General Certificate of Education (Adv. Level) Examination

Accounting | **33 E I** | **Two Hours**

Instructions:

* *Answer all questions.*
* *Select the correct answer for questions No.* **1-30** ***and write its number on the dotted line.***
* *Write short answer for questions* ***No.31-50 on the dotted lines.***
* *Each question carries* ***equal*** *marks.*
* *Write your* ***Index Number*** *in the space provided above.*

Index No. :...

For Examiner's Use Only

	Signature	Code No.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F		
Chief		

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

(1) Users of financial statements include present and prospective investors, employees, lenders, buyers, government and general public. Each of these parties has different information needs related to the business.

Which of these would be considered as necessary information for an Investor?

A. Information needed to make a decision like, whether should investment be made? Should the investment be sold? Or should it be retained further?
B. Information necessary to determine whether the enterprise's ability to meet its obligations is sufficient
C. Information necessary to determine whether the enterprise has the ability to pay dividends
D. Information about the enterprise's ability to continue its supply of goods and services

1) A and C 2) A and B 3) B and C
4) A and D 5) B and D

(2) Weerasekera & Company PLC could not calculate the physical stock till 5th April 2024. Hence they are seeking your assistance in estimating the stock to be shown in its final accounts as at 31.03.2024. As at 5th April 2024, the value of stock at cost have been decided as Rs. 565,000.

Additional information

- Gross profit ratio is 25% on cost.

- Sales during the period 01.04.2024 to 05.04.2024 was Rs. 125,000. Out of this Rs. 5,000 worth of stocks were not taken away till 07.04.2024.
- Purchases during the period 01.04.2024 to 05.04.2024 was Rs. 84,000. Out of this Rs. 17,000 of stocks has not been received to the business till 08.04.2024.

Stock balance to be shown in the final accounts is,

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

(3) Following information has been provided to you related to the Enrich Business School which keep incomplete records.

- Net realizable value of stock as at 31.03.2024 Rs. 242,000
- Debtor receipts in the year 2023/2024 Rs. 1,300,000
- Debtor balance as at 31.03.2023 Rs. 712,000
- Debtor balance as at 31.03.2024 Rs. 630,000

In the year 2023/2024, recorded a stock write-off loss of Rs.28,000. The closing stock of the business is 2/3 of the opening stock. Gross profit ratio is 20% of cost of sales. Assuming that all purchases and sales are made on a credit basis, what is the value of purchases for the year 2023/2024?

1) Rs. 1,015,000
2) Rs. 1,150,000
3) Rs. 270,000
4) Rs. 1,218,000
5) Rs. 880,000

(4) ACCA Company allocates 2% on trade receivables for allowance for impairment loss on trade receivables every year. The accounting concept related to this allocation is,

1) Accrual Concept
2) Disclosure Concept
3) Matching Concept
4) Consistent Concept
5) Prudence Concept

(5) Achivers Campus PLC purchased a land worth of Rs. 500,000 under a lease by paying an initial deposit of Rs. 100,000. This lease should be finished off in 60 months by paying Rs.10,000 monthly installment. Annual lease interest rate is 12%.
Which of the following accounting equation shows the net effect of these transactions as at 31.03.2024?

	Assets	**=**	**Liabilities**	**+**	**Capital**
1)	390,000	=	394,000	+	(4,000)
2)	500,000	=	400,000	+	100,000
3)	390,000	=	390,000	+	-
4)	400,000	=	380,000	+	20,000
5)	388,000	=	394,000	+	(6,000)

(6) ACCA company sold goods to Achiveres company on credit. Some of the goods out of that were returned to ACCA as they did not meet the requested requirements of Achiveres and ACCA accepted the return. Achiveres issued a cheque to ACCA in settlement of trade debt. Which answer shows the order of source documents for recording these transactions in the books of ACCA Company?

1) Invoice, credit note and receipt
2) Receipt, credit note and cheque counterfoil
3) Invoice, credit note and voucher
4) Invoice, debit note and payment voucher
5) Goods received note, debit note and payment voucher

Use the following information to answer below three questions.

On 01.03.2024, Achiveres Campus Company started a business by investing Rs. 100,000 and the following transactions have been taken place for the year ended 31.03.2024. The business is registered for Value Added Tax (VAT) and 12% VAT is included in all purchases and sales.

No	Date	Transaction
1.	2024.03.05	Purchases Rs.22,400 worth of goods on credit
2.	2024.03.15	Sold stocks worth of Rs. 10,000 to ACCA company for Rs.22,400 on credit
3.	2024.03.20	Paid Rs.12,000 as salary to manager.
4.	2024.03.23	ACCA company paid Rs. 20,000 in settlement of the total debt amount
5.	2022.03.25	Purchased a Motor Vehicle worth of Rs. 33,600 including VAT for credit

(7) Prime entry books to record transactions **1, 2, 3, 4,** and **5** respectively,

1) Sales journal, purchase journal, cash book, general journal, cash book
2) Sales journal, purchase journal, general journal, cash book, cash book
3) Sales journal, purchase journal, cash book, cash book, general journal
4) Purchase journal, cash book, cash book, sales journal, general journal
5) Purchase journal, sales journal, cash book, cash book, general journal

(8) The gross profit for the year ending 31.03.2024 and the value added tax (payable)/receivable as at 31.03.2024 is,

	Gross profit (Rs.)	Receivable/(Payable) VAT (Rs.)
1)	12,400	2,400
2)	(2,000)	0
3)	10,000	3,600
4)	(10,000)	8,400
5)	(12,400)	(3,600)

(9) The total equity and total assets of the business as at 31.03.2024 is,

	Total equity (Rs.)	Total assets (Rs.)
1)	98,000	154,000
2)	100,000	120,400
3)	95,600	174,000
4)	95,600	154,000
5)	98,000	174,000

(10) What is the cash balance to be shown in the statement of financial position as at 31.03.2024 of an organization based on the following information?

	Rs.
• Overdraft according to the bank statement as at 31.03.2024	(10,000)
• Cheques deposited but not realized as at 31.03.2024	45,000
• Cheques issued for payments but not presented to the bank as at 31.03.2024	30,000
• Cheques directly deposited in the bank by debtors	15,000

1) Rs. 5,000 2) Rs. (20,000) 3) Rs. 25,000
4) Rs. (25,000) 5) Rs. (40,000)

(11) Shakti Sports Club had 150 members as at 31.03.2024. 50 out of them are lifetime members. The annual membership fee of each remaining member is Rs. 1,000. 12 members have not paid membership fees for the year 2023/ 2024. 8 members have paid their membership fees for the year 2024/2025. The balance of the Lifetime membership fee account as at 01.04.2023 was Rs. 200,000. 10% out of that will be transferred to the Income and Expenditure account as membership income for the year 2023/2024. There were no membership fees in arrears or received in advance at the beginning of the year.

