

G.C.E. (A/L) Support Seminar - 2015
Accounting - Paper I
Marking Scheme

Question No.	Answer No.
1	2
2	3
3	5
4	4
5	1
6	5
7	4
8	1
9	3
10	1
11	2
12	1
13	4
14	5
15	4

Question No.	Answer No.
16	4
17	3
18	4
19	4
20	4
21	2
22	1
23	1
24	4
25	2
26	5
27	4
28	3
29	2
30	1

31. (A) - True
 (B) - True
 (C) - False
 (D) - False

32. (A) Manufacturing overheads
 (B) Prime cost
 (C) Prime cost
 (D) Manufacturing overheads

33. (A)

Sales account	Dr	1800	
Debtor account			1800
Suspense account	Dr	4000	
Purchase account			4000

(B) Rs. 60 200

34. (A) Rs. 2 200

(B)

Other expenses account	Dr	300	
Petty cash account	Cr		300

35.

General purpose		Specific purpose	
(i)	Presenting for stakeholders in annual report	(i)	Presenting for managers and governments etc. on special requirement
(ii)	It is compulsory to persuade accounting standard and principles	(ii)	It is not compulsory

36. Rs. 47 000

37. (i) Direct Board (ii) Going Concern Concept

38. (i) The less value of cost or net realizable value of inventories
 (ii) Recording revaluation value of assets

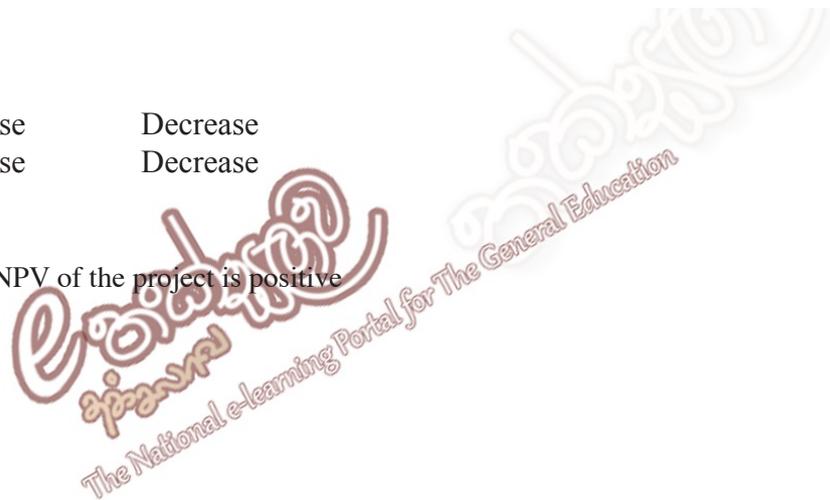
39. - Anura Rs. 160 000
 Chamara Rs. 75 000

40. - Anura Rs. 1 050 000
 Chamara Rs. 550 000

41. - Rs. 1 390 000

42. A - True B - True C - False D - False

43. (A) Other comprehensive income / revaluation profit Dr 150 000
profit or loss account Dr 50 000
land account Cr 200 000
- (B) land revaluation loss of Rs. 150 000
44. (A) 13 times
(B) 0.5 times
45. (i) It is a present obligation or future obligation arising from past events
(ii) It is uncertain obligation value and time
(iii) If it is present obligation which is expected to result in an outflow from the entity of resources embodying economic benefits
46. Rs. 200
47. Rs. 1600
48. Rs. 800 000
49. (i) Increase Decrease
(ii) Increase Decrease
50. (i) D
(ii) Since NPV of the project is positive



G.C.E. (A/L) Support Seminar - 2015
Accounting - Paper II
Marking Scheme

1. (1) Wiskam Plc
Statement of Profit or Loss and Other comprehensive income
for the year ended 31.03.2015

(Rs'000)

	Note		
Sales			19 300
Cost of sales			(11 600)
Gross profit			7 700
Other income	01		120
			7 820
Distribution expenses		180	
Administration expenses		3 745	
Other expenses		330	
Financial expenses		180	(4 435)
Profit before tax	02		3 385
Income tax			(220)
Profit for the year			3 165
Other comprehensive income			
Building revaluation profit		1 500	
Land revaluation loss		(700)	800
Total comprehensive income			3 965

