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Accounting

Monthly Education Magazine

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Special Revision Kit

- ✓ Question Paper - Part 01
- ✓ Question Paper - Part 02
- ✓ Suggested Answers - Part 01
- ✓ Suggested Answers - Part 02

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Accounting

33 E I

Three 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 01.04.2023?

- 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 Rs80,000.

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 31.12.2022.

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

Before deducting provision for doubtful debts in 2023 and 2024 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 2023 is Rs. 750 and in 2024 Rs. 865. Rs. 500 bad debts written off before 2 years ago was received in July 2024.

15. What is the expense amount taken to the profit and loss account from bad and doubtful debts account for the financial year 2024?

- 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 31.12.2024,

- 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 31.03.2024 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 01.04.2024.

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 31.03.2024. 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 31.03.2024,

- 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 31.03.2024, 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 31.03.2024 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 01.01.2024. Balance of the provision for depreciation account as at 31.01.2024 was Rs. 500,000. On 01.10.2024 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 2024.

	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 2024?

- 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

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 01.10.2024 which was purchased on 01.04.2022. 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 31.03.2024, 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 31.03.2024 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 31.03.2024 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.	_____	_____

Other administration expenses	1,700	
Sales & Distribution expenses	1,800	
Finance expenses	80	
Cash & bank	2,490	
	22,160	22,160

Additional information:

- I. The physical stock of the business as at 31.03.2024 was Rs 645,000. The goods in transit was Rs 120,000 and it was destroyed by an accident on 30.03.2024. The residuals were sold for Rs 25,000 on 02.04.2024
- II. All PPE of the business has been obtained on lease base. The ownership of each asset will be transferred to Dhanushka PLC at the end of the lease period.

Item	Date of purchase	% of lease	Leasing period	Useful life of the asset	Fair value of the asset (As at purchasing date)
Land	2021.04.01	80%	5	-	1,000,000
Building	2022.04.01	75%	5	10	2,000,000
Motor Vehicle	2023.04.01	50%	4	8	1,600,000
Furniture	2023.04.01	40%	2	5	400,000

Item	Value of an annual installment	Interest			
		2021/22	2022/23	2023/24	2024/25
Land	200,000	80,000	60,000	30,000	20,000
Building	400,000	-	200,000	150,000	80,000
Motor Vehicle	250,000	-	-	100,000	50,000
Furniture	100,000	-	-	30,000	10,000

All leasing installments are needed to be paid at the end of the year and any installment relevant to the year 2023/24 is not yet paid. (Assume that there are no any residual values of the assets).

- III. Dhanushka Plc sells goods on warranty and the business policy is to provide 5% of sales for warranty
- IV. The company made a right issue to purchase of a new car on a lease basis on 01.04.2023. This enables any shareholder having five shares to subscribe to one new share. The market price of a share on 01.04.2023 was Rs. 100 and the issue price of the share was $\frac{3}{4}$ from the market price. The car mentioned in adjustment number two was purchased on a lease basis at an initial payment of Rs. 800,000 by using cash received from the right

issue. All cash received in connection with this right issue has only been credited to the share issue account. (All right issue shares were purchased by the shareholders)

- V. The income tax rate is 25%
- VI. Rs. 500,000 Salary advance paid to the employees during Christmas season has been mistakenly recorded in salaries and wages a/c as an expense. Employees should settle this advance in April 2024
- VII. 10% from closing debtor balance should be provided as doubtful debts.
- VIII. An employee has filed a case against the company asking Rs 200,000 compensation. The final decision is not yet given and the company Lawyer's opinion is that the company will have to pay 50% of the compensation.
- IX. Following suggestions have been given by the board of directors.
 - To pay a final dividend of Rs 3 for each share.
 - To transfer Rs 100,000 to the general reserves

Required:

Financial statements of the Achievers Lanka Business School PLC for the year 2023/24 according to LKAS 01. (Including notes).

1. Statement of profit or loss and comprehensive income for the year ended by 31.03.2024
2. Statement of changes in equity for the year ended by 31.03.2024.
3. Statement of financial position as at 31.03.2024

- 2) A) A company which manufacture a special type of bag is maintaining two production departments for assembly & finishing within the same building. A service department is separately maintained and the following budgeted costs are given.

