



G.C.E.(Advancedlevel) support seminar 2013

Accounting I

Time: 2 Hours

All Right Reseved

Prepared by : Under the direction of Ministry of Education Commerce and Business Studies Branch
Instructions :-

Answer all questions in Part 1 on the question paper itself

- Qualitative characteristics of financial statements are
 - Accrual, relevancy, reliability and impartiality.
 - Relevancy, reliability, impartiality, and consistency
 - Timeliness, Comparability, reliability, and consistency.
 - Relevance, reliability, comparability , and understandability.
 - Understandability, timeliness, relevance and comparability.
- what is the correct equation that can be used for calculating total comprehensive Income?
 - Closing equity + opening equity –dividends- increase in the stated capital.
 - Closing equity –opening equity+dividends- increase in the stated capital.
 - Opening equity– closing equity –dividends+increase in the stated capital.
 - Opening equity – closing equity +dividends+ increase in the stated capital.
 - Closing equity – opening equity– dividends +increase in the stated capital.
- The effects of transactions for the period of 02.01.2013 to 05.01.2013 have been given in the basic accounting equation as shown below'

| Date | Assets (Rs) | Equity (Rs) | Liabilities (Rs) |
|--------------------------|-------------------|-------------|------------------|
| Balance as at 2013.01.01 | 500 000 | 350 000 | 150 000 |
| 2013.01.02 Transaction 1 | -75 000 60 000 | -15 000 | |
| 2013.01.03 Transaction 2 | -8 000 | -12 000 | 4 000 |
| 2013.01.04 Transaction 3 | | 9 000 | -9 000 |
| 2013.01.05 Transaction 4 | -18 000 | 2 000 | -20 000 |

The transaction done on 2013.01.04 will not affect the income statement. What would be the net profit or net loss & the equity at the end of the transactions done for the period from of 2013.01.02 to 2013.01.05

| | Net Profit/ Loss generated | Equity (Rs) |
|-----|----------------------------|-------------|
| (1) | -25 000 | 334 000 |
| (2) | 16 000 | 334 000 |
| (3) | -25 000 | 464 000 |
| (4) | -16 000 | 464 000 |
| (5) | 25 000 | 325 000 |

- Accounts such as sales, return inwards, prereceived rent and cash at bank can be categorized respectively as
 - As income, Assets, Liabilities, Liabilities .
 - Assets, As income, As income, Liabilities .
 - As income, Assets, Liabilities, Assets.
 - As income, As income, Assets, Liabilities .
 - As income, As income, Liabilities, Assets.

Use the following information to answer question number 5 and 6.

Jayamal who conducts a trading business purchased Rs 300 000 worth goods subjected to a trade discount of 20%. Later, he was also given a cash discount of 10% when he paid cash.

5. what is the value that should be shown in the purchases account ?
- (1) Rs 135 000
 - (2) Rs 216 000
 - (3) Rs 240 000
 - (4) Rs 260 000
 - (5) Rs 270 000
6. What is the value which should be shown in the discounts account in relation to this transaction
- (1) Rs 12 000
 - (2) Rs 24 000
 - (3) Rs 28 000
 - (4) Rs 30 000
 - (5) Rs 60 000
7. Jayantha sold a stock of goods to Susantha for credit. A part of this stock were returned to Jayantha since they did not in comply with the requirements of Susantha. Jayantha accepted the return. Susantha has given a cheque to Jayantha to settle trade credit. What is the answer which denotes the source documents respectively, which will be used to record these transactions in Jayantha's books.
- (1) Invoice, Credit note and Receipt.
 - (2) Receipt, Credit note and Counterfoil
 - (3) Invoice, Credit note and Voucher.
 - (4) Invoice, Debit note and Voucher .
 - (5) Goods received note, Debit note and Voucher .

8. The following details have been presented according to the petty cash book of the business of **Vimukthi**.

The policy of the business is to reimburse the expenditure of each month on the first date of the next month.

The balance of the petty cash book as at 01.03.2013 is Rs 450

Receipts of petty cash reimbursements as at 01.03.2013 is Rs 2550

| | Travelling expenses (Rs) | Expenses for stationary (Rs) | Postage (Rs) | Miscellaneous expenses (Rs) |
|------------|--------------------------|------------------------------|--------------|-----------------------------|
| March 2013 | 420 | 560 | 250 | 1300 |
| April 2013 | 580 | 700 | 190 | 1375 |

Balance of the petty cash book as at 31.03.2013 and the amount of petty cash reimbursement on 01.05.2013 are depicted respectively in

| | <u>Balance of the petty cash book</u> as at 31.03.2013 (Rs) | <u>Amount reimbursed</u> as at 01.05.2013 (Rs) |
|-----|--|---|
| (1) | 155 | 2 530 |
| (2) | 155 | 2 845 |
| (3) | 470 | 2 530 |
| (4) | 470 | 2 845 |
| (5) | 625 | 5 375 |

The following details should be taken into consideration in answering question numbers 9 & 10.