Note 01 - Other income (Rs'000)
Discount received 120

Note 02 - Profit before tax has been calculated after deducting following expenses
(Rs'000)

EPF expenses	300
ETF expenses	60
Loan interest (100 + 80)	100
PPE Depreciation (80 + 150 + 500 + 420)	1150
Audit fees	60
Directors fees	175

- (2) Wiskam Plc
Statement of changers equity for the year ended 31.03.2015

(Rs'000)

	Stated capital O/S	Revaluation Reserve	General Reserve	Retained Earning	Total
Balance as at 01/04/2014	10 000	700	-	7 500	18 200
Total comprehensive income	-	800	-	3 165	3 965
treasure to General reserve	-	-	300	(300)	-
Capitalizing reserve	2 000			(2 000)	-
Dividend paid				(500)	(500)
	12 000	1 500	300	7 865	21 665

Wiskam Plc

Statement of Financial Position as at 31.03.2015

(3)

(Rs'000)

	Note		
Assets :			
Non current Assets :			
Property, plant and equipment	03		24 170
Current Assets :			
Inventory	04	350	
Trade receivable (1200 - 120)		1 080	
Pre-paid advertisement		150	
Cash and cash equivalents		895	
			2 475
			26 645
Equity and liabilities			
Stated capital ordinary shares			12 000
Reserves			
Revaluation reserve		1 500	
General reserve		300	
Retained profit		7 865	9 665
			21665
Non current liabilities			
12% bank loan		1 600	
Leasing creditors		600	2 200
Current liabilities :			
Trade payable		1 650	
Accrued EPF		500	
Accrued ETF		60	
Accrued income tax		45	
Leasing creditors		300	
Bank overdraft		145	
Accrued bank loan interest		80	2 780
			26 645

Note 03 - Property, plant and equipment

(Rs'000)

Cost :	Land	Building	Motor Vehicle	Computer System	Machinery	Total
Balance as at 01.04.2014	16000	5000	4200	600	-	25800
Revaluation	(1000)	1500	-	-	-	500
Transfer of accumulated depreciation on revaluation	-	(2000)	-	-	-	(2000)
Acquition (purchase)	-	-	-	400	1500	1900
Balance as at 31.03.2015	15000	4500	4200	1000	1500	26200
Provision for depreciation						
Balance as at 01.04.2014	-	1500	1260	120	-	2880
Depreciation for the year	-	500	420	80	150	1150
Transfer of disposal depreciation	-	(2000)	-	-	-	(2000)
Balance as at 31.03.2015	-	-	1680	200	150	2030
Carrying value of 31.03.2015	15000	4500	2520	800	1350	24170

Note : 04

Revaluation loss of land of Rs.1 000 000 and revaluation profit of building of Rs. 1 500 000 were recorded

Note : 05

- Inventories were priced at FIFO method

Note : 06 Directors proposed Rs. 200 000 dividend for ordinary share holders

Workings :			
Distribution Expenses		Administration Expenses	
Bad debts	40	Computer system depreciation	80
Doubtful debts	20	Machinery depreciation	150
Advertisement	50	Building depreciation	500
Discount allowed	50	Motor vehicle depreciation	420
Sales commissions	20	Salary and wagers	2000
	<u>180</u>	EPF expenses	300
Other Expenses		ETF expenses	60
Land revaluation loss	300	Audit fees	60
Donation	30	Directors fees	175
	<u>330</u>		<u>3745</u>
Financial Expenses			
Leasing interest	100		
Bank loan interest	80		
	<u>180</u>		

2. (A)

General Journal				Dr (Rs)	Cr (Rs)
(1)	1.	profit or loss account	Dr	5 000	
		Current account - Sithum			5 000
	2.	Current account	Athuru Dr	10 000	
			Mithuru Dr	8 000	
		Profit or loss account			18 000
	3.	Cost of sale account/profit or loss account	Dr	24 000	
		Inventory account			24 000
	4.	Profit or loss account	Dr	28 000	
		PPE provisions for depreciation account			28 000
	5.	Profit or loss account	Dr	75 000	
		Rent in advance account			75 000