		(Rs. 000)
Indirect wages	Assembly	159
	Finishing	171
	Service	120
Machine depreciation		90
Electricity		60
Machine insurance		42
Building rent (factory)		84
Expenses for the canteen		54
		780

- I. Following information are given.

	Assembly	Finishing	Service
Employees cost	400	200	
Machine Cost	600,000	400,000	200,000
Land Area (m ²)	90,000	90,000	30,000
Electricity (kwh)	24,000	6,000	6,000

Machine hours	46,000	39,000
Labor hours	25,000	20,000

II. Service department has provided services to the production department as follows.

Assembly	Hours	30,000
Finishing	Hours	10,000

III. Overhead will be absorbed by the assembly department on machine hour basis and finishing department on labor hour basis

IV. Production cost of one bag is as follows

Direct material cost	338
Direct labor cost	150
Budgeted machine hours	3
Budgeted labor hours	2

Required:

1. Overhead analysis sheet
2. Overhead absorption rates of assembly and finishing departments
3. Total production cost of a bag

B) Following information given related to material “B” use for manufacturing a particular product

Average Consumption	300 Units
Minimum Consumption	100 Units
Re order Quantity	400 Units
Average lead time	4 Weeks
Maximum lead time	6 Weeks
Storage Capacity of Warehouse	3,400 units

Required:

1. Re-order level of material “B”
2. State with reason whether the storage capacity is sufficient or not for storing the material
3. Draw a graph to show maximum stock level, minimum stock level, re order level and the lead time (Scale is not necessary)

3) A). Assets & liabilities of Suranga's business as at 01.04.2024 was as follows.

Land & building	Rs. 200,000
Furniture	Rs. 30,000
Bank balance	Rs. 123,000
Inventory	Rs. 20,000
Debtor – Kamani	Rs. 12,000
Creditor – Ravi	Rs. 10,000

Following transactions were taken place within the month started on 01.04.2024.

- I. Cash sales – Rs 12,000
- II. Purchased a three wheeler from Sagara's business for Rs. 600,000 and paid Rs 50,000 through a cheque. Balance was agreed to be paid within a month
- III. Purchase from Sudheera is Rs 30,000. Rs 20,000 on cash and the balance was agreed to pay later.
- IV. Sales to Piyal is Rs 24,000. Rs 14,000 for cash and the balance was agreed to be given later.
- V. Anjana has informed that Rs 9,500 worth cheque given to him after deducting 5% was dishonored.
- VI. Return inwards by Kamani is Rs 1,200
- VII. Purchase return to Sudheera is Rs 2,000
- VIII. Kamani has settled her balance after deducting Rs 800 as discount
- IX. Rs 9,000 was paid to the creditor Ravi. Received discount is Rs 1,000
- X. Suranga invested Rs 10,000 that he received from a lottery win to the business
- XI. Cost of stocks which Suranga has taken for his personal use was Rs 3,600

Additional information:

- Electricity of the month of April is Rs 2,000 and it is not yet paid
- Three wheeler and the furniture are depreciated annually by 10% and 5% respectively
- The business always set the selling price by keeping 20% margin on cost
- All cash transactions are made through the bank account.

Required:

1. Show the impact of above transactions (1 to 11) using the following structure. Use brackets to show any deductions.

Transaction No	Assets				Equity			Liabilities	
	PPE	Inventory	Trade receivables	Bank	Capital	Income	Expenses	Loans	Trade payables

2. Income statement for the month ended by 30.04.2024

B). Trial balance of Thilini's business as at 31.03.2024 didn't get balanced and the difference was transferred to a suspense a/c. Drafted profit for the year was Rs 650,000.

Following errors were discovered later.

- I. The total of Rs 450,000 of sales journal has been copied to the sales a/c as Rs 540,000.
- II. Rs. 14,000 to be received from a debtor has been write-off as bad debts. But not recorded in the general journal
- III. Rs. 60,000 worth office equipment purchased on 01.10.2023 has been recorded in the office expense a/c. All PPE are depreciated by 10% on cost.
- IV. Rs 10,000 interest paid has been credited to the received interest a/c.
- V. A sales advance of Rs 40,000 received for the next year has been credited to the sales a/c.
- VI. The balance of Rs 4,000,000 in the motor vehicle a/c has been recorded as Rs 400,000 in the trial balance
- VII. A purchase invoice of Rs. 25,000 has been omitted completely
- VIII. The total of Rs. 30,000 in the discount column of the cash payment journal has been debited to the discount received a/c and credited to the creditors control a/c.
- IX. Net realizable value of the closing stock is lesser by Rs 35,000 than the cost. But the closing stocks have been estimated to the cost when the profit was calculated