What is the value of the membership fee recognized as income in the year 2023/2024 and the membership fee received during the year?

	Membership fee income for the year Rs.	Membership fee received during the year
1)	96,000	120,000
2)	120,000	100,000
3)	120,000	96,000
4)	120,000	120,000
5)	150,000	96,000

(12) The following information was extracted from the books of accounts of ABC wooden furniture manufacturers for the year ended 31.03.2024.

Change in stock as at 31.03.2024 compared to 01.04.2023	(Rs.)
• Raw material stock	(60,000)
• WIP	20,000

• Finished goods	30,000
Raw material purchases	500,000
Salary of carpenters	94,000
Production supervisors salary	40,000
Factory electricity	10,000
Other production overhead costs	36,000

- WIP is adjusted based on the prime cost.
- 160 units of furniture items have been produced during the period.

Prime cost and unit production cost for the year ended 31.03.2024 is,

	Prime cost (Rs.)	Unit production cost (Rs.)
1)	634,000	4,500
2)	554,000	4,000
3)	460,000	3,412
4)	540,000	3,912
5)	500,000	4,500

Use the following information to answer the below two questions.

The following information is provided for the years 2023/24 and 2022/23 of CINEC Campus company which started its business activities on 01.04.2022 with a stated capital of 200 million rupees.

Description	2023/24 (Rs. Mn)	2022/23 (Rs. Mn)
Total income	300	200
Total expenses (excluding income tax)	180	240
Income tax	40	-
Dividends paid	20	-
Revaluation Reserve (As at March 31)	30	-
Total Asset (As at March 31)	300	210

(13) What is the amount of total liabilities as at 31.03.2023?

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

(14) What is the equity balance as at 31.03.2024?

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

Use the following information two answer the below two questions.

Following information was extracted from January stock ledger of ACCA PLC.

- 05th Jan. purchased 2,000 units for Rs. 20 each.
- 08th Jan. Purchased 3,000 units for Rs. 22 each.
- 12th Jan. Issued 2,500 units for the factory.
- 17th Jan. issued 1,000 units to the factory.
- 25th Jan. purchased 2,500 units for Rs. 25 each.
- 31st Jan. Issued 1,600 units to the factory.

(15) Cost of the stcoks under the First In First Out method,

1) Rs. 54,200 2) Rs.52,500 3) Rs. 53,200
4) Rs. 55,000 5) Rs. 55,200

(16) Cost of the remaining stocks under the WAC method,

1) Rs. 53,580 2) Rs. 53,588 3) Rs. 55,388
4) Rs. 54,600 5) Rs. 55,100

Use the following information to answer the below two questions.

Namal and Charuni are running a partnership by sharing profits and losses in the ratio of 5 : 3 respectively. Following balances existed in the partnership as at 31.03.2023.

	Total equity (Rs.)	**Current A/C balance (Rs.)**
Namal	460,000	(40,000) Dr balance
Charuni	360,000	60,000

On 31.03.2023, Charuni retired from the partnership and Nimmi joined the partnership as a new partner on the same day. The partners were agreed to share the profits and losses of the new partnership equally. On the date of retirement, the total goodwill of the partnership was estimated and the goodwill share of Nimmi Rs. 40,000 was brought by her in cash. In addition to the goodwill share brought by cash, Nimmi invested Rs. 500,000 in the partnership as capital. The goodwill of the partnership is adjusted through capital account of the partners.

(17) Total goodwill of the partnership as at 31.03.2023 is,

1) Rs. 80,000 2) Rs. 100,000 3) Rs. 320,000
4) Rs. 40,000 5) Rs. 30,000

(18) Total capital balance of the partnership as at 01.04.2023 is,

1) Rs. 1,050,000 2) Rs. 1,010,000 3) Rs. 1,370,000

4) Rs. 500,000 5) Rs. 960,000

(19) According to the conceptual framework of preparation of financial statements, Financial Information consist qualitative characteristics. what is the answer which incudes only the enhancing qualitative characteristics out of them?

1) Relevance, Faithful representation, comparability, verifiability
2) Comparability, verifiability, timeliness, understandability
3) Faithful representation, comparability, verifiability, timeliness
4) Verifiability, timeliness, understandability, relevance
5) Timeliness, understandability, faithful representation, comparability

(20) Financial Statements of ACCA PLC for the year ended 31.03.2024 were approved by the Directors on 15.06.2024. The following incidents took place in the company from 31.03.2024 to 15.06.2024

A. A plan to shutdown part of the business was announced with effect from 15.04.2024. Due to this they expect to save Rs. 600,000.
B. A major production plant was destroyed by fire on 20.04.2024 by generating a loss of Rs. 1,000,000.
C. A debtor with a balance of Rs. 750,000 due to a credit sale made on 30.04.2024 was bankrupted on 30.05.2024
D. Declared a final dividend of Rs. 300,000 for ordinary shareholders on 15.06.2024

According to the standard LKAS 10 (events after the reporting period), which of the above events considered as non-adjusting events for the year ended 31.03.2024?

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

(21) Which of the following accounting concepts provides the basis for recognizing inventory in the financial statements at the lower of cost or net realizable value?

1) Materialistic and matching concept
2) Matching and periodic concept
3) Prudence and realizable concept
4) Prudence and historical cost concept
5) Prudence and matching concept

(22) Achivers Campus purchased a machine from Tharindu Company on 01.04.2024 under a lease. Conditions relating to the agreement are as follows,

- Fair value of the machine is Rs. 650,000
- Initial payment Rs. 250,000
- Annual lease installment Rs. 160,000. (paid as at 31.03.2024)
- Lease period is 04 years. Annual lease interest rate is 20%.

Lease interest adjusted to the income statement for the year 2023/24, current liabilities and non current liabilities to be shown on the financial position statement as at 31.03.2024 is,

	Lease interest (Rs.)	**Current liabilities (Rs.)**	**Non current liabilities (Rs.)**
1)	80,000	160,000	80,000
2)	130,000	96,000	224,000
3)	80,000	96,000	224,000
4)	80,000	160,000	160,000
5)	48,000	96,000	224,000

(23) An accounting policy is a "Prescribed guidance." In which instances a company can change an accounting policy are,

A. By passing a special resolution at a general meeting
B. As required by an accounting standard
C. When the company has received a written request from the shareholders
D. Whenever the change is necessary to provide more reliable information on the entity's financial position, financial performance or cash flow

The most suitable incident/(s) is,

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

(24) For the month of December 2023, the gross salary of employees of ACCA Company is Rs. 300,000. The employer and employee contribution for the Employee Provident Fund is 15% and 10% respectively. Contribution to Employees Trust Fund is 3%. During the month, the recovered loan amount from the employees was Rs. 40,000.

