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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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QUESTION BANK

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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.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F		
Chief		

For Paper I	
Q. No.	Marks
1 - 30	
31 - 50	
TOTAL	

(1) Which of the following statements best describes accounting?

1) Accounting is the overall process of providing economic related information to interested parties of an accounting entity.
2) It is the process of identifying, measuring and communicating the information to internal parties in order to take rational judgment.
3) Providing information to the management whether objectives of an organization are being met.
4) It is the process of measuring and controlling of scarce resourse in a business.
5) It is the process of providing financial information to shareholders in a business in order to make economic decisions.

(2) The cost of a production machine Rs. 100,000 which was purchased on 01.10.2024 has been credited to the Production machine maintenance expense account. Machinery should be depreciated at 10% under straight line method. The answer that best represents the effect of this error on the following items is, (The accounting year ends on 31.03.2025)

	Production cost	Cost of sales	Net profit	Working capital
1)	Rs. 10,000 Lesser	Rs.10,000 Lesser	Rs. 10,000 Higher	No change
2)	Rs. 5,000 Lesser	Rs. 5,000 Lesser	Rs. 5,000 Higher	No change
3)	Rs.10,000 Lesser	Rs.10,000 Lesser	Rs. 10,000 Higher	Rs. 10,000 Lesser
4)	Rs.95,000 Lesser	Rs.95,000 Lesser	Rs. 95,000 Higher	No change
5)	Rs.95,000 Lesser	Rs.95,000 Higher	Rs. 95,000 Lesser	No change

(3) ACCA sold a stock of goods on credit to Achievers Campus. Achievers Campus added a 10% profit on the goods and resold them to Questionbank.lk. Questionbank.lk returned half of the goods as they did not meet the specifications and the balance was paid by a cheque. Achievers Campus also returned those goods to ACCA.
The source documents related to these transactions in order to record them in prime entry books of Achievers Campus respectively are,

1) Credit note, debit note, sales invoice, purchase invoice and receipt voucher
2) Purchase invoice, sales invoice, credit note, receipt voucher and debit note
3) Sales invoice, credit note, receipt voucher and debit note
4) Sales invoice, purchase invoice, credit note, receipt voucher and debit note
5) Purchase invoice, sales invoice, debit note, receipt voucher and credit note

(4) Following information are relevant to ACCA business.

	31.03.2025	**31.03.2024**
Stock	Rs. 300,000	Rs. 200,000
Debtors	Rs. 180,000	Rs. 140,000

During the year ended 31.03.2025, Rs. 920,000 were received from debtors and cash sales were Rs. 790,000. The business makes sales with a profit margin of 40% on cost. What is the amount of purchases of the business for the year ended 31.03.2025?

1) Rs. 1,134,000 2) Rs. 1,150,000 3) Rs. 1,350,000
4) Rs. 1,550,000 5) Rs. 1,564,000

(5) Namal is a shoe business owner. On 13 July 2024, a fire occurred in his business and all of his stocks were destroyed except a stock worth of Rs. 19,000.

Following information are provided.

Stocks at 01st April 2024	Rs. 21,000
Purchases from 01 April 2024 to 13 July 2024	Rs. 450,000
Sales from 01 April 2024 to 13 July 2024	Rs. 490,000

Additional information:

A. From above purchases Rs. 20,000 costs of goods were in transit when the business caught fire.
B. During the month of April 2024, a new year discount sales week was held. Sales were made at 10% off from the normal selling price during this period. Total sales during this week were Rs. 90,000.
C. Thieves entered to the business on 10 June 2024 and stole a large number of shoes. The selling price of these shoes were Rs. 25,000.
D. A purchase invoice of Rs 20,000 relevant to shoe purchases on 15 May 2024 has not been recorded in the books of accounts.
E. Selling price of the business is set by adding 25% on the cost.

What is the value of damaged stocks of this business due to the fire on 13 July 2024?

1) Rs. 31,500	2) Rs. 30,500	3) Rs. 32,000
4) Rs. 65,500	5) Rs. 53,000	

(6) Select the correct answer that indicates accounting concepts related to the following transactions and events respectively (A, B, C, & D) is,

- **A.** As per the SLFRS 15 an income which is received in cash and performance obligation is not satisfied should be recorded as a liability.
- **B.** To recognize the expense in this year for the production defects occurring in future years for the sales made in the current year.
- **C.** Mentioning the dividends paid to shareholders of a company in the statement of changes in equity.
- **D.** Seperately identifying assets of the business as current and non-current assets.

1) Going concern concept, prudence concept, entity concept and realizable concept
2) Realizable concept, prudence concept, entity concept and going concern concept
3) Revenue Concept, accrual concept , entity concept and going concern concept
4) Prudence concept, accrual concept, entity concept and going concern concept
5) Realizable concept, prudence concept, accrual concept and going concern concept

(7) Following are the values of statement of financial position of ACCA business as at 01.01.2025.

Non current assets		**Current assets**		**Non-current liabilities**		**Current liabilities**		**Equity**
600,000	+	200,000	=	200,000	+	100,000	+	500,000

Following transactions were occurred on 02 January 2025.

- Paid bank loan installment was Rs. 52,000. Interest included in it was Rs. 2,000.
- Rs. 2,000 worth of stationary stocks were taken to office usage.
- Received Rs. 18,000 from a debtor. Discount allowed was 10%

After recording the above transactions, the accounting equation of ACCA business is (,000)

	Non current assets	**+**	**Current assets**	**=**	**Non-current liabilities**	**+**	**Current liabilities**	**+**	**Equity**
1)	600	+	146	=	148	+	100	+	500
2)	600	+	146	=	150	+	100	+	496
3)	600	+	126	=	148	+	100	+	478
4)	600	+	126.2	=	150	+	100	+	476.2
5)	600	+	126	=	150	+	100	+	476

(8) As at 31.03.2025, the balance of the company's cash account was Rs. 34,000. But the bank statement balance did not match with the cash account balance. Subsequent investigation revealed the following information.

- Cheques issued but not presented for payments was Rs. 50,000
- Debit amount mistakenly posted by the bank to the business's bank account was Rs. 40,000
- Cheques deposited but not relaized was Rs. 80,000
- Direct remmitances made by debtors directly to the bank was Rs. 25,000

Correct balance of the bank statement as at 31.03.2025 is,

1) (Rs. 11,000) 2) Rs. 14,000 3) Rs. 34,000
4) Rs. 29,000 5) Rs. 29,000

Use the following information to answer the below two questions.

Debtor Control Account Balance as at 31.03.2025 was Rs. 98,000 in Kavinda's business and the total of the debtor balance list prepared as at that date showed a different balance. A subsequent investigation revealed the following facts.

- Rs. 3,000 of bad debt written off has not been recorded in the personal account of the debtor.
- Rs. 2,500 of a sales invoice has been completely ommited from the books.
- Return inwards of Rs. 8,000 has not been recorded in the debtor control account.
- Debit balance of Rs. 1,000 have been recorded in the debtors list as a credit balance.

(9) Debtor balance to be shown is the financial position statement as at 31.03.2025,

1) Rs. 106,000 2) Rs. 93,500 3) Rs. 100,500
4) Rs. 92,500 5) Rs. 90,000

(10) Balance of the debtors list before correcting the above errors as at 31.03.2025 and balance after the corrections as at 31.03.2025 respectively,

1) Rs. 89,500 Rs. 98,000 2) Rs. 91,500 Rs. 92,500 3) Rs. 91,000 Rs. 92,500
4) Rs. 91,500 Rs. 89,500 5) Rs. 95,000 Rs. 89,500

Use following information to answer the below two questions.

Namal and Azad entered into a partnership business on 01.04.2022 on the basis of sharing profits equally and thereafter Amal joined with the business as a new partner on 01.04.2024 for 2/8 share of the profits. On joining the partnership, Amal contributed Rs. 500,000 in cash as capital. A capital interest of 10% is paid based on the adjusted capital balance at the end of the year.

The following information relates to the year ended 31.03.2025 of the partnership.

