

## G.C.E. (A/L) Support Seminar - 2015

**33 - Accounting I**

**Two hours**

**Instruction :**

- ★ Select the correct answers for question No 1 - 30 and write its number on the dotted line
- ★ Write short answers for Question No 31 - 50 on the dotted line

01. Kavindu traders paid a bank loan installment of Rs.55000 which includes an interest of Rs.5000. What is the effect to the accounting equations elements of this transaction?

Liabilities	Equity	
(1) Decrease by Rs. 5 000	Increase by Rs. 5 000	
(2) Decrease by Rs.50 000	Decrease by Rs. 5 000	
(3) Decrease by Rs.55 000	Increase by Rs. 55 000	
(4) Decrease by Rs.55 000	Decrease by rs. 55 000	
(5) Decrease by Rs.60 000	Decrease by Rs.60 000	(.....)

02. Transaction was effected to the elements of accounting equation as follows

Assets	-	Decrease inventories by Rs.12 000
Assets	-	Increase office equipment by Rs.12 000

What is the statement best describes above transaction?

1. Rs.12 000 worth of inventories consumed as office expenses
  2. Recording return inwards of Rs 000 to stores from the show room
  3. Trade stock of Rs 12 000 classifies as a office equipment
  4. Rectifying the error of recording an inventory item of Rs 12 000 in the office equipment account
  5. Purchases of office equipment of Rs.12000 sales of a stock for costing 12000 on cash
- (.....)

03. Prime entry books are in columns X and source documents is in columns Y

X	Y
1. Cash book	A Invoice
2. Purchase Journal	B Journal Voucher
3. The General Journal	C Debit Note
4. Return Inward Journal	D Voucher
5. Return outward Journal	E Credit Note

What is the correct answer for adjusting column X source documents to column Y prime entries books?

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

04. Which of the following error is revealed from a trial balance?

- (1) Cash Purchase of Rs.15 000 was omitted from books of accounts
  - (2) Discount received of Rs. 4 000 has been credit to discount allowed account
  - (3) Machinery repair expenses of Rs.25 000 has been debited to the machinery account
  - (4) Return inwards of Rs.5 000 has been Credited to the return outwards account
  - (5) A sale invoice of Rs.13 000 has been recorded in sales journal as Rs.31 000
- (.....)

05. Following information related to the credit sales for the month of March 2015

Debtor	List Price (Rs.000)	Trade Discount	Date of Receivable	Received Date
Hasitha	1000	10%	15 <sup>th</sup> March	12 <sup>th</sup> March
Sisitha	4000	5%	20 <sup>th</sup> March	25 <sup>th</sup> March

If debtor settle their due before or on date of payable entitled on a 5% cash discount

What is the journal entry record the discount allowed to debtor?

- (1) Discount allowed Dr 45 000, Debtor control account Cr 45 000
- (2) Discount allowed account Dr 45 000, Cash account Cr 45 000
- (3) Discount allowed account Dr 50 000, Debtor control account Cr 50 000
- (4) Discount allowed account Dr 235 000, Debtor control account Cr 35 000
- (5) Discount allowed Dr 235 000; Cash account Cr 235 000 (.....)

06. Which of the following accounting concept / concepts provides basis to consider realized but un earned income as liability?

- A – Substance over form      B – Accrual      C – Matching      D – Realization
- (1) A only      (2) B only      (3) C only      (4) B and C only      (5) B and D only (.....)

07. Which of the following situation is related with concepts of accrual, periodic and realization?

- (1) Provision for doubtful debts
- (2) Adjustment entries made at end of period
- (3) Deducting closing stock in calculating cost of sales
- (4) Credit sales recognized as an income for the period
- (5) Carry forward balance of assets and liabilities account at end of the period (.....)

08. Information of financial statements represents faithful representation when they are/have

- (1) Complete, neutral and free from errors
- (2) Verifiability and timelines
- (3) Timeliness, understandability and relevance
- (4) Verifiability, Timeliness and free from errors
- (5) Comparability and verifiability (.....)

09. Which of the following statement is **true**?

- (1) A debtor account can not a credit balance
- (2) All sales record in sales journal
- (3) The total of sales journal records in debtor control account
- (4) Control accounts are held for every debtors
- (5) Debtor control account balance is at ways agreed with balance of debtor ledge (.....)

10. Received a cheque of Rs.48000 from a debtor to settle due balance of Rs.50 000 and it was deposited in the bank account later bank informed that his cheque was dishonored.

