

G.C.E A/L Examination

# 33 - ACCOUNTING

New Syllabus

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

G.C.E A/L Examination

# 33 - Accounting

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## QUESTION BANK

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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

#### Gayan 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.

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**General Certificate of Education (Adv. Level) Examination**

**Accounting**

**33 E I**

**Two Hours**

**Instructions:**

\* Answer all questions.

Select the correct answer for questions

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

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

\* Each question carries equal marks.

\* Write your **Index Number** in the space provided above.

Index No. : .....

**For Examiner's Use Only**

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

- 01.** Which of the following statement best describes the importance of financial accounting?
- 1) Provide information to managers required for decision making.
  - 2) Provide necessary information to managers on how assets of the business are used.
  - 3) Provide transactions and events based economic information to all interested parties for decision making
  - 4) Provide information to internal parties about the financial performance and financial position of a business.
  - 5) Provide all information related to the business to interested parties.
- 02.** Value of the opening stock of SB wholesale business is Rs. 20,000. Cash sales deposited at the end of the year is Rs. 60,000. Out of the sales proceeds the business paid Rs. 2,000 each month as rates and building rent before depositing the sales proceeds in the bank. Net purchases during the year were Rs. 48,000. A stock worth of Rs. 4,000 have been returned by the company. Profit margin is 33 1/3 % on cost.
- Gross profit earned during the year and closing stock of the business respectively,
- 1) Rs. 21,000 / Rs. 5,000
  - 2) Rs. 21,000 / Rs. 1,000
  - 3) Rs. 5,000 / Rs. 21,000
  - 4) Rs. 28,000 / Rs. 12,000
  - 5) Rs. 1,000 / Rs. 21,000
- 03.** The following transactions occurred in the month of December 2024 in a trading business.
- Sales through credit cards Rs. 700,000
  - Cash sales Rs. 500,000 (cash received to the cashier)
  - Credit sales Rs. 300,000 (cash received to the cashier)
  - Opening balances of receivable accounts is Rs. 120,000

- Closing balances of receivable accounts is Rs. 100,000

The policy of the company is to deposit all the cash receipts. The amount deposited in the bank in December 2024 is,

- |                |                |                  |
|----------------|----------------|------------------|
| 1) Rs. 820,000 | 2) Rs. 680,000 | 3) Rs. 1,520,000 |
| 4) Rs. 320,000 | 5) Rs. 500,000 |                  |

**04.** On 01.04.2024 Anura brought his personal lorry worth of Rs. 3,500,000 to the business in order to carry out his business activities. On that day, company sold goods on credit Rs. 800,000 and Rs. 60,000 worth of stocks have been returned to the business due to not complying with the order.

The source documents used to record the above transactions in order,

- 1) Sales invoice, Credit note, Receipt
- 2) Receipt, Journal voucher, purchase invoice
- 3) Journal voucher, Sales invoice, Debit note
- 4) Journal voucher, Sales invoice, Credit note
- 5) Receipt, Sales invoice, Credit note

**05.** Sameera paid Rs. 60,000 from his personal money and settled the bank overdraft of the business. The impact of the above transaction to the accounting equation is shown as,

- 1) Increase assets by Rs. 60,000 and Increase in liabilities by Rs. 60,000
- 2) Increase in equity by Rs. 60,000 and Increase in assets by Rs. 60,000
- 3) Increase in equity by Rs. 60,000 and Decrease liabilities by Rs. 60,000
- 4) Increase in equity by Rs. 60,000 and Decrease income by Rs. 60,000
- 5) Decrease assets by Rs. 60,000 and Decrease equity by Rs. 60,000

**06.** The following information are related to a wholesale business for the year ended 31.03.2024.

	<b>Rs. 000</b>
Opening stock	4,800
Closing stock	3,100
Damage stock	1,600
Purchases	59,500

Gross profit based on the above information is Rs. 6,720,000. In calculations the closing stock has been over-estimated by Rs.112,000 and the opening balance has been under-estimated by Rs. 256,000. The correct gross profit relevant for the year ended 31.03.2024,

- |                  |                  |                  |
|------------------|------------------|------------------|
| 1) Rs. 6,352,000 | 2) Rs. 6,576,000 | 3) Rs. 7,088,000 |
| 4) Rs. 6,208,000 | 5) Rs. 6,325,000 |                  |

**07.** Given below are information is related to a company for the month march 2024.

Date	Description	Units	Unit cost
2024.03.01	Stock	3,000	10

2024.03.05	Purchase	1,000	12
2024.03.15	Purchase	2,000	15
2024.03.16	Return outwards (Purchased on 15.03.2024)	200	?

The company uses FIFO method to value its stock. 3,500 units were sold during the month of March 2024.

What is the value of the stock as at 31.03.2024?

- 1) Rs. 27,000                      2) Rs. 30,000                      3) Rs. 33,000  
4) Rs. 36,000                      5) Rs. 38,000

**Use the following information to answer questions No. 08 and 09.**

	<b>Rs.</b>
Decrease in debtors	60,000
Increase in creditors	40,000
Decrease in stocks	15,000

During the year 2023/2024, discount allowed for the debtors is Rs. 15,000 and discount received from creditors is Rs. 10,000. Return inwards and return outwards is Rs. 5,000 and Rs. 8,000 respectively. Cash purchases Rs. 110,000 and credit purchases Rs. 120,000. Cash sales and credit sales are Rs. 150,000 and Rs. 190,000 respectively

**08.** The amount received from debtors in the year 2023/2024,

- 1) Rs. 210,000                      2) Rs. 180,000                      3) Rs. 260,000  
4) Rs. 230,000                      5) None of the above

**09.** Gross profit ratio of the business for the year 2023/2024 (nearest value),

- 1) 10% on cost                      2) 29% on cost                      3) 20% on sales  
4) 29% on sales                      5) None of the above

**10.** Total comprehensive income calculated by Ashoka PLC for the year ended 31.03.2024 was Rs. 600,000.

Later it was revealed that below errors have been occurred in calculating the total comprehensive income.

- A stock which costs Rs. 20,000 has been omitted in calculating closing stock.
- Rs. 40,000 of interest income have been recorded in the books as interest expenses.
- Rs. 100,000 of land revaluation loss from the first time revaluation has not been recorded.
- An amount of Rs. 30,000 received in respect of bad debts written off in the previous year has been credited to the debtors control account and debited to cash book.