(2) Appropriation of Net Profit

(Rs'000)			
Net profit			207
Interest on capital	Athuru	36	
	Mithuru	26	
	Sithum	20	(82)
		45	
Salaries	Athuru	35	(80)
	Mithuru		
Profit share	Athuru	15	
	Mithuru	15	
	Sithum	15	(45)

(3) Current accounts (Rs'000)

	Athuru	Mithuru	Sithum		Athuru	Mithuru	Sithum
B/B/F	-	08	-	B/B/F	12	-	
Drawings	10	08		Loan interest			5
Interest on capital	12	10		Interest on capital	36	26	20
Salary	30	20		Salaries	45	35	-
				profit Share	15	15	15
Balance C/D	56	30	40				
	108	76	40	Balance C/F	56	30	40

(4) Capital Account (Rs'000)

	Athuru	Mithuru	Sithum		Athuru	Mithuru	Sithum
Goodwill	30	30	30	Balance B/F	345	245	-
Balance C/D	360	260	330	Cash			150
				Stores			160
				Goodwill	45	45	-
				Loan account			50
	390	290	360		390	290	360
				Balance C/F	360	260	330

workings :	Adjusting Net profit	Rs'000
	Net Profit	252
	(+) Drawings	<u>18</u>
		270
	(-) Loan interest (Sithum)	5
	Overstated inventory	24
	Depreciation (10+10+8)	28
	Received in advance rent	<u>6</u>
		(63)
	Adjusted net profit	<u>207</u>

(B)

(1) Overhead analysis sheet

Overhead Item	Basis of Apportionment	Total overhead cost	finishing Dep.	Packing Dep.	Canteen
Machinery repair expenses	Direct	800	800	-	-
Machine running electricity	Direct	360	360	-	-
Electricity expenses (lighting)	Floor space (2:3:1)	1200	400	600	200
Machinery depreciation	Direct	500	500	-	-
Canteen expenses (meals)	No of employees (2:6:1)	270	60	180	30
Building rent - (1)	Direct	100	100	-	-
Building rent - (2)	Floor space (3:1)	400	-	300	100
Employee salary	No. of employees (2:6:1)	450	100	300	50
Security services expenses - (1)	Direct	80	80	-	-
Security services expenses - (2)	No. of employees (6:1)	140	-	120	20
		<u>4800</u>	<u>2400</u>	<u>1500</u>	<u>400</u>
(2) Re apportionment of service (Canteen)	No. of employees (1:3)		100	300	(400)
			<u>2500</u>	<u>1800</u>	<u>-</u>

(3) Overheads absorption rate =

Finishing	Packing
$\frac{2\,500\,000}{5\,000}$	$\frac{1\,800\,000}{12\,000}$
= Rs. 500	= Rs. 150

(4) Cost per unit

	C	J
Prime Cost	Rs. 1050	1200
Machinery overheads (500 x 2)	Rs. 1000 (500 x 2)	500
		-
Packing overheads (150 x 1)	Rs. 150 (150 x 1)	300
	<u>Rs. 2200</u>	<u>2000</u>

3. (A) (1) (Rs'000)

No.	Motor vehicle repair equipment	Motor vehicle + repair materials	Trade + receivable	Pre-paid + expenses	+ cash	= equity	Trade + payable
1	+ 300				+ 300	+ 600	
2				+ 120	-160	-40	
3	+ 100				-100		
4			+ 100		+ 220	+ 320	
5		+ 60			-40		+ 20
6					-27	-27	
7					-30	-30	
8	-10					-10	
9		-20				-20	
	<u>390</u>	<u>40</u>	<u>100</u>	<u>120</u>	<u>163</u>	<u>793</u>	<u>20</u>

(2) The statement of profit or loss (Rs'000)

Services Income		320
(-) cost of service materials		(20)
Gross profit		300
Expenses : Building rent	40	
Electricity water bills	27	
Salary	30	
Repair equipment depreciation	10	(107)
Net profit		193

(3) Statement of financial position as at 31.03.2015

(Rs'000)

Non-current Assets			
Motor vehicle repair equipment		390	
Current Assets			
Motor vehicle repair materials	40		
Trade receivable	100		
Pre-paid expenses	120		
Cash	163	423	
		813	
Equity			793
Current liabilities			
Trade payable		20	
		813	

3. (B)

Sales Journal (Rs)

Receipt Journal (Bank) (Rs.) (Rs.)