What is the correct double entry to record the dishonor cheque

1. Debtor account      Dr48 000  
    Bank account      Cr 48 000
2. Bank account      Dr 48 000  
    Debtor account      Cr 48 000
3. Bank account      Dr 50 000  
    Debtor account      Cr 50 000
4. Bank account      Dr 48 000  
    Suspense account      Dr 2 000  
    Bank account      Cr 50 000
5. Debtor account      Dr 50 000  
    Bank account      Cr 48 000  
    Suspense account      Cr 2 000 (.....)

11. Nishal carries a manufacturing organization and a show room in separately. The showroom caught a fire on 31.03.2015 and the entire stock was destroyed. The following were received in books of accounts.

	Material (Rs)	Finish goods (Rs)
Inventory as at 01.04.2014	100 000	200 000
Purchase of material	420 000	-
Material as at 31.03.2015	50 000	-

- \* Total manufacturing cost for the period except direct material cost was Rs. 180 000.
- \* Total sales income was Rs.900 000
- \* Goods are sold on 20% profit in cost of sales

Total manufacturing cost and mark up value of destroyed stock respectively are :

- (1) Rs.650 000 and Rs. 50 000
- (2) Rs.650 000 and Rs. 100 000
- (3) Rs.650 000 and Rs.130 000
- (4) Rs.700 000 and Rs. 130 000
- (5) Rs.700 000 and Rs.100 000 (.....)

**▲ Use the following information for answer questions No 12 and 13**

Ashoka Plc revalued a lorry value for Rs. 3 000 000 on 31.03.2015 which purchased for Rs.2 700 000 on 30.09.2012

- At the date of acquisition
- It was estimated useful life as 13 years and residual value as Rs.100 000
- Accounting year ended 31st March

12. The depreciation value to be recognized to the income statement of profit or loss and other comprehensive for year ended 31.03.2015

- (1) Rs. 200 000
- (2) Rs.223 000
- (3) Rs.300 000
- (4) Rs.500 000
- (5) Rs.800 000 (.....)

13. What is the effect to the total comprehensive Income due to above transactions?

- (1) Increase by Rs. 100 000
- (2) Increase by Rs.200 000
- (3) Increase by Rs.300 000
- (4) Increase by Rs.600 000
- (5) Increase by Rs. 800 000 (.....)

14. Mahendra commenced a business by investing Rs 600 000 on 01.04.2014 and he does not maintain proper books of account, The followings information has been provided to you.

- \* Total assets and liabilities as at 31.03.2015 were Rs. 800000 and 350000 respectively
- \* A motor vehicle worth of Rs.450000 invested by the owner to the business during the accounting year

The profit or loss for on year ending for the year is ;

- (1) A loss of Rs. 150 000
- (2) A Profit of Rs. 300 000
- (3) A loss of Rs. 300 000
- (4) A Profit of Rs. 600 000
- (5) A loss of Rs. 600 000 (.....)

15. Sripali women association engaged in producing handicraft items. Equity as at 31.03.2015 as Follows

	Rs
Accumulated fund	180 000
Building fund	700 000
Lifetime membership fee	30 000
	910 000

The building was repaired for Rs.30 000 using building fund and Rs 10 000 was recognized do income and expenditure account from lifetime membership for the year ended 31.03.2015 After above Transactions the for year ending 31.03.2015 surplus was Rs.20 000. What is the net changes to the equity for year ending 31.03.2015

- 1. Decrease by Rs. 10 000
- 2. Increase by Rs. 10 000
- 3. Decrease by Rs. 20 000
- 4. Increase by Rs. 20 000
- 5. Increase by Rs. 30 000 (.....)

16. Which of the following statement / is / are **true** in relation to accounting for partnership?  
A. Total equity is increased by adjusting goodwill through capital account  
B. Total equity decreased by transferring equity a retired partner to a loan account  
C. Total equity is not changed by paying business expense in personal cash of a partner  
(1) B only (2) A and B only  
(3) A and C only (4) B and C only  
(4) All A, B and C (.....)
17. Which of the following is not included in 24 section of partnership Act.  
(1) Profit and loss is to be shared equally  
(2) Salaries are not entitled to partners  
(3) An interest is to be charged on partners drawings  
(4) An interest is not entitled on employed capital of the partners.  
(5) An annual interest of 5% is entitled for loans prouled by partners. (.....)
18. What are the cash flows of financial activities is represent in followings?  
(1) Issuing shares, repayment of bank loan and payment of bank loan interest  
(2) Issuing ordinary shares, payment of tax and payment of dividence.  
(3) Initial deposit of leasing creditors, repayment of leasing and payment of leasing interest  
(4) Repayment of leasing, obtain bank loan and dividend payment  
(5) Obtain bank loan, dividend payment and dividend received (.....)
19. The following balances were extracted from financial position statement of Sulochana Plc.  
Rs  
Ordinary Share Capital 2 500 000  
Preferences shares (redeemable) 1 000 000  
Revaluation reserve 150 000  
Retain earnings 250 000
- Ordinary share of 10000 at Rs.50 per shove and Preferences share of 20 000 as Rs.50 per shove were issued day 2014/15 and received cash at once.
  - The profit for the year ended 31.03.2015 was Rs 180 000
  - Rs.60 000 should be transferred to general reserue.
  - It has been decided to Capitalize reserues of by Rs.100 000
  - A right issue of Rs 120 000 has been made.
  - Revaluation of land for first time resulted a loss of Rs. 90 000
- What is the total equity of the business after recorded above transactions?  
(1) Rs. 3 220 000 (2) Rs. 3 610 000 (3) Rs. 3 400 000  
(4) Rs. 3 700 000 (5) Rs. 5 700 000 (.....)