Required:

1. Journal entries to rectify the errors
 2. The correct net profit for the year ended by 31.03.2024
 3. The accounting concepts relevant to the errors and omissions no (II), (III), (V), (IX)
- 4) A) Darshana and Kumara were the partners of Sikuliya trading business. Ruwan was admitted as a new partner on 2023.04.01 and the profits were decided to be shared equally. Following are few extraction from the business accounts prepared by the new account clerk for the year ended by 31.03.2024

	Debit	Credit
Balance as per 01.04.2023		
Capital Account		
Darshana		700,000
Kumara		500,000
Current Account		
Darshana		24,000
Kumara		(16,000)
Inventories as at 31.03.2024	200,000	
Loan Obtained from Darshan(2023.10.01)		100,000
Profit before appropriation		504,000

Following mistakes were identified after doing an internal audit

- I. Market value of the stock as at 31.03.2024 is Rs 220,000 and the expected selling expense is Rs 40,000. Account clerk has not paid attention on this information.
- II. Interest expense for Darshana's loan has been recorded as Rs 5,000
- III. No adjustments have been made on the drawings
 - Darshana 10,000
 - Kumara 8,000
- IV. Kumara has rented a building owned by him for Rs 160,000 for 2 years on 01.10.2023. On the same day, the business has rented the building to another party for Rs 10,000 per month and the rent received for one year has been adjusted to the current year profit
- V. PPE of the business as at 01.04.2023 is Rs 100,000 and from it Rs 20,000 worth equipment have been sold for Rs 17,000 on 30.06.2023. Received amount has been recorded as other income. This sold PPE had been purchased 01.04.2020 and All PPE should be depreciated annually by 10% on cost

Following additional information are also given

- Ruwan has brought Rs 300,000 as capital on 01.04.2023 and on the same day goodwill was estimated as Rs 90,000 and agreed to adjust it from the capital accounts
- Partners are entitled for 5% interest on capital and Ruwan is not yet paid it for the year ended by 31.03.2024.
- Each partner should be paid with a monthly salary of Rs 5,000
- New profit and loss sharing ratio is 7:5:3
- The interest on capital and salaries paid for Darshana and Kumara for the year ended by 31.03.2024 is as follows

	Darshana	Kumara
Paid interest on Capital	12,000	10,000
Paid Salaries	15,000	15,000

Required

- 1) Journal entries to rectify the profit (Narrations are not required)
- 2) Profit and loss appropriation for the year ended by 31.03.2024
- 3) Capital and current accounts of the partners for the year ended by 31.03.2024

B). Pubudu started a mushroom business namely "Pubudu mushrooms ". Still he is selling his products to a one customer who purchase 600 packets per week at Rs 120 per each.

He employed 3 employees for production activities and one employee for packaging activities. He pay the salaries weekly. Employees are entitled for a fixed wage and a unit base incentive

Following are the costs related to the production of mushrooms

	Rs.
Mushroom seeds and other raw materials (per packet)	40
Production wages - Fixed (per employee per week)	6,500
Production Incentive (per unit)	2.5
Packaging wages – Fixed (Per week)	5,000
Packaging incentives (Per packet)	1.00
Packaging machine rent (Per week)	2,500
Work place rent (Per week)	2,500
Transport cost (Per packet)	1.5
Electricity & water (Per week)	500

Required

1. BEP in unit and amount for one week
2. Margin of safety in unit and amount for one week

5. A) Summarized financial statement of Sinha PLC for the year ended by 31st March 2024 is given below.

Statement of profit or loss and comprehensive income for the year ended by 31.03.2024.

