

G.C.E A/L Examination

# 33 - ACCOUNTING

New Syllabus

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# 33 - Accounting

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## QUESTION BANK

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## PREFACE

This paper has been created according to the prototype paper structure which has been issued by the department of examination of Sri Lanka in 2019 and the G.C.E Advanced level examination paper in 2020. We are expecting to maintain high-level quality in this paper by getting supervision of chartered accountants. The intention of this project is to ensure the equal rights of the education to all the students by providing high quality study materials in free of charge, and also eliminating the traditional barriers to the education by giving support to the teachers.

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G.C.E. Advanced Level Exmination - 2024

Accounting

33 E I

2 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				

01. Which is the correct statement/ (s) given below in relation to the general purpose financial statements?

- A. It provides relevant information to external parties for decision making.
- B. Prepares to plan and control the organized operating activities of the entity.
- C. It is prepared only for the decision making purposes of internal managers of the entity.

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

02. State the correct statement/ (s) out of the below mentioned statements.

- A. Liquidity Assets consist of cash and current assets which can be converted into cash quickly.
- B. Revenue expenditure is expenses that have a long life period that reflect on several accounting periods.
- C. If two errors occur which have same value in both transactions, they are taken as compensation errors and it can be disclosed by trial balance.
- D. Non-operational income are income earned from main activites of the business.

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

03. Given below are the values as per the financial position statement as at 01.01.2024 of Ruvini's business.

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

These transactions occurred on 02<sup>nd</sup> January 2024.

- Paid bank loan installment Rs. 52,000. The interest amount included was Rs. 2,000.
- Rs. 20, 000 worth of stationary stock were used.
- Rs. 18,000 received from a debtor and the discount allowed was 10%.

What is the correct accounting equation after the above transactions?

	<b>Non-current assets</b>	+	<b>Current assets</b>	=	<b>Non-current liabilities</b>	+	<b>Current liabilities</b>	+	<b>Equity</b>
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

04. Special provision was made for doubtful debts of Rs. 190,000 from the books of Dayarathana's business for the year 2022/2023 for a debtor balance and the debtor settled that amount to him in the year 2023/2024. Which element would be subjected to a change in the accounting equation due to the above transaction of receipt of bad debts written off?

- 1) Assets and Liability                      2) Assets and Equity                      3) Assets only  
4) Expenses and Assets                      5) Equity only

05. Chathura purchased an amount of items for Rs. 2,500 each from a business. He received 20% of trade discount and when settling the amount he received a cash discount of 10%. He paid Rs. 72,000 in order to settle the amount. Calculate the cash discount and the trade discount received by Chathura.

	<b>Cash discount</b>	<b>Trade discount</b>
1)	7,200	8,000
2)	7,200	16,000
3)	8,000	20,000
4)	8,000	18,000
5)	8,000	14,400

06. Indika is an owner of a shoe business. Due to a fire occurred in the business on 13<sup>th</sup> July 2024, all other stocks of the business were destroyed except a stock which had a cost of Rs. 19,000.

Following details are provided.

Stock as at 01 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. When the business was destroyed by the fire, a stock worth of Rs. 20,000 out of the purchases above were in transit.
- B. During the month of April 2024, sales were carried out for a week with new year discount. During this period the sales were taken place for a price of 10% reduction in the normal selling price. The total sales during the week was Rs. 90,000.
- C. Huge amount of shoes were stolen by thieves entered to the business on 10 July 2024. Selling price of those shoes were Rs. 25,000.
- D. An invoice relating to purchases of shoes on 15 May 2024 with a value Rs. 20,000 has not been recorded in the books of accounts.
- E. Selling price of the business is calculated by adding 25% on the cost.

What is the value of the stock destroyed by the fire in this business on 13 July 2024?

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

**07.** What is considered as the most important reason to implement a debtor and creditor control accounting system?

- 1) Maintain good control from the segregation of duties
- 2) Specify the responsibilities to employees
- 3) Easiness of preparing final accounts
- 4) For the reason that the accounting standards has recommended
- 5) To carry out good internal controls and maintain accounting activities correctly

**08.** If single entry ledger system in subsidiary ledger is practiced in a business, what is the not the correct statement out of the below statements?

- A. Control accounts are included in the general ledger while double entry is recorded there.
- B. Control accounts of debtors and creditors can be seen in subsidiary ledger.
- C. Errors of general ledger and as well as errors of subsidiary ledger, are corrected using doble entry.
- D. A list of balances can be extracted from debtors ledger and creditors ledger.
- E. Personal accounts of debtors and creditors cannot be seen in general ledger.

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

**09.** Bank balance as per the bank statement of AD business as at 31.01.2024 was Rs. 15,000 debit balance. This balance was different from the balance as per the bank account of the business and the reasons for the difference are given below.