▲ **Use the following information to answer question No.20,21 and 22**

Following items were extracted from financial position statement of Dunhinda Plc

	(Rs.000)	(Rs.000)
	31.03.2015	31.03.2014
Ordinary share capital	6 300	5 000
Irredeemable preferences shares	2 500	2 500
Retained earnings	450	150
Trade Creditors	500	300
Provisions for income tax	150	200
Accrued preference share dividend	150	250

Additional Information :

1. Income tax paid of Rs.400 000 during the period
2. Ordinary share dividend of Rs.250 000 and preference share dividend of Rs.500 000 was paid
3. Property plant and equipment were revaluated a simple of Rs.80 000.
4. Annual depreciation was Rs.150 000
5. Office furniture was sold for Rs.200 000 and resulted profit of Rs.50 000

20. The profit before tax for the year ended 31.03.2015 is;  
(1) Rs. 300 000 (2) Rs.1 050 000 (3) Rs.1 100 000  
(4) Rs.1 300 000 (5) Rs.1 450 000 (.....)
21. The net cash flows from the operating activities for the year ended 31.03.2015 is;  
(1) Rs. 800 000 (2) Rs.1 200 000 (3) Rs.1 550 000  
(4) Rs.1 750 000 (5) Rs.1 950 000 (.....)
22. The net increases of cash and cash equivalents for the year ended 31.03.2015  
(1) Rs.1 950 000 (2) Rs.2 220 000 (3) Rs.2 420 000  
(4) Rs.2 500 000 (5) Rs.3 170 000 (.....)
23. Which of the following factors consist of items effects to gross profit ratio.  
(1) Sales price, cost of goods, sales mix, estimation error of inventories  
(2) Sales price, cost of goods operating expenses, estimation error of inventories  
(3) Sales price, cost of goods, estimation errors of inventories, trade discount  
(4) sales price, cost of goods, errors of estimation inventories, destroyed goods.  
(5) sales price, cost of inventories, error of estimation inventories, net realizable value (.....)
24. The following information pertains to Didula Plc.  
Rs.'000  
Opening stock 10  
Closing stock 20  
Cost of sales 60  
Operating expenses 40  
Sales 90  
Closing current Assets 50  
Closing current liabilities 10  
Stock turnover ratio times and gross profit ratio of the company  
(1) 1/4 and 50% (2) 2 and 50% (3) 3 and 50%  
(4) 4 and 33 1/3% (5) 6 and 33 1/3% (.....)
25. Which of the following absorption ratio is correct for absorption of overhead cost base on production units.  
1.  $\frac{\text{Budgeted total Production cost}}{\text{Budgeted total production units}}$   
2.  $\frac{\text{Budgeted total Production cost}}{\text{Budgeted total production units}}$   
3.  $\frac{\text{Actual production overhead cost}}{\text{Budgeted total production Units}}$   
4.  $\frac{\text{Budgeted total production units}}{\text{Budgeted production overhead cost}}$   
5.  $\frac{\text{Actual production units}}{\text{Actual production overhead cost}}$  (.....)
26. Sevana brick manufacturing is manufacturing a brick.  
Following information related to a raw material for manufacturing the bricks  
Minimum Consumption per day (Units) 800  
Average consumption per day (Units) 1 000  
Minimum lead time (Days) 3  
Average lead time (Days) 4  
Maximum stock levels (Units) 8 000  
Re order level and re order Quantity of this raw material (in units) respectively are:  
1. 4 000 and 2 400  
2. 4 000 and 3 200  
3. 6 000 and 3 200  
4. 6 000 and 4 000  
5. 6 000 and 4 400 (.....)

▲ Use the following information to answer questions No 27 and 28

Following information has obtained from the total columns of payroll sheet of Isuru Plc for the month of March 2015

	(Rs.'000)
Basic Salary	240
Allowances	60
	300
(-) Salary advances	(20)
EPF 10% employee	(30)
Net Salary	250
Employer contribution	
EPF 15%	45
ETF 3%	9

All the Salary related payment are made first week of following month.

