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33 E I

Second Term Test - Grade 13 - 2019

Index No : **Accounting I** **Two Hours**

- Important**
- ◆ Select the correct answers for questions no. 01 - 30 and write its number on the dotted line given.
 - ◆ Write short answers for questions No. 31 - 50 on the dotted line given.
 - ◆ Each question carries 02 marks
 - ◆ Write your index number in the space provided above.

Question No.	Marks
01 - 30	
31 - 50	
Total	

01. Which of the following statement / statements is correct in relation to the general purpose final financial statements prepared by a firm
- A - It covers present, past and future periods
 B - It is prepared for a specific time period
 C - Considered whole business as one unit
1. A only 2. A and B only 3. A and C only 4. B and C only 5. C only (.....)

02. The following information relates to major accounting environmental factors and some variables of those factors.
- | Environment | Variable |
|--|----------------------------------|
| A Economic and political environmental | 1 Companies act no:07 of 2017 |
| B Social and cultural environment | 2 Value added tax |
| C Technical and professional environment | 3 Sri Lanka accounting standards |
| D Legal environment | 4 Life stiles |
- Which of the following is correct when matching the given environment to the variable
1. A,B,C and D 2. B,A,C and D 3. D,A,C and B 4. C,A,B and D 5. D,C,A and B (.....)

03. The cash at hand at the petty cashier of Bandara public limited as at 28.02.2019 was Rs 12500 totals of the analytical columns of the Petty cash payment Journal for the month of February 2019 are given below.

	Rs.
Travelling expense	20,000
Stationery	15,000
Refreshment	8000
Telephone and postage	14,500

It was decided to increase the petty cash float to Rs. 100,000 from 1.03.2019
 The total of the petty expenses for the month of February 2019 and the amount should be reimbursed as at 1.03.2019 would be

	Petty Expense (Rs.)	Amount should be reimbursed	
1.	57,500	57,500	
2.	57,500	70,000	
3.	57,500	87,500	
4.	70,000	87,500	
5.	70,000	100,000	(.....)

04. Which of the following journal entry is relevant for the total of the VAT column in return inward journal.

- | | |
|--|---|
| 1. Return inward A/C Dr ,VAT account Cr | 2. VAT account Dr, Return inward A/C Cr |
| 3. VAT account Dr, creditors controle A/C Cr | 4. VAT account Dr, Debtors control A/C Cr |
| 5. Debtors control A/C Dr, VAT account Cr | (.....) |

05. An extraction of a sales invoice of " Kumara retailers" is given below

Date	Customer	Amount (Rs. 000)
10.02.2019	Thusitha Traders	600
	Discount 5%	(30)
		570

Conditions apply: If this amount settle within one month 10% discount is allowed

The customer has settled above amount on 28.02.2019. The correct Journal entry to record the discount in Thusitha Traders is,

	Dr. (Rs.)		Cr (Rs.)	
1.	Creditors control A/C	30,000	Discount Received A/C	30,000
2.	Discount Allowed A/C	57,000	Debtors control A/C	57,000
3.	Creditors Control A/C	57,000	Discount received A/C	57,000
4.	Creditors Control A/C	87,000	Discount received A/C	87,000
5.	Discount alloued A/C	87,000	Debtors control A/C	87,000
				(.....)

06. The prime entry books should be prepare of Kumara retailers for above transactions are,

- | | |
|--|---|
| 1. Sales journal, Cash receipt journal | 2. Purchase journal, cash payment journal |
| 3. Purchase journal, General journal | 4. Sales journal, General journal |
| 5. Cash receipt journal, General journal | (.....) |

• **Use following information to answer or Q no 07 and 08.**

The balance of the creditors control account as at 31.01.2019 of a firm was Rs. 600,000. However this total was not agree with the total of the creditors list. Followings were revealed later.

- (i) A credit purchase of Rs. 420,000 has been recorded in the purchase journal as Rs. 240,000. However this amount has been recorded correctly in creditors ledger,
- (ii) A creditors amount of Rs. 60000 has been missed when extracting balances from creditors ledger
- (iii) A discount received of Rs. 20000 has been correctly recorded in general ledger but it has not recorded in the relevant creditors account.
- (iv) The total of the return outward journal of Rs. 10000 has not been recorded in the creditors control A/C.