Net salary and total expenses related to the employees for the month of December 2023 is,

	Net salary (Rs.)	**Total expenses related to the employees (Rs.)**
1)	230,000	354,000
2)	255,000	394,000
3)	230,000	300,000
4)	270,000	354,000
5)	300,000	384,000

(25) Quarterly demand of raw material X is 1,250 units. The purchase price per unit of that material is Rs. 250. Ordering cost per order is Rs. 25, and Stock holding cost is 10% from the purchase price per unit. What is the Economic order quantity of this raw material?

1) 50 units 2) 100 units 3) 1,000 units
4) 2,500 units 5) 5,000 units

(26) The following information relates to raw material "A" used by a manufacturing company during a year.

	Minimum	**Maximum**
Consumption (Units)	2,000	5,000
Lead time (months)	4	6

Maximum stock level is 42,000 units.

Re-order level and Re-order quantity of this raw material is,

	Re-order level (units)	**Re-order quantity (units)**
1)	17,500	32,500
2)	20,000	30,000
3)	20,000	39,500
4)	30,000	20,000
5)	30,000	29,500

(27) ACCA Company has two production departments as finishing and assembling. The budgeted and actual production overhead costs of those departments were as follows.

	Finishing	**Assembling**
Budgeted production overheads	Rs. 500,000	Rs. 300,000
Actual production overheads	Rs. 600,000	Rs. 320,000
Budgeted machine hours	50,000	15,000
Actual machine hours	40,000	16,000

If both departments use machine-hour basis for absorption of overhead cost, the overhead absorption rates of these departments are,

	Finishing department (per machine hour Rs.)	**Assembling department (per machine hour Rs.)**
1)	11	20
2)	15	20
3)	12.5	18.75
4)	12	21.3
5)	10	20

(28) The following information is provided in relation to the year ended 31.03.2024 of Achivers Campus PLC.

	(Rs ,000)	
Sales	1,000	
Cost of sales	500	
Profit for the period	100	
	As at 31.03.2024 (Rs ,000)	**As at 31.03.2023 (Rs ,000)**
Stock	120	80

Trade Receivables	40	60
Trade Creditors	60	40

- All purchases and sales are on credit basis.

Stock turnover ratio and debtor turnover ratio of Achivers Campus PLC,

	Stock turnover ratio (times)	**Debtor turnover ratio (times)**
1)	5	20
2)	4.16	2
3)	6.2	10
4)	8.3	7
5)	2	9

(29) Production cost of a company of two activity levels is given below.

Activity level (units)	**Production cost**
10,000	500,000
20,000	900,000

What is the total production cost at 25,000 units?

1) Rs. 1,000,000 2) Rs. 1,100,000 3) Rs. 1,200,000
4) Rs. 1,300,000 5) Rs. 1,400,000

(30) The company is considering purchasing a new machine with modern technology to replace the old machine. Information related to purchase of new machine and old machine is as follows.

- Three workers were required to operate the old machine and the new machine can be operated by one worker. The annual salary of a worker is Rs. 50,000.
- The cost of the new machine is Rs. 500,000 and the old machine can be sold for Rs. 200,000.
- Useful lifetime of the new machine is 5 years.
- Discount factor is 10% and discount factors are for 5 years as follows.

Year	**1**	**2**	**3**	**4**	**5**
Discount factor	0.90	0.82	0.75	0.68	0.62

Net present value of this investment is,

1) Rs. 77,000 2) (Rs. 77,000) 3) Rs. 500,000
4) Rs. 377,000 5) (Rs. 123,000)

(31) Following information were extracted from financial statements of Questionbank.lk business.

	(Rs, 000)
Opening stock as at 01.01.2023	4,000
Purchases	26,000
Sales	30,000

The gross profit ratio on sales is 25%. 40% of the closing stock was remaining and the rest was destroyed by fire. The insurance company has promised to pay 80% of the damaged stock value. Loss from the damaged stock is,

....

(32) After preparing the draft financial statements of ACCA Company for the year ended 31.03.2024, the following errors and omissions were identified. According to the draft financial statements, the profit for the year was Rs. 230,000 were.

- Rs. 100,000 worth of furniture purchased after 9 months of the year. But the cost of this furniture has been debited to the furniture repair expense account. Furniture is depreciated at 5% of cost.
- Rs. 4,500 of purchase returns have been recorded in the return inwards journal.
- Rs. 6,400 of sales advaces have been recorded in the books as credit sales.
- Rs. 40,000 worth of stocks destroyed and the insurance company agrees to pay compensation up to 75% of those stock. No any records were made in relation to these.
- Rs. 8,000 of commision received have been recorded as commision paid.

What is the correct profit after correcting the above errors and ommisions for the year ended 31.03.2024?

……………………………………..……………………………………..

(33) Following transactions relates to Namal PLC which manufactures furniture for the year ended 31.03.2024.

Transaction

1 Purchased Rs. 500,000 worth of stocks for resale from Moratu traders on credit.
2 Paid Rs. 100,000 employee salary by cash.
3 Purchased Rs. 20,000 worth of furniture on credit for the company usage.
4 Bad debt written off Rs. 40,000.

Mention the source documents and prime entry books for the above transactions.

	Sorce documents	Prime entry books
1	....	....
2	....	....
3	....	....
4	....	....

(34) ACCA Company's debtors control account balance as at 31.03.2024 has been compared with the debtor's ledger as follows. Subledgers are properly prepared.

	(Rs.'000)
Balance as per debtors control account	8,000
ADD: overestimation of bad debts	50
LESS: overestimation of sales	-150
Balance as per debtors ledger	7,900

The draft financial statements have been prepared without taking into account the information disclosed in the above comparison. Profit for the year and current assets as at 31.03.2024 are Rs. 2,000,000 and Rs. 15,000,000 respectively. Calculate the following after taking into account the information given in the above comparison.

(a) Profit for the period : Rs. ....

(b) Current assets as at 31.03.2023 : Rs. ....

(35) when the cash balance as per the bank statement differs from cash book balance, list two items that is not adjusted in the cash book.

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

(36) In a business Rs. 13,000 of a purchase invoice, has been recorded in the purchase journal as Rs. 31,000 and has also been recorded to the general ledger.

a) Write the journal entries used to correct the above error. (narration is not required)

....

....

b) Determine the effect of this error on profit and indicate whether it is an increase, decrease or no change.

....

(37) State whether the below statements are true or false.

	True False
A. Relevance and comparability are the primary qualitative characteristics of financial statements.	....
B. When the stock is sold, the cost of the stock should be recognized as an expense in the period in which the relevant income is earned.	....
C. Liabilities should not be offset against assets and expenses against revenues	....

unless required or permitted by Sri Lankan accounting standards.

D. Profit is relatively higher when valuing inventory under the FIFO method. ....

(38) State two main effects on the financial statements of a business if the going concern concept is ignored while preparing the financial statements.

I. ....

II. ....

(39) Namal and Dhanushka started a partnership and there was no written partnership agreement between them. Accordingly, state whether the following statements are true or false.