What is the correct total comprehensive income after adjusting the above errors?

- 1) Rs. 600,000                      2) Rs. 610,000                      3) Rs. 620,000  
4) Rs. 630,000                      5) Rs. 640,000

**11.** Following information are provided by a company for the year ended 31.03.2024.

Raw material stock	as at 01.04.2023	25,000
	as at 31.03.2024	20,000
Raw material purchases		80,000
Conversion cost		120,000
Direct labour cost		30,000
Overhead expenses		90,000
Increase in WIP from 01.04.2020 to 31.03.2021		30,000

What is the total production cost for the year ended 31.03.2024?

- 1) Rs. 205,000                              2) Rs. 175,000                              3) Rs. 200,000  
4) Rs. 235,000                              5) Rs. 240,000

**12.** As at 31.03.2024, bank balance of the cash book was equal to the balance of the bank statement of Dayarathna's business. However, a customer had directly remitted Rs. 1,200 to the bank before that date and that amount was not recorded in the cash book. What would be the reason to equal bank balance in the cash book and balance of bank statement each other as at 31.03.2024?

- 1) Rs. 1,200 of debtors remittance which is not recorded in the cash book  
2) Rs. 2,400 of unpresented cheques for payments  
3) Rs. 1,200 of deposited cheques but not realized  
4) Rs. 2,200 of unpresented cheques for payments  
5) None of the above reason is relevant

**Use the following information to answer questions No. 13 and 14.**

On 01.04.2022 a company started business activities with a stated capital of Rs. 200 Mn. The following information has been provided relevant for the years 2023/24 and 2022/23.

Description	2023/24 (Rs. Mn)	2022/23 (Rs. Mn)
Total income	300	200
Total expenses (Excluding income tax)	180	240
Income tax	40	-
Dividends paid	20	-
Revaluation reserve (As at 31 <sup>st</sup> march)	30	-
Total assets (As at 31 <sup>st</sup> march)	300	210

**13.** What is the value of total liabilities as at 31.03.2023?

- 1) Rs. 10 Mn                              2) Rs. 30 Mn                              3) Rs. 40 Mn  
4) Rs. 50 Mn                              5) Rs. 120 Mn

**14.** What is the value of equity as at 31.03.2024?

- 1) Rs. 170 Mn                              2) Rs. 190 Mn                              3) Rs. 250 Mn  
4) Rs. 230 Mn                              5) Rs. 240 Mn

**15.** The following information is about two assets acquired by a trading company on a lease basis.

Building                              Lease period is 20 years. Useful life of the building is 45 years.  
Motor vehicle                              Lease period is 1 year. Useful life of this asset is 5 years.

State whether the above building and motor vehicle is relevant or not as per the SLFRS 16.

	<b>Building</b>	<b>Motor vehicle</b>
1)	Relevant	Not relevant
2)	Relevant	Relevant
3)	Not relevant	Not relevant
4)	Not relevant	Relevant
5)	Relevant	Indefinite

**16.** A company imported a new machine on 01.03.2024 and the relevant information is given below.

	Rs.
Price of the machine	600,000
Non-refundable income taxes	100,000
Distribution cost	200,000
Custom charges	50,000
Annual maintenance cost	120,000

Part of the machine was damaged due to a mistake made by the worker who installed it and Rs. 40,000 had to be borne to recover it.

According to the LKAS 16 (Property, Plant and Equipment Standard) what is the cost of the machine as at 31.03.2024?

- |                  |                  |                |
|------------------|------------------|----------------|
| 1) Rs. 950,000   | 2) Rs. 970,000   | 3) Rs. 990,000 |
| 4) Rs. 1,000,000 | 5) Rs. 1,100,000 |                |

**17.** A company has provided the below information related to three stock items as at 31.03.2024.

<b>Item</b>	<b>Production cost</b>	<b>Expected sales income (Rs.)</b>	<b>Expected sales expenses (Rs.)</b>
A	13,000	15,000	5,000
B	10,000	16,000	4,000
C	17,000	19,000	7,000

What is the value of the stock according to item method as at 31.03.2024?

- |               |               |               |
|---------------|---------------|---------------|
| 1) Rs. 32,000 | 2) Rs. 34,000 | 3) Rs. 40,000 |
| 4) Rs. 42,000 | 5) Rs. 50,000 |               |

**18.** Which of the following statement/(s) is/are correct according to the LKAS 2 (Inventory Standard) ?

- A. The stock should be measured at the lower price between cost or net realizable value.
- B. Direct raw material cost include in conversion cost.
- C. Factory administration cost is not included in stocks.

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

**19.** Select the incorrect statement according to the standard of Provisions, contingent liabilities and contingent assets.(LKAS 37)

- 1) A provision is a liability with uncertainty about time or quantity.
- 2) Provisions should not be shown in the financial position as a liability.
- 3) Contingent assets should not be shown in the financial position as an asset.
- 4) Contingent liabilities should not be shown in the financial position as a liability.
- 5) Contingent liabilities are liabilities which existence will be confirmed only by occurrence or non - occurrence of one or more uncertain future events beyond the control of the organization.

**20.** A business makes all adjustments related to bad debts written off and provision for bad debts through a provision for bad and doubtful debt account. The following information is provided.

- Provision for doubtful debts as at 30.04.2023 is Rs. 44,000.
- Debtor balance as at 31.03.2024 was Rs. 921,000 and a debtor balance of Rs. 21,000 should be written off out of it due to bankruptcy of the debtor
- Received cash in 2023/2024, in relation to a debtor balance of Rs 27,000 which was written off in previous year.
- 10% of the debtor's balance should be provided as doubtful debts.

What is the value to be charged to the profit and loss account as bad and doubtful debts for the year 2023/2024?