27. What is the total salary related expenses to be identified in the income statement for the month of March?  
 (1) Rs.250 000                      (2) Rs.300 000                      (3) Rs.304 000  
 (4) Rs.354 000                      (5) Rs.384 000                      (.....)

28. What is the salary related liabilities to be recognized in financial position statement as at 31.03.2015?  
 (1) Rs.250 000                      (2) Rs.295 000                      (3) Rs.334 000  
 (4) Rs.344 000                      (5) Rs.374 000                      (.....)

29. Following information relates to a good for months of January and February of 2015

i.	January (Rs)	February (Rs)
Sales Income	2 000 000	3 000 000
Profit	300 000	500 000

- ii. The fixed cost; Variable cost per unit and selling price per unit were not changed during the period. What is the contribution to sales ratio?  
 (1) 10%                      (2) 20%                      (3) 25%                      (4) 40%                      (5) 50%  
 (.....)

30. Which of the following statement is **correct** in relation to evaluation method of investment decisions?  
 1. Time value of money is not considered in pay back period  
 2. Accounting rate of return is considered cash flows  
 3. Time value of money is not considered when calculating net present value.  
 4. Net present value is the difference between cash inflows and cash outflows  
 5. Pay back period considers cash flows after period of pay back                      (.....)

31. State whether the following statement are true or false on given space                      **(True / False)**  
 A. If FIFO method used for measured inventories at inflation are condition, the closing stock was over stated                      .....
- B. If electricity use for lighting factory paid in one bill distributes to department on floor                      .....
- C. Finger print machine is used by an entity to record active time of labour of an entity.                      .....
- D. Insurance fee for insure the factory is a variable cost                      .....

32. State the following cost Items as an element of prime cost or a manufacturing overhead cost relating to a garment factory

Cost Item	Prime cost / Manufacturing overheads
A - Sewing machine maintains	.....
B - Sewing machine operator salary	.....
C - Consumed fabric material cost	.....
D - Supervisions salary	.....

33. Drafted profit of an entry was Rs.58 000 for the year ended 31.03.2015. The following errors were revealed later (control accounts are not maintained)

- i. A sales invoice of Rs.4 600 was recorded in sales journal as Rs.6 400
- ii. Purchase journal total was overstated by Rs.4 000

(a) Write the journal entry for rectification of above errors. (The narration is not required)

.....  
.....  
.....  
.....  
.....

(b) Calculate the profit of the entity after rectifying the errors.

.....

34. Petty cash balance was Rs.470 as at 01.02.2014 and reimbursed Rs.1 530 on that date petty cash expenses for the month of February 2014 as follows.

	Rs.		Rs.
Postage fee	300	Clearing expenses	400
Stationery expenses	400	Other expenses	300
Travelling charges	300		

It is decided to increase petty cash imprest by Rs.500 for the month of March

(a) What is the petty cash amount to be reimbursed at end of February .....

(b) Write journal entry to record the total of other expenses column in the petty cash book

.....  
.....

35. State the two differences between General purpose financial statement and specific financial statements.

- (i) .....
- (ii) .....

36. Number of members of a sports society was 50 for the year ended 31.03.2015. The membership fee is Rs.1000 per year.

	as at 31.03.2015	as at 31.03.2014
No of members in arrears'	04	03
No of member in pre paid	-	01

One member arrears his dues for above two years (2015/2014 and 2014/2015) and society decide to write off their membership

What is the amount received as membership fees for the year ended 31.03.2015.....

37. State the party responsible for preparation and presentation of financial statements of a limited liability company and the main assumption used in that as per conceptual and framework.

.....  
.....

38. Write two situations that not agree do the historical cost concept with the prudence concept

- (i) .....
- (ii) .....

▲ Use the following information to answer question No 39, 40 and 41

- Anura, Baratha and Chamara were in a partnership sharing profit and losses in the ration of 3:2:1 and partners agreed to pay 5% interest on initial capital
- Paid total interest on capital to the partners Anura Rs.60 000 Barath Rs.50 000 and Chamara Rs. 35 000
- Total equity of the partners as at 01.04.2014  
Anura – Rs. 1 240 000 Baratha – Rs. 990 000  
Chamara Rs. 735 000
- The net profit of the partnership for the year ended 31.03.2015 was Rs.405 000. How ever the vehicle repair expenses of Rs.20 000 made by Baratha was not recorded in the accounts.
- Baratha retired from the partnership on 31.03.2015 and the goodwill of the partnership was estimated at Rs.900 000 and it was adjusted through partners capital account and Anura and Chamara agreed to continue the partnership sharing profit and losses in the ration of 2 : 1 respectively.
- Amount due to Baratha is to be transferred to a loan account.