	True False
A. Profit and losses of the business should be shared equally.	....
B. A 10% annual interest should be given to the partners who has provided loan for the partnership.	....
C. Any partner is not entitled to receive a salary.	....
D. All the partners should equally contribute to the capital.	....

(40) According to Lanka Accounting Standards No. 08 (LKAS 08 – Accounting Policy, Accounting estimates and errors), an accounting estimate may change for two reasons. Mention those two reasons.

I. ....

II. ....

(41) Cost of closing stock as at 31.03.2024 was Rs. 1,060,000. A stock with a cost of Rs. 160,000 is included in the above stock and this stock is expected to be sold in the open market for Rs. 110,000. As at 31 March 2024, the stock of the business is physically calculated.The selling price of the goods sent to the distributors on sale or return basis is Rs. 210,000. But return date of the stock has not expired as at the balance sheet date. These goods are invoiced with a margin of 5% added to the cost. The cost and net realizable value of the closing stock as at 31st March 2024 is,

Cost : ....

Net realizable value : ....

(42) XYZ is a telecommunication company that provides mobile network services. On 01.10.2023, the company entered into an agreement to provide a modern Apple phone and its network connection for a period of one year. According to the agreement, per month Rs. 15,000 should be paid by the customer to XYZ company. The market price of Apple phone is Rs. 168,000 and monthly charge for telephone network connection is Rs. 1,000.

(a) The amount to be identisfied as income in the financial statements for the year ended 31.03.2024 according to the standard SLFRS 15 is,

....

(b) Unearned income as at 31.03.2024 according to the standard SLFRS 15 is,
....

(43) On 01.10.2023, ACCA institute purchased a MV for a period of 5 years with a fair value of 2,000,000 under a lease. The leasing company finances 80% of the fair value of the asset and the balance is to be paid by ACCA. The stamp duty and other direct costs incurred by ACCA for receiving this lease facility was Rs. 200,000. The useful life of the asset is 5 years and the annual lease installment is Rs. 400,000. Annual lease interest rate is 10%.

(a) Carrying value of the right to use asset as at 31.03.2024, ...
(b) Net effect to the profit due to this transaction for the year ended 31.03.2024 is, ...

(44) Directors of Achivers Campus PLC expect to capitalize the reserves. List two advantages to the company and to the shareholders by capitalizing the reserves.

Advantages to the company:-

I. ....
II. ....

Advantages to the Share holders:-

I. ....
II. ....

(45) In the year ended 31.03.2024, ACCA Company PLC made a public issue of 500,000 ordinary shares for Rs. 20 each. Applications were received for 750,000 shares with the total amount of cash. 500,000 shares were allocated proportionately and the excess money was returned to the applicants.

Write the journal entries for the below. (narration is not required)

(a) Returning the cash of additional applications

....

....

(b) Allotment of shares

....

....

(46) State whether the debt-equity ratio of a company increase, decrease or no change for each of the following incidents.

Incidents	**Effect on debt-equity ratio**
1. Revaluation of assets to a higher value	....
2. Obtaining a long term loan	....
3. Purchase goods on credit	....

4. Making a new share issue ....

(47) Summary of salary of a company for the month of June 2024 is given below.

Description	**Rs.**
Basic salary	200,000
Allowances	25,000
Deduction of EPF	8,000
Deduction of festival advances	7,000
Net salary	210,000
Employer's EPF contribution	24,000

What is the total expenses related to the employees of the company for the month of June? ....

(48) Mention two limitations of accounting ratios.

I. ....

II. ....

(49) A company uses the economic order quantity (EOQ) model to determine the reorder quantity of a raw material used in its manufacturing process. The following information is provided.

Annual demand	40,000 units
Total annual ordering cost when 8,000 units are ordered	Rs. 5,000
Annual holding cost per unit	Rs. 5

Calculate the following.

(a) ordering cost per order : Rs. ....

(b) Economic order quantity : Units ....

(50) Following information relates to a manufacturing product.

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

Calculate the no.of units to be sold to earn a profit of Rs. 125,000.

....

General Certificate of Education (Adv. Level) Examination

Accounting

33 E II

Three Hours

Additional Reading Time - 10 minutes

Index No: :..

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

Use of non-programmable calculators is allowed.

Instructions:

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

01. Following are the details of Achivers PLC as at 31.03.2024. (Not Registered under VAT).

Trial Balance

	(Rs.000)	(Rs.000)
Property Plant and Equipment	2,900	
Accumulated Depreciation		380
Stated Capital		
- Ordinary Shares (500,000)		8,000
Retained Profit		3,500
General Reserves		1,100
Trade Receivables / Trade Payables	2,300	700
Temporary Asset Account	225	
Opening Stock	900	
Sales		7,300
Purchases	4,100	
10 % Fixed Deposit	825	
Administration Expenses	525	
Distribution Expenses	178	
Interest Charges	125	
10% Debentures		1,500
10% Short Term Deposits - 2023.10.01	11,000	
Investment Income		78
Cash	585	
EPF / ETF		1,080
Share Issue Account		125
Tax Paid (2023/24)	100	
	23,763	23,763

Additional information are given below;

1. The following details about the stocks are disclosed.
   - Rs. 40,000 cost of closing stock as at 31.03.2024 have been dis-coloured. The estimated cost to colourize the stock is Rs. 10,500. This stock can be sold for Rs. 50,000 after making colors. Remaining stock of the business excluding the above is Rs. 200,000.
2. The business agreed to a lease agreement to import a special production machine. Conditions are as follows;
   - All miscellaneous import expenses should be borne by the company.
   - 80% of the purchase price of the machine should be financed by the lessor.
   - Lease period is 5 years (in equal installments)
   - Useful life period of the machine is 4 years.

   (Even though useful life of the leased asset is 4 years, The Company was able to get 5 years to payback the lease amount since they have longtime business relationship with Lessor)

   Purchase price of the machine is Rs. 500,000. Miscellaneous import expenses are as follows.

Shipping charges	30,000
Loading charges	20,000
VAT	50,000
Installation expenses	25,000

   No installment was paid as at 31.03.2024. Each installment is Rs. 100,000. Lease interest is as follows;

2023/24	30,000
2024/25	25,000
2025/26	20,000

   All cash payments paid related to this transaction is debited to the temporary asset account. No other record has been kept. Residual value of the machine is Rs. 25,000.
3. An employee has filed a court case against the company for a compensation of Rs. 100,000. According to the company Lawyer's opinion, compensation amount cannot be confirmed yet. But according all the similar past incidents, employee won the case and the company had to pay 80% of each requested compensation to the employee.
4. As a result of this year special audit, it was revealed that opening stock of the company has been overestimated by Rs. 20,000.
5. Upon the special audit recommendations the company has changed its depreciation policy from strait line method to reducing balance method from the year 2023/2024. New depreciation rate is 10% under reducing balance method. Before the audit the rate was 10% under the straight line method.