Total capital (after adjusting goodwill)

Namal	1,040,000
Hasna	980,000
Amal	450,000

Current account balances (before adjusting distributable profit)

Namal	40,000
Hasna	20,000 (Dr)
Distributable profit	325,000

- The business does not maintain a goowill account and all the adjustments were made through capital accounts.

(11) The value of the estimated goodwill when Amal joined with the partnership is,

1) Rs. 200,000
2) Rs. 50,000
3) Rs. 150,000
4) Rs. 25,000
5) Rs. 100,000

(12) Total capital balances of Namal and Amal after making all the adjustments as at 31.03.2025 are respectively,

1) Rs. 1,170,000 and Rs. 515,000
2) Rs. 1,140,000 and Rs. 495,000
3)Rs. 170,000 and Rs. 5,000
4) Rs. 1,070,000 Rs. 470,000
5) Rs. 40,000 Rs. 20,000

(13) Cost of Machines as at 01.04.2024 in Rantharu business was Rs. 400,000 and the accumulated depreciation was Rs. 160,000. This machine was revalued for the first time on 31.03.2025 at Rs. 350,000 and impact on the following items due to that revaluation is,

Additional information :
Machinery is depreciated 10% on cost.

	Total assets	**Net profit**	**Total comprehensive income**
1)	Decrease by Rs. 50,000	No change	Decrease by Rs. 50,000
2)	Increase by Rs. 110,000	Increase by Rs. 50,000	No change
3)	Decrease by Rs. 110,000	No change	Increase by Rs. 110,000
4)	Increase by Rs. 150,000	No change.	Increase by Rs. 150,000
5)	No change	No change	No change

(14) Sinha sports club has 200 members and a member should pay Rs.1,000 monthly as membership fee.There are 50 lifetime members at Sinha Sport club. Lifetime membership fee per member is Rs. 4,000. It is the policy of the club to identify lifetime membership fees equally in 5 years. During the year 2024/2025, arrears of membership fees written off was Rs. 3,000. No new members were admitted during the year.

What is the total membership fee income to be credited to the income and expense statement for the year 2024/2025?

1) Rs. 280,000
2) Rs. 240,000
3) Rs. 25,000
4) Rs. 277,000
5) Rs. 237,000

(15) Which of the following statement is true?

A. The concept that substance is more important than legal form of a transaction, then financial statements should reflect the economic substance of a transaction, not just its legal form.
B. The prudence concept states that it is desirable to understate assets and overstate liabilities when preparing financial statements.
C. The historical cost concept means that only items that can be measured in monetary value should be recognized in the financial statements.

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

(16) The following transactions and events took place during the year ended 31.03.2025 in ACCA Company having 90,000 ordinary shares.

- On 07.01.2025, a public issue of shares of 10,000 shares at Rs.10 per share was made and the company received applications for 15,000 shares. On 01.02.2025 the shares were divided proportionately.
- A rights issue of Rs. 8 each was made for one share for every 5 shares held on 01.03.2025. All rights were subscribed by shareholders.
- Paid an interim dividend of Rs. 1 per share to all the shares held on 15.03.2025.
- A bonus share issue was made on 31.03.2025 at the rate of 1 share for every 6 shares held.

The increase in ACCA's net assets due to these transactions is,

1) Rs. 140,000
2) Rs. 260,000
3) Rs. 380,000
4) Rs. 120,000
5) Rs. 190,000

(17) Which of the following conditions for making a provision in accordance with Sri Lanka Accounting Standard No. 37 should be satisfied?

1) Probable obligation, the existence of a probability of an outflow of future economic benefits and a reliable estimate of value.
2) Present obligation, the existence of a probability of an outflow of future economic benefits and the value can be reliably estimated.
3) Obligation, ability to pay and the value can be reliably estimated.
4) Adequacy, probability for future economic benefits outflow and ability to pay
5) Possible obligations, adequacy and relevance

(18) A business has provided the following information regarding an inventory item for the month of March 2025.

Date	Description	Quantity (units)	Cost (Rs.)
03.01	Balance	300	?
03.05	Purchase	500	6 000
03.15	Sales	400	4 200
03.18	Purchase	200	2 800

The business follows the First In First Out method as an issuing method of inventory. The net realizable value of a stock unit as at 31.03.2025 was Rs. 10. What is the cost of inventory as at 01.03.2025 and the value of inventory to be shown in the statement of financial position as at 31.03.2025?

	Cost of inventory as at 01.03.2025 (Rs.)	**Value to be shown in the balance sheet as at 31.03.2025 (Rs.)**
1)	2,800	5,500
2)	3,000	6,000
3)	3,200	6.400
4)	3,500	6.500
5)	3,000	7,600

- **Use the following information to answer the below two questions.**

	Rs. '000
Profit for the period	1,400
Income tax expense	300
Dividend payments	100
Retained earnings (as at 01.04.2024)	1,800
Machine revaluation reserve (as at 01.04.2024)	300
Stated ordinary share capital	2,000

A revaluation loss of Rs. 200,000 have been recorded in machinery revaluation for the year ended 31.03.2025 and There was a revaluation gain of Rs. 100,000 from first time revaluation of motor vehicle.

(19) What is the other comprehensive income and total comprehensive income shown in the profit or loss and other comprehensive income statement for the year ended 31.03.2025?

(1) Rs. 100,000 and Rs. 1,500,000
(2) (Rs. 100,000) and Rs. 1,300,000
(3) (Rs. 100,000) and Rs. 1,000,000
(4) Rs. 100,000 and Rs. 1,200,000
(5) Rs. 100,000 and Rs. 1,000,000

(20) Total equity of the business as at 31.03.2025 is,

(1) Rs. 5,600,000
(2) Rs. 5,500,000
(3) Rs. 5,200,000
(4) Rs. 5,400,000
(5) Rs. 5,300,000

(21) The board of directors of a limited company signed to publish financial statements for the year ended 31.03.2024 on 30.06.2024. The financial statements were approved by the shareholders in the annual general meeting held on 01.08.2024. Information about the following events is provided.

A. Rs. 300,000 cost of computer systems have been damaged due to floods on 25.04.2024.
B. The decision related to a case filed by a customer in the year 2021 was given on 15.05.2024. Accordingly, the court decided that a compensation of Rs. 360,000 should be paid by the company.
C. A debtor with a balance of Rs. 500,000 as at 31.03.2024 was declared to be bankrupt on 15.07.2024. As at the balance sheet date, the company had made a full provision for this.

D. In a listed company, the market value of investments made by the company have dropped by Rs. 400,000 as at 30.04.2024.

According to Lanka Accounting Standards No. 10, which of the above events should be adjusted in the financial statements as at 31.03.2024?

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

(22) Which of the following statements is/are correct?

A. Accounting Standard LKAS – 01 "Presentation of Financial Statements" recommends the minimum requirements to be contained in the financial statements.
B. Necessary guidance is given in LKAS – 02 Inventory standard on determination of cost of inventory carried forward as an asset.
C. According LKAS 16 PPE standard, cost or revaluation models can be used for different assets included in same class of assets.

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

(23) According to the draft comprehensive income statement for the year ended 31.03.2024, the gross profit and total comprehensive income were Rs. 800,000 and Rs. 280,000 respectively. Stock as at 31.03.2024 was underestimated by Rs. 20,000. Rs. 50,000 of gain received from land revaluation was not recorded in the books. (This land has received a revaluation loss of Rs. 10,000 from previous revaluation.)

Correct gross profit and total comprehensive income for the year ended 31.03.2024 is,

	Gross profit (Rs.)	Total comprehensive income (Rs.)
1)	820,000	340,000
2)	820,000	350,000
3)	830,000	340,000
4)	870,000	350,000
5)	830,000	300,000

(24) Which of the following costs which were incurred to build a new production process can be capitalized as development costs?

A. Raw materials used to develop the manufacturing process
B. Training costs incurred to familiarize workers with the production process
C. Consulting Fees incurred for feasibility evaluations of manufacturing Process
D. Depreciation of laboratory equipment used to establish the manufacturing process

1) A and D only	2) A, B and C only	3) B, C and D only

4) A and C only 5) All A, B, C and D

(25) The following information relevant to Saman PLC for the year ended 31.03.2024.