39. What are the balances of partners current accounts account as at 31.03.2015

Anura .....  
Chamara .....

40. What are the balances of partners capital account as at 31.03.2015

Anura .....  
Chamara .....

41. The amount to be transferred to Baratha’s loan account on 31.03.2015

Indicate wether the following statements are true or false in the given space.

- A Capitalizing resurves does not make a change in equity (.....)
- B Dividend paid for ordinary shares is recorded in statement of changers equity (.....)
- C Bank overdraft is included in cash and cash equalants of the statement of financial position (.....)
- D Leasing installement with interset payable for next year included in current liabilities (.....)

43. Following balance and additional information were related to pasdunrata Plc as at 31.03.2014

	Debit (Rs)	Credit (Rs)
Land revaluation resurve	-	150 000
Land	900 000	

Land was revalued at Rs.700 000 during the year ending 31.03.2015

Required :

(a) Write journal entries to record revaluation

.....  
.....  
.....

(b) The extraction of the other comprehensive income

.....  
.....  
.....

44. Deshan Plc provides for following information for the year ended 31.03.2015

	(Rs.000)
Stated capital - Ordinary shares	4 000
- Redeemable preference shares	1 000
Resurve	2 000
Sales	4 500
Cost of sales	3 000

- Additional information : (1) Profit before tax is 10% in equity  
(2) Total assets is 1.5 times of equity

Calculate the followings

- (a) Interest coverage ratio .....
- (b) Assets turnover ratio .....



45. State two characteristics of a contingent liabilities as per LKAS 37 : Provisions, Contingent liabilities and Contigent assets

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

• Use the following information to answer question No 46 and 47

A manufacturing firm produces items of X and Y Estimated overhead cost of machinery department is Rs.1,500,000. Other information is as following.

(i)

Item	Machine hours		Estimated production Units
	Estimated	Actual	
X	5	4	500
Y	10	8	500

(ii) The overhead cost is absobed on machine hours

46. What is the overhead cost to be absorbed by a machine hour for Item X

.....

47. What is the amount to be absorbed for Item Y from machining department

.....

48. Following information relation to a product of an entity

Sales price per unit Rs.500

Sales contribution ratio 20%

Estimated profit Rs 3 000 000

No. of sales unit at the estimated profit 22 000

What is the fixed cost Rs .....

49. Fill in the space as increase or decrease as per profit – volume analysis

	Break even point	margin of safty
(i) When Increase fixed cost	.....	.....
(ii) When decrease sales price	.....	.....

50. A company considering about alternatine project to select appropriate one Net present value (NPV) is given bellow of each project (Initial investment is same in every project)

Project	NPV (Rs)
A	150 000
B	(50 000)
C	0
D	200 000

(a) What is the appropriate project .....

(b) Explain the reason for your selection.

.....  
.....

**G.C.E. (A/L) Support Seminar - 2015**

**33 - Accounting II**

**Three hours**

**Instructions :**

★ Answer only **six questions**, including **questions number one and two**

1. The trial balance as at 31.03.2015 of **Wiskam PLC** which trades electric equipment is given below.

	Dr(Rs'000)	Dr(Rs'000)
Property, plant and equipment as at 01.04.2014		
Land	16 000	
Building	5 000	
Motor Vehicle	4 200	
Computer system	600	
Accumulated depreciation on Property, Plant and Equipment as at 01.04.2014		
Buildings		1 500
Motor Vehicles		1 260
Computer system		120
Sales		19 300
Cost of sales	12 000	
Trade receivables	1 240	
Tax paid	175	
10% - Bank loan		1 200
Lease deposit account	300	
Advertising expenses	200	
Inventory as at 31.03.2015 (at cost)	350	
Trade payables		1 650
Salary and wages	1 800	
Stated Ordinary share capital (500 000 shares per Rs 20)		10 000
Dividends paid	500	
Revaluation reserve as at 01.04.2014		700
Retained earnings as at 01.04.2014		7 500
Discounts	50	120
Provision for doubtful debts as at 01.04.2014		100
Sales Commissions	20	
Director's fuel and telephone allowances	175	
Audit fee	60	
Donations	30	
Cash balance	895	
Bank overdraft		145
	43 595	43 595

**Additional information :**

Before preparing the financial statements for the year ending 31.03.2015 the following adjustments have to be made.