Date	Purchases	Amount	Date	Description	Discount	Debtor
03/05	Dayawansa	135 000	03/05	Sudesh	3 000	75 000
03/10	Karunasiri	180 000	03/10	Dayawansa	5 000	95 000
03/30	Mohammed	108 000	03/30	Karunasiri	4 000	76 000
03/31	Transfer to sales account	423 000	03/31		12 000	246 000

Provision for doubtful debts account

Debtor control account (Bad debts)	15 000	B/B/F	14 000
Balance B/D	25 600	Cash (Bad debts received)	10 000
		Profit or loss	16 600
	40 600		40 600

4. (A) (1) **Debtor control account**

Balance B/F	80 000	Sales of motor vehicle	40 000
Sales	4 500	sales return	2 500
Bank/dishonored cheque	3 000	bad debts	8 000
Cancellation of discount	1 000	Balance B/D	38 000
	<u>88 500</u>		<u>88 500</u>
Balance B/F	38 000		

(2) **Debtor reconciliation statement**

Balance of adjustment debtor control account		38 000
(+) Omitted credit balance	500	
Receipts from Piumi	1 800	
Sales returns	2 500	
Bad debts	8 000	12 800
		<u>50 800</u>
(-) Omitted debt balance	5 000	
Sales for Kasuni	4 500	(9 500)
Balance as per debtor list		<u>41 300</u>

(B) (1) **Adjusted bank account**

Errors	900	Balance B/F	21 500
Direct remittance	40 300	Cheque book chargers	400
		Interest on correct	1 800
		Bank chargers	450
		Leasing installment	20 000
		Creditors	12 000
Balance B/D	14 950		
	<u>56 150</u>		<u>56 150</u>
		Balance B/F	14 950

(2) **Bank reconciliation statement**

Adjusted bank overdraft as a bank account		14 950
(+) Cheques deposits but not realised		
043250	4 500	
215412	33 500	
721210	16 000	54 000
		<u>68 950</u>
(-) Cheque issued but not presented for the payment		
010253	35 000	
010262	16 500	
010284	21 500	(73 000)
Overdraft as per the bank statement		<u>4 050</u>

5. (A)

Devinda Plc
Statement of Cash flow for the year ended 31.03.2015

Rs'000

Cash flows from operating activities		
Profit before tax	2265	
Adjustment - Depreciation	300	
Interest income	(75)	
Interest expenses	760	
Computer disposal loss	50	
	3300	
Increase of current assets	(300)	
Increase of current liabilities	110	
Cash used in operating activities	3110	
Interest paid	(700)	
Income tax paid	(1150)	
Net cash used in operating activities		1260
Cash flows from investment activities		
Receipts from disposal computers	70	
Purchase photo copy machine	(120)	
Received interest	85	
Net cash used in investment activities		35
Cash flows from financial activities		
Issue ordinary shares	500	
Dividend paid	(655)	
Net cash generated from financing activities		(155)
Net increases in cash & cash equivalents		1140
Cash and cash equivalent as at 01.04.2014		300
Cash and cash equivalent as at 31.03.2015		1440

(B) (1)
$$\frac{\text{Fixed Cost}}{\text{Unit Contribution}} = \frac{105\ 000}{700} = \underline{\underline{150\ \text{Students}}}$$

Workings : Contribution = Sales income - Variable Cost	
	1000 - (200 + 40 + 60) = Rs.700
Fixed Cost	= 30 000 + 8 000 + 3 000 + 4 000 + 60 000
	= Rs.105 000
	= (15 000 × 2)

