

05. A).

1.

Cash flow statement for the year ended 31.03.2021 (,000)

Profit before tax		4,790
Workings		
– Depreciation	300	
– Loan interest	130	

– Profit from machine disposals	(50)	
– Investment gains	(20)	360
		5,150
Working capital movements		
Stock	(50)	
Increase in debtors	(250)	
Increase in creditors	90	
Decrease in accrued expenses	(80)	
Cash flow from operating activities		
Interest paid	(160)	
Tax paid	(850)	(1,300)
Net cash flow from operating activities		3,850
Investment activities		
Purchase of furniture	(900)	
Invsetmenta	160	
Machine purchases	250	
Net cash flow from invetment activities		(490)
Financing activities		
Share issue	500	
Debenture issue	600	
Dividends paid	(300)	
Bank loan	(300)	
Net cash flow from financing activities		500
Cash flow from cash and cash equivalent		3,860
opening cash balance		1,000
closing cash balance		4,860

Workings

Income statement		(,000)
Sales		21,650
Cost of sales		
Opening stock	520	
Purchases	12,850	
	13,370	
Closing stock	(570)	(12,800)
Gross profit		8,850
Other income		
Gain from machine disposals	50	
Investment profits	20	8,920
Other expenses		

Dep	300	
Expenses	3,700	
Loan interest	130	(4,130)
Net profit		4,790

B). 1.

Membership fee income (Rs.)	=	297,000	
No.of members during the year	=	288,000	$124 - 4 = 120 \quad 20 \quad 12$
No.of members joined	=	6,000	$3,600 \quad 2 \times 9 \times 20$
			$2,400 \quad 2 \times 6 \times 200$
No.of members left	=	<u>3,000</u>	$5 \times 3 \times 200$
		<u>297,000</u>	

2.

Receipts and payment account (cash account)

B/B/F	80,000	Concert expenses	
Tickets and souvaniers	300,000	Tickets printing	15,000
Membership fee	294,000	Entertainment expenses	50,000
		Other expenses	<u>35,000</u> 100,000
		Scholarships	120,000
		B/C/D	454,000
	<u>674,000</u>		<u>674,000</u>

3.

Income expenditure statement

Membership fee		297,000
Donation		50,000
Concert income		200,000
		<u>547,000</u>
Expenses		
Depreciation	50,000	
Scholarships	180,000	(230,000)
Surplus		<u>317,000</u>

4. Calculation of accumulated fund

Opeining balance	Rs. 320,000
Surplus	Rs. 317,000
	<u>Rs. 637,000</u>

06. A).

1.

Machine A

$$ARR = \frac{\text{Average profit}}{\text{Initial investment}} \times 100$$

$$\frac{28,750}{1,150,000} \times 100 = 2.50\%$$

Machine B

$$ARR = \frac{\text{Average profit}}{\text{Initial investment}} \times 100$$

$$\frac{55,000}{1,250,000} \times 100 = 4.40\%$$

2. A machine - 03 years and 06 months

B machine – 03 years and 05 months

3.

A machine

Description	0	1	2	3	4
Initial investment	(1,150.00)				
Inflows		360.00	325.00	350.00	180.00
Residual value					50.00
	(1,150.00)	360.00	325.00	350.00	230.00
	1	0.87	0.76	0.66	0.57
	(1,150.00)	313.20	247.00	231.00	131.10
NPV	(227.70)				

B machine

Description	0	1	2	3	4
Initial investment	(1,250.00)				
Inflows		350.00	365.00	345.00	360.00
Residual value					50.00
	(1,250.00)	350.00	365.00	345.00	410.00
	1	0.87	0.76	0.66	0.57
	(1,250.00)	304.50	277.40	227.70	233.70
NPV	(206.70)				

4.

1. Machine B is good as the ARR is higher

2. Machine B is suitable because the payback period is low.
3. It is not good to invest in either projects since the NPV value of both are negative.

B).

1. QB Interest expenses = Rs. 142,857
ACCA profit before tax = Rs. 1,500,000
2. QB Cost of sales = Rs. 3,600,000
ACCA stock holding period = 18 (days)
3. QB current assets = Rs. 880,000
4. QB income tax expenses = Rs. 520,000
5. Company with high leverage = ACCA