07. The total of the creditors ledger accounts extracted from the creditors ledger before rectifying above errors is,
- | | | | |
|----------------|----------------|----------------|---------|
| 1. Rs. 690,000 | 2. Rs. 730,000 | 3. Rs. 750,000 | |
| 4. Rs. 850,000 | 5. Rs. 870,000 | | (.....) |
08. The correct balance of the creditors control A/C as at 31/01/2019 is,
- | | | | |
|----------------|----------------|----------------|---------|
| 1. Rs. 410,000 | 2. Rs. 430,000 | 3. Rs. 590,000 | |
| 4. Rs. 690,000 | 5. Rs. 770,000 | | (.....) |
09. Which of the following statement / statements is/ are correct relevant for using accounting concepts to prepare F.F.S.
- A - The stock is recorded at the most lowest value from the cost and net realizable value as per historical cost concept.
- B - Received sales advances relevant for the sales of next year is not recognized as an income as per realization concept.
- C - Providing for impairment losses on trade receivables (Providing for doubtful debts) as per prudence concept.
- | | | | |
|-----------------|------------------|-----------------|---------|
| 1. A only | 2. A and B only | 3. A and C only | |
| 4. B and C only | 5. All A,B and C | | (.....) |
10. What is the qualitative characteristic that mostly protect if there is an ability to change the decisions of the interested parties as per conceptual frame work of financial reporting is.
- | | | | |
|-----------------------------|------------------|------------------|---------|
| 1. Timeliness | 2. Relevancy | 3. Verifiability | |
| 4. Faithfull Representation | 5. Comparability | | (.....) |
11. Following has given a definition of an element of the final financial statement.
It is a present obligation of the entity arising from past transactions / events and the settlement of which is expected to result in an outflow from the entity of resources embalming economic benefits.
Which of the following element clearly define by above definition.
- | | | | | | |
|-----------|-----------|-----------|------------|--------------|---------|
| 1. Equity | 2. Assets | 3. Income | 4. Expense | 5. Liability | (.....) |
|-----------|-----------|-----------|------------|--------------|---------|
12. Which of the following statements are relevant for section No. 24 of the partnership ordinance 1890.
- A - 5% interest should be settled for the invested capital by the partners.
- B - Profits and losses should be shared equally between partners
- C - partners are entitled for salaries
- D - 5% interest should be settled for the loans provided by the partner.
- | | | | |
|-------------------|-----------------|-----------------|---------|
| 1. A and B only | 2. A and C only | 3. B and C only | |
| 4. B,C and D only | 5. B and D only | | (.....) |
13. A land which was purchased in the year of 2015 for 4,000,000 by Udara Public limited has been revalued on 31.03.2018 for Rs 10,000,000 and revalued amount has been recorded in the statement of financial position as at same date. Which accounting concept has not been used for above.
- | | | | | | |
|-----------|-------------|-------------|----------------|--------------------|---------|
| 1. Entity | 2. Matching | 3. Prudence | 4. Realization | 5. Historical cost | (.....) |
|-----------|-------------|-------------|----------------|--------------------|---------|

14. An income should be recognized when transferring the risks and rewards to the customer as per
 1. Prudence 2. Realization 3. Entity 4. Historical cost 5. Going concern (.....)

15. Following information has been extracted for the year ending 31.03.2018 of a business which is not kept proper accounts.

	(Rs.)
Sales	750,000
Purchases	600,000
Return outward	105,000
Stock as at 31.03.2018	120,000

- Business sells goods with a profit of 25% on cost.

Value of the inventory as at 01.04.2017 is,

- | | | |
|----------------|----------------|----------------|
| 1. Rs. 375,000 | 2. Rs. 275,000 | 3. Rs. 250,000 |
| 4. Rs. 225,000 | 5. Rs. 150,000 | (.....) |

• **Use following information to answer Q.No. 16,17 and 18**

The capital and current account balances as at 31.12.2018 of Seth, Siri and Sanda partnership business which shares profits and losses at 5:3:2 are given below,

	Seth (Rs. 000)	Siri (Rs. 000)	Sanda (Rs. 000)
Capital A/C	600	500	400
Current A/ (Cr)	810	600	540

Conditions of the agreement are given below.

1. Every partner is entitled to a salary of Rs. 300,000
2. 5% interest should be settled for fixed capital account balances.
3. Siri's profit share for the year ending 31.12.2018 is Rs. 150,000

16. Earned net profit for the year ending 31/3/2018 of the partnership business is,
 1. Rs. 500,000 2. Rs. 650,000 3. Rs. 1,475,000
 4. Rs. 1,550,000 5. Rs. 2,050,000 (.....)

17. Total equity of the partnership business for the year ending 31.03.2018,
 1. Rs. 1,500,000 2. Rs. 1,550,000 3. Rs. 1,950,000
 4. Rs. 3,400,000 5. Rs. 3,450,000 (.....)

18. The balances of the current accounts of Seth, Siri and Sanda as at 01.04.2017

	Seth (Rs.)	Siri (Rs.)	Sanda (Rs.)
1.	200,000	100,000	100,000
2.	200,000	200,000	100,000
3.	230,000	125,000	120,000
4.	230,000	180,000	120,000
5.	230,000	200,000	120,000

(.....)