Details of a business which manufactures and market furniture have been given below for the final quarter which came to an end from 31.03.2013

| | Rs |
|----------------------------|---------|
| Purchase of timber | 225 000 |
| Electricity and power | 30 000 |
| Machinery (cost) | 120 000 |
| Carriage inwards of timber | 40 000 |
| Factory rent | 18 000 |
| As at 31.03.2013 | 65 000 |
| Wages for carpenters | 349 000 |

- Annual depreciation for machinery on cost is 10%
- 200 tables have been manufactured and 150 of them have been sold within the relevant time period.

9. What is the conversion cost that should be included in the stock as at 31.03.2013?

- (1) Rs 100 000
- (2) Rs 200 000
- (3) Rs 300 000
- (4) Rs 400 000
- (5) Rs 600 000

10. What is the cost of the stock as at 31.03.2013?

- (1) Rs 100 000
- (2) Rs 150 000
- (3) Rs 200 000
- (4) Rs 300 000
- (5) Rs 600 000

11. An enterprise purchased a machine for Rs 80 000 on 01.04.2008 and it is to be depreciated 10% annually. The useful life time of the machine was reviewed on 01.04.2011 and the life time of the machine as at 01.04.2011 was estimated as 4 years. Accordingly the depreciation for the year 2011/2012 would be

- (1) Rs 8 000.
- (2) Rs 14 000.
- (3) Rs 16 000.
- (4) Rs 24 000.
- (5) Rs 32 000.

12. "Lion" company purchased a machine from Japan for packing spices in packets and the expenses in relation to this purchase is given below.

| | Rs |
|-------------------------------|---------|
| Purchase price of the machine | 400 000 |
| Tariff | 22 000 |
| Transport expenses - ship | 36 000 |
| - lorry | 16 000 |
| for installation | 12 000 |
| for maintenance/day | 10 000 |

Rs 8 000 was incurred for reinstalling the machine as it had not been installed properly and the production loss (value of damaged goods) due to improper installation was Rs 25 000. Accordingly, the cost of the machine is

- (1) Rs 422 000 .
- (2) Rs 434 000 .
- (3) Rs 486 000 .
- (4) Rs 492 000 .
- (5) Rs 519 000.

13. When comparing the balance of the creditors control account with the creditors list of balances, there was a difference between these balances. The following errors were disclosed at this point

- Payments creditors has been over valued by Rs.4000 in the ledger
- The balance of a creditor's personal account of Rs.1000 has been omitted from the creditors list of balances

Out of the following what would be the adjustment to rectify these errors

| | <u>Creditor control Account</u> | <u>Cash Account</u> | <u>Creditor's list</u> |
|-----|---------------------------------|---------------------|------------------------|
| (1) | Debiting Rs 4 000 | Crediting Rs 4 000 | Adding Rs 1000 |
| (2) | Crediting Rs 4 000 | Debiting Rs 4 000 | Deducting Rs 1000 |
| (3) | Crediting Rs 4 000 | Debiting Rs 4 000 | Adding Rs 1000 |
| (4) | Crediting Rs 4 000 | Crediting Rs 4 000 | Deducting Rs1000 |
| (5) | Crediting Rs 4 000 | Debiting Rs 4 000 | No change |

14. Kaniska started a firm on 01.01.2013 utilizing Rs 400 000 cash & a private building worth of Rs 200 000 During the final quarter which came to an end from 31.03.2013 She has taken Rs 5 000 from the business at each month for her personal use & also she has paid her income tax of Rs 8 000 for the quarter using cash of the business. She has invested Rs 40 000 in business activities out of Rs 50 000 She had won from a lottery draw The capital as at 31.03.2013 is Rs 675 000.

The net profit or net loss that was earned during the quarter ended 31.03.2013 would be.

- (1) A net profit of Rs 48 000
- (2) A net profit of Rs 58 000
- (3) A net profit of Rs 75 000
- (4) A net profit of Rs 92 000
- (5) A net profit of Rs 92 000

15. SahanAbenayake has prepared the general ledger while maintaining control accounts & there by the trial balance has been prepared. The trial balance didn't agree and the following errors and omissions have been detected.