	(Rs. 000)
Sales	6,500
Cost of sales	2,500
Gross profit	4,000
Expenses	(2,800)
Profit before tax	1,200
Income tax	(400)
Profit for the period	800
Other comprehensive income	
Land revaluation surplus	200
Total comprehensive income	1,000

Statement of financial position as at 31.03.2024

	2021.03.31 (Rs' 000)	2020.03.21 (Rs' 000)

PPE	9,000	7,100
Inventories	750	500
Trade receivables	1,750	1,500
Bank & petty cash	1,500	900
	13,000	10,000
Stated ordinary share capital (Rs 50 per share)	8,000	7,000
Revaluation reserves	200	
General reserves	150	
Retained earnings	850	550
10% Bank loan Obtained on 01.04.2020	2,400	
Trade payables	1,250	2,400
Accrued interest	60	
Accrued rent	90	50
	13,000	10,000

Additional information:

- Rs 2.50 interim dividends has been paid on 01.04.2023 for all available ordinary shares and no reserve was capitalized
- Annual depreciation expense was included in the expenses for the year and analysis of PPE is as follows.

	Carrying value on 31.03.2024 (Rs. 000)	Carrying value on 31.03.2023 (Rs. 000)
Land	5,300	5,100
Building	1,425	1,500
Office equipment	475	500
Motor vehicle (Purchased on 01.04.2020)	1,800	-
	9,000	7,100

- No any asset has been sold within the year and all the assets are depreciated by 10% on straight line method annually.

Required:

1. Cash flow statement of Sinha PLC for the year ended by 31.03.2024 as per LKAS 7.

B). Following information are extracted from the financial statements of Avishka PLC.

I. Income statement for the year ended by 31.03.2024

Sales (All are on credit basis)		1,560
Cost of sales		(936)
Gross profit		624
Other income		51

Expenses		675
Operational expenses	408	
Depreciation	52	
Interest expense	70	
Loss from selling motor vehicle	5	(535)
Profit before tax		140
Income tax for the year		(45)
Profit for the year		95

II. Selected items from the statement of financial position are given below

Item	2023.03.31 (Rs. 000).	2024.03.31 (Rs. 000)
Trade receivables	540	500
Inventories	162	150
Pre-paid operational expenses	150	100
Trade payables	566	490
Accrued interest	40	10
Accrued income tax	20	-

Required:

Calculate followings using the given information

1. Gross profit ratio
2. Inventory turnover ratio
3. Current ratio
4. Interest coverage ratio
5. Debtor collection period

06). A) A particular business is considering to purchase a new machine with the intention of increasing the efficiency

- The useful life of the machine is 5 years
- Estimated cash flows are as follows

Description	New Machine	Existing Machine
	(Rs. 000)	(Rs. 000)
Cost	2,000	
Estimated Sales Price		600
Residual Value	400	
Annual Operation Cost		
Year 1	200	600
Year 2	200	600
Year 3	240	640

Year 4	240	640
Year 5	280	720

If the new machine is purchased, an additional working capital of Rs 560,000 is needed and it can be regained at the end of the project .The required rate of return of the project is 10%

Discount factor 10% in each years is as follows

Year	1	2	3	4	5
Discount factors	.91	.83	.75	.68	.62

Required

1. A statement containing the cash inflows and out flows
2. Payback period of the project
3. Recommendation to accept or reject the project based on the net present value

B) A sewing training center has been opened on 01.04.2022 in the Raigama . The courses will be conducted based on 02 batches from 2023/24 onwards and some relevant information are given below.

	Full time Course	Weekend Course
No of registered candidates	10	20
Course Duration	1	2
Course commencing date	2023.07.01	2023.07.01
Fee	Rs. 500	Rs. 1,000

- I. Admission fee is Rs 500 per person and it is identified as an income of the year
- II. Each person admitted will be offered with the membership and the monthly membership fee is Rs 50
- III. The center was started with 20 members and out of them 5 have not paid their membership fee for 4 months in the year 2022/23 where 3 members have paid membership fee in advance for 6 months for the year 2023/24
- IV. The center has following assets and liabilities

	2023/04/01	2024/03/01
Office equipment	150,000	150,000
Leaflets	10,000	20,000
Payable Building rent	2,000	4,000
Accrued Electricity	1,100	1,500