• Use following information to answer 19 – 20.

19. Tharindu company PLC has acquired a machinery on 01.04.2017 on leasing. The fair value as at this date is Rs. 4,000,000 Rs. 960,000 has paid on above date as down payment. Leasing term is 4 years. Rs. 960,000 should be settled as the installment at the end of every year First installment was paid on 31.03.2018. Annual interest rate is 10%
- The leasing liability at the beginning of the period and the interest for the year ending 31.03.2018 are

	Leasing liability as at 01.04.2017 (Rs.)	Leasing Interest (Rs.)	
1.	2,080,000	208,000	
2.	2,080,000	304,000	
3.	3,040,000	304,000	
4.	3,040,000	400,000	
5.	4,000,000	400,000	(.....)

20. The leasing liability should be recognized in the statement of financial position as at 31.03.2018 under current and non current liabilities as per LKAS 17/ SLFRS 16 are,

	Current Liabilities (Rs.)	Non current liabilities (Rs.)	
1.	721,600	960,000	
2.	721,600	1,662,400	
3.	721,600	2,384,000	
4.	1,662,400	960,000	
5.	1,662,400	721,600	(.....)

21. Hasthishaila company PLC issued 400,000 ordinary shares at the consideration per share of Rs. 50. This was done on 01.04.2018 cash received for 600,000 with applications. 400,000 shares were allotted proportionate and excess applications were rejected. Expenses for issuing shares is 500,000 calculate the increment of the stated capital and the increment of the equity.

	Stated capital (Rs. 000)	Increment of the equity (Rs. 000)	
1.	20,000	19,500	
2.	20,000	20,000	
3.	20,000	30,000	
4.	30,000	19,500	
5.	30,000	20,000	(.....)

• Answer for the QNo. 22,23 and 24 by using following information.

1. Some extractions of the statement of financial position prepared as at 31.03.2018 and 2017 of Udara Company PLC are given below.

	As at 31.03.2018 (Rs. 000)	As at 31.03.2017 (Rs.000)
Stated capital (O/S)	30,000	25,000
Revaluation Reserve	2000	-
General Reserve	1500	1000
Retained earnings	8500	7000
Total Liability	9000	7500

2. Revaluation reserve represents the revaluation surplus from the land revaluation on 01.01.2018
3. Paid dividend within the period is 400,000 4. O/S have been issued within the period
5. Tax for the period is Rs. 200,000

22. Profit before tax for the year ending 31.03.2018 is,
- | | | | |
|------------------|------------------|------------------|---------|
| 1. Rs. 1,500,000 | 2. Rs. 2,400,000 | 3. Rs. 2,600,000 | |
| 4. Rs. 8,500,000 | 5. Rs. 9,000,000 | | (.....) |
23. Total comprehensive income for the year ending 31.03.2018
- | | | | |
|------------------|-------------------|------------------|---------|
| 1. Rs. 2,000,000 | 2. Rs. 4,400,000 | 3. Rs. 5,000,000 | |
| 4. Rs. 8,500,000 | 5. Rs. 10,000,000 | | (.....) |
24. The value of the total assets as at 31/3/2018 is,
- | | | | |
|-------------------|-------------------|-------------------|---------|
| 1. Rs. 30,000,000 | 2. Rs. 32,000,000 | 3. Rs. 39,000,000 | |
| 4. Rs. 42,000,000 | 5. Rs. 51,000,000 | | (.....) |

25. Some information relation to raw material M^2 of a manufacturing business is given below,
- Maximum consumption of a week is 500 units - Average consumption per week is 400 units
 - Minimum lead time 2 weeks - Average lead time 3 weeks
 - Re order quantity 1600 units

The Re order level and the maximum stock level of M^2 are,

	Re- order level (Units)	Maximum stock level (Units)	
1.	500	1000	
2.	1000	1000	
3.	1000	2200	
4.	2000	3000	
5.	2000	3600	(.....)

26. A Cost unit is,
1. The monetary value of the resources scarified to produce product or a service
 2. It is a cost element of a specific good or a service
 3. It is a unit used to measure the cost of a good or a service
 4. It is the total of prime cost and manufacturing overheads.
 5. It is a place, task, equipment or a person which help to measure this subsequent cost. (.....)

27. Some information relates to row material M^2 of a manufacturing business is given below,
- Monthly consumption 2000 units - Ordering cost per order Rs. 15
 - Cost of an item Rs.20 - Annual holding cost of a unit is 10% of the cost of a unit
- Calculate the Economic order quantity and Economic number of orders.