- (i) The cost of inventory as at 31.03.2015 has been valued at First In First Out (FIFO) method.
- (ii) A debtor of Rs 80 000 from trade receivable amount as at 31.03.2015 was bankrupted on 10.04.2015 and out of this amount only 50% could be recovered. Further 10% on the remaining balance of trade receivable was decided to provide as doubtful debts.
- (iii) A agreement was signed with an advertising company for two years by the company to promote the products on 01.01.2014. Rs 200 000 of paid amount for a period of two years was recorded in the advertising expense account.
- (iv) All property, plant and equipment should be depreciated 10% on cost based on straight line method annually. All property, plant and equipment are used for administrative purpose.
- (v) Computers of Rs 400 000 which purchased on 01.10.2014 were recorded in the purchase account.
- (vi) A machine was acquired on 01.04.2014 under a finance lease for a period of 4 years. A down payment of Rs 300 000 was paid on this date and it has been recorded in a lease deposit account. Annual lease installment of Rs 400 000 including of Rs 100 000 annual interest is to be paid at the end of each year. One current year lease installment paid was debited into the bank loan account. The bank loan was obtained on 01.01.2014.
- (vii) It is reported that land revaluation loss of Rs 1 000 000 on 31.03.2015. because there is a highway in front of the land but no entrance was to the highway in near the land. The revaluation reserve consist of land revaluation surplus on 31.03.2010.
- (viii) The building of the business was revalued for the first time on 31.03.2015 for it's fair value of Rs 4 500 000.
- (ix) It has been estimated that the income tax for the current year 2014/15 is Rs 220 000.
- (x) The employer and employee contribution to the EPF are 15% and 10% on gross salary and wages respectively and the employer contributes 3% to ETF. Only the net amount after reducing employees. contribution has been recoded in salaries and wages account.
- (xi) It is decided to capitalized retained earnings 1/5th of the ordinary shares on 31.03.2015.
- (xii) The following decisions have been made by the board of directors.
  - To pay a dividend of Rs 1 500 000 to the ordinary share holders of the company.
  - To Transfer Rs 300 000 for the general resurve.

**Required :**

The following financial statements (including notes) of **Wiskam PLC** for publishing :

1. Statement of profit or loss and other comprehensive income for the year ending 31.03.2015.
2. Statement of changes in equity for the year ending 31.03.2015
3. Statement of financial position as at 31.03.2015 (20 Marks)

02. (a) **Atharu** and **Mithuru** were partners of a partnership sharing profit and losses equally. **Sithum** was admitted to the business as a partner on 01.04.2014 the following balances were extracted from books of accounts prepared by newly recruited account cleck.

Balances as at 01.04.2014		Dr (Rs)	Cr (Rs)
Capital Account	- Athuru	-	350 000
	- Mithuru	-	250 000
Current Account	- Athuru	-	12 000
	- Mithuru	8 000	
Inventory as at 31.03.2015		80 000	
Loan – Sithum			50 000
Profit before appropriation			252 000

The internal audit has revealed that following errors were occurred in calculating the profit.

1. The interest for **Sithum's** loan of Rs 5000 was not recorded.
2. Drawing of Partner's **Athuru** and **Mithuru** were Rs 10 000 and 8 000 respectively. These were recorded as expenses of the business.
3. Inventory as at 31.03.2015 overcasted by Rs 24 000.
4. Sithum has provided a store building with a value of Rs 160 000 to the business on 01.10.2014. On the same day, it is rented for Rs 120 000 per year. Cash for two years was received. Out of an amount for the one year was adjusted to the profit.
5. Property, plant and equipment as at 01.01.2014 was Rs 100 000. Equipment of Rs. 200 000 was aquired on 01.01.2014. Property plant and equipment are depreciated 10% annually on stright line method.

Additional information :

- A Sithum brought Rs 150 000 as capital on 01.04.2014 and goodwill of the partnership as at 01.04.2014 was agreed for Rs 90 000 and adjustments in this regard should be made through partners capital accounts.
- B Sithum was entitled to 10% interest on capital and he has not been paid any interest an capital up to 31.03.2015.
- C Partners agreed to transfer **Sithum's loan** account to his capital account on 31.03.2015.
- D Information relating to salaries and interest on capital of **Athuru** and **Mithuru** as at 31.03.2015 are given below.

	Athuru Rs	Mithuru Rs
Interest on capital-paid	12 000	10 000
Interest on capital-accrued	23 000	15 000
Salary-paid	30 000	20 000
Salary-accrued	15 000	15 000

- Required :**
1. The journal entries for correcting the profit (The narration is not required)
  2. Appropriation of profit for the year ended 31.03.2015.
  3. Partner's current accounts and capital accounts for the year ended 31.03.2015.

**(Marks 10)**

- (b) **Vijaya manufacturing PLC** produces a toy car and a jeep. Factory have two production departments (Finishing and packing) and a canteen. There are two buildings. Finishing department is located in building No. 1. The packing department and canteen are located in building No. 2. All machineries are used for manufacturing purpose.