   PPE as at 01.04.2023 (under the straight line depreciation method)

	Cost	**Accumulated depreciation**
Land	1,000,000	
Buildings	500,000	100,000
Motor Vehicles	600,000	120,000
Furniture	800,000	160,000

   All the PPE were purchased on 01.04.2021.

6. A land owned by the business has reduced its value due to a huge sinkhole. An independent valuer concluded that the value of land has been reduced by 30% due to the sinkhole

7. The company issued 100,000 new shares each for Rs. 20 in the year 2023/24. Applications received for 106,250 shares. Only 100,000 applications were selected and the remaining were rejected. Total amount of the rejected applicants are not paid and that amount is recorded in the share issue account. Shares issued have already been recorded correctly.
8. The trainee Accounts Assistant of the company has recorded VAT amount of Rs. 127,000 related to purchases as cost. (Company is not registered under VAT).
9. A stock worth of Rs. 25,000 as at 31.03.2024 was stolen in New Year ceremony on 15.04.2024. The management failed to find any evidence regarding the theft.
10. The company issued warranty certificates for all the sales in the financial year of 2023/24. The company Production Engineer reliably estimated that 10% out of the goods sold will be with defects and the repairing cost for those goods is Rs. 500 per defect good. Selling price of each good is Rs. 2,000.(Assume sale price was constant throughout the year)
11. Below decisions are agreed by the directors.
    - Transfer 25,000 to general reserves
    - To pay a final dividend of Rs.10 for each share
12. Tax rate of the company is 25%.

Required:-

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

a) Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2024
b) Statement of Changes in Equity for the year ended 31.03.2024
c) Statement of Financial Position as at 31.03.2024

02. A). Horana Timber Product Industry is a company which manufacturing wooden pencil boxes. Manufacturing cost details related to the company are given below.

Assets	**01.01.2024 (Rs,000)**	**31.03.2024 (Rs,000)**
Machinery & Equipment	200,000	180,000
Wooden stock	17,600	22,000
Cash payment		
Wood purchases	132,000	
Production overhead cost (excluding depreciation)	31,600	

- It is required 1/10 square feet of wood to manufacture a pencil box. Beginning of the quarter there were 50 square feet of wood bought for Rs. 400 per unit but during the quarter the company purchased one square feet for Rs. 440.
- Raw materials and finished goods are issued under the First In First Out (FIFO) method.
- A labor is paid Rs. 80 to complete a pencil box.
- No any purchases or sale of Property plant & equipments happened during the quarter.
- A pencil box is priced keeping a 25% profit margin on selling price.

Required;

1. Total production cost of a wooden pencil box.
2. Sales revenue of pencil boxes for the quarter ended 31.03.2024.

B). Pavara PLC manufacture special type of clay flower pots and wedding cake boxes. There are two Production departments in the company as A and B and a service department as Maintenance department. Other relevant details are given below.

I. Prime cost is Rs. 15,000,000. Prime cost of a flower pot is twice the prime cost of a cake box. Expected production units are 25,000 flower pots and 20,000 cake boxes.

II. Budgeted production overhead costs are given below.

Item	Total	Department A	Department B	Maintenance department
Indirect Wages	3,000	1,000	1,200	800
Machine depreciation	700			
Electricity charges	1,200			
Employee food expenses	600	200	300	100
Life Insuarance (employee)	400			

III. Overhead apportionment bases and the hours used are given below.

	Department A	Department B	Maintenance department
Floor area (Sq. Meters)	10,000	20,000	10,000
Kilowatt hours (Kwh)	30,000	20,000	10,000
Cost of machinery (Rs. 000)	4,000	3,000	-
Machine Hours	30,000	20,000	-
Labour Hours	15,000	25,000	-
Maintenance Hours	5,000	5,000	
Hours used – For flower pot	1	2	
For cake box	2	1	

IV. Budgeted Non-production overhead costs are given below.

	Flower pot (Rs.)	Cake box (Rs.)
Variable Non-production overhead cost	50	75
Fixed Non-production overhead cost	225,000	380,000

V. Overheads will be absorbed by the Department A on machine hour basis and Department B on labor hour basis. Overheads of the Maintenance department are re-apportioned on the maintenance hour basis.

VI. The company decides its selling price of a flower pot by adding a markup of 25% on unit production cost and decide selling price of cake box by adding a markup of 25% on total cost of a cake box.

Required;

1. The Overhead Analysis Sheet showing clearly the bases of apportionment including re-apportionment of service division overheads
2. Overhead absorption rates for Departments A and B
3. Calculate separately the selling price of a flower pot and a cake box

03. A). Trial Balance as at 01.04.2024 and the transactions for the month ended 31.04.2024 of Dewmini's business are given below.

Balance	Rs. 000
Non current Assets	6,000
Current Assets	2,000
Current Liabilities	1,000
Equity	7,000

- The company is registered for Value Added Tax (VAT) and the VAT rate is 10%. VAT should be included in goods purchases and sales.

Transactions

1. Sales are Rs. 500,000 and 40% out of it are credit sales. (company sells goods with a 25% gross profit markup on cost)
2. ¼ of the above credit sales are returned.
3. Electricity bill for march 2024 is Rs. 35,000 and paid in month of April. Electricity bill for April was Rs. 30,000 and it was received in the month of May 2024.
4. Owner settled Rs. 200,000 trade payables and received a discount of 5%.
5. Received Rs. 50,000 of commission income.

6. Received a cheque of Rs. 80,000 for trade receivables. Discount allowed is Rs. 20,000.
7. Trade discount of 1% was received when purchasing goods for credit with marked price Rs. 300,000.
8. Owner took Rs.10,000 for his personal use.
9. Rs. 18,000 paid as carriage inwards fee
10. Annual Depreciation for Non-current assets is Rs. 600,000.

Required;

I. Show the above transactions (1 to 10) with values using the accounting equation. State (+) if the value increases or (-) if the value decreases. In answering this question, use a format similar to the one given below).

Transaction No	Non-current Assets	Current Assets	Current Liabilities	Retained Earnings	Capital

II. Cash payment and receive journal for the month of April 2024.
III. Cash account for the month of April 2024. Cash balance as at 01.04.2024 was Rs. 250,000.
IV. Profit or loss for the month of April 2024 on the Net assets basis.

B). Creditor control account balance as at 31.03.2024 is Rs. 216,500 and it did not tally with the total balances of creditors ledgers. The reasons for the difference are given below.

1. Discount received of Rs. 1,000 from a creditor Lasitha has correctly recorded in the creditor control account. But not recorded in Lasitha's account.
2. Rs. 2,000 of debit note sent to Vijitha has been omitted in creditors control account.
3. Cash paid Rs. 5,000 for creditors has been recorded correctly in the personal account of the creditor but recorded in the wrong side of debtors control account.
4. A cheque issued for creditors Rs. 20,000 has been recorded correctly in the creditors control account but recorded in the wrong side in personal account.
5. Credit purchases of Rs. 31,200 has been recorded as Rs. 32,100 in creditors control account.