Cash	?	560,000
------	---	---------

- V. All members have paid their membership fee for the year 2023/24
- VI. The building used by the center has been obtained on 01.04.2022 for Rs 2,000 monthly rent
- VII. Received Rs 500,000 as donations from the Lions club and 1/4 of it was allocated to the proposed new building
- VIII. Cash payment relevant to the year ended on 31.03.2024
- | | |
|-------------------------|-------|
| Electricity | 1,500 |
| Machine repair expenses | 4,000 |
| Stationery | 2,500 |
| Payment for workshops | 5,000 |
- IX. Office equipment are depreciate by 5% on reducing balance method
- X. All expenses have been incurred on conducting the course

Required

1. Income and expense statement for the year ended on 31.03.2024
2. The statement of financial position as at 31.03.2024

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 ofthe 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. | | ✓ |
- (48) 1) Time sheet.
2) Job cost sheet
- (49) PRN- Stores, / Purchase division.
MRN – Production division / Stores.
- (50) Increase. Decrease.
Increase. Decrease.

Suggested Answers – II Paper

Statement of profit or loss and other

comprehensive income of

Achievers Lanka Business School PLC for year ending 31st March 2024

(Rs .000)

Revenue	13,500
Cost of Sales	(6,685)
Gross Profit	6,815
Other Income	
Administrative Expenses	(2,680)
Sales and Distribution expenses	(2,375)
Finance Expenses	(390)
Other	(195)
Profit Before tax	1,175
Income Tax	(273.75)
Profit After tax	901.25
Other Comprehensive income	
Total Comprehensive income	901.25

Statement of Change in Equity of Achievers Lanka Business School PLC
for year ending 31st March 2024

	Ordinary Share	General Reserve	Revaluation Reserve	Retained Earnings
B/F Balance	1,000	400		200
Profit for the year				901.25
Right Issue	1,500			
Transfer to General reserve		100		(100)
	2,500	500	-	1,001.25

Note 01

Opening Stocks	950,000
Purchase	6,500,000
Closing Stocks	<u>(765,000)</u>
	6,685,000

Note 02

Income Tax Under Provision – Last Year.	(20,000)
Income tax for the current year	293,750
	<u>273,750</u>

Statement of Financial position of Achievers Lanka Business School PLCas at 31st March 2021

Non-Current Assets		
Right of use assets	4,320	4,320
Current assets		
Closing stocks	670	
Salary advance	500	
Trade receivebles	990	
Cash & Bank	2,490	
		4,650
		<u>8,970</u>
Equity & Liabilities		
Ordinary Shares	2,500	
General Reserve	500	
Retained Earnings	1,001.25	4,001.25
Non-Current liability		
Lease liability	1,370	1,370
Current Liability		
Trade creditors	1,050	
Lease Liability	790	
Accrued Lease installment	950	
Provision for warranties	675	
Provision for Labor compensation	100	
Accrued Income Tax	33.75	3,598.75
		<u>8,970</u>

Note - 03

	Land	Building	Motor Vehicle	Furniture
B/F Balance	1,000	2,000		
Purchase			1,600	400
	1,000	2,000	1,600	400
B/F Balance	-	200		
Depreciation for the year		200	200	80
		400	200	80
	1,000	1,600	1,400	320

Workings

	Admin	Sales & Distri:	Finance	Other
Inventory Write-off				95
Depreciation	200	200		
Depreciation	80			
Lease interest			310	
Warranties		375		
Salary advance	(500)			
Labor compensation				100
	1,200			
	1,700			
		1,800	80	
	2,680	2,375	390	195

02. (e)

(1)

Cost Item	Basis for apportionment	Total cost	Assembly department	Finishing department	Service Department
Indirect Labor salaries	Direct/Allocation	210,000	159,000	171,000	120,000
Machine depreciation	Value of Machines	90,000	45,000	30,000	15,000
Electricity	KWH	60,000	40,000	10,000	10,000
Machine Insurance	Value of Machines	42,000	21,000	14,000	7,000
Rent	Area	84,000	36,000	36,000	12,000
Canteen	Number of Staff	54,000	36,000	18,000	
			123,000	41,000	(164,000)
		780,000	460,000	320,000	

(2).Overhead cost absorption rates

Assembly department	= $\frac{460,000}{46,000}$	Finishing Department	= $\frac{320,000}{20,000}$
	= 10		= 16

(3). Total manufacturing cost = 550
per bag

Direct material cost	= 338		
Direct labor cost	= 150		
Overhead cost			
- Assembly dep:	= 30	(3 x 10)	
- Finishing dep:	= 32	(2 x 16)	
	= <u>550</u>		