	Rs
Unrealized deposits as at 31 January	<b>50,000</b>
Unpresented cheques as at 31 January	<b>70,000</b>
Direct remittances from debtors which was not recorded in the cash book	<b>30,000</b>
Bank charges of Rs.1,000 was not in the bank account.	
Insuarance charges paid and reduced by the bank of Rs. 4,000 was not in the bank account.	

The balance of the bank account before receiving the bank statement and the bank balance to be shown in the financial position statement,

	Bank balance before the bank statement was received (Rs.)	Bank balance to be shown in balance sheet (Rs.)
1)	35,000	(60,000)
2)	10,000	40,000
3)	30,000	5,000
4)	(60,000)	(35,000)
5)	60,000	35,000

**10.** 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 would affect the above scenario?

- |                       |             |              |              |
|-----------------------|-------------|--------------|--------------|
| A – Accounting Entity | B – Accrual | C – Prudence | D - Matching |
|-----------------------|-------------|--------------|--------------|

- 1) A, B and C  
4) C only

- 2) A, C and D  
5) All A, B, C and D

- 3) B, C and D

**11.** Balance of a debtors control account of a business is Rs.70,000. But the total balances of debtors ledger were different and reasons for that are given below.

- A. Sum of the sales journal has been reduced by Rs. 1,000.  
B. Rs. 20,000 of credit sales has been recorded in the sales journal as Rs. 2,000.  
C. Credit sales of Rs. 3,500 has been recorded as Rs. 8,500 in the relevant debtor's account.  
D. Rs. 2,500 of Value Added Tax (VAT) has not been recorded in the relevant debtors account.

What is the amount to be shown in the financial position statement and the existing balance of the debtor's ledger in the business?

	<b>Debtor balance to be shown in the balance sheet</b>	<b>Existing balance of the Debtors ledger</b>
1)	84,000	66,500
2)	86,500	81,500
3)	91,500	73,500
4)	89,000	85,500
5)	89,000	73,500

**12.** According to the standard LKAS 37, what is considered as a provision from the below transactions?

- A. Provide Rs. 20,000 from the year end debtors balance as doubtful debts.  
B. Depreciation of PPE Rs. 230,000.  
C. Provide an amount of Rs. 23,000 for warranty certificates.

- 1) A and C  
4) C only

- 2) A and B  
5) All A, B and C

- 3) B and C

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

Anil, Ranil and Sunil carried out a partnership business sharing profits/losses for a ratio of 2:2:1. Sunil retired from the business on 01.04.2023. All adjustments relating to the goodwill are done through capital accounts of the partners and no other adjustments are made for capital accounts. Anil and Ranil planned to share profits equally in future and Ranil is entitled for an annual salary of Rs. 240,000. Ranil has taken Rs. 200,000 from cash as salary during the year. Capital account balances and the current account balances of the partners are given below.

	<b>As at 31.03.2024 (Rs.)</b>		<b>As at 31.03.2023 (Rs)</b>	
	<b>Capital balances</b>	<b>Current balances</b>	<b>Capital balances</b>	<b>Current balances</b>
Anil	420,000	260,000	500,000	100,000
Ranil	420,000	300,000	500,000	100,000
Sunil	-	-	300,000	100,000

**13.** Goodwill share of Sunil as at 01.04.2024 and total equity of the business as at 31.03.2024,

	<b>Sunil's goodwill share as at 01.04.2024 (Rs.)</b>	<b>Total Equity as at 31.03.2024 (Rs.)</b>
1)	160,000	1,600,000
2)	160,000	820,000
3)	80,000	820,000
4)	160,000	1,400,000
5)	80,000	1,400,000

**14.** What is the net profit to be apportioned for the year ended 31.03.2024?

(1) Rs. 320,000

(2) Rs. 560,000

(3) Rs. 360,000

(4) Rs. 520,000

(5) Rs. 240,000

**15.** According to the standard of LKAS 08, Accounting policies, Changes in the accounting estimations and Errors, what is correct in relation to changes in accounting policies?

A. A change is permitted when it is needed by Sri Lanka Accounting Standards/ Sri Lanka Financial Reporting Standards.

B. When the company uses an accounting policy for a new type of transaction which had never occurred, it is considered as a policy change.

C. A change is permitted when it is for a more appropriate presentation.

D. A change to an accounting policy should be adjusted prospectively.

1) A and B

2) A and C

3) B and C

4) C and D

5) All A, B, C and D

**16.** What is not a method of profit apportionment?

1) Proposed dividends

2) Interim dividends

3) Transfers to the general reserve

4) Dividends for ordinary shareholders

5) Bonus share issue

**17.** Following details are related to a motor vehicle purchased under a finance lease from QB business.

- Lease period is 5 years.
- A lease installment of Rs. 86,000 should be paid at the end of first and second year each.
- A lease installment of Rs. 96,000 should be paid at the end of third and fourth year each.
- At the end of the fifth year Rs. 104,000 should be paid as lease installment.
- Down payment of the asset is 1/5 of its fair value.
- Cash purchase value of the motor vehicle is Rs. 400,000.