Required;

1. Adjusted creditors control account
2. Balance as per the creditors list

04. A). Ameen, Raveen and Kaveen are partners of partnership sharing a profit of 3:2:1 respectively. According to the partnership agreement,

a. Ameen, Raveen and Kaveen should be paid monthly salary of Rs. 15,000, Rs. 12,000 and Rs. 10,000 respectively.
b. Partners are entitled for 4% interest on opening balances of capital.
c. Partners are entitled for an annual interest of 8% on the loans provided to the partnership and loans taken from the partnership.
d. The business is carried out in a part of a building owned by Raveen and half of the annual building rent is not paid yet.
e. Raveen retired on 01.04.2023. On this date, the goodwill of the business was Rs. 180,000. Transactions related to goodwill should be adjusted the partner' capital accounts. Later, Ameen and Kaveen shared profits equally among them.
f. When Raveen retired, A Bicycle owned by the business valued for Rs. 38,000 transferred to him. Further, the amount due to him was transferred to a loan account and agreed to pay an annual interest of Rs. 15,000.

Trial Balance of the business as at 31.03.2024 Rs,000

Capital Accounts- Ameen		600
Raveen		400
Kaveen		200

Current Accounts- Ameen	100	
Raveen		200
Kaveen		150
6% Bank Loan		100
Stock as at 2024.03.31	60	
Distribution expenses	68	
Administration expenses	55	
Discount Allowed	34	
Discount Received		40
PPE Net	1,444	
10% Investments	100	
Trade Receivables	60	
Trade Payables		40
Building Rent	120	
Bank Loan Interest	2	
Loan Account Ameen(should be paid in installments from May 2025)	100	
Pre-paid insurance - 2023.04.01	8	
Insurance charges paid	24	
Advertising	30	
Provision for doubtful debts		4
Net Salary	180	
Cash	65	
Bank balance	437	
Provision for warranty		30
Gross profit		1,123
	2,887	2,887

Additional Information;

I. Net Realizable Value of the stock as at 31.03.2024 is Rs. 54,000.
II. Accrued insurance charges is Rs. 2,000 as at 31.03.2024
III. Provision for warranty should be Rs. 50,000.
IV. A 5% provision is made for doubtful debts on the trade receivable balance.
V. Property Plant and Equipment should be depreciated by 5% on cost.
VI. The employee and employer contributions to EPF are 10% and 15% respectively. Further, the employer's contribution to ETF is 3%.
VII. Property Plant and Equipment as at 01.04.2023 is as follows; (,000)

	Cost (Rs.)	Accumulated Depreciation (Rs.)
Land	800	-
Building	400	80
Motor Vehicles	300	60
Bicycle	60	16
Furniture	100	60
	1,660	216

Using the above details of the new partnership, prepare following for the year ended 31.03.2024,

1. Income Statement
2. Partners' Current Accounts
3. Partners' Capital Accounts

04. B). Dasun PLC manufacture a good named A. It is produced using two raw materials P and Q. The following information relates to raw materials P and Q.

	P	**Q**
Weekly maximum usage units	15,000	19,000
Weekly average usage units	14,000	18,000
Re-order quantity (EOQ) units	60,000	80,000
Maximum lead time- weeks	6	5
Average lead time- weeks	5	4

Required;

The following information related to raw materials P and Q,

1. Re-order level
2. Maximum stock level
3. Minimum stock level
4. Average stock level

05. A). Following information are related to Maleesha PLC.

a. Statement of changes in equity

Rs,000

	Ordinary Shares	Revaluation Reserves	General Reserves	Retained Profit	Total
Balance as at 01.04.2023	11,750	2,300	1,500	2,500	18,050
Share issue	1,500				1,500
Bonus share issue	500	(500)			
Total comprehensive income		2,000		1,200	3,200
Transfers to general reserve			1,500	(1,500)	
Dividends paid				(650)	(650)
Balance as at 31.03.2024	13,750	3,800	3,000	1,550	22,100

PPE	Land	Building	Motor Vehicles	Equipment	Total
Balance as at 01.04.2023	6,000	4,000	7,000	3,000	20,000
Land revaluation	2,000				2,000
Disposals			(3,000)		(3,000)
Purchases			5,000	1,000	6,000
Closing balances	8,000	4,000	9,000	4,000	25,000
<u>Accumulated Depreciation</u>					
Balance as at 01.04.2023		1,200	2,100	600	3,900
Annual depreciation		200	1,000	200	1,400
Disposed depreciation			(1,500)		(1,500)
Balance as per 31.03.2024		1,400	1,600	800	3,800

b. Other Assets and Liabilities

	2024.03.31	2023.03.31
Stocks	400	600
Trade Receivables	2,000	1,500
Cash and Bank balances	400	1,900
Three months Treasury Bills	300	200

Demand Deposits	2,100	1,600
Interest payable	200	150
Accrued operating expenses	400	200
Tax payable	300	200
Trade Payables	900	500
Employee gratuity provisions	500	300
10% Debentures	2,000	1,500

c. Details extracted from income statement

	(Rs,000)
Sales	7,500
Gross profit	2,000
Other income	1,200
Operating expenses (including depreciation)	2,200
Interest expenses	200
Employee gratuity expenses	300
Annual Tax	300

Additional Infromation

1. Profit from motor vehicle sales is represented in other income.
2. Provision for employee gratuity during the year is Rs. 300,000.
3. All purchases and sales are on credit basis.

Required;

- Cash flow statement for the year ended 31.03.2024 according to LKAS 07. (use direct method to identify operating cash flows)

B). Details extracted from Orchid Enterprises' records for the year ended 31.03.2024 are given below.

	(Rs. 000)
Sales - cash	10,800
- credit	5,200
Gross profit 25% on Sales	
Operating Expenses	1,600
Profit for the period	1,400
Income tax	600
Non-current Assets	1,400
Current Assets	600
Opening stock	280
Closing stock	320
Current liabilities	300
Rs.10 ordinary share capital	1,400
General reserve	120
Retained Earnings	100
Dividends declared	20
Market value of a share is Rs.20	

Calculate below using above details;

1) Quick ratio
2) Stock turnover ratio
3) Current ratio
4) Earnings per share
5) Dividend per share

06. A). Viyana PLC has planned to acquire a machine with a market value of Rs. 3,000,000. Residual value and the useful life of the asset is Rs. 600,000 and 4 years respectively.

Additional information;

I. Installation of the machine and worksite preparation charges are Rs. 1,000,000.

II. Additional working capital needed at the beginning Rs. 500,000. This can be recovered at the end of the project.

III. If the new machine is purchased, it is estimated that the old machine of book value Rs. 500,000 can be sold for Rs. 400,000.