Sales (all sales are on credit basis)	2,400
Gross profit	1,400
Average stock	200

The debt collection period for the year ended 31.03.2024 is 45 days. Assume that there are 360 days in a year. Inventory holding period and average debtors of this company for the year ended 31.03.2024 are,

	Inventory holding period (Days)	**Average debtors (Rs.)**
1)	30	53,333
2)	30	125,000
3)	30	300,000
4)	72	53,333
5)	72	300,000

(26) The actual overhead cost of a company which is producing products **A** and **B** were Rs. 60,000. The estimated overhead absorption rate per direct labor hour is Rs. 10.

	A	**B**
No,of direct labour hours	2	3
Unit prime cost Rs.	130	70
Production and sales units	2,000	1,000
Total sales Rs.	400,000	150,000

Profit margin of products **A** and **B** respectively (on selling price)

1) 25% and 33% 2) 30 % and 25% 3) 30% and 25%
4) 25% and 35% 5) 35% and 25%

(27) Total direct labor cost and direct materials cost per unit is Rs. 160. A production royalty fee of Rs. 50 each must also be paid. The time spent in the respective departments and the overhead absorption rate for a unit are given below. What is the production cost per unit of this product?

Department	**Labour hours**	**Machine hours**	**Overhead absorption rate**
Machinery	8	10	Rs. 15 per machine hour
Assembly	10	5	Rs. 12 per machine hour
Finishing	6	2	Rs. 5 per labour hour

1) Rs. 350 2) Rs. 400 3) Rs. 430
4) Rs. 450 5) Rs. 480

(28) A company has given the following information regarding a raw material used.

Re-order level (units)	240
Average consumption (units)	20
Average lead time (weeks)	5

If the difference between the maximum stock level and the minimum stock level is 400 units, what is the maximum stock level in units?

1) 400 units
2) 440 units
3) 480 units
4) 500 units
5) 540 units

(29) When AB company increased its sales by 50,000 units, which was currently incurring losses, the loss will be reduced by Rs. 1,000,000. Fixed cost per unit at operating level of 10,000 units is Rs.40. The correct answer from the following is,

	BEP units	**Margin of safety when 24,000 units (units)**	**Profit at 24,000 units of sales Rs.**
1)	20,000	4,000	80,000
2)	10,000	2,000	40,000
3)	2,500	21,500	230,000
4)	20,000	4,000	160,000
5)	10,000	4,000	160,000

(30) Which of the following statements is incorrect?

1) Under marginal costing, the production cost is calculated on the basis of variable cost only.
2) Under absorption costing fixed production overhead costs are also considered as part of production cost.
3) Under marginal costing finished and work in progress inventory is included only variable costs.
4) Profits under marginal costing and absorption costing are equal.
5) Contribution cannot be calculated as cost of goods sold is deducted from sales under absorption costing.

(31) State a similarity and a difference between liabilities and equity.

(a) Similarity ....

(b) Difference ....

(32) State the letter corresponding to the accounting principle given below that best describes each situation given in the table.

A	-	Comparability
B	-	Substance is important than form
C	-	Prudence
D	-	Relevance

Situation	Corresponding letter
1. Recognition of an asset at its market value	....
2. Identifying assets acquired under a finance lease with its corresponding liabilities	....
3. Reporting last year's figures in financial statements	....
4. Assessing the recoverability of debtors and making adjustments	....

(33) Bank balance of a company as at 31.03.2024 was Rs. 450,000. It did not tally with the bank statement balance as at that date. A comparison of these balances revealed the following.

- A debtor has deposited a cheque of Rs. 80,000 directly to the bank.
- Standing order payments paid by bank is Rs. 40,0000.
- A cheque of Rs. 60,000 deposited in the bank has been dishonoured.
- A cheque of Rs.60,000 deposited in the bank has not been realized yet.
- A cheque pf Rs.30,000 issued for payments and has not been yet presented.

Calculate the following as at 31.03.2024.

(a) Adjusted bank balance Rs. ....

(b) Balance as per bank statement Rs. ....

(34) The inventory of a company consists of two items **A** and **B**. The following information is given related to the stock balances as at 31.03.2024.

Inventory item	Physical balance (units)	Balance as per the books (units)	Unit costs (Rs)	Expected unit selling price (Rs)	Expected unit selling expenses (Rs)
A	1,000	1,000	40	75	15
B	800	900	70	65	5

(a) If stock is valued under the item method, the stock value to be shown in the balance sheet as at 31.03.2024 is,
Rs...

(b) Write journal entries to adjust the inventory difference in the books, assuming that the difference between the physical and book balances of stock item B is recovered from the storekeeper at the expected selling price.

....
....

(35) Some of the cost elements of a dairy products company are given below. Assuming that the cost unit is ice cream, mark " √ " in the relevant column to distinguish whether the cost element is direct or indirect.

Cost element	Direct cost	Indirect cost

Depreciation of the Ice-cream production machine		
Fresh milk purchased		
Rates of the factory		
Monthly salary paid to factory manager		

(36) As at 31.03.2024, the total assets and total liabilities of the company are Rs. 1,000,000 and Rs. 300,000 respectively. The following mistakes have been made in arriving at these figures.

- Rs. 20,000 of advance received from a customer for sale of goods in April 2024 have been recognized as a revenue.
- Electricity bill unpaid for the month of March 2024 has been ommitted from the books of accounts.
- Rs.10,000 of a sales invoice has been recorded twice in the sales journal.

Calculate total assets and total liabilities after correcting the above errors.

(a) Total assets ....

(b) Total liabilities ....

(37) State the accounting concept which is most applicable to each of the following situations in a garment factory.

A. Classifying fabric stock as current assets and sewing machines as non-current assets.
B. Recognize a portion of the factory rent paid during the year as a pre-paid payment.
C. Valuation of year-end fabric inventory at the lower of cost and net realizable value.
D. Recognition of sales revenue at the time the garment is sold.

Item	Accounting concept
A -	....
B -	....
C -	....
D -	....

(38) Following are the current account balances of Namal and Hasna partnership.

	As at 31.03.2024 (Rs.)	As at 31.03.2023 (Rs.)
Namal	960,000	500,000
Hasna	940,000	600,000

Following are the terms of partnership agreement.

- Namal and Hasna is entitled to a remuneration of Rs. 240,000 and Rs. 360,000 respectively.
- Namal and Hasna share profits and losses in the ratio of 3:2 respectively.

For the year ended 31.03.2024, Namal and Hasna has been paid salary of Rs. 200,000 and Rs. 300,000 respectively.

What is the profit earned by the partnership for the year ended 31.03.2023?

………

(39) State the three basic characteristics that an asset should have according to the conceptual framework for preparing and presenting financial statements.

I. ………………………………………………………………………………………
II. ………………………………………………………………………………………
III. ………………………………………………………………………………………

(40) Indicate whether the following statements are true or false according to the relevant Sri Lanka Accounting Standard by placing a '√' mark in the appropriate column.

	Statement	**True**	**False**
1.	A provision is an obligation with uncertainty of time and amount.	....	....
2.	Contingent liabilities are recognized in an entity's financial statements.	....	....
3.	Changes in accounting estimates are adjusted in an entity's financial statements in the current year and future accounting periods.	....	....
4.	Determining the accounting policies of an organization is always at the discretion of managers.	....	....

(41) After R joined the partnership in which P and Q shared profits and losses equally, the new profit and loss ratio was 5:3:2. If R brought his goodwill share of Rs. 100,000 in cash, how should it be divided between P and Q?

....

(42) The balance of lifetime membership fee account of Dimuthu Sports Club as at 31.03.2023 was Rs. 300,000. 10% of it is added annually to the membership fee income. The annual membership fee per member of the sports club is Rs. 2,000 and as at 31.03.2024 the number of members excluding life time members was 200. As at 31.03.2023, there were 25 members who did not pay membership fees and there were 30 members who paid membership fees for the next year also. As at 31.03.2024, there were 20 members who did not pay membership fees and 15 members who paid membership fees for the next year.