	Economic order quantity unit	No of orders	
1.	600	20	
2.	600	30	
3.	600	40	
4.	6000	200	
5.	6000	300	(.....)

28. Following costs were incurred by a T- Shirt manufacturing business. Select the answer having only fixed costs.

- A - Cost of materials of T- Shirts
- B - Rent for the factory
- C - Salaries for the supervisor
- D - Salaries paid employees on the number of T-Shirts produced

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

29. Weighted average cost method (WAC) is used by a business to issue stock which engage in selling mobile phone equipment. Some details in the month of January is given below.

Date	Description	Quantity (Units)	Price of a unit
2019.01.01	Balance	100	100
2019.01.05	Purchase	200	150
2019.01.20	Purchase	400	110
2019.01.25	Sales	400	?

Cost of sales in the month of January 2019 and the stock as at 31.01.2019 are,

	Cost of sales (Rs.)	Stock as at 31.01.2019
1.	33,000	30000
2.	33,000	36000
3.	48,000	30000
4.	48,000	33000
5.	48,000	36000

(.....)

30. Following information relevant for a manufacturing business

- EOQ 400 units
- Annual demand 8000 units
- Ordering cost Rs' 500 per order
- Holding cost Rs. 100 per unit

Calculate the total ordering cost and total holding cost

	Total ordering cost (Rs.)	Total holding cost (Rs.)
1.	8,000	8,000
2.	10,000	10,000
3.	10,000	20,000
4.	20,000	10,000
5.	20,000	20,000

(.....)

- **Write short answers from Q.No. 31 – 50**

31. Which of the following objective is relevant for following given interested party.

1. Is there any ability to fulfil the ability on warranty certificates
2. Whether planes are well activated
3. Is there good return for investments
4. Is there any job security

Interested party	Information
A Managers
B Employees
C Customers
D Investors

- **Use following information to answer Q. No. 32, 33,34**

Following transactions could be seen in Sisira PLC for the month of January 2019. Financial year is ended on 31.03.2019

1. Land was revalued at the first time and the loss from that revaluation is Rs. 500,000
2. Received cash from the right issue is Rs. 2,000,000
3. Purchased a MV worth of Rs. 4,000,000 from Renuka Traders
4. Rates at the final quarter is Rs. 12000 and it is paid in the month of April 2019

32. Write the effect of above transactions for following situation.

Effect	Transaction (Number)
A Increase liabilities and decrease equity
B Increase assets and increase liabilities
C Increase assets and increase equity
D Decrease assets and decrease equity

33. Write the source document and prime entry book relevant to transaction no. 02 and 03

Transaction	Source document	Prime entry book
(2)
(3)

34. Indicate with "✓" of the type of account under which each of above transactions is recorded in the general ledger.

Transaction	assets	Liabilities	Equity	Income	Expenses
(1)
(2)
(3)
(4)

35. Following transactions occurred in Mala Sara Cab services which rent out motor vehicles for weddings hires.

- 01.01.2019 - Received on advanced of Rs. 5000 to rent out a MV
- 25.01.2019 - Received Rs. 9000 for a MV rented out for a wedding
- 20.02.2019 - Received Rs. 6000 as the remaining amount of above transactions.

Relevant to recognize above income

- (a) Date should be recognized above income.
- (b) Income should be reorganized on above date.
- (c) Most appropriate accounting concept

36. Indicate following items of a trade business can be recognized as expense as per conceptual frame work of financial reporting.

Item	Can be recognized as an expenses (Yes/ No)
A Cost of Sales
B Increasing the useful life time of a PPE due to a subsequent cost
C Paid distributing expenses for next period
D Loss from the revaluation of MV at first time.

37. What is the qualitative characteristic engage by a firm for following situation.

Event	Qualitative characters
A Using WAC method to measure the cost of the stock in every year
B MV acquired on leasing is considered as an asset
C Represent PPE at revalued amount
D Publishing F.F.S. without any time gap

38. Show the objective and the basis used to prepare the cash account and the income statement which is prepared in a business which is conducting without any profit.

	Cash A/C	Income statement
Objectives
Basis

39. State following statements are "True" or "False" relevant for Sri Lanka accounting standards.

	T/F
A Closing stock is understated when measuring stock on FIFO method in inflation situation
B Contingent assets are not recognized as assets in F.F.S.
C Changing the useful lifetime due to reviewing useful life time is a policy change
D Cash flows from financing activities is the activities help in quantity and content of the equity and borrowings

40. State the element of financial statements in which is recognized for each item below. (as per LKAS 01)

Item	Element
A Trade receivables
B Revaluation reserve
C Contingent liabilities not having a probability of outflowing future economic benefits
D Profit before taxation

41. State two items each that are reported as cash outflows from investing activities and financing activities as per LKAS - 07

Categorization	Item
a) Investment activities	1. 2.
b) Financing activities	1. 2.