(2) Total Sales income	=	Rs.1 000	×	200	=	200 000
(-) Variable Cost	=	Rs. 300	×	200	=	(60 000)
Total Contribution					=	<u>140 000</u>
(-) Fixed Cost					=	<u>(105 000)</u>
						<u>35 000</u>

OR

$$\begin{aligned} \text{Margin of Safety} &\times \text{Unit Contribution} \\ \text{Unit (200 - 150)} &\times 700 = \text{Rs. 35 000} \end{aligned}$$

(3) For Rs. 56 000 Profit,

$$\begin{aligned} \frac{\text{Fixed Cost} + \text{Expected Profit}}{\text{Unit Contribution}} &= \frac{105\,000 + 56\,000}{700} \\ &= \frac{161\,000}{700} \\ &= \underline{230} \text{ Students should be Participated} \end{aligned}$$

(4) If 250 Students;

$$\begin{aligned} \text{Margin of Safety} &\times \text{Unit Contribution} \\ 100 &\times 700 = 70\,000 \end{aligned}$$

$$\begin{aligned} \text{If Students 200 Profit is} &= \text{Rs. 35 000} \\ \text{Increase of Profit} &= \text{Rs. 35 000} \end{aligned}$$

6. (A) Workings:

Estimated annual cash flows of machine Alfa.

	Year					
	0	1	2	3	4	5
Purchase Price	(355)					
Cost of Carriage inwards	(5)					
Residual Value						40
Estimated sales income	-	180	216	240	228	120
(-) Estimated Variable Cost		(45)	(54)	(60)	(57)	(30)
(-) Fixed Cost		(16)	(16)	(16)	(16)	(16)
Annual net Cash Flows	(360)	119	146	164	155	114
(-) Annual Depreciation		(64)	(64)	(64)	(64)	(64)
Annual net Profit		55	82	100	91	50

Estimated Annual Cash Flows of machine B

	Year					
	0	1	2	3	4	5
Purchase Price	(395)					
Cost of Carriage inwards	(5)					
Residual Value						50
Estimated sales income		204	252	228	204	132
(-) Estimated Variable Cost		(34)	(42)	(38)	(34)	(22)
(-) Estimated Fixed Cost		(10)	(10)	(10)	(10)	(10)
Annual net Cash Flows	(400)	160	200	180	160	150
(-) Annual Depreciation		(70)	(70)	(70)	(70)	(70)
Annual net Profit		90	130	110	90	80

Year	Alfa		Beeta	
	Annual Cash Flows	Accumulated Cash Flows	Annual Cash Flows	Accumulated Cash Flows
0	(360)	(360)	(400)	(400)
1	119	(241)	160	(240)
2	146	(95)	200	40
3	164			

(1) Pay back Period :

$$\text{Alfa} = 02 \text{ years} + \left(\frac{95}{164} \times 12 \right) \text{ 07 months}$$

02 Years and 07 months

$$\text{Beeta} = 02 \text{ Years} \left(\frac{40}{180} \times 12 \right) \text{ 2}\frac{1}{2} \text{ months}$$

02 Years and 2\frac{1}{2} months

(2) Investment rate of return;

$$\text{Alfa} = \frac{\text{Average Net Profit}}{\text{Average investment}} \times 100$$

$$\frac{(55 + 82 + 100 + 91 + 50) / 5}{(360 + 40) / 2}$$

$$\frac{75.6}{200} \times 100$$

37.8%

$$\text{Beeta} = \frac{\text{Average Net Profit}}{\text{Average investment}} \times 100$$

$$\frac{(90 + 130 + 110 + 90 + 80) / 5}{(400 + 50) / 2}$$

$$\frac{100}{225} \times 100$$

$$\underline{\underline{44.4\%}}$$

(3) Net Present Value (NPV)

Year	Alfa			Beeta		
	Annual Cash Flows	Discount Factor 10%	Discounted Net Cash Flows	Annual Cash Flows	Discount Factor 10%	Discounted Net Cash Flows
0	(360)	1	(360)	(400)	1	(400)
1	119	0.9	107.1	160	0.9	144.0
2	146	0.8	116.8	200	0.8	160.0
3	164	0.7	114.8	180	0.7	126.0
4	155	0.6	93.0	160	0.6	96.0
5	114	0.5	57.0	150	0.5	75.0
	NPV		128.7	NPV		201.0

Net Present Value of Alfa = 128.7

Net Present Value of Beeta = 201.0

Net Present value of Beeta is higher than to NPV of Alfa so, Beeta is appropriate for the Purchase.