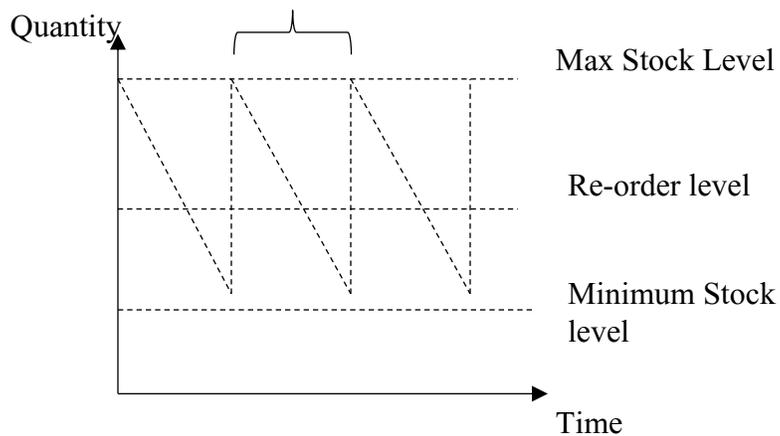
(ep)

1. Re-order level = Maximum consumption x Maximum lead time
= 500 x 6
= 3,000
2. Maximum Stock Level = 3,000 + 400 – (100 * 2)
= 3,200

Since maximum stock level is 3,200 , rent space is enough to store.

3.

Lead time



03. (අ)

1.

Number	Assets				Equity			Liabilities	
	P.P.E	Inventory	Trade receivables	Bank	Stated Capital	Income	Expense	Loan	Trade Payables
B/F	230	20	12	123					10
1		(10)		12		12	10		
2	600			(50)					550
3		30		(20)					10
4		(20)	10	14		24	20		
5				9.5			0.5		10
6			(1.2)			(1.2)			
7		(2)							(2)
8			(10.8)	10			0.8		
9				(9)		1			(10)
10				10	10				
11		(3.6)			(3.6)				

2.

Income Statement

Revenue	36,000	
Sales returns	(1,200)	34,800
Opening stock	20,000	
Purchase	30,000	
Purchase return	(2,000)	
Drawings	(3,600)	
Closing stock	(14,400)	(30,000)
Gross Profit		4,800
other income	(500)	
	1,000	500
Discount allowed	800	
Electricity	2,000	
Depreciation – Three-wheeler	5,000	
- Wood Furniture	125	(7,925)
Net profit		2,625

(ආ)

1.

Sales Account Dr	90,000	
Suspense Account Cr		90,000
Bad Debt Account Dr	14,000	
Trade Debtors Cr		14,000
Office furniture Account Dr	60,000	
Office Furniture Maintenance Account Cr		60,000
Depreciation Account Dr	3,000	
Accumulated Depreciaion Account Cr		3,000
Interest Received Account Dr	10,000	
Bank Interest Account Dr	10,000	
Suspense Account Cr		20,000
Sales Account Dr	40,000	
Sales advance Account Cr		40,000
-----	3,600,000	
Suspense Account Cr		3,600,000
Purchase account Dr	25,000	
Trade Creditors Cr		25,000
Creditors control account Dr	60,000	
Discount received account Cr		60,000
Inventory write off Account Dr	35,000	
Closing Inventory Cr		35,000

2.

Statement of Correction of drafted profit

Calculated profit		650,000
(+) Additions	60,000	
	60,000	120,000
(-) Deductions		
	35,000	
	90,000	
	14,000	
	3,000	
	10,000	
	40,000	

	25,000	(217,000)
Correct Profit		553,000

3.

2. Prudence concept
3. Matching/Accrued Concept
5. Periodic Concept/ Realization concept
9. Prudence concept

04. (e)

1	Inventory write-off Dr	20,000
	Closing Inventory Cr	20,000
2	Current Account - Darshana Dr	2,500
	Loan Interest Expense Account Cr	2,500
3	Current Account - Darshana Dr	10,000
	Current Account - Kuamara Cr	8,000
	Trade account Cr	18,000
4	Rent Income Account Dr	60,000
	Rent advance Account Cr	60,000
5	Other Income Account Dr	13,500
	Accumulated Depreciation Account Dr	6,500
	Asset Account Cr	20,000

2.