I. Membership fee that should be included in the income statement for the year ended 31.03.2024.
Rs……………………………………………………………………………………..

II. Membership fee received in cash for the year ended 31.03.2024.
Rs……………………………………………………………………………………..

(43) The balance in the Debtors Control Account of a business as at 31.03.2024 has been compared with the total of the debtors ledger balances as follows. The subledger is correctly prepared.

Description	Rs. 000
Balance as per debtors control account	8,000
ADD : under estimation of sales	800
LESS : underestimation of sales returns	-300
Balance as per debtors ledger	8,500

10% on the debtor control account balance before the above comparison have been provided for allowance for impairment losses on trade receivables. Ignoring the above comparison, the draft income statements showed a profit of Rs. 2,000,000.
What is the profit for the year after correcting the above errors?
Rs. ....

(44) The following information is provided in relation to a product manufactured by a company.

Prime cost	Rs. 900,000
Budgeted overhead costs	
Assembly department	Rs. 300,000
Finishing department	Rs. 500,000
Warehouse	Rs. 100,000
Budgeted machine hours	50,000
Budgeted labor hours	50,000
Budgeted prduction units	30,000

The warehouse provide service equally to the production departments. One unit takes 2 machine hours and 4 labor hours to produce. The assembly and finishing departments absorb overhead costs on a machine hour and labor hour basis, respectively.

Calculate the unit production cost.
…………………………………………….

(45) Following is the information related to a raw material used by a manufacturing company.

	Maximum	**Minimum**
Lead time (weeks)	8	4
Consumption (units)	1,000	400
Economic order quantity (units)	5,000	

Calculate the followings.

(I) Minimum stock level units …………………………………….
(II) Maximum stock level units …………………………………..

(46) A company started to manufacture a single product on 01.04.2023 and that unit are sold for Rs. 800 each. Below is the cost incurred in the year ended 31.03.2024.

Variable cost (per unit)		
Direct material	160	
Direct labour	100	
Production overhaeds	80	
Non production overheads	60	
Annual fixed costs		
Production overheads		Rs. 200,000
Non production overhaeds		Rs. 300,000
Production (units)		4,000

Calculate the followings.

I.Contribution per unit Rs.………………………

II. Profit when selling 4,000 units Rs.………………………

(47) The following information has been provided for the year ended 31.03.2024 in respect of two companies.

	A Company	**B Company**
Debt equity ratio	0.4	0.8
ROCE	30%	20%
Current ratio	1.5:1	2:01
EPS - Rs.	30.5	25

Answer the following questions related to the information of these companies.

I. Company with highest EPS ....

II. Company has the less ability to cover the short term liabilities ....

III. Company which has invested more debt capital to acquire assests ....

IV. Company which generates a higher return to share holders ....

(48) Following information was extracted from the financial statements of a limited company.

	2024.03.31	**2023.03.31**
Stock	240,000	160,000
Trade receivables	40,000	60,000

Total sales for the year ended 31.03.2024 was Rs. 800,000 of which 62.5% were credit sales. The gross profit ratio is 25% of the selling price. (Assume there are 360 days in the year.)

Calculate the following

I. Stock turover ratio ....

II. Debt collection period ....

(49) Indicate whether the following statements related to financial accounting and management accounting are true or false by placing an X in the relevant column.

		True	False
A.	Financial accounting reports are used by external parties only.	....	....
B.	Submission of financial accounting reports is a legal requirement.	....	....
C.	It is mandatory to follow Sri Lanka Accounting Standards when preparing management accounting.	....	....
D.	Management accounting reports are prepared whenever is required.	....	....

(50) State whether the following will increase or decrease the net present value of an investment project, assuming other factors remain constant.

A. Increase in the discount rate ....

B. Reduction in the initial invetsment ....

C. Increase in the scrap value of the investment ……………………………………

D. Increase in the initial working capital needs ……………………………

General Certificate of Education (Adv. Level) Examination - 2025

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.*

1. Achievers Lanka Business School is a VAT registered company. Following is the trial balance of the company as at 31.03.2025.

Description	Dr (Rs. 000)	Cr (Rs. 000)
Stocks (As at 01.04.2024)	300	
Administration expenses	900	
Revaluation reserve		300
Sales		9,200
Purchases	4,600	
PPE	2,300	
PPE Accumulated depreciation (as at 01.04.2024)		250
Trade Receivable	850	
Distribution expenses	471	
other expenses	100	
Payable EPF		20
Allowance for Impairment losses on trade receivable (as at 01.04.2024)		85
Paid tax (for the year 2023/2024)	450	
Provision for tax (as at 01.04.2024)		400
Finance expenses	62	
Trade Creditors		192
Ordinary share capital		2,000
Retained earnings		250
Paid VAT	400	
Lease installment account	400	
Cash	1,864	
	12,697	12,697

Additional information :

I. Cost of the stock as at 31.03.2025 was Rs. 560,000 and this stock was sold for Rs. 580,000 on 01.06.2025 by incurring an expense of Rs. 30,000. Board of directors approved financial statements to be published on 30.06.2025.

II. On 01.04.2024, a building was taken for monthly rent at Rs. 15,000 and the rent was paid on the same day for 15 months, which is included in administrative expenses.

III. Purchases and sales are shown included 15% VAT.

IV. Following are the details of property plant and equipment.

Asset	Cost (Rs.000)	Carrying value as at 01.04.2021 (Rs.000)
Land	1,200	1,200
Building	800	640
Office equipment	300	210

V. PPE should be depreciated 10% anually under the straight line method.

VI. The land was revalued for the second time on 31.03.2025 at Rs. 1,000,000 and the buildings on 01.04.2024 were revalued at Rs. 680,000 for first time.

VII. A Motor vehicle was purchased under a lease on 01.04.2024, and the lease period is 04 years. Lease instalments to be paid are as follows. At the end of the lease term, ownership of the asset will be transferred to the business.

	Rs.
First year	400,000
Second year	300,000
Third year	200,000
Forth year	150,000

- The implicit interest rate is 10% and useful life time of the MV is 10 years.
- Present value of minimum lease payments on 10% discount factor is Rs. 830,000.
- No entry was made in this regard except debiting the first lease instalment paid to the lease instalment account.

VIII. Employer contributes 15% and employee contributes 10% for the EPF on the employee's gross salary. Employer contributes 3% to ETF. Only employee contribution for EPF of the last quarter is accounted and no other records was kept for the quater. EPF expenses paid during the year were Rs. 90,000 and ETF costs Rs. 18,000 is included in administrative expenses. EPF and ETF relevant for the first three quarters have been paid correctly.

IX. Rs. 50,000 should be written off as bad debts and on remaining trade receivables Rs. 80,000 should be made as allowance for impairment losses on trade receivable.

X. Income tax should be 1/4 of the current year profit before tax.

XI. Directors has decided the followings.

- Capitalize Rs. 100,000 by using the reatined earnings reserves.

Required,

1. Statement of profit or loss and other comprehensive income statement for the year ended 31.03.2025. (Including accounting notes)
2. Statement of financial position as at 31.03.2025.
3. Statement of changes in equity for the year ended 31.03.2025.

2. (A) ABC PLC manufactures 02 types of footwear. (Type A and Type B) It consists of three production departments (Machining, Assembly and Finishing). The Factory and the warehouse are located separately. Below are the budgeted overheads for the year 2024.

Overhaed costs	**Value Rs. 000**
Indirect wages	
Machinery department	430
Assembly	320
Finishing	310
Warehouse	100
Rent	
Factory	2,000
Warehouse	800
Lighting	
Factory	400
Warehouse	140
Insurance - warehouse	400
Overheads not distributed	
Machine dep	900
Safety charges	400

Additional information,

Item	**Machining**	**Assembly**	**Finishing**	**Warehouse**
Floor area (square meters)	700	800	500	300
Machine cost	800	200	400	100
No.of machine hours	30,000	20,000	12,000	-
Kilowatt hours	1,400	1,600	1,000	600
No.of direct labour hours	40,000	35,000	28,000	-
No.of security officers	15	10	5	10
No.of goods requisition notes	40	30	10	-

- The machinery department absorbs overhead costs on machine hour basis and the other two production departments absorbs overhead cost on direct labour hour basis.
- Budgeted information to complete a pair of footware is as follows.