What is the lease interest or the finance charge of the above lease agreement?

1) Rs. 68,000

2) Rs. 168,000

3) Rs. 80,000

4) Rs. 148,000

5) Rs. 48,000

**18.** AB PLC had 500,000 ordinary shares issued and the balance of the stated ordinary share capital account was Rs. 10,000,000 as at 01.04.2023. On 01.07.2023 the company made a share issue at the rate of 1 share per every 5 shares held on this date at a consideration of Rs. 20 by capitalizing its retained profit. And also on 01.01.2024, made a right issue of shares at the rate of 1 share per every 6 shares held on this date at a consideration of Rs. 15 per share. All rights have been subscribed by the existing shareholders. What is the increase or decrease in equity balance of the company due to the above transaction as at 31.03.2024?

1) Decrease by Rs. 2,000,000

2) Decrease by Rs. 500,000

3) Increase by Rs. 1,500,000

4) Increase by Rs. 2,000,000

5) Increase by Rs. 3,500,000

**19.** According to the LKAS 37, provisions, contingent liabilities and contingent assets, which things should be disclosed for a contingent liability,

A. A brief description on its nature

B. An estimation of its financial impact

C. A note on the uncertainty of the time of outflow of resources or in the value of it

D. Additional provision made during the period

- 1) A, B and C  
4) A, B and D

- 2) A, C and D  
5) All A, B, C and D

- 3) B, C and D

**20.** A debtor balance of Rs. 64,000 was there in Panidu PLC as at 31.03.2024 prior to the following adjustments.

- Bad debt written-off Rs. 4,000.
- Receipt of bad debt written-off Rs. 10,000 relevant for the last year.
- A 10% provision should be made for the doubtful debts from the debtor balance.

A stock worth of Rs. 100,000 (cost) have been sent for Jadhu PLC on the basis of sale or return by adding a 10% profit margin on the cost. 3/4 out of those stocks were sold on credit basis and the remaining stock is still with them.

What is the net debtors balance to be shown in the financial position statement as at 31.03.2024?

- 1) 72,685  
4) 128,250

- 2) 125,100  
5) None of the above

- 3) 69,084

**21.** In a business the remaining stock worth of Rs. 1,000,000 as at 31.03.2024, were destroyed totally due to a fire occurred by the carelessness of the store keeper on 02.04.2024. The impact of this is,

- 1) Decrease in the closing stock as at 31.03.2024, the gross profit and the net profit for the year 2023/2024.
- 2) Decrease in gross profit and net profit for the year 2023/2024.
- 3) Decrease in the closing stock as at 31.03.2024.
- 4) Net profit of 2023/24 is not changed.
- 5) Decrease in the net profit for the year 2024/2025.

**22.** Financial statements of Araliya PLC for the year ended 31.03.2024 have been accepted by the directors on 15.06.2024. Following transactions occurred between the 31.03.2024 and 30.06.2024.

- A. A stock which had a cost of Rs. 850,000 as at 31.03.2024 were sold on 14.05.2024 for Rs. 800,000.
- B. Declaration of a final dividend of Rs. 100,000 for ordinary shareholders on 10.06.2024.
- C. On 16.06.2024 a court decision was made confirming for a liability of Rs. 50,000 as at 31.03.2024.
- D. A debtor who owed Rs. 50,000 as at 31.03.2024 was declared bankrupt on 04.05.2024.

which of the above events should be adjusted in the financial statements of the company as per LKAS 10 (Events after reporting period)?

- 1) A and B only  
4) A,B and C only

- 2) A,C and D only  
5) B and D only

- 3) A and D only

**23.** A customer of a company has filled a case against the company in relation to a failed product. It is not clear that as at 31.03.2024 the company will have to pay losses to the customer. In relation to the above situation what is the correct statement as at 31.03.2024?

- 1) The company has a contingent liability about time and value
- 2) The company has a current responsibility to pay for any damages and losses made from sale of goods
- 3) The company has a contingent liability to be disclosed
- 4) Due to the uncertainty whether the company will have to pay for the loss or not, they don't have to disclose any information
- 5) The company has a contingent asset to be disclosed



24. Following information are relevant for a company.

- Price earning ratio is 15 times
- Market value of a share (end of the year) Rs.45
- Ordinary shares issued (Rs. 10 per share) 25,000

The profit owned by the ordinary shareholders of the company in this year is,

- |                  |                |              |
|------------------|----------------|--------------|
| 1) Rs. 1,125,000 | 2) Rs. 75,000  | 3) Rs. 8,333 |
| 4) Rs. 375,000   | 5) Rs. 175,000 |              |

25. Details of a raw material “F” used to production during the year by a manufacturing company is given below.

	Minimum	Maximum
Consumption (units)	3,000	7,000
Lead time (months)	3	7
Stock level (units)	?	54,000

Re-order level and the Economic order quantity of the above raw material,

	Re-order level	EOQ
1)	49,000	5,000
2)	49,000	10,000
3)	9,000	14,000
4)	49,000	Cannot be calculated
5)	49,000	14,000

26. Department A produces product “A” and department B produces product “B”.

		Budgeted	Actual
Overhead costs	Department A	80,000	88,000
	Department B	60,000	52,000
Prime cost	Department A	120,000	122,000
	Department B	60,000	62,000
Labour hours	Department A	10,000	8,000
	Department B	5,000	5,200

Both departments absorb overheads based on the labor hours. The number of units produced by Department A and B are 1,000 and 2,000 respectively.