- The budgeted overheads for the quarter ending 31.03.2015 are as follows.

	(Rs '000)
Machinery repair expenses	800
Electricity (for machine operation)	360
Electricity (for lighting)	1 200
Machinery Depreciation	500
Canteen expenses (Meals)	270
Building rent – Building No1	100
Building No 2	400
Salaries of the employees	450
Security Charges – Building No 1	80
Building No 2	140

**Additional information :**

Item	Finishing	Packing	Canteen
Machinery cost (Rs 000)	1 000	-	-
Nos. of employees	10	30	5
Floor area (sq. feets)	2 000	3 000	1 000
No. of Machine hours	5 000	-	-
No. of labour hours	5 000	12 000	1 000

- The Finishing Department uses machine hours and packing Department uses labour hours as the basis of absorption of overheads.
- Budgeted hours and prime cost are given below for 1st Quarter of 2015.

	Car (C)	Jeep (J)
Prime cost (Rs)	1 050	1 200
Machine hours	2	1
Labour hours	1	2

- Security employees provides for their services for other employees in building No 2

**Required :**

1. The overhead analysis sheet providing the basis of apportionment.
2. The re-apportionment of overheads of the canteen using appropriate basis
3. Overhead absorption rates for each production department.
4. Production cost of a toy car and a toy jeep.

**(Marks 10)**  
**(Total Marks 20)**

03. (a) **Dilruwan** Commenced a business on 01.01.2015 for repair motor vehicles. The following transactions were taken place on same day.

1. Dilruwan invested Rs 300 000 cash and motor vehicle repair equipment of Rs 300 000 were invested to the business by owner.
2. Paid Rs 160 000 for building rent for the one year period.
3. Purchases motor vehicle repair equipment for Rs 100 000.

The summary of transactions taken place for ending of 1st Quarter 31.03.2015 are given below.

4. Rs 320 000 of repairing service income for the period was eared and out of which Rs 100 000 was receivable as at 31.03.2015.
5. Paid Rs 40 000 for motor vehicle repair materials and further Rs 20 000 is payable as at 31.03.2015.
6. Paid Rs 27 000 for electricity and water bill.
7. Paid employees' salary of Rs 10 000 for each month.
8. Motor vehicle repair equipment should be depreciated 10% annually on straight line method.
9. During the period Rs 20 000 Worth of materials were used for the repairing of motor vehicle.

**Required :**

1. Record the above transaction to the following accounting equation for the quarter ended 31.03.2015.

<b>Motor vehicle Repair equipment</b>	+	<b>M/V repair Material</b>	+	<b>Trade Receivable</b>	+	<b>Pre paid expenses+ Cash</b>	=	<b>Trade equity</b>	+	<b>Trade payable</b>
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2. Prepare a statement of profit or loss to the calculation of net profit.
3. Extractions of financial position as at 31.03.2015.

**(Marks 10)**

(b) Following information was given below in the **Sudarshana** Traders for the month ending 31.03.2015 relating to the debtors and creditors.

Rs.

Date	Description	Suranjith	Dayawansha	Sudesh	Karunasiri	Mohamad
03.01	Balance	15 000	100 000	110 000	-	55 000
03.05	Sales		150 000			
03.08	Received cheques			75 000		
	Discount allowed			3 000		
03.10	Sales				200 000	
03.14	Return Inwards				20 000	
03.18	Received cheque.		95 000			
	Dis. allowed		5 000			
03.21	Dishonored cheque.		95 000			
	Cancel of discount allowed		5 000			
03.25	Bad debts written - off	15 000				
03.27	Received cheque.				76 000	
	Discount allowed				4 000	
03.30	Sales					120 000

**Additional information :**

1. Received cash of Rs 10 000 from Ruwantha, which amount written off as bad in the year ended 31.03.2014.
2. Sales are made by deducting 10% trade discount on list price, but sales and return inwards of above table were not deducted trade discount.
3. Provision for doubtful debts is to be 5% on debtors at end of the month.

**Required :**

Following for the end of March 2015.

1. Sales journal
2. Bank receipts journal with analysis column
3. Bad debts and provision for doubtful debts account

(Marks 10)

(Total Marks 20)

**04. (a)** Debtor control account balance was Rs 80 000 as at 31.03.2015, which was not agreed with list of balances of debtors. Following were revealed for the difference.