Department	**A**	**B**
Machinery	2	3
Assembly	4	2
Fininshing	1	4

Required,

1. Overhead cost analysis statement by showing the basis of apportionment (incuding the re-apportionment of the warehouse)
2. Calculate the overhead absorption rates for each production departments.
3. Calculate the overhead cost absorbed per pair of footwares of each types.

(B) Following are the salary details of drying division employees of Questionbank.lk company for the month of March 2024.

I. No.of hours worked

Name of the employee	**No.of Workings hours on**	**no.of Working hours on**

	weekdays	sundays
Salani	176	10
Chalani	168	10
Kulani	160	-
Thulani	150	-

II. The standard number of hours each employee should work in a month is 160. A basic salary of Rs. 100 per hour is paid.

III. Overtime Allowance is Rs. 150 per hour, and also if working on Sundays and holidays Rs. 200 per hour is paid.

IV. The employee contributes 10% and the employer contribute 15% to the Employee Provident Fund on the basic salary. 3% must be contributed to the Employees Provident Fund by employer.

V. Deductions from the salary,
- Rs. 300 each for wellfare association.
- Chalani's loan deduction Rs. 2,000 and kalani Rs. 1,000.

Required,

1. Salary sheet of Questionbank.lk for the month of march 2024.
2. March 2024
   - Salary control account
   - Payable EPF account
   - Payable ETF account
3. Total labour cost of Questionbank.lk for the month of March 2024.

3. (A) The statement of financial position of CIMA service business as at 01.04.2024 was as follows. The business is registered for Value Added Tax (VAT) and for every service provided by the business is subject to 5% VAT.

Assets	**Rs.000**
Office equipment (cost 270,000)	250
Stock	50
Trade receivables	30
Bank	80
	410
Equity	380
Liabilities	
Payable VAT	10
trade payables	20
	410

Transactions and events occurred during the month of April 2024 are as follows.

1	04/03	Rs. 100,000 of service has been provided on cash.
2	04/05	Marked Price of stock worth of Rs. 22,000 was purchased on credit for Rs. 20,000.
3	04/08	Half of the Goods purchased for credit on 04/05 has been returned to the supplier.
4	04/12	A value of Rs. 9,000 was received to settle Rs. 10,000 of receivable balance and the balance was written off as bad debts on trade receivables.

5	04/15	Cost of Rs. 45,000 of office equipment was purchased and bringing it into business Rs. 3,000 was paid and for fixing, Rs. 2,000 was incurred. The scrap value of this is Rs. 2,000. Useful life time of the asset is 2 years and that was decided on the date of purchase and it could be used from the date of purchase. Office equipment which was already in the business has an useful life time of 3 years and no scrap value.
6	04/18	Water bill for the month was Rs. 4,000 and it was settled through a cheque.
7	04/20	A sales invoice of a service provided of Rs. 20,000 was completely omitted from the books of accounts.
8	04/22	Rs. 18,000 was paid in cash to settle the trade payable balance as at 01.04.2022 and the balance was regarded as discount received.
9	04/25	Losses written off as bad debt on trade recievables on 04/12 was received in cash.
10	04/30	Electricity bill for the month was Rs. 3,000. Rs. 2,000 out of it was paid by the owner and the balance was paid by the business.

Required,

1. Record the above transactions correctly using the below accounting equation.
   Office equipmnet + Stcok + trade receivables + bank = payable VAT + trade recievables + equity
2. Calculate the profit or loss for the month ended 30.04.2024 based on the net assets basis.

(B) Following information is provided to you by CINEC Campus PLC.

I. Balances of debtor control account as at 31.03.2025 is as follows.

	Rs.000
As at 01.04.2024 – Debit balance	300
Credit balance	50
Credit sales	700
Discount allowed	10
Charges from debtors (late charges)	5
Return inwards	20
Reciepts from debtors	400
Debit balance transferred from purchase Ledger	12
Credit balance as at 31.03.2025	3

II. Balance of the debtor control account and the sales ledger balnces as at 31.03.2025 was not equall each other. Following reasons were identified after the investigations carried out.

- A sales invoice of Rs. 6,000 was ommitted from the books.
- Rs. 2,000 of a debit debtor balance has not been taken to list of debtor balances.
- Rs. 4,000 recived from a debtor has been recorded in the receipts journal twice.
- Rs. 10,000 written off as impairment losses on trade receivables were recorded on the sales ledger but not recorded in the control account.
- Sum of the discount allowed column was Rs. 1,000 lesser.
- Rs. 21,000 of return inwards by a debtor has been recorded in the prime entry book as Rs. 12,000.

III. As at 01.04.2024, allowance for impairment losses on trade receivables account was Rs. 40,000. Rs. 5,000 was received related to a balance written off in a previous year. The policy of the company is to provide 5% allowance for impairment losses on trade receivables.

Required,

1. Debtor control account before correcting the above errors.
2. Adjusted debtor control account.
3. A reconciliation statement to show the adjusted debtor control account balance and the list of ledger balances (balance before corrections)

4. (A) Darshan and Kumara are partners in Sikuliya trading business. Ruwan was joined as a new partner to the partnership business on 01.04.2024. Following are some extracts from the accounts prepared for the year ended 31.03.2025 by a junior Accounts Clerk of the business. Partners were sharing profits equally.

		Dr (Rs.)	**Cr (Rs.)**
Balance as at 01.04.2024			
Capital accounts	- Darshan		700,000
	- Kumara		500,000
Current accounts	- Darshan		24,000
	- Kumara		
Stocks as at 31.03.2025		200,000	
Loan obtained from Darshan - 5% (2024.10.01)			100,000
Draft Profit before distribution			504,000

Internal audit revealed the following errors that has been made when calculating the profit.

I. Market value of stock on 31.03.2025 was Rs. 220,000 and direct selling expenses of the stock is Rs. 40,000. No attention has been paid to that information.

II. Interest on the loan from Darshan has been recorded as Rs. 5,000.

III. The goods drawings by Darshan and Kumar respectively were Rs. 10,000 and Rs. 8,000 No adjustment has been made in relation to it.

IV. On 01.10.2024, Kumar leased a warehouse building owned by him for Rs. 160,000 to the business for two years. On the same day onwards, it was rented for Rs. 10,000 monthly to another business and the business has received rental income for 2 years and one year rental income has been adjusted in the profit.

V. On 01.04.2024, property, plant and equipment was Rs. 100,000 and out of it Rs. 20,000 worth of equipment was sold on 30.06.2024 for Rs. 17,000. Cash received from the disposal is shown as other income. This equipment was acquired on 01.04.2021. Property, plant and equipment should be depreciated at the rate of 10% annually on cost.

Following additional information is provided to you.

- On 2024.04.01, Ruwan brought Rs. 300,000 as capital and the goodwill as at that date was estimated as Rs. 90,000 and agreed to be recorded through the capital accounts.
- Partners are entitled to a 10% anuall interest for the capital.However Ruwan's interest was not paid untill 31.03.2025.
- Partners should be paid Rs. 5,000 as a monthly salary.
- New profit sharing ratio is 7:5:3.
- Darshana's and Kumara's capital interets and salary details as at 31.03.2025 are as follows.

	Darshana (Rs.)	Kumara (Rs.)
Paid capital interest	12,000	10,000
Paid salary	15,000	15,000

Required,

1. Journal entries to correct the draft profit (narration is not needed)
2. Profit and loss distribution account for the year ended 31.03.2025
3. Capital acccounts and current accounts of partners for the year ended 31.03.2025

(B) ACCA purchased a Motor vehicle and a furniture equipment under a lease on 01.04.2024. Following is the summary of the information.