What is the amount of overheads absorbed by the two departments?

	Department A	Department B
	Rs.	Rs.
1)	62,400	64,000
2)	64,000	62,400
3)	88,000	52,000
4)	70,400	72,080
5)	72,080	70,400

27. The ratio used to measure the ability to pay dividends,

- |                                |                            |                             |
|--------------------------------|----------------------------|-----------------------------|
| 1) Earnings per share ratio    | 2) Dividend Coverage ratio | 3) Return on earnings ratio |
| 4) Return on total asset ratio | 5) Price earning ratio     |                             |

28. What is the incorrect statement from the below statements?

- 1) Under the marginal costing, the production cost is calculated by using variable costs only.
- 2) Under the absorption costing, fixed production overheads is also considered as a production cost.
- 3) Under the marginal costing, finished goods and work-in-progress goods are valued at variable costs.
- 4) The profit calculated finally from both marginal and absorption costing methods is equal.
- 5) Under the absorption costing method, cost of sales is deducted from sales and therefore the contribution cannot be calculated.

29. Fixed cost of a manufacturing company is Rs. 100,000. Variable cost and the selling price of a product is Rs. 750 and Rs. 1,450 respectively. What is the amount of units to be produced to earn a profit of Rs. 250,000 by this company?

- |              |              |              |
|--------------|--------------|--------------|
| 1) 150 units | 2) 500 units | 3) 250 units |
| 4) 100 units | 5) 300 units |              |

30. Calculate the profit/(loss) of the company when the production level is 40 units using the following information.

Production level (units)	Profit / (loss) (Rs. "000)
0	(30)
15	0

- |               |                 |               |
|---------------|-----------------|---------------|
| 1) Rs. 50,000 | 2) Rs. (12,000) | 3) Rs. 25,000 |
| 4) Rs. 80,000 | 5) Rs. 40,000   |               |

31. The stock calculated as at 31.03.2024 in a company has been over-estimated. State the impact on the following elements Decrease, Increase or Not change.

- |    |                                     |       |
|----|-------------------------------------|-------|
| A. | Gross profit for the year 2023/2024 | ..... |
| B. | Net profit for the year 2024/2025   | ..... |
| C. | Equity as at 31.03.2024             | ..... |
| D. | Equity as at 31.03.2025             | ..... |

32. Mention two transactions of a company which give rise to a liability and same time a liability will get decrease.

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

33. The trail balance of a company is not balanced and the difference is transferred to a suspense account. Later the following errors were identified. Calculate the opening balance of the suspense account.

- Electricity charges of Rs. 3,000 have been credited to the trial balance as Rs. 300.
- A sale of Rs. 8,000 has been debited to the creditors account and credited to the sales account.
- A discount allowed of Rs. 2,000 has been credited to the discount received account.
- A stock which had a cost of Rs. 2,000 and a net realizable value of Rs. 3,000 has been omitted in calculating the closing stock.
- The total of the discount allowed column has been over-estimated by Rs. 800 and that value is recorded in the discount allowed account.
- An insurance received of Rs. 30,000 as a compensation for a damage stock has been credited to the cash account.

Opening balance of the suspense account is, .....

**34.** Given below are the details of BTS Company. Debtors control account balance is compared with the debtors ledger balance.(All these errors have been occurred in the control account.)

Debtors control account balance	150,000
Add: over-estimation of bad debts	10,000
Less: over-estimated sales	(40,000)
Debtors ledger balance	120,000

The draft financial statements are prepared without considering information given in the above reconciliation. Profit for the year and current assets as at 31.03.2024 is Rs. 500,000 and Rs. 800,000 respectively. Calculate the below using the details from above reconciliation.

- A. Profit for the year:.....  
 B. Current assets as at 31.03.2024:.....

**35.** According to LKAS 37, what are the conditions to be fulfilled to recognize a provision as a liability in the financial statements?

1. ....
2. ....
3. ....

**36.** Net assets and profit for the year of Mahaweli business as at 31.03.2024 is Rs. 84,000 and Rs. 21,000 respectively. Cash drawings by the owner is Rs. 12,000 and goods drawings which cost of Rs. 1,000 have not been accounted. What is the net assets of the business as at 01.04.2023?

Rs.....

**37.** A stock purchased for Rs. 80,000 have been deteriorated while in the stores. It was estimated that the stock can be re-worked spending a cost of Rs. 10,000 and spend another Rs. 5,000 additionally as sales expenses and finally can be sold for Rs. 60,000. What is the value of this stock to be included in the closing stock?