- (I) The total of the purchases journal has been undervalued by Rs. 1000
- (II) Rs 4 000 received rent has been correctly recorded in the cash book, but the other entry has been kept as paid rent.
- (III) The cheque 8 600 which was received from debtors and deposited in the bank has been dishonoured. It has been correctly recorded in the bank account, but being recorded as Rs. 6800 on the wrong side of the debtors control accounts

If the difference of the trial balance prepared with these errors were recroded in the suspense Account, the balance of the suspense Account would be

- (1) A debit balance of Rs 2 300.
- (2) A credit balance of Rs 3 200.
- (3) A debit balance of Rs 6 400.
- (4) A credit balance of Rs 6 400.
- (5) A debit balance of Rs 7 400.

- 16 Balances of Dinum sports society as at 01.04.2012 are as follows

| | Rs | | Rs |
|----------------------------|----------------|-----------------|----------------|
| Arrears of membership fees | 9 000 | Buildings Fund | 120 000 |
| Cash | 141 000 | cumulative Fund | 230 000 |
| Buildings | <u>200 000</u> | | |
| | <u>350 000</u> | | <u>350 000</u> |

A part of the building was constructed spending Rs 80 000 from the buildings fund on 15.04.2012. What would be the values after making the relevant adjustments in relation to this event

| | Cumulative fund | BuildingsFund | Buildings | cash |
|-----|-----------------|---------------|-----------|---------|
| (1) | 230 000 | 40 000 | 200 000 | 221 000 |
| (2) | 230 000 | 40 000 | 280 000 | 121 000 |
| (3) | 230 000 | 120 000 | 200 000 | 141 000 |
| (4) | 230 000 | 280 000 | 80 000 | 140 000 |
| (5) | 310 000 | 40 000 | 280 000 | 61 000 |

17. Leela and Neela conducted a partnership by sharing profits equally. Mala joined this partnership on 30th sep 2010 having agreed to obtain 1/3 of the profit and for a wage of Rs 20 000. The net profit earned steadily during the year ended uniformly on 31st March 2011 was Rs 12 000 000. The Income earned by Leela and Mala from the partnership for the year ended on the 31.03.2011 would be

| | Lila(Rs) | Mala (Rs) |
|-----|----------|-----------|
| (1) | 160 000 | 200 000 |
| (2) | 300 000 | 160 000 |
| (3) | 360 000 | 460 000 |
| (4) | 460 000 | 160 000 |
| (5) | 460 000 | 280 000 |

18. Anidu and Janidu conduct a partnership by the name of AJ Enterprises and its details are as follows. Annual interest on capital is 12% and monthly salary is Rs 10 000 each. Profit and loss ratio is 3:2 respectively. Profit of April 2012 is Rs 100 000. Other Information

| | Anidu(Rs) | Janidu (Rs) |
|---|----------------|----------------|
| Capital Account as at 01.04.2012 | 400 000 | 600 000 |
| Current Account as at 01.04.2012 | 40 000(Credit) | 10 000 (Debit) |
| Drawings within the month of April 2012 | 8 000 | 2 000 |

According to the above information what is the answer that correctly indicates the current account balances of Anidu and Janidu at the end of April.

| | Anidhu (Rs) | Janidhu (Rs) |
|-----|-----------------|-----------------|
| (1) | 32 000 (Credit) | 88 000 (Credit) |
| (2) | 42 000 (Credit) | 28 000 (Credit) |
| (3) | 54 000 (Credit) | 26 000 (Credit) |
| (4) | 80 000 (Credit) | 30 000 (Credit) |
| (5) | 88 000 (Credit) | 32 000 (Credit) |

19. Hansalee and Aneesha are partners. The net profit of the year ended on 30.06.2013 before deducting the loan interest is Rs 83 000. The following information has been given..

| As at 01.01.2013 | Hansalee (Rs) | Aneesha (Rs) |
|--------------------------------|---------------|--------------|
| Total equity | 670 000 | 450 000 |
| Balance of the capital Account | 600 000 | 500 000 |
| Amount of credit(credit) | | 120 000 |
| Drawings | 20 000 | 16 000 |

Loan interest is accrued.