Item	Date of purchase	Percentage of lease	Lease period	Useful life of the asset	Fair value of the assets (as at date of purcahse)
Motor Vehicle	2024/04/01	50%	4	8	1,600,000
Furniture equipment	2024/04/01	40%	2	5	400,000

Item	Value of the anuall instament	interest	
		2024/25	2025/26
Motor Vehicle	250,000	100,000	50,000
Furniture	50,000	20,000	15,000

All the lease installments of these assets should be paid at the of the year and any installment relevant for the year 2024/2025 has not been paid yet. (No scrap value for any of these assets)

Required,

1. Journal entries relevant to record the above transactions.
2. Highlights on Statement of Financial position as at 31.03.2025.

5. (A) Summary of the financial statements of Achievers Campus PLC is as follows.

	as at 31.03.2025 Rs. 000	as at 31.03.2024 Rs. 000
Non current assets		
PPE – At Cost	31,000	28,800
PPE – accumulated depreciation	(5,300)	(4,400)
Right to use assets		
- Cost	3,000	-
- Accumulated depreciation	(300)	-
12% long term investments	2,000	3,000
Current assets		
Trading stock	6,800	4,200
Trade recievables (After making making 10% allowance for impairment loss on trade	4,500	2,700

receivables)		
Pre-paid operating expenses	-	400
Recievable investment income	240	-
Cash and cash equivalents	7,600	7,700
Total assets	**49,540**	**42,400**
Equity and liabitilities		
Stated capital – Ordinary shares	30,000	18,000
- Retained earnings	3,000	1,800
- Revaluation reserves	4,740	2,500
Total equity	37,740	22,300
Non current liabilities		
12% bank loan	5,000	7,500
Lease creditors	1,400	
Current liabilities		
Lease creditors	700	-
Trade payables	3,200	2,000
Payable income tax	500	200
Payable interets	600	-
Payable operating expenses	400	500
Bank OD	-	9,900
Total equity and liabilities	**49,540**	**42,400**

Additional information,

I. Part of the Bank loan and the interets for 12 months has been paid on 01.01.2025.
II. Part of the long term investments have been realized on 31.03.2025 with relevant incomes.
III. Other expenses for the year ended 31.03.2025

- PPE depreciation Rs. 2,850,000 (excluding right to use assets)
- Bad debts Expenses Rs.600,000.
- Stock written off Rs.150,000.
- Income tax Rs.750,000
- First revaluation loss on furniture Rs. 500,000.

IV. During the year ending 31.03.2025, Rs. 700,000 has been paid as dividend and Rs. 1,200,000 of retained earnings has been capitalized.
V. Down payment of Rs.400,000 has been paid for the right to use asset acquired on 01.04.2024 under a lease agreement and Rs.100,000 of legal and other direct primary expesnes has been paid on the date of acquistion.
VI. A distribution vehicle with a carrying value of Rs. 4,200,000 was sold for cash Rs. 5,000,000 during the year ended 31.03.2025. Accumulated depreciation as at that date was Rs. 1,800,000. Revaluation surplus gained from the first machine revaluation has also been recorded. Office equipment were purchased for cash.

Required,

1. Cash flow statement for the year ended 31.03.2025 according to the standard LKAS 07 (cash flow statement)

(B) Following are the information related to the liquid milk stocks of "Wanni" dairy products manufacturers.

- Annual liquid milk consumption 24,000 litres
- Price per milk litre is Rs. 24
- Ordering cost per order is Rs. 50
- Cost of Holding the stcok is 10% of the cost of liquid milk litre

Required,

1. Economic order quantity (EOQ)
2. No.of orders to be made per year

6. (A) Below is a Summary of Receipts and Payments Report of ABC Association for the year ending 31 March 2025. Subsequent accounting investigation revealed that all receipts and payments were not included in this report.

Receipts	Rs.	Payments	Rs.
Cash balance as at 01.04.2024	350	Stationery and priniting	3,000
Registration fees	1,200	Postal and electric messages	1,750
Received membership fees	42,250	Annual meeting expenses	5,150
Amount taken from savings account	30,400	Clerk expenses	2,400
Donations	1,600	Purchase of a type writer	7,500
Tickets	30,800	Travelling charges	2,750
		Audit fees	500
		Medical and other benefits	7,350
		Deposits in savings account	45,000
		Festival expenses	22,500
		Cash balance as at 31.03.2025	8,700
	106,600		106,600

I. Association maintaines a savings account and following revelaed after checking the passbook.

- Balance as at 01.04.2024 was Rs. 21,000.
- Deposits and withdrwals which were mentioned in the report are correct.
- During the year Rs. 1,600 have been credited as savings account interest for the year.

II. Following information revealed from members register.

	As at 01.04.2024	**As at 31.03.2025**
Receivable membership fees	Rs. 1,300	Rs. 2,200
Memebership fees received in advance	-	රු. 500

III. An event has been organized to mark the United Nations Health Day in October 2024. Below is the statement of accounts maintained by the Organizing Committee regarding receipts and expenditure.

Sale of tickets on the festival day	30,800
Expenses (for festival)	12,000

Entertainment for guests	8,500
Building rent for festival (paid for divisional authority)	2,000

IV. Audit fees for the year is agreed for Rs. 2,000.
V. Membership fund consists of an amount of Rs. 50,000 invested in previous years.
VI. Annual building rent of the association purchased under a lease in 2022 is Rs.20,000. No rent has been paid during the current year.

Required,

1. Income and expense account of the association for the year ended 31.03.2025
2. Statement of Financial position as at 31.03.2025

(B) A company manufacturing a single product has an annual operating capacity of 1,500 units. The budgeted information of this product for the year 2024 is given below.

Annual production and sales (units)	1,200
Per unit Rs.	
Selling price	1,200
Direct material	160
Direct labour (paid based on the units)	180
Variable production overhead cost	100
Variable non production overhead costs	200
Annual fixed production overhead costs	Rs. 132,000
Annual fixed non production overhead costs	Rs. 180,000

Required,

1. Variable cost per unit
2. Production cost per unit
3. Profit per unit
4. Total cost at a operating capacity of 1,500 units

Suggested Answers

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

(31) (a) Financial Source, Balance sheet element, Having a credit balance in the accounts

(b)

	Liabilities	**Equity**
• Present obligation to settle on a defined date	yes	no
• Classification as curret and non current	can	Do not classify
• If returns are paid then,	Expense, interest payment	Not an expense, consider as dividends,
• Nature	Settlement occurs on a defined date	No defined date to settle
• Ownership for the profit/loss for the year	No ownership	Have ownership

(32)

1. D
2. B
3. A
4. C

(33)

(a) Rs.430,000.

(b) Rs.400,000.

(34) (A) Rs. 88,000

(B)

	Dr (Rs)	**Cr (Rs)**
Cash to be received from store keeper	6,500	
Stock loss	500	
Cost of sales/purchases		7,000

(35)

Cost element	Direct cost	Indirect cost
Depreciation of the ice cream production machine		✓
Fresh milk purchased	✓	
Rates of the factory		✓
Monthly salary paid for factory manager		✓

(36) a) Rs.990, 000 b) Rs. 325,000

(37) **Accounting concept**

A - Going concern
B - Accrual/matching
C - Prudence
D - Realizable

(38) Rs.1,300,000

(39) Result of a past event
Probable of inflow of economic benefits to the business
Ability to control by the business

(40)

	Statement	True	False
1.	A provision is an obligation with uncertainty of definite time and amount.	..... ✓.........	....
2.	Contingent liabilities are recognized in an entity's financial statements.	....	...... ✓........
3.	Changes in accounting estimates are adjusted in an entity's financial statements in the current year and future accounting periods.	.... ✓......	....
4.	Determining the accounting policies of an organization is always at the discretion of managers.	....	.... ✓.......

(41) Ratio foregone is - 0:1
Therefore, total goodwill share is transferred to Q.

(42) I. Rs. 400,000
II. Rs. 380,000

(43) Rs.2,450,000

(44) Rs. 88

(45) I. 3,800 units
II. 11,400 units

(46) I. Rs. 400
II. Rs. 1,100,000

(47) 1. A
2. A
3. B
4. A

(48) 1. 3 times
2. 36 days

(49)

	True	False
A		X
B	X	
C		X
D	X	

(50) A. Decrease.
B. Increase.
C. Increase.
D. Decrease.