Rs.....

**38.** Following details are related to Sumedha PLC for the year ended 31.03.2024. Net cash flow from operating activities is Rs. 120,000.

- Increase in stocks Rs. 8,000
- Decrease in debtors Rs.12,000
- Bad debt expenses Rs. 5,000
- Profit from building sales Rs. 50,000
- Tax paid for the year Rs. 20,000

According to the above information, what is the profit before tax of the company for the year ended 31.03.2024?

.....

**39.** State three similarities between bad debts and doubtful debts.

1. ....
2. ....
3. ....

40. Thilak and Nilantha carried out a partnership business. Gross profit for the year 2024 is Rs. 450,000. Additional information are given below.

- Operating expenses Rs. 210,000
- Building rent payable to Thilak Rs. 40,000
- Salary Thilak- Rs. 15,000  
Nilantha- Rs. 25,000
- Capital Interest Thilak- Rs. 24,000  
Nilantha- Rs. 18,000
- Loan Interest Nilantha- Rs. 20,000

What is the profit of the partnership to be apportioned? .....

41. State two instances where historical cost concept is not matched with prudence concept .

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

42. Monthly loan installment of sunimal’s business is Rs. 10,000. The monthly loan installment have to be paid in 18 months starting from 01.01.2023. 1/4 of an installment payable for the year ended 31.12.2023 is not paid. What is the amount of current liabilities as at 01.01.2024? (Ignore interest).

.....

43. A company issued 32,000 ordinary shares to gain a prestige of Rs. 800,000. At the due date, applications received for 40,000 shares. The applications were proportionately split and the money received for additional applications were paid back and capitalized the balance shares. Record the above information in the Ordinary share issue account.

Debit	ordinary share issue account	Credit

44. Identify the 5 steps of recognizing revenue according to the standard SLFRS 15.

1. ....
2. ....
3. ....
4. ....
5. ....

45. Piyal started Naotunna PLC by capitalizing ordinary shares of Rs. 20,000,000 on 01.04.2022. Given below are details for the years 2022/2023 and 2023/2024. (Rs. Mn)

	2022/2023	2023/2024
	(Rs.)	(Rs.)
Total assets as at 31.03	280	500
Total income	600	880
Total expenses (excluding income tax)	640	700
Income tax		36
Dividends paid		20

Calculate the following,

- I. Total liabilities as at 31.03.2023.....
- II. Stated Capital as at 31.03.2024.....

46. Following details are related to employee salary expenses for January, February and March 2024 of a company. (Salary paid to employees)

January (Rs.)	February (Rs.)	March (Rs.)
138,000	128,000	147,200

The employee and employer contributions to EPF are 8% and 12% respectively. EPF is calculated based on the gross salary of the employees. Salary is paid to the employees after deducting EPF expenses. What is the EPF liability amount to be shown under the current liabilities of the business as at 31 march in the financial position statement? (EPF relevant for a particular month is remitted to the Central Bank on the following month)

.....

47. Following information are relevant for two companies.

	Sasindu Company	Kavindu Company
Leverage ratio	2:1	1:2
Inventory turnover ratio	6 times	10 times
Interest Coverage ratio	5 times	10 times
Return on total asset ratio	35%	10%
Quick ratio	1:1	0.5:1

- Company
- (A) Most better company according to the liquidity .....
  - (B) The company which uses assets more efficiently .....
  - (C) The company which is more safe for long term creditors .....
  - (D) The company which has low leverage .....

48. Balance of the lifetime membership fee account of Dimuthu sports club as at 31.03.2023 is Rs. 300,000. 10% out of that is added to the membership income account annually. Annual membership fee of the club is Rs. 2,000 and the total members of the club as at 31.03.2024 is 200 (excluding the lifetime members). As at 31.03.2023, 25 members have not paid the membership fee and 30 members have paid the membership fee for the next year too. As at 31.03.2024, 20 members have not paid the fee and 15 members paid membership fee for the next year.

1. Membership fee to be included in the income statement for the year ended 31.03.2024.  
.....
2. Membership fee received in cash for the year ended 31.03.2024.  
.....

49. Following information is related 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
Stores	Rs. 100,000
Budgeted machine hours	50,000
Budgeted labour hours	50,000

Budgeted production units	30,000
---------------------------	--------

Stores supply services equally for the production departments. To produce one unit, 2 machine hours and 4 labour hours is used. Assembly and Finishing departments absorb overheads based on the machine hours and labour hours respectively.

Calculate the production cost of a product. ....

**50.** Following information is related to a manufacturing company.

Total cost when selling 50 units	Rs. 65,000
Total cost when selling 75 units	Rs. 90,000
Contribution sales ratio	50%

Calculate the no. of units to be sold in order to gain a profit of Rs. 250,000.....