What are the current account balances of the partners as at 30.06.2013 according to the above information.

| | Hansalee (Rs) | Aneesha (Rs) |
|-----|---------------|-----------------|
| (1) | 70 000 | (50 000)Debits. |
| (2) | 90 000 | (23 000)Debits. |
| (3) | 110 000 | (10 000)Debits. |
| (4) | 110 000 | (26 000)Debits. |
| (5) | 640 000 | 460 000. |

20. The following features were observed regarding a certain incident which prevailed even by the time of the last day of an accounting year of a Limited company.

- An obligation existing currently as a result of a past incident.
- There is a tendency for out flow of assets to settle it.
- The amount of the obligation can be fairly estimated.

The above incident can be identified?

- As a liability
- As a provision.
- As an estimation
- As an obligation on agreement
- As a contingent liability

21. Several statements regarding lease has been given below.
- A. Risk and benefits will be gained by the leasee
 - B. The ownership of the asset may be transferred to the leasee at the end of the tenure of lease
 - C. Economic life time of the asset can be almost similar to the tenure of the lease.

The statement or statements that indicates about financial leasing would be

- (1) Only A .
- (2) Only B.
- (3) Only A and B.
- (4) Only B and C.
- (5) All A, B and C .

22. Reducing balance method which was used as the method of depreciating machines of a company has been changed into straight line method for the year ended on 31.03.2013. The method of accounting that should be followed in regard to the above change is,

- (1) Restating retrospectively.
- (2) Keeping accounts retrospectively.
- (3) Keeping accounts to affect only the coming years.
- (4) Disclosing the effect for the current year and previous years.
- (5) Keeping accounts to affect the current year and previous years.

23. several statements regarding the issue of bonus shares have been given below..

- A. Equity of share holders will increase.
- B. No change in the financial positions.
- C. Cash inflows to the business.

The correct statement /statements from the above ones would be.

- (1) Only A.
- (2) Only B.
- (3) Only C.
- (4) Only A and B.
- (5) All A, B and C.

24. Details of dividends related to the year ended on 31.03.2013 of a limited company are as follows.

- A. Dividends paid - ordinary shares Rs 300 000
Preference shares Rs 150 000
- B. Total amount of dividends related to a year for preference shares is Rs 200 000.
- C. Resolution have been passed to pay a final dividend of Rs 100 000 for ordinary shares also to pay the balance of dividends for preference shares. What is the correct way dividends would be shown in the financial statements.

| | Statement of changes in equity (Rs) | Current liabilities in the balance sheet (Rs) |
|-----|--|--|
| (1) | 450 000 | 50 000 |
| (2) | 450 000 | 150 000 |
| (3) | 500 000 | 50 000 |
| (4) | 500 000 | 150 000 |
| (5) | 600 000 | 150 000 |

25. How much out of the sale value of a rupee is claimed for the profit of share holders can be computed from this ratio

- (1) Gross profit margin Ratio
- (2) Net profit margin Ratio
- (3) Assets turnover Ratio
- (4) Return on stock holders equity ratio
- (5) Return on total assets ratio.

26. following are some interpretation on financial reports according to financial stability ratios

- A- The debt ratio calculates the percentage of debt capital out of the total capital of a business.
- B- Debt capital being lower than the equity capital is a high gearing situation.
- C- If the interest coverage ratio is a low value, the security of creditors will be ensured.

Which of the above statement or statement gives an accurate interpretation

- (1) Only A .
- (2) Only B .
- (3) Only A and B .
- (4) Only A and C .
- (5) Only B and C .

27. The source document which records the time incurred for tasks performed by a group of employees & the cost relevant to these tasks would be

- (1) Daily time sheet
- (2) Job ticket
- (3) Job cost sheet
- (4) Piece work ticket.
- (5) Idle time card.

28. A company purchases materials called RG for their production. During the first six (6) months of the accounting year, 500 units were purchased where one unit cost Rs 50. From thereon they have purchased 500 units each with a price increase of Rs 5 for an unit at each month. 400 units of material have been issued for production at each month. The company issues stocks according to the FIFO method.

What would be the value of the balance stock at the end of the year in the stores?

- (1) Rs 60 000 .
- (2) Rs 66 500 .
- (3) Rs 70 500 .
- (4) Rs 91 500 .
- (5) Rs 96 000 .

29. What is the document prepared by various production & service divisions of a firm requesting required materials for their divisions.

- (1) price inquiry.
- (2) Invoice.
- (3) Purchases order.
- (4) Material requisition note.
- (5) Purchases requisition note.