Suggested Answers

01. **Profit & Loss and other comprehensive Income Statement**

(1) **Of Achievers Lanka Business**

For the year ended 31.03.2025 (,000)

Sales		8,000.00
Cost of sales	1	(3,740.00)
Gross profit		4,260.00
Other income		
Factory and administration		(989.00)
Distribution expenses		(599.00)
Finance expenses		(145.00)
Other expenses		(110.00)
Profit before tax		2,417.00
Income tax	2	(654.25)
Profit for the period		1,762.75
Other comprehensive income		
Building revaluation		40.00
Land revaluation		(200.00)
Total comprehensive income		1,602.75

(2) **Statement of changes in equity**

Achievers Lanka Business

For the year ended 31.03.2025 (, 000)

	Ordinary shares	**Revaluation reserve**	**General reserve**	**Retained earnings**
B/B/F	2,000	300		250
Retained earnings				1,762.75
Building revaluation		40		
Transfers to general Reserve			100	-100
Land revaluation		-200		
	2,000	140	100	1,965.75

Statement of financial position
Of Achievers Lanka Business
As at 31.03.2025 (,000)

Non current assets			
PPE	03	1,792	
Right to use assets		747	2,539
Current assets			
Closing stock		550	
Pre-paid building rent		45	
Debtors		720	
Cash		1,864	3,229
			5,718.00
Equity and liabilities			
Ordinary shares		2,000	
Revaluation reserve		140	
General reserve		100	
Retained earnings		1,912.75	4,152.75
Non current liabilities			
lease creditors		264.3	264.3
Current liabilities			
Lease creditors		248.7	
Payable EPF		50	
Payable ETF		6	
Payable VAT		200	
Trade payables		192	
Payable tax		604.25	1,300.95
			5,718.00

Note 01

Opening stock	300,000
Purchases	4,000,000
Closing stock	(560,000)
	3,740,000

Note 02

Income tax	604,250
Tax (overprovision)	50,000
	654,250

Note 03

	Land	Building	Office equipment
B/F	1,200	800	300
Purchases			
Disposals			
Revaluation	(200)	40	
	1,000	**680**	**300**
B/F		160	90
Disposals		(160)	

Annual depreciation		68	30
Total provision for dep		**68**	**30**
Net value	**1,000**	**612**	**180**

02. (a)

(01)

Description	**Alloction base**	**Total**	**production**			**Wareh ouse service**
			Machinery	**Assem bly**	**Finishi ng**	
Indirect wages	Direct	1,160	430	320	310	100
Rent	Floor area 7:8:5	2,000	700	800	500	
Warehouse rent	Direct	800				800
Lighting	Kilo Watt 14:15:1	400	140	160	100	
Lighting warehouse	Direct	140				140
Insurance	Direct	400				400
Machine depreciation	Machine cost 8:2:4:1	900	480	120	240	60
Safety charges	No.of employees 3:2:1:2	400	150	100	50	100
		6,200	**1,900**	**1,500**	**1,200**	**1,600**
Re-allocation Warehouse			800	600	200	-1,600
		6,200	**2,700**	**2,100**	**1,400**	**-**

02.

Machinery department overhead absorption rate = $\frac{\text{Budgeted overhead cost of machinery dep}}{\text{Budgeted machine hours}}$

$= \frac{2,700,000}{30,000}$

= **Rs.90 (per machine hour)**

Assembly department overhead absorption rate = $\frac{\text{Budgeted overhead cost of assembly dep}}{\text{Budgeted direct labour hours}}$

$= \frac{2,100,000}{35,000}$

= **Rs.60 (per labour hour)**

Finishing department overhead absorption rate = $\frac{\text{Budgeted overhead cost of finishing dep}}{\text{Budgeted direct labour hours}}$

$= \frac{1,400,000}{28,000}$

= **Rs.50 (per direct labour hour)**

03.

	A type		**B type**	
Machining	2 ×90	180	3×90	270
Assembly	4×60	240	2×60	120
Finishing	1×50	50	4×50	200
		470		**590**

(b) 01.

Name	Additions			Deductions			Net salary
	Basic salary	OT	Gross salary	EPF	Welfare	Loan installments	
Salani	16,000	4,400	20,400	1,600	300	-	18,500
Chalani	16,000	3,200	19,200	1,600	300	2,000	15,300
Kalani	16,000	-	16,000	1,600	300	1,000	13,100
Thulani	15,000	-	15,000	1,500	300	-	13,200
	63,000	7,600	70,000	6,300	1,200	3,000	60,100

02.

Salary control account

Welfare salary	1,200	Salary	70,600
Loan instalment	3,000		
EPF	6,300		
Cash	60,100		
	70,600		70,600

Payable EPF A/C

		Emloyee	6,300
		Emloyer	9,450
C/D	15,750		
	15,750		15,750

Payable ETF A/C

		Employer	1,890
C/D	1,890		
	1,890		1,890

03. Total labour cost of the company = **81,940**

Salary = 70,600
EPF employer = 9,450
ETF employer = 1,890
= 81,940

03. (a)

01.

('000)

	Off. equ.	+	**stock**	+	**Receiv able**	+	**Ban k**	=	**Payable (VAT)**	+	**Other payables**	+	**Capital**
	250	+	50	+	30	+	80	=	10	+	20	+	380
1							105	=	5			+	100
2		+	20					=		+	20		
3		+	(10)					=			(10)		
4		+			(10)	+	9	=					(1)
5	50	+						=					
	(2)						(50)						(2)
	(7.5)												(7.5)
6							(4)	=					(4)
7					21			=	1				20
8							(18)	=			(20)	+	2
9						+	1	=				+	1
10							(1)	=				+	(3)
													2
	290.5	+	**60**	+	**41**	+	**122**	=	**16**	+	**10**	+	**487.5**

02.

Net profit = (Closing equity – opening equity) + drawings – additional capital

= (487.5 – 380) + 0 – 2

= 107.5 -2

Net profit ('000) = 105.5

(b)

01. **Debtors control account**

B/F	300,000	B/F	50,000
Sales	700,000	Discount allowed	10,000
Late charges	5,000	Return inwards	20,000
		Cash receipt	400,000
		Transferred debit	12,000
		Balance	
C/D	3,000	C/D	516,000
	1,008,000		1,008,000

02. **Adjusted debtors control account**

B/F	516,000	B/F	3,000
Sales	6,000	Loss on damages	10,000
Receipt from Debtors	4,000	Discount allowed	1,000

		Return inwards	9,000
C/D	3,000	C/D	506,000
	529,000		529,000

03. **Reconciliation statement**

Balance as per adjusted debtor control account	503,000
(+)	
(-)	
– Ommitted debtor balance	(2,000)
– Cash receipts	(4,000)
– Ommitted sales invoice	(6,000)
– Loss on damages	(10,000)
– Discount allowed	(1,000)
Balance as per sales ledger	480,000

(04) (a)

01.

I.	Stock written off	Dr	20,000	
	Closing stock account	Cr		20,000
II.	Current account - Darshana	Dr	2,500	
	Loan interest account	Cr		2,500
III.	Current account - Darshana	Dr	10,000	
	Current account - Kumara	Dr	8,000	
	Trade account	Cr		18,000
IV.	Rent income account	Dr	60,000	
	Rent income received in advance	Cr		60,000
V.	Other income account	Dr	13,500	
	Accumulated depreciation	Dr	6,500	
	Asset account	Cr		20,000

02.

Profit or loss distribution account

Correct profit		431.0
Salary – Darshana	60.0	
Kumara	60.0	
Ruwan	60.0	(180.0)
		251.0
Capital interets – Darshana	70.3	

03.