42. Write two conditions should be there to recognized provisions in final financial statements as per LKAS 37 (Provisions contingent liabilities and contingent assists)

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

43. Five steps have been presented by SLFRS 15 to recognize an income which generates from the contracts with customers. Write two from above steps

1.
2.

44. Write three conditions should be there to recognize a property plant and equipment as an asset as per LKAS 16

1.
2.
3.

45. Calculate the net cash flow from operating activities as per LKAS 07 (Cash flow statements) by using following information. (for the year ending 31.03.2018)

	(Rs.000)
Profit for the period	2000
Tax for the year	100
Profit from selling PPE	150
Paid tax	60
Decrease the stock	50
Increment the trade receivable	110

Net cash flow from operating activities Rs.

46. State whether the calculated current ratio of a business is increase decrease or not change due to following transaction

	Transaction	Effect
A	Receiving cash from debtors	.....
B	Purchasing goods on credit	.....
C	Issuing ordinary shares	.....
D	Selling goods on credit by keeping a profit	.....

47. Following have been given some accounting ratios calculated by a company

1. Interest coverage ratio
2. Debtors turn over rate
3. Earning per share
4. Current ratio

State the most suitable ratio for following information which mostly appraised by above ratio

	Information	Ratio
A	Short term insolvency	.....
B	Security of the creditors	.....
C	Ability to distribute profit	.....
D	Efficiency of receiving money from debtors	.....

48. Following costs could be seen in the month of January 2019 of a garment factory

Raw material consumed	(Rs. 000)
Material	4000
Threads	250
Buttons	150
Wages	
Machine operator	1000
Production supervisors	400
Machinery depreciation and factory electricity	200
Sales commission	300
Salaries for the administrative employees	500

Calculate the manufacturing cost and the cost for the period for the month of January 2019

Manufacturing cost Rs. Cost for the period Rs.

49. Write the relevant source document relevant for following purposes

	Purpose	Source document
A	Informing to purchase department that some goods should be purchased to the store	.....
B	Asking goods from the store by the required department or factory	.....
C	Asking goods from the suppliers by the purchase department	.....
D	Confirming that the store receive some goods	.....

50. Write four assumptions base when calculating economic order quantity

1.
2.
3.
4.

- ii) Stock is calculated on item method and stock as at 31/3/18 consists of 3 categories and cost and the net realizblevaues of above stock are as follows,

Category	Cost Rs. 000	NRV 000
A	4000	3800
B	3500	3600
C	500	460

How ever inventory of category C has been sold on 10/05/2018 for Rs. 450,000 due to near the expiry date.

- iii) Sales and purchases in the trial balance have been recorded inducing 15% VAT.
iv) The composition of property, plant and equipment and their accumulated depreciation as at 31/3/2018 are given below.

Description	Cost / revalued amount (Rs. 000)	Carrying amount (Rs. 000)	useful life (Years)
Land	28000	28000	-
Building	8000	6000	40
MV	10400	8400	5
Office equipment	4800	2400	8
Total	51200	44800	

Company policy is to depreciate PPE on Straight line method.

Provision for depreciation have been made for the all assets for the current financial year excluding assets acquired on leasing.

- v) The land was revalued on 31/3/2016 at the first time and there was a loss of Rs. 300,000. This land has been revalued for Rs. 28,500,000 at second time and it has not been accounted yet.
- vi) A motor vehicle which the fair value of Rs. 5400000 has been acquired on leasing on 1/4/2017. The initial payment of Rs. 1400000 has been paid on that date and it has been accounted correctly. Lease term is 4 years. The annual leasing installment of Rs. 1262000 should be paid at the end of every year on 31st of March. The first instalment paid on 31/3/2018 is included in financial expenses interest for lease installment is 10% . Useful life time is 6 years.
- vii) The receivable interest for the fixed deposit for the year ending 31/3/2018 has been recorded in the bank statement. But there is no any adjustment for that.
- viii) There is a provision for receivable Rs. 150,000 from a debtor. The court has informed that debtor has bankrupt on 10/04/2018. Whole amount cannot be recovered 10% should be provided for impairment losses on trade receivable.
- ix) The employees contribution for EPF is 10% and it has been adjusted and accounted correctly for entire year employer's contribution for EPF is 15% and ETF is 3% and above contributions are not accounted yet
- x) The company sells goods with a six month warranty period from current year. It has been reliably estimated that 2% of the sales value (excluding VAT) should be provided for this warranty
- xi) Income tax paid includes Rs. 600,000 paid for the previous year and the payments made for the first three quarters of the current year income tax liability of the last quarter of the current year was estimated as Rs. 800,000.