30. Namal pays salaries to the two employees of his production firm based on the number units produced

- The no of units an employee should complete in 8 hours is 50
- Payments per units is Rs 20.
- Payment per each unit that exceeds the production.
- No of units produced by X within 8 hours is 60.
- No of units produced by Y within 8 hours is 48.

The salary cost paid by the two employees of the institution enterprise within 8 hours is the cost of salaries paid to the two employees for duration of 8 hours would be

- (1) Rs 2 160 .
- (2) Rs 2 200 .
- (3) Rs 2 210 .
- (4) Rs 2 460 .
- (5) Rs 2 500 .

31. Balance of the debtors control account and the total of the debtors listin the private ledger of SunimalCompany Ltd. is presented by following comparison statement.

| | Rs |
|--|----------------|
| Balance of the control account | 650 670 |
| Invoiceommitted from the sales day-book | <u>35 240</u> |
| | 685 910 |
| Discounts omitted from a private account | (15 400) |
| Bad debts omitted from the control account | <u>(7 220)</u> |
| Total of balance of the private ledger | <u>663 290</u> |

What is the amount that should be indicated as trade debtors in the balance sheet of Sunimal company Ltd.?Rs.....

32. The adjusted bank account of Angeesha Enterprises as at 31.03.2013 shows a credit balance of Rs 15600. When compared with the bank statement sent by the bank for the month of March,the following details were disclosed.

- i. Only a cheque of the Rs 20 000 has been cleared out ofRs 28 000 chequessent to be deposited in the month of March.
- ii. Direct remittance from debtors Rs 8 000 & 3000 investment income isn'trecorded in the bank account of the business.
- iii. Cheque of Rs 9 400 issued within the month of March Was not presented to be encashed by 31.03.2013
- iv. Rs 2 000 bank charges recorded in the bank account of the business

(1)Balance of the bank account of the enterprise as at 01.03.2013 is Rs.....

(2)Balance appeared in the bank statement as at 01.03.2013.....

33. Write a similarity and a difference between the cash book and the cash flow statement..

- (1)Similarity.....
-
- (2)Difference.....
-
-

34. Indicate the two basic assumptions in effect when preparing financial statements asstated by the accounting standards

(1).....

(2).....

35. Define the following according to the Sri Lanka Accounting standards.

(I) Depreciable of an asset.....

.....

(II) Fair value of an asset.....

.....

36. Details regarding the interest of a business where the Accounting year ends on 31.03.2013 are given below.

| | Rs |
|---|--------|
| Accrred..... as at 01.04.2012 | 20 000 |
| Accrred..... as at 31.03.2013 | 30 000 |
| The amount deducted in the income Statement | 90 000 |
| According to this information, what is the amount of interest paid in cash within the year..... | |

37. The following information is about Hansalee Enterprise.

| | (Rs) |
|---|---------|
| Cost of sales | 600 000 |
| Cash sales | 450 000 |
| Debtors balance as at 01.04.2013 | 45 000 |
| | 15 000 |
| Receipts from debtors after to deducting 10% discount | 225 000 |

- Gross profit margin is 20% of sales.
- The accounting period ends on 30.06.2013

Calculate the following

- (1) Balance of debtors as at 31.03.2013.....
 (II) Gross profit for the period Rs.....

38.

| | Rs |
|--|--------|
| Membership fees in arrears- as at 01.04.2012 | 9 000 |
| as at 31.03.2013 | 7 200 |
| Membership fees received in advance as at 31.03.2013 | 6 000 |
| Annual membership fees | 45 000 |

What is the amount of cash received as membership fees during the time period: -Rs.....

Jagath company Ltd accured a machine on 01.01.2012 undera lease agreement which it'sfair value was Rs of 1 200 000

- A. Effective life time of the machine is 5 years.
- B. Tenureof the lease is 4 years.
- C. Basic deposit is Rs 200 000
- D. The balance has to be paid in four annual installments amounting to Rs 300 000 each and the lease Interest included in the firstinstallmentwas Rs 80 000 and the lease interest included in the second installment was Rs 60 000
- E. Jagath Company prepares their accounts for at 31.12 in every year and the basic deposit and the first installment has been paid.
 - (1) The value that should be identified as an asset in the balance sheet as at 01.01.2012 by Jagath company is Rs.....
 - (2) The value that should be depreciated annually is Rs.....
 - (3) The value that should be stated as a non current liability is Rs.....
 - (4) The value that should be stated as a current liability is Rs.....