- |               |               |               |
|---------------|---------------|---------------|
| 1) Rs. 67,000 | 2) Rs. 40,000 | 3) Rs. 46,000 |
| 4) Rs. 90,000 | 5) Rs. 92,100 |               |

**21.** According to the conceptual framework of accounting, the three out of six fundamental and enhancing qualitative characteristics of accounting information shown correctly are,

- 1) Reliability, relevance, accuracy
- 2) Understandability, comparability, completeness
- 3) Understandability, reliability, relevance
- 4) Relevance, comparability, accuracy
- 5) Completeness, accuracy, reliability

**22.** Since cash receiving from the debtors working capital of the Bryan Company changed by Rs. 80,000 in 2024. The discount rate allowed for all debtors is 10%. All debtors are entitled to this benefit. As at 31.12.2024, the debtor value was Rs. 150,000. It is 1/4 of the credit sales in the year. Debtor balance as at 01.01.2024 is,

- |                |                |                |
|----------------|----------------|----------------|
| 1) Rs. 600,000 | 2) Rs. 350,000 | 3) Rs. 900,000 |
| 4) Rs. 150,000 | 5) Rs. 275,000 |                |

**23.** Which of the following is the accounting concept to recognize PPE depreciation as an expense in the income statement,

- |                       |                          |                     |
|-----------------------|--------------------------|---------------------|
| 1) Entity concept     | 2) Going concern concept | 3) Prudence Concept |
| 4) Realizable Concept | 5) Accrual Concept       |                     |

**24.** Among the following transactions, the transaction/ transactions category that causes to increase the existing current ratio is,



- A. Settling a creditor
- B. Cash sales with profit
- C. Purchasing stock for credit

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

25. The following information was extracted from Ceylinco PLC's November 2024 payroll.

Basic salary	60,000	Employee (EPF)	8%
Loan installment	8,400	Employer(EPF)	12%
Festival advance	3,500	ETF	3%
Overtime pay	4,200	Gross salary	69,200
Travelling allowances	5,000		

EPF is calculated on gross salary excluding overtime pay. The net salary and EPF liability to be shown in the financial position statement for the relevant month respectively, (All payments to the Employees Provident Fund are made in the following month).

- 1) Rs. 52,100 / Rs. 13,000
- 2) Rs. 61,300 / රු. 14,840
- 3) Rs. 52,100 / Rs. 13,380
- 4) Rs. 61,300 / Rs. 12,000
- 5) Rs. 81,000 / රු. 13,840

26. The following information was extracted from a company for the year ended 31.03.2024.

Sales	Rs. 4,000,000
Income tax expenses	Rs. 80,000
Interest expenses	Rs. 60,000
Profit for the period	Rs. 400,000

What is the Net Profit Ratio and Interest Coverage Ratio for the year ended 31.03. 2024?

	<b>Net profit ratio (%)</b>	<b>Interest coverage ratio (times)</b>
1)	10	5
2)	10	9
3)	10	8
4)	5	9
5)	7.5	8

27. The following information is given regarding to a raw material used by a company.

	<b>Maximum</b>	<b>Minimum</b>
Usage (units )	600	200
Lead time (weeks )	6	3

What is the minimum stock level of this raw material?

- 1) 600 units
- 2) 1,800 units
- 3) 3,600 units

4) 4,400 units

5) 3,000 units

**28.** Which of the following statement is correct when the production volume of an item increases?

- 1) Unit variable cost decreases
- 2) Unit fixed cost decreases
- 3) Total cost decreases
- 4) Unit fixed cost and unit variable cost do not change
- 5) Unit variable cost remains unchanged while unit fixed cost increases

**29.** Contribution in CVP analysis is,

- 1) Difference in sales revenue and profit
- 2) Difference in sales revenue and total cost
- 3) Difference between sales revenue and fixed cost
- 4) Difference between sales revenue and total variable cost
- 5) Difference between sales revenue and cost of sales

**30.** What is the correct statement in relation to cost classification?

- 1) Production cost consists of direct cost only
- 2) All direct costs are variable costs
- 3) Machine depreciation can be considered as a controllable cost
- 4) Costs are mainly classified as variable and fixed based on cost behavior
- 5) Cost for inventory measurement can be classified as relevant and non-relevant

**31.** The total assets and total liabilities of a company as at 31.03.2024 were Rs. 1,000,000 and Rs. 300,000 respectively. The following mistakes were made when approaching to these numbers.

- During the month of April 2024, Rs. 20,000 of advance received from a customer in relation to sale of goods has been identified as revenue.
- Rs. 5,000 of unpaid electricity bill for the month of March 2024 has been omitted from books of accounts.
- Sales invoice of Rs. 10,000 were recorded twice in the sales journal.

After correcting the above errors, calculate the total assets and total liabilities.

- a) Total assets .....
- b) Total liabilities.....

**32.** On the date of reimbursement, Rs. 1,200 were remaining with the petty cashier. Including the drawings of Rs. 400 by the owner for his personal use, a total of Rs. 6,800 payments had been made.

1. What is the amount of petty cash imprest? .....
2. What is the amount to be reimbursed as at that date? .....

**33.** Give one example for the following cost elements of a company that manufactures several bakery items. (Consider bakery item as the unit of cost.)

- Direct material .....
- Indirect labour .....

Indirect expenses .....  
 Indirect material .....

34. Mention two benefits of using source documents.

1. ....
2. ....

35. Distinguish between Comprehensive Income Statement and Cash Flow Statement on the following points separately.

	<b>Comprehensive Income Statement</b>	<b>Cash Flow Statement</b>
Basis	.....	.....
Nature of the information provided	.....	.....

36. Indicate whether the balance of the bank statement will increase or decrease than the balance of the cash book due to the following reasons.

	<b>Increase/ Decrease.</b>
A. Issued but unrepresented cheques for payments	.....
B. Deposited but unrealized cheques	.....
C. Direct remittance from debtors which not included in the cash book	.....
D. Bank charges not recorded in the cash book	.....

37. The following balances were in Nilu PLC as at 01.04.2023.

	<b>Rs. '000</b>
Stated capital (ordinary shares 100,000)	2,000
Retained earnings	800

On 30.09.2023, the company made bonus share issue by using of Rs. 400,000 retained earnings. Issue price was Rs. 20 per share. On 31.12.2023, a rights issue of 1 share for every 12 shares at Rs. 10 per share was made. All rights were subscribed by existing shareholders. Profit for the period ended 31.03.2024 was Rs. 300,000. Mention the following.