Required

The following financial statements (including notes) of Indunil PLC for publication as per LKAS -01 (Presentation of financial statements)

- 1) Statement of profit or loss and other comprehensive income for the year ending 31/3/2018.
- 2) Statement of changes in equity for the year ending 31/3/2018.
- 3) Statement of financial position as at 31/3/2018

(Total 20 marks)

02. A) Some information extracted from statement of financial position and income statement as at 31/3/2018 of "Nelum" Company PLC and Manel Company PLC engaging in same industry are given below.

	Nelum PLC (Rs. 000)	Manel PLC (Rs.000)
PPE	6,500	10,500
Stock	2,000	1,000
Debtors	3,000	4,000
Cash	1,000	1,000
Stated ordinary share (Consideration Per share Rs. 50)	6,000	7,000
Retained earnings	1,500	1,500
10% debentures	2,000	4,000
Creditors	3,000	4,000
Sales (All the sales are on credit basis)	12,000	14,000
Cost of sales	9,200	10,000
Operational expenses (including interest)	1,300	2,000
Income tax	300	420

Required

- 01) Calculate following ratio and categorize ratios under relevant category. (Present answers comparatively accordance with the given chart.)

		Nelum Company	Manel Company	ratio
i	Current ratio			
ii	Return on total assets			
iii	Interest coverage ratio			
iv	Earning per share			

- 02) Answer for following questions by using above calculations.

1. The company generate more earnings for shareholders
2. The company used assets, effectively
3. The company sell goods very effectively
4. The company have an ability to cover the interest.
5. The company have a good strength in short term financing

(10 marks)

B) Information relevant to receipts and issues of M₁ for the month of March 2018 is given below.

Date	Description	No. of units	Price (Rs.)
01	Balance	200	25
05	Receipts	400	30
10	Issues	400	-
15	Receipts	600	30
18	Issues	500	
20	Return inward (issued on 3/18)	100	
25	Receipts	400	40
30	Disposing damage stock	100	

Required

- 1) Prepare stock ledger as per FIFO method
- 2) Calculate the cost of goods consumed in the month of March and the cost of the closing stock as at 31/3 **(5 marks)**

C) Followings are relevant to material M₂

- Minimum consumption per week is 50 units and average consumption is 75
- Maximum lead time is 4 weeks and average lead time is 3 weeks.
- Annual demand is 30000 units.
- Ordering cost per order is Rs. 6
- Cost of a unit is Rs. 5
- Holding cost is 20% from material cost

Required

- 1) Re-order level
 - 2) Minimum stock level
 - 3) Economic order quantity (EOQ)
 - 4) Number of annual orders
 - 5) Maximum stock level
- (5 marks)**
(Total 20 marks)

03. A) Subodha retail shop was commenced on 1/4/2017. Draft financial statements have been prepared for the year ending 31/3/2018

Assets, Liabilities and retained profit as at 31/3/2018 are given below

	Rs. 000
PPE	4000
Trade receivables	240
Stock (as per stock records)	120
Cash	160
Retained earnings	940
Bank loan	170
Trade payables	380
Other payables	30

here are some errors due to not maintaining ledger accounts properly. Those were revealed later.

Missed transaction

1. Selling goods for Rs. 30,000 which the cost was Rs. 20000

2. Goods worth of Rs. 40,000 has been returned by the customer. Cost of these goods was Rs. 20,000
3. Receivable Rs. 20,000 from a debtor has been sett of with a payable amount (creditor) of Rs. 30,000 and settling remaining by cash.
4. Dishonoring a cheque of Rs. 27,000 received by a debtor. (10% has been deducted as cash discount)
5. The maintenance expense of the business is Rs. 25,000 and Rs, 20000 out of above has been settled by Subodha using his personal money and remaining has been settled by the business.
6. The telephone expense in the month of March 2018 is Rs. 15000 and only 10000 has been settled by cash
7. Paid Rs. 45000 by Subodha by his personal money to settle a creditor of the business of Rs. 50,000
8. Sold an office equipment for Rs. 50,000 which the caring amount was Rs. 40,000.

Posting Errors

9. The annual rent was decided to increased by 25% from 01/01/2018 as per rent agreement. But not considering above increment Rs. 24000 has been / paid and accounted.
10. The paid loan instilment of Rs. 30,000 including the interest of Rs. 10,000 has been deducted from the bank loan.
11. Received Rs. 25,000 received as an advance for a sales of the month of April 2018 has been recorded as sales.