# G.C.E. Advanced Level Exmination - 2024

Accounting

33 E II

3 Hours

Additional Reading Time - 10 minutes

Index No: .....

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

Use of non-programmable calculators is allowed.

**Instructions:**

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

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

Trial Balance

	(Rs.000)	(Rs.000)
Stated Capital - Ordinary shares (200,000)		5,000
General reserve		500
Retained profits		300
Purchases and Sales	4,000	6,000
Opening stock	400	
Trade receivables and Trade payables	2,300	900
Income tax Paid (2023/24)	250	
Provision for doubtful debts (01.04.2023)		300
Salaries and wages	270	
Other administration expenses	420	
Distribution expenses	160	
Debenture interests	75	
20% debentures (issued on 30.09.2023)		1,000
Paid interim dividends	200	
Temporary asset account	150	
Asset disposal profit		300
Property Plant and Equipment	2,420	
Provision for accumulated depreciation		640
Received investment income		25
15% Investments	560	
Cash and bank	3,732.5	
Expenses paid in advance	57.5	
Income tax paid and provisions (2022/23)	320	350
	<b>15,315</b>	<b>15,315</b>

Additional Information,

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

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

The company uses item basis to record inventory.

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

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

The company uses straight line method to depreciate its assets.

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

The interest payment for the lease period is given below.

01/01/2024 – 31/12/2024 – Rs. 70,000
01/01/2025 – 31/12/2025 – Rs. 30,000
01/01/2026 – 31/12/2026 – Rs. 20,000

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



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

**Required,**

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

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

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

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

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

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

**Required,**

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

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

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

- I. For an employee who worked 160 hours in a month receives Rs. 40,000 flat salary. Overtime worked on weekdays is paid 150% of the normal hourly rate and 200% of the normal hourly rate is paid for overtime on weekends.
- II. Account balances as at 01.03.2024.
- |                  |             |
|------------------|-------------|
| Payable salaries | Rs. 145,500 |
| Payable EPF      | Rs. 24,000  |
| Payable ETF      | Rs. 3,600   |
- III. Contribution for Employee Provident Fund (EPF) and Employee Trust Fund (ETF) based on the basic salary should be calculated as below.
- |                |     |
|----------------|-----|
| EPF – Employer | 12% |
| Employee       | 8%  |
| ETF - Employer | 3%  |
- ETF & EPF are paid on 10<sup>th</sup> of the following month.

Required,

- Salary sheet
- Employee expenses for march 2024  
(Show each item separately)
- Below ledger accounts
  - Payable EPF account
  - Payable ETF account
  - Payable salary account
  - Salary control account

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

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

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

- 04/03 Rs. 100,000 of services provided for cash.
- 04/05 Marked price Rs. 22,000 worth of service goods were purchased for Rs. 20,000 on credit.

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

Required,

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

**Office equipment+ Service stock+ Trade receivables+ Bank= Payable VAT + Trade payables + Equity**

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

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

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

**Required,**

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

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

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

Additional Information,

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

**Required,**

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

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

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

Following information has been provided as additional information.

- I. Receivable investment interest income of Rs. 200 related to last year has been received this year and that amount is included in the investment interest income.
- II. Expenses that are payable and paid in advance as at 31.12.2024 is as follows.
  - Payable postal expenses Rs. 500
  - Payable rent and rates Rs. 1,700
  - Telephone expenses paid in advance Rs. 1,500

- III. The total received membership fee above includes Rs. 1,000 of value that should be received in the year 2020. The membership fee received already for the year 2021 is Rs. 7,600. At the end of this year the membership fee receivable is Rs. 1,800.
- IV. Balances of other ledger accounts at the beginning of the financial year is given below.
- Non- current assets of association      Rs. 72,900 (cost:- 96,000)
  - Investments                                      Rs. 20,000
- V. The registration fee is considered as an income in the year received.
- VI. Non- current asset are depreciated at a rate of 10% under the straight line method.

**Required,**

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

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

<b>Description</b>	<b>As at 31.03.2024 (Rs'000)</b>	<b>As at 31.03.2023 (Rs'000)</b>
PPE- Carrying value	28,000	19,000
Stocks	9,680	8,800
Trade receivables	9,500	10,500
Cash and cash equivalents	5,020	2,200
<b>Total assets</b>	<b>52,200</b>	<b>40,500</b>
Stated capital- ordinary shares	22,800	18,000
Revaluation reserve	2,000	-
Retained earnings	5,200	2,500
Long term loan	10,500	10,100
Trade payables	8,600	8,100
Provision for income tax	500	400
Bank OD	2,600	1,400
<b>Total equity and liabilities</b>	<b>52,200</b>	<b>40,500</b>

**Additional information,**

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

**Required,**

1. Cash flow statement for the year ended 31.03.2024 according to the standard LKAS 07. (Use the indirect method to calculate the cash flow from operating activities)

B). Bank balance of Deshan PLC as per the bank statement was Rs. 32,000 of credit balance as at 01.07.2024.