Kumara	51.5	
Ruwan	28.2	(150.0)
		101.0
Profit shares - Darshana	47.1	
Kumara	33.6	
Ruwan	20.3	(101.0)
		0

Capital accounts

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

Current accounts

	Darshana	**Kumara**	**Ruwan**		**Darshana**	**Kumara**	**Ruwan**
B/F		16		B/F	24		
Drawings	10	8		Loan interests	2.5		
Capital interests	12	10		Warehouse rent		40	
salary	15	15		Capital interests	70.3	51.5	28.2
				Salary	60	60	60
				Profit shares	47.1	33.3	20.3
C/D	166.9	176.1	108.5				
	203.9	135.8	108.5		203.9	184.8	108.5

(b) (01)

	Dr	**Cr**
Right to use asset account	1,600,000	
Lease creditors		800,000
cash		800,000
(Recording the purchase of MV under a lease)		
Right to use asset account	400,000	
Lease creditors		160,000
Cash		240,000
(Recording the purchase of furniture equipment under a lease)		
Lease interest expense account	100,000	
Lease creditors		100,000

(Recording the lease interest amount relevant to the MV)

Lease interest expense account	30,000	
Lease creditors		30,000
(Recording the lease interest amount relevant to the furniture equipment)		
Right to use asset depreciation expense account	200,000	
Accumulated depreciation		200,000
(Recording the annual depreciation relevant to MV)		
Right to use asset depreciation expense account	80,000	
Accumulated depreciation		80,000
(Recording the annual depreciation relevant to furniture equipment)		

(02)

Financial position statement

Non current assets	
Right to use assets	1,720,000
Non current liabilities	
lease creditors	545,000
Current liabilities	
Payable lease installments	300,000
lease creditors (Current Portion)	235,000

(05) (a)

Cash Flow Statement
Of CINEC Campus (Pvt) Ltd
for the year ended 31.03.2022 (,000)

Profit before tax		3,850
Workings		
– Depreciation	3,150	
– Investment income	(360)	
– Loan interests	900	
– Revaluation loss	500	
– Gain from asset disposal	(800)	3,390
Working capital changes		
Stock	(2,600)	
Trade receivables	(1,800)	
Trade payables	1,200	
Payable operating expenses	(100)	
Pre-paid operating expenses	400	

Cash flows from operating activities		(2,900)
Interest paid	(300)	
Tax paid	(450)	(750)
Net cash flows generated from operating activities		3,590
Investment activities		
MV purchases	5,000	
Investment income	120	
INvestement realization	1,000	
Lease	(500)	
Furniture equipment purchase	(6,610)	
Net cash flows from investment activities		(990)
Financing activities		
Share issue	10,800	
Dividends paid	(700)	
Bank loan	(2,500)	
Lease installment	(400)	
Net cash flows from financing activities		7,200
Change in cash and cash equivalents		9,800
Opening cash balance		(2,200)
Losing cash balance		7,600

(b)

01. EOQ = (2Od) /Ch
= (2 * 50 * 24,000)/2.4
= 1,000 units

02. No.of orders to be placed per year = 24,000/1,000
= 24

(06) (a)

01.

Didula sports club
Income and expenses account
for the year ended 31.03.2022

Audit Fees	2,000	Interests on savings	1,600
Building rent	20,000	Profit from festival on health day	8,300
Stationary	3,000	Registration fees	1,200
Postal	1,750	Donations	1,600
Meeting expenses	5,150	Membership fee	42,650
Secretary charges	2,400		
Transport charges	2,750		
Medical and other benefits	7,350		
Surplus	10,950		
	55,350		55,350

02.

Didula sports club
Financial position statement
As at 31.03.2022

Non current assets		
Type writter		7,500
Membership welfare fund		50,000
		57,500
Current assets		
Receivable membership fee	2,200	
Savings	37,200	
Cash	8,700	48,100
		105,600
Accumulated fund	72,650	
Surplus	10,950	83,600
Current liabilities		
Membership fee received in advance	500	
Accrued audit fees	1,500	
Accrued rent	20,000	22,000
		105,600

(b)

01.

	Rs.
Direct material	160
Direct labour	180
Variable overhead cost	
Production	100
Non production	200
	640

02.

	Rs.
Direct material	160
Direct labour	180
Overhead cost	
Variable	100
Fixed	110
Production cost per unit	550

03.

	Rs.
Selling price	1,200
Production cost	(550)
Non production	
– variable cost	(200)
– fixed cost	(150)

300

04. Total cost when activity level is 1500 units

			Rs.
Variable cost		640 x 1,500	960,000
Fixed cost			
–	Production	132,000	
–	Non production	180,000	312,000
–	Total cost		1,272,000

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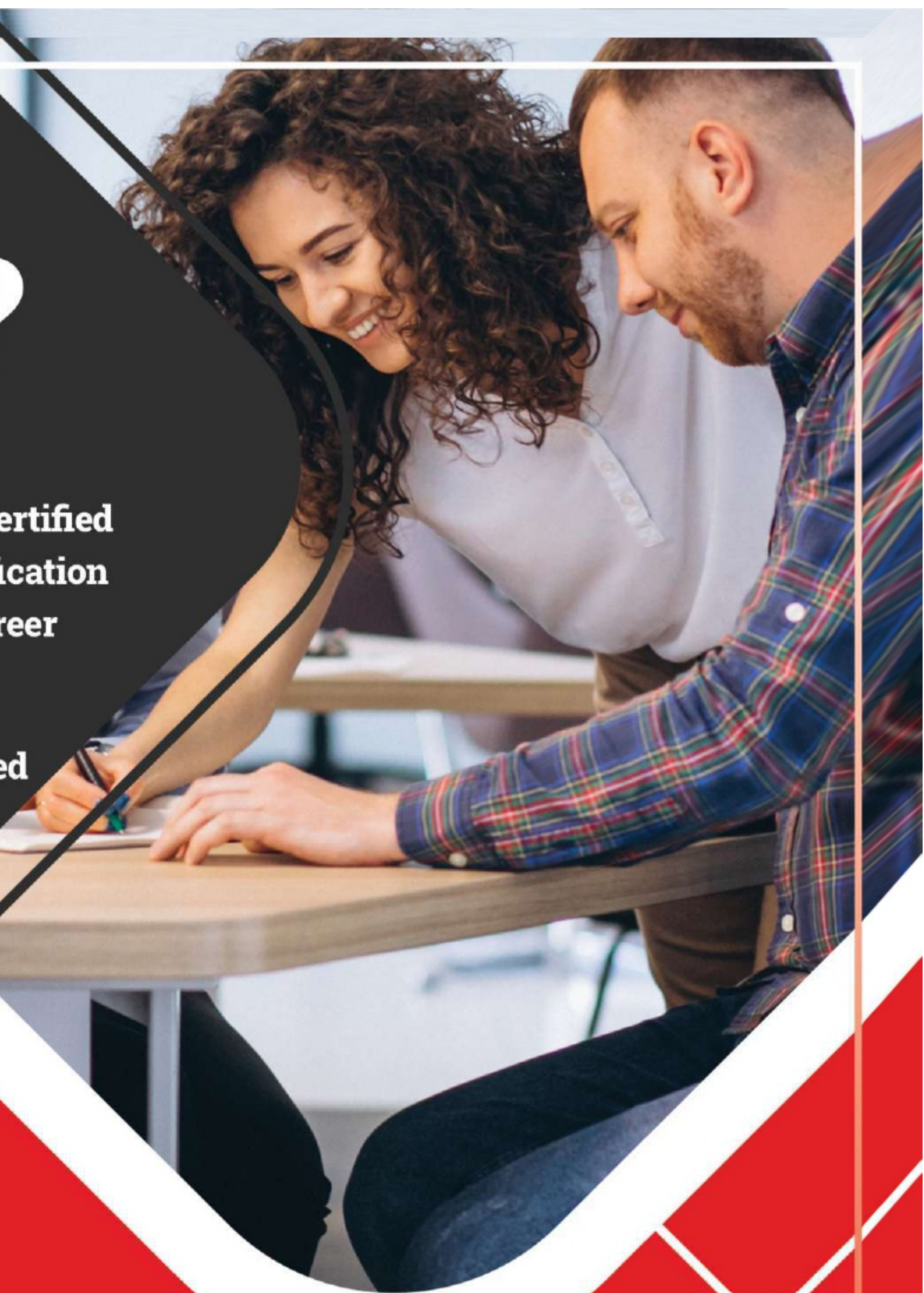

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