(B) (1) Salary sheet

No	Employee No	Employee Name	Earnings				Deduction				Total Deduc.	Net Salary	Employer Contribution	
			Basic Salary	Other Allow.	O / T	Gross salary	EPF 8%	Festival Allow.	Leasing install.	Bank loan installment			EPF	ETF
1	0100	Sachithra	50 000	20 000	-	70 000	5 600	-	-	-	5 600	64 000	8 400	2 100
2	0101	Kaveen	30 000	12 000	-	42 000	3 360	3 000	-	-	6360	35 640	5 040	1 260
3	0102	Tharindu	20 000	8 000	6 000	34 000	2 240	2 000	6 000	-	10 240	23 760	3 360	840
4	0103	Niridu	18 000	-	12 000	30 000	1 440	1 500	-	4 000	6 940	23 060	2 160	540

(2)

Salary and Wages Control account

Accrued EPF	12 640	Salary and Wages	176 000
Festival Allowances	6 500		
Leasing	6 000		
Bank loan installment	4 000		
Accrued Salary	146 800		
	<u>176 000</u>		<u>176 000</u>

Accrued EPF account			
		Salary and Wages	12 640
		EPF expense	18 960
Balance b/d	<u>31 600</u>		
	<u>31 600</u>		<u>31 600</u>

(7) (A)(1)

General Journal

(1)	Machinery Disposal Account Machinery A/C (Recording of Cost of machinery disposal)	Dr Cr	120 000	120 000
(2)	Cash A/C Machinery disposal A/C (Recording sold value of machinery)	Dr Cr	110 000	110 000
(3)	Machinery Provision for depreciation A/C Machinery disposal A/C (Recording depreciation of disposal)	Dr	25 000	25 000
(4)	Machinery disposal A/C Profit or loss A/C (Recording Profit of disposal machine)	Dr Cr	15 000	15 000

(2)

Machinery Provision for depreciation A/C

Disposed machine	25 000	Balance as at 01.04.2014	125 000
Balance b/d	160 000	Machinery deprecit A/C	60 000
	<u>185 000</u>		<u>185 000</u>
		Balance b/f	85 000

Workings :	Annual Depreciation	(Rs: 000)
	Cost of remain machineries	480
	Accumulated depreciation	(100)
	Residual Value	(80)
		<u>300</u>
		300 ÷ 5
		<u>60</u>

(B) (1) Subscription Income is Rs: 297 000

Workings :	Old members	= 124 - 4	= 120 × 200 × 12	= 288 000
	New members	2 × 9 × 200	= 3 600	
		2 × 6 × 200	= <u>2 400</u>	= 6 000
	Resinged members	= 5 × 3 × 200	= 3 000	= <u>3 000</u>
				<u>297 000</u>

(2) Receipts and payment Account

b/b/f	80 000	Talent Show expense;	
Ticket and Sournier	300 000	Ticket 15 000	
Subscription	294 000	Refreshment 50 000	
		Other expense <u>35 000</u>	100 000
		Scholarship	120 000
		b/b/d	454 000
	<u>674 000</u>		<u>674 000</u>
b/b/f	454 000		

(3) Income and expenditure A/C

Depreciation	50 000	Subscription	297 000
Scholarships	180 000	Donation	50 000
Surplus	317 000	Talent show Profit	200 000
	<u>547 000</u>		<u>547 000</u>

(4) Calculate accumulated fund (Rs)

Balance as at 01.04.2014	320 000
Surplus	317 000
	<u>637 000</u>