Required

- 1) Show the impact of these transactions (with value) in the accounting equation and state whether each value increases (+) or decreases (-) in front of the value (Use a format similar to the one given bell)

Transactan	Assets				Liabilities			Equity	
	PPE	Inventory	Trade Receivables	Cash	Trade payable	Other payables	Bank loan	Capital	Retained Profit
1.									
2.									
.....									

- 2) Calculate the total equity as at 31/3/2018 of the business after rectifying above errors
- 3) Adjusted statement of financial position as at 31/3/2018 **(15 marks)**

- B) All the cash and cheques received in Mannapperuma business are deposited and all the payments are done by cheques. Summarized information of the transactions with the bank are given below.
1. Total of the cheques deposited in the month is Rs. 140,000
 2. Following have been given some details of the cheques deposited in the month of January and realization of those cheque.

Cheque No.	Deposited Date	Realized Date	Value
125250	2019.01.02	2019.01.20	54000
225130	2019.01.12	2019.02.01	85000
120022	2019.01.18	2019.01.28	92000
400115	2019.01.26	2019.02.15	38000

- 1/31 Paid VAT is 5000 (V. No. 029)
 1/31 Sold to Bimsara including 15% VAT sales Rs. 138,000 (in. No. 0732)

Required

- 1) Cash receipt and payment Journals and purchase and sales journals
- 2) Following ledger accounts in general ledger (cash A/C, Debtors and creditors control A/C, Vat control A/C, Purchase and sales A/C)

(10 marks)

B) Details of PPE of Samitha PLC as at 31/3/2018 are given below.

Description	Cost as at 1/4/2017 (Rs.000)	Accumulated depreciation as at 1/4/2017 (Rs. 000)	Useful life time
Building	12000	2480	50
Motor vehicle	9600	4800	6
Office equipment	4000	2000	8

Company policy is to depreciate PPE on straight line method and assume that there are no any residual values of the asset)

The changes of PPE in the year ending 31/3/2018 are given below.

1. The building which the cost was Rs 4,000,000 was completed on 1/1/2018 and started to used on that date. It was estimated that the useful life time of that building is 50 years.
2. The motor vehicle purchased on 1/10/2016 for Rs. 2,400,000 was sold for Rs. 2,000,000 on 31/12/2017
3. On 1/4/2017 it was estimated that the office equipment's can be used another 2 years.

Required

- 1) Annual depreciation of PPE for the year ending 31/3/2018
- 2) Calculate the profit or loss from disposal of motor vehicle.
- 3) The carrying amount of PPE as at 31/3/2018

(5 marks)

C) A welfare society was commenced by some youths of a village on 1/10/2017. Activities of 6 months ending 31/3/2018 and summarized constitute are given below.

Annual members subscription is Rs. 1200 and members subscription for 10 years should settled to obtain life time membership life time members subscription should be settled at once. .

1. There were 25 members as at 31/3/2018 and 5 members are life time members out of above 15 members have paid cash for a year and 5 members have paid only for 6 months.
2. Life time members subscription should be recognized within 10 years from the receipt.
3. A building has been rented on 1/10/2017, annual rent expense is Rs. 12000 only 10000 has been paid on that date.
4. Some office equipments worth of Rs. 40000 received as donation on 1/1/2017. Donations should be recognized as an income within 5 years further office equipments should be depreciated 10% on straight line method.
5. Stationary worth of Rs. 6000 have been purchased and used only Rs. 4000 within 6 months.

Required

- 1) Cash account for the six months ended on 31/3/2018
- 2) Income statement for the six months ended on 31/3/2018

(5 marks)

(Total marks 20)

05. A) Priyan who was acted as a manager of the partnership business continued by Dayan and Gayan sharing profits and losses at 5:3 for 1/5 of equity was admitted as a new partner on 01/04/2017. The good will was estimated as Rs. 320,000 on this date and decided to adjust through capital accounts. Rs. 640000 was brought as capital and good will by cash by Priyan. Priyan invested his own MV worth of Rs. 2,500,000. There is no any entry recorded about the new arrival. As per new agreement.
- Partners are entitled to an interest of 10% for capital account balances
 - Rs. 20000 for Priyan and Rs. 8000 to Dayan and Rs. 8000 to Gayan should be settled as partners salaries
 - Let to withdraw up to Rs. 20000 without any interest.

	Dr	Cr
	(Rs. 000)	(Rs.000)
PPE (carrying amount)	8000	
Current assets	2575	
Net profit		990
Current liabilities		474
Capital account as at 1/4/17 – Dayan		4560
- Gayan		3576
Current account as at 1/4/17 –Dayan		500
- Gayan		300
Loan A/C		200
Drawings – Gayan	15	
-Priyan	10	
	10600	10600

Adjustment should be done to rectify following errors.