- A. Amount of Increase in cash balance of the company Rs.....
- B. Equity as at 31.03.2024 Rs .....

38. Use the "X" mark in the relevant column to state whether the following statement is true or false.

<b>Statement</b>	<b>True</b>	<b>False</b>
A. All the overhead costs should be considered in calculating the production cost.	.....	.....
B. Provision for doubtful debts is based on the prudence concept.	.....	.....
C. Contingent assets should be recognized in financial statements.	.....	.....

D. Contribution can be calculated when variable costs are deducted from sales revenue.

39. Define “Financial Activities” according to the standard of LKAS 07.

40. QB Sports Club had 100 members as at 01.04.2023 and the monthly membership fee for a member was Rs. 100. As at 01.04.2023 the outstanding membership amount is Rs. 6,000 and the membership of those members was cancelled on 01.04.2023. They had not paid membership fees for the entire last year. 10 new members were joined on 01.10.2024 and the outstanding membership amount as at 31.03.2024 was Rs. 10,000.

A. What is the total membership income for the year ended 31.03.2024?

B. What is the amount of membership fee received in cash during the year ended 31.03.2024?

41. Rs. 40,000 stocks in a business were destroyed due to floods. It was estimated that the stock can be sold for Rs. 38,000 by spending further Rs. 8,000. What is the net realizable value of the stock if the sales commission is 10% of the sale price?

42. In addition to the normal sales, a stock sent on sales or return inwards basis with a cost of Rs. 150,000 and a selling price of Rs. 180,000 were recorded as credit sales. Profit for the year was Rs. 100,000 and after calculating it, it was revealed that the above 1/5 had not been sold by the end of the financial year and had not yet expired. What is the correct profit for the year?

43. Mention two instances in which a company may change its accounting policy in accordance with LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) standard.

1. ....

2. ....

44. State the most relevant accounting concept to each of the following situations in a manufacturing company.

**Situation**

**Accounting concept**

A. Measuring the stock of raw material at the end of the year to the lower of its cost or net realizable value

B. Preparing a manufacturing account for each accounting period

C. Recognize advance received from a customer prior to delivery of the goods as a liability

D. Recognize provision for depreciation on a machine in the .....  
manufacturing account as production overhead

45. A company acquired a motor vehicle worth of Rs. 4,000,000 under a lease basis on 01.04.2023. Initial deposit of Rs. 1,600,000 was paid on that day. Annual lease installment was Rs. 930,000 and the lease period is 4 years. The useful lifetime of this Motor vehicle is 5 years and at the end of the lease period the ownership of the vehicle is not transferred to the company. The interest included in the first lease installment is Rs. 480,000 and the interest included in the second lease installment was Rs. 390,000.

A. What is the depreciation expense of this motor vehicle for the year ended 31.03.2024?  
.....

B. What is the amount of non-current liability of the company in relation to the above transaction as at 31.03.2024?  
.....

46. State whether the following statements are **true** or **false** in relation to the purpose of management accounting in a company.

- A. General purpose financial statements are provided by management (.....) accounting.
- B. It provides only historical information of a company. (.....)
- C. It provides information for financial accounting. (.....)
- D. It provides past and future information of a company. (.....)

47. A company has two production departments and a service department. The budgeted overhead cost of the Service department is Rs. 100,000 and it will be redistributed based on the number of machine hours worked by the production departments. The following additional budget information is also provided.

	<b>Production department I</b>	<b>Production department II</b>
Machine hours	7,000	3,000
Production overhead cost per unit	Rs. 120	Rs.140
Assembly time per unit	Machine hours 3	Machine hours 2

Calculate following for **Production department I**

- A. Reapportioned cost of the service department Rs.....
- B. Overhead absorption rate per hour .....

Calculate following for **Production department II**

- A. Total production overhead cost Rs.....

48. Summary of salary related to a company in June 2024 is given below.

<b>Description</b>	<b>Rs.</b>
Basic salary	100,000
Allowances	25,000
EPF deductions	8,000

Festival advance deductions	7,000
Net salary	110,000
EPF (employer contribution)	12,000

What is the total expense related to the employees in month of June 2024?

.....

49. Indicate whether the payback period of an investment project increases, decreases or does not change due to each of the following situations.

	<b>Increase/ Decrease /Not change</b>
A. Increase in initial investment	.....
B. Reduction of annual cash inflows	.....
C. Reduction of annual cash outflows	.....
D. Increase in discount factor	.....

50. A company is considering buying a machine for 2,400,000. Its useful life and residual value are 5 years and Rs. 600,000 respectively. Straight line method is used to provision for depreciation. Rs. 600,000 net cash flow is expected each year from this machine. Calculate the following.

- A. Payback period (Years) .....
- B. Accounting rate of return – based on the average investment (%).....

**General Certificate of Education (Adv. Level) Examination**

**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.** Followings details are given related to Virajini PLC as at 31.03.2024.

**Trial Balance**

	(Rs.000)	(Rs.000)
Stated Capital - Ordinary shares (200,000)		5,000
General reserve		500
Retained profits		300
Purchases and Sales	4,000	6,000
Opening stock	400	
Trade receivables and Trade payables	2,300	900
Income tax Paid (2023/24)	250	
Provision for doubtful debts (01.04.2023)		300
Salaries and wages	270	
Other administration expenses	420	
Distribution expenses	160	
Debenture interests	75	
20% debentures (issued on 30.09.2023)		1,000
Paid interim dividends	200	
Temporary asset account	150	

Asset disposal profit		300
Property Plant and Equipment	2,420	
Provision for accumulated depreciation		640
Received investment income		25
15% Investments	560	
Cash and bank	3,732.5	
Expenses paid in advance	57.5	
Income tax paid and provisions (2022/23)	320	350
	<b>15,315</b>	<b>15,315</b>

### Additional Information,

- I.** The following stocks in transit have been omitted during the stock calculation conducted on 31.03.2024. Apart from the following stocks, the company had a stock that cost Rs. 120,000 as at 31.03.2024

Item	Cost	Net Realizable Value
A	300,000	260,000
B	400,000	390,000
C	220,000	400,000

The company uses item basis to record inventory.