IV. The required rate of return of this project is 10%.

The expected income and expenses in operating costs due to the new machine and discount factors are given below;

Year	Increase in operating income (Rs. 000)	Increase in operating expenses (excluding depreciation) (Rs.000)	Discount factor under 10% required rate
1	2,500	500	0.9
2	2,000	400	0.8
3	2,000	500	0.7
4	900	200	0.6

Required,

1. The schedule of cash inflows and cash outflows of the project for the years 0 – 4.
2. Payback period of the project.
3. Net Present Value of the project and recommendation based on the NPV method.

B). Details given below are related to a sports tournament organized by Lion Star sports club during a period of 10 days.

Expected no. of teams are 50. Based on that below calculations are estimated for a period of 10 days.

	Rs. 000
Charges on teams	5,000
Ground rent	200
Coach allowances	100
Advertising cost of the tournament	150
Food & beverage cost of teams	1,100
Man of the match trophy and prize	200
Winners' trophy and prize	800
Runners-up trophy and prize	400
Ground clearence and maintenance charges	40
Merit prizes for participation	1,000
Bat and ball for participation	400
Other general expenses	110

Required;

1. Expected fixed cost and contribution per unit of the tournament separately.
2. No. of teams should participate for the tournament to break even.
3. Surplus, if expected no of teams participate for the tournament.
4. If 25 teams participated, the amount to be charged per team to breakeven.
5. No. of teams should participate externally to break even, if Organized sports club engage 5 teams without charging team charges.

Suggested Answers – Paper I

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

(31) Rs. 900

(32) Rs. 377,350

(33)

	Source document	**Prime entry book**
1	Purchase invoice	Purchase journal
2	Payment voucher	Cash book
3	Journal voucher	General journal
4	Journal voucher	General journal

(34) (a) Rs. 1,900,000

(b) Rs. 14,900,000

(35) Cheques deposited but not realized
Cheques issued but not presented for payments
Errors made by the bank

(36) (a) Creditors (Dr) 18,000
purchases 18,000

(b) Effect on profit is Rs. (18,000)

(37) A. False
B. True
C. True
D. True

(38)

1.Fixed assets cannot be recorded under historical cost.
2.Provision for depreciation is not made due to the absence of a base to depreciate fixed assets.
3.Assets cannot be categorized as current and non current.
4.Liabitilities cannot be categorized as long term and current.

(39)

A. True
B. false
C. true
D. true

(40)

1. Current situation differ compared to previous situation.
2. Occurrence of new information and experiences.

(41)

Cost Rs. 1,260,000
NRV Rs. 1, 210,000

(42) (a) Rs. 174,000
(b) Rs. 6,000

(43) (a) Rs. 1,980,000
(b) Profit decrease by Rs. 300,000

(44)

Company

1. No cost to make a share issue
2. No changes to the working capital even though the profit is distributed equally.

Share holders

1. No cost to make a share issue.
2. No changes to the working capital even though the profit is distributed equally

(45)

(a) Share issue a/c.	Dr	5,000,000		
Cash a/c.			Cr	5,000,000
(b) Share issue a/c.	Dr	10,000,000		
Stated capital			Cr	10,000,000

(46)

	Incident	Effect on debt-equity ratio
1.	Revaluation of assets to a higher value	Decrease
2.	Obtaining a long term loan	Increase
3.	Purchase goods on credit	No change
4.	Making a new share issue	Decreae

(47) Rs. 249,000

(48)

- Cannot compare same kind of companies when preparing the financial statements by using alternative accounting policies and bases.
- A company can have assets that cannot be measured in monetary terms but the financial statements show only the assets that can be measured in monetary terms.

(49)

(a) Rs. 1,000 (b) 4,000 units

(50) 140 Units .

Suggested Answers

01. Statement of comprehensive income (Rs,000)

Sales		7,300
Cost of sales		(4,740)
Gross profit		2,560
Other income		632.5
Institutional & Administraton		(779)
Sales & Distribution		(408.5)
Finance expenses		(180)
Other expenses		(380.5)
Profit before tax		1,444.5
Income tax		(361)
Profit after tax		1,083.5
Other comprehensive income		
Total comprehensive income		1,083.5

Statement of changes in equity (Rs,000)

	Ordinary shares	Revaluation reserve	General reserve	Retained profit
Balance brought forward	6,000		1,100	3,500
Previous year errors				(20)
Brought forward	6,000	-	1,100	3,480
Share issue	2,000			
Profit for the year				1,083.5
General reserve transfers			25	(25)
	7,000	-	1,125	4,538.5

Statement of financial position

Non-current Assets		
Property Plant and Equipment	2,068	
Right of use Assets	475	
10% Fixed deposits	825	3,368
Current Assets		
Closing stock	239.5	
Debtors	2,300	
Receivable fixed deposit interest	82.5	
11% Short term investments	11,000	
Receivable short term investment interest	472	
Cash	585	14,679
		18,047
Capital and Liabilities		
Ordinary shares	8,000	
General reserve	1,125	
Retained profits	4,538.5	13,663.5
Non-current Liabilities		
Lease creditors	255	
10% Debentures	1,500	1,755
Current Liabilities		
Lease creditors – current	145	
Lease interest payable	30	
Provision for employee compensation	80	
Payable rejected applications cash	125	
Provision for Warranty	182.5	
Creditors	700	
Payable loan interest	25	
Payable EPF / ETF	1,080	
Tax payable	261	
		2,628.5
		18,047

Note 01

Opening stock	900
Purchases	4,100

Note 02

Cost	625,000
Depreciation	(150,000)

Closing stock	(240)	475,000
	4,760	

Note 03

	Land	Building	Motor vehicles	Furniture
B/F Revaluation	1000 (300)	500	600	800
B/F Depreciation		100 40	120 48	160 64
		140	168	224
	700	360	432	576

02. A).

Qty of wood used within the quarter(sq.feet)	294	
Opening sq.feet of wood	44	(17, 600/ 400)
Purchased sq.feet of wood	300	(132,000/ 440)
Closing sq.feet of wood	(50)	(22,000/ 440)
	294	
Production cost		
Raw material cost	127,600	
Direct labour	235,200	(2,940 x 80)
Prime cost	362,800	
Production overheads	31,600	
Depreciation cost	20,000	
Total production costs	414,400	

(1) Cost of a wooden pencil box $\frac{414,400}{2,940}$ = 141

Sales revenue of pencil boxes 414,400 ~~100~~ x 75

552,533

02. B).

Cost	Apportionment bases	Total cost	Dep. A	Dep. B	Maintenance Dep.
Indirect salaries	Provided	3,000	1,000	1,200	800
Machine Dep	Machine cost	700	400	300	
Electricity	Kilowatt hours	1,200	600	400	200
Employee food	Labour hours	600	225	375	