- The total debits and credits during the month of July as per the bank statement was Rs. 140,000 and Rs. 190,000 respectively.
- The following items have been debited by the bank and not recorded in the cash book of the business.

	Rs.
Bank charges	3,000
Standing order payments-insurance	10,000

- The following items have been credited by the bank and not recorded in the cash book of the business.

	Rs.
Debtor remittances	12,000
Fixed deposit interest	8,000

- As at 01.07.2024 there were No unrepresented and unrealized cheques.
- As at 31.07.2024, value of the unrepresented cheques were Rs. 16,000 and value of Unrelaized cheques were Rs. 23,000.
- The business did not deposite any amounts of cash to the bank during the month of July.

**Required,**

1. Prepare the cash book (Bank account) of the company for the Month of July 2024 before making adjustments.
2. Adjusted cash book balance as at 31.07.2024.
3. Bank Reconciliation statement as at 31.07.2024.

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

Cash flows arising during the initial stages of project.

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

Operating cash flows including the depreciation.

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

Other information,

- I. The working capital requirement will be increased from Rs. 100,000 to Rs. 130,000. Total working capital value can be realized at the end of the project.
- II. Expected rate of return of the company is 15%.

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

Required,

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

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

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

Required,

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

# Suggested Answers – I Paper

- |  |   |   |
|--|---|---|
| <p>(1) 1</p> <p>(2) 2</p> <p>(3) 5</p> <p>(4) 2</p> <p>(5) 3</p> <p>(6) 3</p> <p>(7) 5</p> <p>(8) 4</p> <p>(9) 4</p> <p>(10) 3</p> | <p>(11) 5</p> <p>(12) 4</p> <p>(13) 4</p> <p>(14) 2</p> <p>(15) 2</p> <p>(16) 3</p> <p>(17) 4</p> <p>(18) 3</p> <p>(19) 1</p> <p>(20) 4</p> | <p>(21) 5</p> <p>(22) 3</p> <p>(23) 3</p> <p>(24) 2</p> <p>(25) 5</p> <p>(26) 2</p> <p>(27) 2</p> <p>(28) 4</p> <p>(29) 2</p> <p>(30) 1</p> |
|--|---|---|
- (31) A. Increase  
 B. Decrease  
 C. Increase  
 D. Decrease
- (32) • Settling creditors by issuing cheques, when there is an OD.  
 • Settling accrued expenses by cheques when there is an OD.  
 • Dishonoured a payable exchange bill.
- (33) Rs. 66,500
- (34) (A) රු. 470,000 (B) රු. 770,000
- (35) • a present obligation as a result of past event (legal or constructive)  
 • It is probable that an outflow of resources embodying economic benefits will be required to settle the liabilities  
 • A reliable estimate can be made of the amount of the obligation
- (36) Rs. 75,000
- (37) Rs. 45,000
- (38) Rs. 186,000
- (39) • Same incident, two transactions related to non receipt of debtor balances.  
 • Two transactions that is recorded in the same account, in the comprehensive income statement.  
 • Two transactions made in relation to one asset, which is debtors.
- (40) 180,000
- (41) • Stock should be valued at lower of cost or net realizable value.  
 • Showing the revalued amount of assets in the books.
- (42) Rs. 90,000
- (43) Cash A/c Dr 1,000,000  
 Ordinary share issue A/c Cr 1,000,000
- Ordinary share issue A/c Dr 800,000  
 Stated capital A/c Cr 800,000
- Ordinary share issue A/c Dr 200,000  
 Cas A/c Cr 200,000
- (44) 1. Identify the contract with the customer.  
 2. Identify the performance obligations in the contract.  
 3. Determine the transaction price.  
 4. Allocate the transaction price to the performance obligations.  
 5. Recognized revenue when the entity satisfies a performance obligation.
- (45) i. 120 Mn  
 ii. 284 Mn
- (46) Rs. 32,000
- (47) A. Sasindu Com: B. Sasindu Com:  
 C. Kavidnu Com: D. Kavindu Com:
- (48) 1. 430,000 2. 380,000
- (49) Rs.88,000
- (50) Units 265



01.

Virajini PLC  
Profit and loss and other comprehensive statement  
For the year ended 31.03.2024(Rs.000)

Sales	6,000
Cost of sales	(3,260)
Gross profit	2,740
Other income	84
Factory and Administration	(988.5)
Sales and distribution	(215)
Finance expenses	(117.5)
Other expenses	(100)
Profit before expenses	1,403
Income tax	(566.5)
Profit after tax	836.5
Other comprehensive income	
Revaluation gain	170
Total comprehensive income	1,006.5

Virajini PLC  
Statement of changes in equity  
For the year ended 31.03.2024 (Rs.000)

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

Virajini PLC  
Financial position statement as at 31.02.2024 (Rs.000)

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

Note 01	
Opening stock	400,000
purchases	4,000,000
	(100,000)
Closing stock	(1,040,000)
	<u>3,260,000</u>