- II.** Rs. 400,000 worth of a motor vehicle purchased for cash on 01.04.2022 has been accounted as an expense. It was revealed in the audit for the year 2022/23 on 31.10.2023. The company depreciates motor vehicle at a rate of 10% per annum under the straight line method and this vehicle has no residual value.
- III.** A motor vehicle which was purchased two years ago from 30.09.2023, with a carrying value of Rs. 350,000 as at that date was sold by the company for Rs. 300,000. No other record has been kept except that the money received from it has been recorded as a profit.
- IV.** Property, Plant and Equipment of the company as at 01.04.2023 is as follows.

Item	Cost	Acc depreciation	Dep rate
Land	1,000,000	-	-
Buildings	500,000	200,000	20%
Motor vehicle	800,000	420,000	10%
Furniture	120,000	20,000	15%

The company uses straight line method to depreciate its assets.



- V. On 30.09.2023 Buildings were revalued for the first time for Rs. 420,000. Useful life of the building as at that date were estimated as 2.5 years.
- VI. The company purchased a special production machine on 31.12.2023 under a lease arrangement. The following details are related to the lease.
- The leasing company should pay 80% of the purchase price of the machine.
  - Lease period is 3 years.
  - Purchase price of the machine is Rs. 750,000.
  - The useful life of the machine is 4 years and it has no residual value at the end of it.
  - At the end of the useful life, Rs. 250,000 is required to dismantle it. (During this period the time value of the price remains unchanged).

The interest payment for the lease period is given below.

01/01/2024 – 31/12/2024 – Rs. 70,000

01/01/2025 – 31/12/2025 – Rs. 30,000

01/01/2026 – 31/12/2026 – Rs. 20,000

In relation to the above transaction, the company debited the paid Rs. 150,000 to a temporary asset account and no any other transactions were recorded. Value of the lease installment is Rs. 240,000 and each of the installment should be paid on 31<sup>st</sup> December. Ownership of the asset at the end of the period is transferred to the company.

- VII. A debtor which had a balance of Rs. 30,000 at the reporting date died due to a heart attack on 05.04.2024. It is the company's policy to provide 10% of the year end debtor balance as provision for doubtful debts.
- VIII. Company has not properly accounted for Employer and Employee EPF / ETF or not yet paid. According to government regulations, the employer must contribute 15% to the EPF, 3% to the ETF and 10% by the employee. Wages and salaries in the financial position shows the net salary paid.
- IX. A debit note issued by the company of Rs. 100,000 has been omitted from the books of accounts.
- X. The tax rate of the company is 30%, but according to the tax reforms carried out on 01.01.2021, that rate was reduced to 20% from 01.01.2024. (Assume that profits are evenly distributed throughout the year).
- XI. The Board of Directors had decided the followings.
- Transfer of 100,000 to the general reserve
  - To pay a dividend of Rs. 10 per share for Ordinary shareholders

**Required,**

Financial statements of Virajini PLC according to the standard LKAS 01 (including notes).

1. Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2024
2. Statement of Changes in Equity for the year ended 31.03.2024
3. Statement of Financial Position as at 31.03.2024

02. A). Following are the overhead costs related to the last month of Sasika Maldeniya project.

Equipment depreciation	12,000	AC	7,800
Factory building rent	10,000	Employee insurance	18,000
Canteen expenses	9,000	Electricity charges	2,000
Rates	1,000	Power	5,000
Quality control costs	5,000	Factory Manager's salary	27,000

Details related to the production and service department is given below.

	Production department		Service department
	P	Q	Stores
Floor area	1,200	1,600	1,200
Area (cubic meters)	4,000	6,000	3,000
No. of employees	40	30	20
Book value of equipment	30,000	20,000	10,000
Machine capacity	12	8	-
No. of materail requisition notes	60	40	-
No. of quality tests	20	30	-
Light bulbs	6	8	6

**Required,**

1. Statement showing the allocation of overhead costs between the production and service departments and the re-apportionment of service departments overheads to production departments.

**B).** Following are the salary details of the showroom employees of a trading company for the month of March 2024.

Employee name	No. of hours worked in week days	No. of hours worked in week ends	Salary advance taken on March 25 <sup>th</sup> (Rs.)	Salary on Attendance(Rs.)
Nimshi	196	15	16,000	5,000
Nishini	184	26	12,000	5,000
Sithumi	140	30	13,000	-
Total	520	71	41,000	10,000

- I. For an employee who worked 160 hours in a month receives Rs. 40,000 flat salary. Overtime worked on weekdays is paid 150% of the normal hourly rate and 200% of the normal hourly rate is paid for overtime on weekends.
- II. Account balances as at 01.03.2024.

Payable salaries	Rs. 145,500
Payable EPF	Rs. 24,000
Payable ETF	Rs. 3,600
- III. Contribution for Employee Provident Fund (EPF) and Employee Trust Fund (ETF) based on the basic salary should be calculated as below.

EPF – Employer	12%
Employee	8%
ETF - Employer	3%

ETF & EPF are paid on 10<sup>th</sup> of the following month.

**Required,**

1. Salary sheet
2. Employee expenses for march 2024  
(Show each item separately)
3. Below ledger accounts
  - I. Payable EPF account
  - II. Payable ETF account

- III. Payable salary account
- IV. Salary control account

03. A). The financial position statement of Mobitel Services as at 01.04.2024 is as follows. The business is VAT registered and pays 5% VAT on the value of the service for each service provided by the business.

Asset	Rs. 000
Office equipment (Cost 288,000)	250
Service stock	50
Trade receivables	30
Bank	80
	<b>410</b>
<b>Equity</b>	<b>380</b>
<b>Liabilities</b>	
VAT Payable	10
Trade payables	20
	<b>410</b>

Transactions occurred in the month of April 2024 is as follows.