- The total of the purchase journal of Rs. 10,000 in the month of March has not posted to ledger account.
- The balance of the return outward account of Rs. 15,000 has been considered as return in word.
- All the partners have taken their salaries for six months by cash and it has been recorded in wages account.
- Motors vehicles are depreciated 10% per annum on straight line method and depreciation have not been adjusted for the motor vehicle brought by Priyan.
- Interest have not been adjusted for the loan obtained by Gayan on 1/10/2017.
- The annual revenue license fee of Rs. 15,000 of the motor vehicle invested by Priyan has been paid by Priyan and there is no any entry.

Required

Following statements for the year ending 31/3/2018.

- Statement of rectify net profit
- Profit and loss appropriation statement
- Current accounts of the partners
- Capital accounts of the partners. **(10 marks)**

- B) Chamara's business which engage in furniture buying and selling business has been registered for VAT. 15% VAT is included in sales. The balance of the debtors control account as at 1/3/2018 was Rs. 600,000. The debtors information for the month ending 31/3/2018 is given below.

Description	(Rs.000)
Total of the sales journal (including VAT)	1725
Total of the return inward journal (including VAT)	184
Total of the discount allowed	60
Total of the receipt from debtors	900
Bad debts	15

Followings were revealed later

1. Sales to Amal for Rs. 115,000 is not include in the prime entry book.
2. Not recording a return inward of Rs. 23000 from Bimal to his account.
3. The total of the sales journal in the month of March has been recorded in the debtors control account as Rs. 725,000.
4. Discount allowed in the month of March has been recorded in the debit side of the creditors control account.
5. Recording a sales of a furniture to Emal which the caring amount of Rs. 250,000 in the sales Journal .
6. Recording sales of Rs. 15,000 to Dimal to Emal's account.
7. A set off amount of Rs. 10,000 among sales and purchase ledger has not been recorded in the control account.
8. Received Rs. 15000 from Chamal has been recorded in debit side of Chamal's account.

Required

Followings for the year ending 31/3/2018

- 1) Journal entries to rectify errors
- 2) Adjusted debtors control account
- 3) The statement to reconcile the balance of the debtors list with control account.

(10 marks)

(Total 20 marks)

06. A) Following have been given the statement of financial position as at 31/3/2018 and 2017 and the statement of profit or loss for the year ending 31/3/2018 are given below.

Statement of Financial Position

	as at 31/3/2017	as at 31/3/2018
Stated capital ordinary shares (50 per share)	3000	5000
General reserve	250	300
Retained profit	2250	2000
Bank loan	2600	2000

Trade payables	800	2000
Accrued interest	100	
Accrued tax	50	100
	<u>9050</u>	<u>11400</u>
Carrying amount of PPE	8000	10200
Stock	200	400
Trade receivables	500	1000
Three months treasury bills		50
Cash	350	(250)
	<u>9050</u>	<u>11400</u>

Statement of profit or loss

	Rs. 000
Sales	8000
Cost of Sales	(6000)
Gross profit	2000
Other income	100
	2100
Operational expenses	(600)
Depreciation	(300)
Interest	(200)
Profit before tax	1000
Income tax	(300)
Profit for the period	700

Additional Information

1. It was decided to issue one ordinary share for each 2 ordinary shares as at 1/4/2017 as a right issue
2. A machinery has been acquired for 4,000,000 and a machinery has been sold within the period.
3. The profit from selling motor vehicle has been recorded as other income.
4. On 31/3/2018 one ordinary share has been issued for every 9 ordinary shares at that date by capitalizing retained profit.
5. An interim dividend has been settled for ordinary shares.

Required

Prepare the cash flow statement for the year ending 31/3/2018 as per LKAS 7

(15 marks)

- B) Following information extracted from "Sisila Yoghurt" manufacturing business for the year ending 31/3/2018

	Rs.000
Stock as at 1/3/2018	
Raw material (2000) litres)	190
Wip	220
Raw material purchases (22000 Litre)	22000
Direct labour	40
Factory rent and insurance	84
Factory supervisors salary	30
Factory Electricity	27
Rates	15
Indirect Material	35

Additional Information (Rs 000)

1. Inventory as at 31/3/2018

- Raw material (1490 litres)	149
- WIP	50
2. It was estimated that abnormal wastage is Rs. 250,000 (2500 liters) and the normal wastage is Rs. 1000 (10 litres)
3. 10 yoghurts can be produced by 01 litre and expense for empty printed yogurt cup is Rs. 3.
4. Cost of the machinery used to produce yoghurt is Rs. 960,000 and machineries are depreciated 10% on straight line method.

Required

- 1) Cost sheet of "Sisila Yoghurt" for the month ending 31/3/2018
- 2) Cost of a Yoghurt

(5 marks)
(Total 20 marks)