Note 02	
Cost	1,000,000
Depreciation	(62,500)
	<u>937,500</u>

Note 03

	ඉඩම්	ගොඩනැගිලි	මෝටර් රථ	ලී බඩු
B/F	1,000	500	800	120
Motor vehicle-omitted			400	
Motor vehicle disposals			(437.5)	
Revaluation		170		
	1,000	670	762.5	120
Depreciation		200	420	20
MV dep-omitted			40	
MV disposals			(87.5)	
Annual depreciation		134	98	18
		334	470.5	38
	1,000	336	292	82

02. A)

Cost	Cost basis	Total cost	Production dep P	Production dep Q	Stores
Equipment dep	Book value	12,000	6,000	4,000	2,000
Building rent	Floor area	10,000	3,000	4,000	3,000
Canteen	No. of employees	9,000	4,000	3,000	2,000
Rates	Area	1,000	300	400	300
Quality costs	quality tests	5,000	2,000	3,000	-
AC	Area	7,800	2,340	3,120	2,340
Employee insurance	No. of employees	18,000	8,000	6,000	4,000
Electricity charges	Light bulbs	2,000	6,000	8,000	6,000
Power	Machine capacity	5,000	3,000	2,000	-

Manager's salary	No. of employees	27,000	12,000	9,000	6,000
			15,384	10,256	(25,640)
			62,024	52,776	

B). 1

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

**2. Salary expenses = 206,000**

Gross salary = 188,000

EPF Expenses = 14,400

ETF Expenses = 3,600

206,000

3. Payable EPF account

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

Payable ETF account

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

Debtor control

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

Payable salary account

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

03. A).

1.

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

2. Gross profit = (End equity – Opening equity ) + drawings – Additional capital  
 = (492,000 – 380,000) - 2,000  
 = 112,000 – 2,000  
 Gross profit = 110,000

B).  
 1.

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

2.

Debtor reconciliation statement

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

04.

A). Profit correction statement

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

Profit / Loss division statement

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

Current accounts

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

Capital accounts

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

B).

Accumulated fund account

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

Income and Expense Account

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

Balance sheet

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

05. A)

Bowaththa PLC

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

Cash flow from operating activities		
Profit before tax		6,000
Matchings		



Depreciation	1,250	
Loan expenses	600	1,850
Profit after matchings		7,850
Working capital changes		
Increase in stocks	(880)	
Decrease in debtors	1,000	
Increase in creditors	500	620
Cash flow from operating activities		8,470
Paid interest	(200)	
Paid Tax	(1,400)	(1,600)
Net cash flow from operating activities		6,870
Investment Activities		
Motor vehicle purchase	(8250)	
Net cash flow from investment activities		(8,250)
Financing Activities		
Share issue	4,800	
Dividends paid	(1,800)	3,000
Net cash flow from financing activities		
Net increase in cash and cash equivalents		1,620
Cash and cash equivalents as at 01.04.2023	2,200	
Bank OD	(1,400)	800
Cash and cash equivalents as at 31.03.2024		
Cash and cash equivalents	5,020	
Bank OD	(2,600)	2,420

B).

#### Cash book before adjustments

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

#### Adjusted cash book

B/F	82,000	Bank charges	3,000
Remmitances	12,000	Standing orders	10,000

Interest	8,000	C/D	89,000
	<u>102,000</u>		<u>102,000</u>

Bank Reconciliation statement

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

06. A).

1.

Description	Year				
	0	1	2	3	4
Expected increase in sales		600,000	750,000	700,000	800,000
New machine	(500,000)				
Operating expenses (Excluding depreciation)		(375,000)	(275,000)	(425,000)	(550,000)
WC at the end of the project	(130,000)				130,000
Net cash flow	630,000	225,000	475,000	275,000	380,000
Net present value	(630,000)	195,750	361,000	181,500	216,600

2. NPV - 324,853

Good to invest because the NPV is a positive value.

B).

1.

$$\text{Stock turnover ratio} = \frac{\text{Cost of sales}}{\text{Average stock}}$$

$$8 = \frac{3,200,000}{400,000}$$

$$\text{Sales} = \frac{3,200,000}{80\%}$$


---


$$\underline{\underline{\text{Rs.4,000,000}}}$$

02.

Total assets as at 31.03.2021,

$$\text{Asset turnover ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

$$0.5 = \frac{4,000,000}{\text{Total assets}}$$


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$$\underline{\underline{\text{Rs. 400,000,000}}}$$

03.

Return on equity ratio

$$\text{Return on equity ratio} = \frac{\text{Net profit} \times 100}{\text{Equity}}$$

$$= \frac{400,000 \times 100}{3,600,000}$$

$$= 11.11\%$$

04.

$$\text{Return on equity ratio} = \frac{\text{Equity} \times 100}{\text{Total capital}}$$

$$= \frac{3,600,000 \times 100}{8,000,000}$$

$$= 45\%$$