- I 04/03 Rs. 100,000 of services provided for cash.
- II 04/05 Marked price Rs. 22,000 worth of service goods were purchased for Rs. 20,000 on credit.
- III 04/08 Half of the inventory borrowed on 04/05 was returned to the supplier.
- IV 04/12 Received Rs. 9,000 from trade receivables to settle a balance of Rs. 10,000 and the balance was written-off as bad debts on trade receivables.
- V 04/15 Cost Rs. 45,000 worth of office equipment was purchased and incurred Rs. 3,000 for bringing to the office and Rs. 2,000 for installation. Residual value of this is Rs. 2,000 and useful life is 2 years and it is eligible to operate from purchased date. Existing office equipment has a useful life of 3 years and no residual value.
- VI 04/18 In order to settle the water bill of Rs. 4,000 relevant to this month, the company provided a service.
- VII 04/20 A sales invoice of Rs. 20,000 in relation to a service provided on march has been totally ommitted from the books of accounts.
- VIII 04/22 Rs. 18,000 was paid to settle trade payable as at 01.04.2024 in cash and the balance was treated as a discount.
- IX 04/25 The written-off balance of trade receivables was received in cash on .
- X 04/30 To settle Rs. 3,000 electricity bill, owner paid Rs. 2,000 by his personal cash and balance was paid by the company.

**Required,**

1. Record the above transactions correctly to the equation given below.

$$+ \text{ Office equipment} + \text{ Service stock} + \text{ Trade receivables} = \text{ Bank Payable VAT} + \text{ Trade payables} + \text{ Equity}$$

2. Calculate the profit or loss for the month ended 30.04.2024 on the net assets basis.

**B).** As at 31.03.2024, balance of the debtors control account was Rs. 80,000 and it did not match with the balance as per the debtors list. Later the following information were revealed as reasons for the difference by investigations.

- I.** When preparing the balance of the list of debtor's ledger, Rs. 5,000 of debit balance and a credit balance of Rs. 500 have been omitted.
- II.** Credit sales of Rs. 6,100 made for kasuni has been recorded in the sales journal as Rs. 1,600.
- III.** Out of the sales recorded in the Debtors Control Account, It has been included the value of a car sold on credit for Rs. 40,000.
- IV.** A debtor balance received Rs. 3,100 from piyumi has been recorded in her personal account as Rs. 1,300.
- V.** A cheque of Rs. 3,000 received from a debtor had been dishonoured, that was recorded only in his personal account.
- VI.** The value of the credit notes which is completely omitted from the books was Rs. 2,500.
- VII.** The company has cancelled a discount of Rs.1,000 given to a debtor and it was only recorded in the relevant debtor account.
- VIII.** Although Sanduni's debtor balance of Rs. 8,000 was decided to write off as bad debts due to the bankrupt, it was not recorded in the books of accounts at all.

**Required,**

1. Debtors control account with relevant adjustments.
2. A reconciliation statement on the balance of debtors control account after the above adjustments and the balance of list of debtors before making adjustments.

**04. A).** Madhuri joined on 01.04.2023 to the partnership carried out by Sarani and Waruni which they shared profits equally. The current account of the partnership for the year ending 31.03.2024 is as follows.

	<b>Sarani</b>	<b>Waruni</b>	<b>Madhuri</b>		<b>Sarani</b>	<b>Waruni</b>	<b>Madhuri</b>
Drawings	200	220	140	B/B/F	500	300	-
B/C/D	580	280	95	Salaries	-	-	175
				Capital interest	100	80	-
				Profits	180	120	60
	780	500	235		780	500	235

**Additional Information,**

- I.** On the day madhuri joined, she brought cash Rs. 550,000 as capital and Rs. 50,000 out of it was for goodwill.
- II.** Transactions related to goodwill should be done through capital account of partners.
- III.** Annual interest rate on beginning balances of capital is 10%.
- IV.** On 01.01.2024, Madhuri have provided a loan to the business of Rs. 400,000. Loan interest has not been recorded as there is no agreement on interest.
- V.** During the year Waruni, Sarani and Madhuri has made drawings of Rs. 20,000 each. No any records were there in relation to it.

**Required,**

1. A statement showing the correct appropriation of profits for the year ended 31.03.2024.
2. Capital accounts and Current accounts for the year ended 31.03.2024 after considering the above additional information.

B). The receipts and payments account prepared by the United Youth Social Welfare Association as at 31.12.2024 are as follows.

<b>Receipt and payment account</b>			
B/B/F	7,000	Salaries	5,000
Registration fee	1,600	Stationary	1,400
Membership fees	18,400	Telephone expenses	2,500
Other donations	7,200	Rent and rates	4,600
Investment interest income	1,000	Postal expenses	1,300
		Other expenses	2,100
		B/C/D	18,300
	<u>35,200</u>		<u>35,200</u>

Following information has been provided as additional information.

- I. Receivable investment interest income of Rs. 200 related to last year has been received this year and that amount is included in the investment interest income.
- II. Expenses that are payable and paid in advance as at 31.12.2024 is as follows.
  - Payable postal expenses Rs. 500
  - Payable rent and rates Rs. 1,700
  - Telephone expenses paid in advance Rs. 1,500
- III. The total received membership fee above includes Rs. 1,000 of value that should be received in the year 2023. The membership fee received already for the year 2024 is Rs. 7,600. At the end of this year the membership fee receivable is Rs. 1,800.
- IV. Balances of other ledger accounts at the beginning of the financial year is given below.
  - Non- current assets of association Rs. 72,900 (cost:- 96,000)
  - Investments Rs. 20,000
- V. The registration fee is considered as an income in the year received.
- VI. Non- current asset are depreciated at a rate of 10% under the straight line method.

**,Required**

1. Accumulated fund as at 01.01.2024
2. Surplus or Deficit for the year ended 31.12.2024
3. Financial position statement as at 31.12.2024

05. A). Summarized financial position statement of Bowattha PLC as at 31.03.2024 and as at 31.03.2023 is given below.

<b>Description</b>	<b>As at 31.03.2024 (Rs'000)</b>	<b>As at 31.03.2023 (Rs'000)</b>
PPE- Carrying value	28,000	19,000
Stocks	9,680	8,800
Trade receivables	9,500	10,500
Cash and cash equivalents	5,020	2,200
Total assets	<u>52,200</u>	<u>40,500</u>
Stated capital- ordinary shares	22,800	18,000
Revaluation reserve	2,000	-
Retained earnings	5,200	2,500

Long term loan	10,500	10,100
Trade payables	8,600	8,100
Provision for income tax	500	400
Bank OD	2,600	1,400
Total equity and liabilities	<u>52,200</u>	<u>40,500</u>

**Additional information,**

- I. Profit before tax and profit for the year ended 31.03.2024 were Rs. 6,000,000 and Rs. 4,500,000 respectively.
- II. The total interest expenses on the long term loan for the year ended 31.03.2024 was Rs. 600,000. The accrued loan interest of Rs. 400,000 was included and it was mistakenly added to the balance of long term loan as at 31.03.2024.
- III. The depreciation expenses for the year ended 31.03.2024 was Rs. 1,250,000. During the year 31.03.2021 they purchased a new motor vehicle for cash and there was a surplus in the revaluation reserve due to the revaluation of lands for the first time. No other purchases or disposals of assets were made during the year.
- IV. During the year the company made a share issue and on 01.01.2024 an interim dividend was paid to ordinary shareholders.
- V. The long term loan should be paid from 31.03.2026 onwards.