Profit and Loss appropriation Statement

Correct Profit		431
Salaries - Darshana	60	
Kumara	60	
Ruwan	60	(180)
		251
Interest on Capital -Darshana	70.3	
Kumara	51.5	
Ruwan	28.2	(150)
		101
Share of Profit - Darshana	47.1	
Kumara	33.6	
Ruwan	20.3	(101)
		0

3.

Partner's Capital Account

	Darshana	Kumara	Ruwan		Darshana	Kumara	Ruwan
Goodwill	42	30	18	B/F Balance Capital	700	500	300
C/F Balance	703	515	282	Goodwill	45	45	
	745	545	300		745	545	300

Partner's Current Account

	Darshana	Kumara	Ruwan		Darshana	Kumara	Ruwan
B/F Balance		16		B/F Balance	24		
Drawings	10	8		Interest cost	2.5		
Interest on Capital	12	10		Rent		80	
Salaries	15	15		Interest on Capital	70.3	51.5	28.2
C/F Balance	166.9	176.1	108.5	Salaries	60	60	60
	203.9	225.1	108.5	Profit shares	47.1	33.3	20.3
					203.9	225.1	108.5

(φ)

$$1. \text{ BEP (Units)} = (19,500 + 5,000 + 2,500 + 2,500 + 500) / 75$$

$$= \text{Units } 400$$

$$\text{BEP (Amount)} = 400 \times 120$$

$$= 48,000$$

$$2. \text{ Margin of Safety (Unit)} = 600 - 400$$

$$= 200$$

$$\text{Margin of Safety (Amount)} = 200 \times 120$$

$$= 24,000$$

05. (φ)

Cash flow statement

Profit before tax		1,200
Adjustment		
- Depreciation	300	
- Interest cost	240	
Working capital changes		
Inventory	(250)	
Trade receivables	(250)	
Trade creditors	(1,150)	
Interest Paid	(180)	
Tax Paid	(360)	
Net cash flows generated from Operating activities		(450)
Investing Activities		
Purchase of Motor vehicle	(2,000)	
Net cash flows generated from Investing activities		(2,000)
Finance Activities		
Share issue	1,000	
Dividend paid	(350)	
Bank loan	2,400	
Net cash flows generated from Finance activities		3,050
Net increase in cash and cash equivalent		600
Opening Cash and cash equivalents		900
Closing Cash and cash equivalents		1,500

(ဇ)

1. Gross Profit Margin = $624 / 1,560 = 40\%$

2. Inventory turnover ratio = $936 / 156 = ၆$

3. Current ratio = $\frac{500 + 150 + 100}{490 + 10}$

$$= 1.5$$

4. Interest coverage ratio = $210 / 70 = \text{term } 3$

5. Debtors collection period = $1,560 / 520 = 3$

$$= 360 / 3$$

$$= 120 \text{ Days}$$

06. (φ)

	0	1	2	3	4	5
Cost of New machine	(2,000)					400
sales of old machine	600					
Working capital	(560)					560
Saving of Operation cost		400	400	400	400	440
	(1,940)	400	400	400	400	1,400
Discount factor	1	0.91	0.83	0.75	0.68	0.62
Present value	(1,940)	364	332	300	272	866

Net present value = 196,000

Payback period = 04 Years and 2.9 Months

Since net present value is positive, Project is financially feasible to implement

(φ)

Statement of Profit and Loss

Full time course fee	5,000	
Weekend course fee	10,000	15,000
Expense		
Depreciation – Office equipments	7,500	
Building rent	24,000	
Electricity	1,900	
Machine maintenance	4,000	
Stationery	2,500	
Workshop payments	5,000	(44,900)
		(29,900)

Loss of profit & loss account	29,900	Membership fees	12,000
C/F Balance	357,100	Donation	375,000
	<u>387,000</u>		<u>387,000</u>

Statement of Financial position

Accumulated fund Surplus	232,400 357,100	Non current Assets	
Donation –Building fund	125,000	Property Plant Equipment	150,000
Non Current Liabilities			
Current Liabilities		Current Asset	
Revenue received in advance	10,000	Cash	560,000
Accrued Building rent	4,000	Leaflets stock	20,000
Accrued Electricity	1,500		
	<u>730,000</u>		<u>730,000</u>

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