40. The Accounting year of a Company ends on 31. 03. 2013 A bank loan amounting to Rs 1 200 000 obtained on 01. 01. 2013 should be repaid in 60 equal monthly installments. The company pays the relevant installment due for a certain month in the first week of the following month. What is the manner of recording this loan as current & non – current liabilities in the statement of financial position as at 31.03.2013

- (1) Non- current liabilities Rs.....
- (2) Current liabilities Rs.....

41. A company issued 32 000 preference shares for obtaining a consideration of Rs 800 000. Applications for 40000 shares were received by the time of the final date. Shares were allotted proportionally & the cash for excess applications received were sent bank.

Record the above information in a preference shares issue account

| Debit | Preference shares issue account | | Credit |
|-------|---------------------------------|--|--------|
| | | | |

42. Stated capital of a limited company as at 01.04.2013 is Rs.1 000 000 ordinary shares. Number of shares are 40000. The general reserve on this date Rs 20 000 was totally used to issue bonus shares of Rs 25 each. What would be the amount of bonus shares gained by Mr. Ravichandra who owned 1200 shares on this date

43. Following are some details/ information pertaining to years 2011/ 2012 and 2012/2013. Of Naotunna (PLC) Ltd initiated on 01.04.2011 with and ordinary share capital of Rs 200 million

| | 2011/2012 | 2012/2013 |
|--|-----------|-----------|
| | Rs | Rs |
| Total assets as at 31.03 | 280 | 500 |
| Total income | 600 | 880 |
| Total expenditure excluding income tax | 640 | 700 |
| Income tax | - | 36 |
| Paid dividends | - | 20 |

Calculate the followings items

- (i) Total liabilities as at 31. 03. 2012
- (ii) Equity Capital as at 31. 03. 2013

44. State two advantages in paying salaries on time basis and in paying salaries on out put basis respectively

on time basis

1.....

2.....

on output basis

1.....

2.....

45. Following are the extracts from the stores ledger of Nanic Company Ltd

| Receipts | | |
|-----------------|-------------|-----------------|
| Date | No of units | Price of a unit |
| 2013/2/5 | 1400 | Rs 10 |
| 2013/2/12 | 500 | Rs 12 |
| 2013/2/20 | 1000 | Rs 15 |
| 2013/2/25 | 1500 | Rs 20 |

| Stock Issues | Units |
|--------------|-------|
| 2013/1/18 | 900 |
| 2013/1/26 | 800 |
| 2013/1/27 | 1000 |

If the stores ledger is prepared when the company issues stocks according to first in first out (FIFO) system, the value of the stock on 27.01.2013 is

46. State two assumptions used for the cost, volume, profit analysis

.....

47. In an enterprise that produces a single type of goods, when the number of units is 5000 the total sales value is Rs 250 000. Contribution sales ratio is 30%. How much is the variable cost of one unit?.....

48. Following information is relevant to four companies.

| Company | Fixed Unit (Rs) | No. of Sales units (Rs) | Variable Cost of a Units (Rs) | Unit Contribution (Rs) | Break even Units | Profit/Loss (Rs) |
|---------|-----------------|-------------------------|-------------------------------|------------------------|------------------|------------------|
| E | 5 000 | 1 000 | 5 | (A) | 1 000 | 0 |
| F | 14 000 | 4 000 | 3 | 7 | (B) | 14 000 |
| G | 32 000 | (C) | 6 | 8 | 4 000 | (8 000) |
| H | 21 000 | 10 000 | 4 | 3 | 7 000 | (D) |

State the values relevant to the letters given above

- (A)
- (B)
- (C)
- (D)

49. Pasan Company Ltd is considering of an investment of a new machine

- Purchasing cost Rs 500 000.
- Fixing cost of the machine is Rs 60 000.
Carraige inwards Rs 40 000.
- Useful Lifetime is 5 years.
- The payback period is expected to be 3 years of equal annual installments.
- Annual operational expenses excluding depreciation is estimated to be Rs 50 000.

- (1) Net Cash flows 5 of the first year Rs.....
- (2) Increase in profit in the first year Rs.....

50. The expected financial value to be invested in a machine by a company is Rs 300 000. Following are the estimated data relevant to the investments.

| Year | 1 | 2 | 3 | 4 |
|-----------------------------|--------|---------|---------|---------|
| Net cash flows (Rs) | 90 000 | 120 000 | 180 000 | 150 000 |
| Net profit after taxes (Rs) | 40 000 | 60 000 | 80 000 | 60 000 |

- (1) Return on investment ratio of the machine as a percentage.....
- (2) Payback period of the machine