**Required,**

1. Cash flow statement for the year ended 31.03.2024 according to the standard LKAS 07. (Use the indirect method to calculate the cash flow from operating activities)
- B).** Bank balance of Deshan PLC as per the bank statement was Rs. 32,000 of credit balance as at 01.07. 2024.
- I. The total debits and credits during the month of July as per the bank statement was Rs. 140,000 and Rs. 190,000 respectively.
  - II. The following items have been debited by the bank and not recorded in the cash book of the business.

	Rs.
Bank charges	3,000
Standing order payments-insurance	10,000
  - III. The following items have been credited by the bank and not recorded in the cash book of the business.

	Rs.
Debtor remittances	12,000
Fixed deposit interest	8,000
  - IV. As at 01.07.2024 there were No unrepresented and unrealized cheques.
  - V. As at 31.07.2024, value of the unrepresented cheques were Rs. 16,000 and value of Unrelaized cheques were Rs. 23,000.
  - VI. The business did not deposit any amounts of cash to the bank during the month of July.

**Required,**

1. Prepare the cash book (Bank account) of the company for the Month of July 2021 before making adjustments.
2. Adjusted cash book balance as at 31.07.2024.
3. Bank Reconciliation statement as at 31.07.2024.

**06. A).** A company is planning to replace the old machine to a new machine.

Cash flows at the initial stages of project.

- Purchase price of the new machine                      Rs. 450,000
- Fixing costs    Rs. 50,000
- Disposable price of the existing machine              Rs. 40,000

Operating cash flows including the depreciation.

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Expected increase in sales ( Rs.)	600,000	750,000	700,000	800,000
Expected increase in operating expenses (Rs.) (Including depreciation)	500,000	400,000	550,000	675,000

Other information,

- I. The working capital requirement will be Rs. 130,000. Total working capital value can be realized at the end of the project.
- II. Expected rate of return of the company is 15%.

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

**Required,**

1. Net cash flows for each year
2. Your suggestion to carry on the project based on the Net present value of the investment

**B).** The following information are related to the Upul's PLC for the year ended 31.03.2024.

Gross profit ratio	20%
Asset turnover ratio	0.5 times
Inventory turnover ratio	8 times
Average stock	Rs. 400,000
Total expenses for the period	Rs. 3,600,000
Total liabilities as at 31.03.2024	Rs. 4,400,000

**Required,**

1. Sales for the year ended 31.03.2024
2. Total assets as at 31.03.2024
3. Return on Equity ratio
4. Equity ratio

# Suggested Answers – I Paper

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

- (31) A. Rs. 990,000 B. Rs. 325,000
- (32) 1. 8,000  
2. 6,800
- (33) (1) Flour, Eggs, Butter, Sugar  
(2) Security guard salary/Supervisor's salary  
(3) Electricity bill/Woods/Oven maintenance/Equipment dep  
(4) Yeast/Flavors/Sugar/Salt
- (34) 1. A written evidence for a transaction can be identified.  
2. Recording a transaction in the prime entry books can be postponed to a later date.  
3. An opening document of a transaction. .
- (35) **Basis**– Accrual and cash  
**Nature of the information provided**- Information on performance and changes in the cash position
- (36) A- Increase. B- Decrease. C- Increase. D- Decrease.
- (37) A) Rs. 100,000 (B) Rs. 3,200,000
- (38) A - False, B - True, C - False, D - True
- (39) Activities that cause a change in the size and content of the firm's capital and borrowings are defined as financial activities..
- (40) A. Rs. 120,000 (B) රු. 110,000
- (41) Rs. 26,200
- (42) Rs. 94,000
- (43) 1. As per the Requirement of Sri Lanka Accounting Standards

Condition	Accounting concept
A. Measuring the stock of raw material at the end of the year to the lower of its cost or net realizable value	Prudence
B. Preparing a manufacturing account for each accounting period	Periodic
C. Recognize an advance received from a customer prior to delivery of the goods as liability	Accrual/Realizable/Income
D. Recognize provision for depreciation allocated on a machine in the manufacturing account as production overhead	Matching

- (44) (A).Rs 1,000,000 (B) Rs 1,410,000
- (45) A - False, B-False, C – False, D - True
- (46) (A) Rs. 70,000  
(B) Rs. 40  
(C) Rs. 210,000
- (47) Rs. 137,000.
- (48) A- Increase. B- Increase. C- Decrease  
D- Not change
- (49) (A). 04 - years  
(B). 16%



# Suggested Answers – II Paper

01.

## Virajini PLC

### Profit and loss and other comprehensive Income statement

For the year ended 31.03.2024(Rs.000)

Sales		6,000
Cost of sales		(3,260)
Gross profit		2,740
Other income		84
Administration		(988.5)
Distribution Expenses		(215)
Finance expenses		(117.5)
Other expenses		(100)
Profit before tax		1,403
Income tax		(566.5)
Profit for the period		836.5
Other comprehensive income		
Revaluation gain		170
Total comprehensive income		<b>1,006.5</b>

## Virajini PLC

### Statement of changes in equity

For the year ended 31.03.2024 (Rs.000)