Insurance expenses	Labour hours	400	150	250	
			500	500	(1,000)
			2,875	3,025	

1. Absorption rate

   Department A = 2,875,000 / 30,000
   95.8

   Department B = 3,025,000 / 25,000
   121

2. Selling price of a flower pot= 922.25

   Prime cost = 10,000,000
   Prime cost per unit = 400
   Production overheads
   Department A = 95.8 (95.8 × 1)
   Department B = 242 (121 × 2)
   Total production cost = 737.8

Selling price of a wedding cake box = 820.75

   Prime cost per unit = 250
   Production overheads
   Department A = 191.6 (95.8 × 2)
   Department B = 121 (121 × 1)
   Total production cost = 562.6

   Variable Non-production O/H . = 75
   Unit Non-production cost (Fixed) = 19
   Total cost = 656.6

03. A).

Index	Non-current Assets	Current Assets	Current Liabilities	Retained earnings	Capital
Balance	6,000	2,000	1,000		7,000

01		(400)	50	100	
		550			
02		40	(5)	(10)	
		(55)			
03		(35)	(5)	(30)	
04			(200)	10	190
05		50		50	
06		(2)		(2)	
07		(297)			
		297			
08		(10)			(10)
09		(18)		(18)	
10	(50)			(50)	
	5,950	2,120	840	50	7,180

Cash receipt journal

(Rs,000)

Trans. No	Description	Discount	Value
01	Cash sales		330
04	Capital		190
05	Commission		50
06	Debtors	2	80
		2	650

Cash payment journal

(Rs,000)

Trans. No	Description	Discount	Value
03	Electricity		35
04	Pmt to creditors	10	190
07	Purchases		297
08	Drawings		10
09	Carriage inwards		18
		10	550

Cash Account

B/B/F	250,000	Electricity	35,000
Cash sales	330,000	Payment to creditors	190,000
Capital	190,000	Purchases	297,000
Commission	50,000	Drawings	10,000
Received from debtors	80,000	Carriage inwards	18,000
		B/C/D	350,000
	900,000		900,000

Profit = 7,230,000 – 7,000,000 + 10,000 – 190,000

= 50,000

03. B).

Adjusted creditors control account

Debit note	2,000	B/F	216,500
Payment to creditors	10,000		
Credit purchases-error	900		
B/C/D	203,600		
	216,500		216,500

Reconciliation statement as per the creditors list

Balance as per Creditors list before adjustments			216,500
)+(Discount received		1,000	
Creditor cheque		40,000	41,000
)-(Debit note	2,000		
Payment to creditors	10,000		
Credit pirchases-error	900		(12,900)
Total balance of creditors ledger			244,600

04. A). Income statement

Gross profit		1,123
Other income		
Discount received	40	
Investment income	10	
Partners loan interest	8	58
		1,181
Institutional and Administration		
Insurance	34	
Depreciation (building)	20	
Depreciation (Furniture)	5	
Salaries	200	
EPF	30	
ETF	6	
Administration expenses	55	
Building rent	240	(590)
Sales and Distribution		
Warranty	20	
Provision for doubtful debts	(1)	
Advertising expenses	30	
Depreciation (MV)	15	
Distributing expenses	68	
Discount allowed	34	(166)
Finance and Other		
Stock written-off	6	
Bank loan interest	6	
Assets transfer loss	6	

Loan interest-Raveen	15	(33)
Net profit		392
Salary A	180	
K	120	(300)
Capital interest A	24	
K	8	(32)
Profit shares A	30	
K	30	(60)
		0

Capital accounts

	A	R	K		A	R	K
Goodwill	90		90	B/F	600	400	200
				Goodwill	90	60	30
Loan account		660		Current account		200	
B/C/D	600		140				
	690	660	230		690	660	230

Current accounts

	A	R	K		A	R	K
B/F	100			B/F		200	150
Capital account		200					
B/C/D			150	B/C/D	100		
	100	200	150		100	200	150
B/F	100			B/F			150
Loan interest	8			Salary	180		120
				Capital interest	24		8
				Profit shares	30		30
B/C/D	126		308				
	234	-	308		234	-	308

04. B).

		Q	P
I.	Re-order level	=19,000 X 5	= 15,000 X 6
		95,000	90,000

II. Maximum stock level (Q) = 95,000 + 60,000 – (13,000 X 4)

= 103,000

Maximum stock level (P) = 90,000 + 80,000 – (17,000 X 3)

= 119,000

III. Minimum stock level (Q) = 95,000 - (14,000 X 5)

= 25,000

Minimum stock level (P) = 90,000 - (18,000 X 4)

= 18,000

IV. Average stock level (Q) = 25,000 + (60,000 / 2)

= 55,000

Average stock level (P) = 18,000 + (80,000 / 2)

= 58,000

05. A). Cash flow statement (Rs,000)

Operating activities		
Paid operating expenses	(600)	
Paid gratuity	(100)	
payment to creditors	(4,900)	
receipt from debtors	7,000	
cash flow from operating activities		1,400
Interest paid	(150)	
Tax paid	(200)	(350)
Net cash flow from operating activities		1,050
Investment activities		
Sale of assests	2,700	
purchases of assets	(6,000)	(3,300)
Financing activities		
Debenture issue	500	
Share isssue	1,500	
Dividends paid	(650)	1,350
Cash flow for the period		(950)
Opening cash balance		3,700
Closing cash balance		2,800

05. B).

1. Quick ratio $= \dfrac{600{,}000 - 320{,}000}{300{,}000}$

$= 0.93$

2. Stock turnover ratio $= \dfrac{12{,}800{,}000}{300{,}000}$

$= 42.6$

3. Current ratio = <u>600,000</u>

$$\frac{}{300,000}$$
$= 2$

4. Earnings per share $= \frac{1,400,000}{140,000}$

$= 10$

5. Dividend per share $= \frac{20,000}{140,000}$

$= 0.14$

06.
1).

	0	1	2	3	4
Machine cost	(3,000)				600
Fixing cost	(1,000)				
Working capital	(500)				500
Machine disposals	400				
Income		2,500	2,000	2,000	900
Expenses		(500)	(400)	(500)	(200)
	(4,100)	2,000	1,600	1,500	1,800
10% Discount factor	(4,100)	1,800	1,280	1,050	1,080
NPV	=1,110,000				

2). Payback period = 02 years and 04 months.

3). Should go ahead with the project since the NPV is a positive value.

06. B)

1 Fixed cost = 200,000 + 100,000 + 150,000 + 200,000 + 800,000 + 400,00 + 40,000 + 110,000

= 2,000,000

Unit contribution = 100,000 – (22,000 + 20,000 + 8,000)

= 50,000

2	BEP	$= \frac{2{,}000{,}000}{50{,}000}$
	Teams	= 40
3	Surplus	= 10 x 50,000
		= 500,000
4	Amount to be charged	$= \frac{2{,}000{,}000}{25} + 50{,}000$
		= 130,000
5	BEP Teams externally	$= \frac{2{,}250{,}000}{50{,}000}$
		= 45