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

**Virajini PLC**  
**Financial position statement**  
**as at 31.03.2024 (Rs.000)**

<b>Non-current assets</b>		
Property, Plant & Equipment's	1,710	
Right to use asset	937.5	
10% Investments	560	3,207.5
<b>Current assets</b>		
Closing stock	990	
Debtors	2,043	
Receivable investment income	59	
Prepaid expenses	57.5	
Bank and Cash	3,732.5	6,882
		10,089.5
<b>Equity and Liabilities</b>		
Ordinary shares	5,000	
General reserve	600	
Revaluation reserve	170	
Retained profits	1,196.5	6,966.5
<b>Non-current liabilities</b>		
Lease Liability	430	
20% Debentures	1,000	1,430
<b>Current liabilities</b>		
Dismantling & removing liability -Lease	250	
Lease Liability - Current	170	
Interest on lease	17.5	
Payable EPF	75	
Payable ETF	9	
Trade payables	800	
Payable debenture interest	25	
Payable income tax	346.5	1,693
		10,089.5

**Note 01**

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

**Note 02**

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

**Note 03**

	Land	Building	Motor Vehicle	Furniture
B/F	1,000	500	800	120
Motor vehicle-omitted			400	
Motor vehicle disposals			(437.5)	
Revaluation		170		
	1,000	670	762.5	120
Depreciation		200	420	20
Omitted MV dep:			40	
MV disposals			(87.5)	
Annual depreciation		134	98	18
		334	470.5	38
	<b>1,000</b>	<b>336</b>	<b>292</b>	<b>82</b>

**02. A)**

Cost	Cost basis	Total cost	Production dep P	Production dep Q	Stores
Equipment dep	Book value	12,000	6,000	4,000	2,000
Building rent	Floor area	10,000	3,000	4,000	3,000
Canteen	No. of employees	9,000	4,000	3,000	2,000
Rates	Area	1,000	300	400	300
Quality costs	quality tests	5,000	2,000	3,000	-
AC	Area	7,800	2,340	3,120	2,340
Employee insurance	No. of employees	18,000	8,000	6,000	4,000
Electricity charges	Light bulbs	2,000	6,000	8,000	6,000
Power	Machine capacity	5,000	3,000	2,000	-
Manager's salary	No. of employees	27,000	12,000	9,000	6,000
			15,384	10,256	(25,640)
			62,024	52,776	

**B). 1.**

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

**2. Salary Expenses – Rs. 206,000**

Gross salary	=188,000
EPF Expenses	= 14,400
ETF Expenses	= 3,600
	<u>206,000</u>

### 3. Payable EPF account

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

### Payable ETF account

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

### Salary control

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

### Payable salary account

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

### 03. A).

#### 1.

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

2. Net Profit = (Net asset end of the period – Net asset beginning of the period + Drawings – Additional Capital during the period)  
 = (492,000 – 380,000) - 2,000  
 = 112,000 – 2,000  
 = **Rs. 110,000**

**B).**

1.

**Debtors control account**

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

2.

**Debtor reconciliation statement**

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

04. A).

**Profit correction statement**

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

**Profit / Loss appropriation statement**

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

**Current accounts**

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

**Capital accounts**

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

**B).**

**Accumulated fund account**

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

**Income and Expense Account**

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

**Balance sheet**

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

05. A)

**Bowaththa PLC**  
**Cash flow statement for the**  
**year ended 31.03.2024 (Rs.000)**

<b>Cash flow from operating activities</b>		
Profit before tax		6,000
Adjustments		
Depreciation	1,250	
Loan expenses	600	1,850
Profit after adjustments		7,850
Working capital Movements		
Increase in stocks	(880)	
Decrease in debtors	1,000	
Increase in creditors	500	620
Cash flow from operating activities		8,470
Paid interest	(200)	
Paid Tax	(1,400)	(1,600)
Net cash flow from operating activities		6,870
<b>Investment Activities</b>		
Motor vehicle purchase	(8250)	
Net cash flow from investment activities		(8,250)
<b>Financing Activities</b>		
Share issue	4,800	
Dividends paid	(1,800)	3,000
Net cash flow from financing activities		
Net increase in cash and cash equivalents		1,620
Cash and cash equivalents as at 01.04.2023	2,200	
Bank OD	(1,400)	800
<b>Cash and cash equivalents as at 31.03.2024</b>		

Cash and cash equivalents	5,020	
Bank OD	(2,600)	2,420

B).

**Cash book before adjustments**

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

**Adjusted cash book**

B/F	82,000	Bank charges	3,000
Remmitances	12,000	Standing orders	10,000
Interest	8,000	C/D	89,000
	<u>102,000</u>		<u>102,000</u>

**Bank Reconciliation statement**

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

06. A).

1.

Description	Year				
	0	1	2	3	4
Expected increase in sales		600,000	750,000	700,000	800,000
New machine	(500,000)				
Old Machine disposals	40,000				
Operating expenses (Excluding depreciation)		(375,000)	(275,000)	(425,000)	(550,000)
WC at the end of the project	(130,000)				130,000
Net cash flow	(590,000)	225,000	475,000	275,000	380,000
Net present value	(590,000)	195,750	361,000	181,500	216,600



## 2. NPV - Rs. 364,853

Good to invest because the NPV is a positive value.

### B).

#### 1.

$$\begin{aligned} \text{Stock turnover ratio} &= \frac{\text{Cost of sales}}{\text{Average stock}} \\ 8 &= \frac{3,200,000}{400,000} \\ \text{Sales} &= \frac{3,200,000}{80\%} \\ &= \underline{\underline{\text{Rs.4,000,000}}} \end{aligned}$$

#### 02. Total assets as at 31.03.2021,

$$\begin{aligned} \text{Asset turnover ratio} &= \frac{\text{Sales}}{\text{Total Assets}} \\ 0.5 &= \frac{4,000,000}{\text{Total assets}} \\ &= \underline{\underline{\text{Rs. 8,000,000}}} \end{aligned}$$

#### 03.

$$\begin{aligned} \text{Return on equity ratio} &= \frac{\text{Net profit} \times 100}{\text{Equity}} \\ \text{Return on equity ratio} &= \frac{400,000 \times 100}{3,600,000} \\ &= \underline{\underline{11.11\%}} \end{aligned}$$

**04.**

$$\begin{aligned} \text{Return on equity ratio} &= \frac{\text{Equity} \times 100}{\text{Total capital}} \\ &= \frac{3,600,000 \times 100}{8,000,000} \\ &= \mathbf{45\%} \end{aligned}$$