1. Debit balance of Rs 5 000 and credit balance of Rs 5 000 was omitted from list of debtors.
2. Credit sales of Rs 6 100 to Kasuni was recorded in sales journal as Rs 1 600.
3. Debtor control account was included a credit sales of motor vehicle of Rs 40 000.
4. Rs 3 100 received from Piumi was recorded in her account as Rs 1 300.
5. A cheque of Rs 3 000 received from a debtor was dishonored and it was recorded only in debtor his account.
6. A credit note of Rs 2 500 was omitted from books of accounts.
7. Discount allowed of Rs 1 000 was canceled by business and it was recorded in only the debtor account.
8. It is decided to write off due of Rs 8 000 from debtor **Saduni** because it was confirmed of irrecoverable but no entries were made in this regard.

**Required :**

1. Debtor Control Account with adjustments.
2. A Reconciliation statement of debtors control account balance after making above adjustments and total of list of debtor ledger balances before making adjustments.

(Marks 10)

(B) The credit balance of the bank account of **Araliya** business as at 31.03.2015 was Rs 21 500 it was not agreed with balance as per bank statement on that date. The followings information were revealed in the investigations.

(1) Cheques deposit and dates of realization are as follows.

<b>Cheques</b>	<b>Deposit dates</b>	<b>Realisation date</b>	<b>Value (Rs)</b>
043250	30 <sup>th</sup> <b>March</b> 2015	02 <sup>nd</sup> <b>April</b> 2015	4 500
215412	31 <sup>th</sup> <b>March</b> 2015	03 <sup>rd</sup> <b>April</b> 2015	33 500
721210	31 <sup>th</sup> <b>March</b> 2015	03 <sup>rd</sup> <b>April</b> 2015	16 000

(2) The following deduction was made by bank from business as bank account.

	<b>Rs</b>
Cheque book chargers	400
Overdraft inferest	1 800
Bank Chargers	450

(3) Leasing installment of Rs 20 000 was paid by bank on 20<sup>th</sup> march 2015 on standing order. But it has not been recorded in bank account of the business.

(4) Cheques issued and dates of presented for the payment were as follows.

<b>Cheque</b>	<b>Date of issued</b>	<b>Date of payment</b>	<b>value (Rs)</b>
010253	26 <sup>st</sup> March 2015	10 <sup>st</sup> March 2015	95 000
010262	31 <sup>st</sup> March 2015	04 <sup>th</sup> March 2015	16 500
010284	31 <sup>st</sup> March 2015	04 <sup>th</sup> March 2015	21 500

(5) Business requested from the bank to stop for the payment for a cheque issued for a creditor of Rs 12 000 on 20<sup>th</sup> March 2015 and relevant adjustment was made in the business account but, it is revealed that payment was made by bank.

(6) An issued cheque of Rs 8 900 already on 15<sup>th</sup> March 2015 was recorded in bank account of the business as Rs 9 800.

(7) Rs 40 300 was directly deposited in the bank by a debtor.

**Required :**

1. Bank account with adjustment as at 31.03.2015
2. Prepare the bank reconciliation statement for the month of March 2015

(Marks 05)  
(Total Marks 15)

5. (a) Extractions of the summarized statement of profit or loss and statement of charges in equity for the year ended 31.03.2015 of the Devinda PLC are as follows.

<b>Income statement</b>	Rs '000
Sales	20 500
Cost of sales	14 000
Gross profit	6 500
Other income (fixed deposit interest)	75
Operating expenses	(3 500)
Other expenses (Computer disposal loss)	(50)
Financial expenses (Loan interest)	(760)
Profit before tax	2 265
Income tax	(1 200)
profit for the period	1 065

<b>Statement of changes in equity</b>	Rs '000
	<b>Retained earnings</b>
Balance as at 01.04.2014	540
Total comprehensive income	1 065
Dividends	(605)
Balance of retained earnings as at 31.03.2015	1 000

Additional information,

1. Carrying amount of computer disposed on 01.04.2014 was Rs 120 000
2. The depreciation of Rs 300 000 was included in operating expenses
3. Following balances were extracted from the statement of financial position

	Rs '000	Rs '000
	<b>2015.03.31</b>	<b>2014.03.31</b>
Ordinary share capital	15 500	15 000
Preference share capital	10 000	10 000
Property, plant and equipment	7 700	8 000
Cash and cash equivalents	1 440	300
Loan interest receivable	40	50
Other current assets	3 200	2 900
Provision of income tax	150	100
Proposed dividend	200	250
Accrued loan interest	120	60
Other current liabilities	860	750

4. A photocopy machine was purchased during the period and property plant and equipment were not revalued during the year.

**Required :**

1. Prepare the statement of cash flows as per LKAS 07 (use indirect method for presenting cash flows from operating activities)

**(Marks 08)**



(b) **Sumaga** Education Institute is intending to conduct a two days seminar for students and it is expected that 200 students will be participated. It is expected to charged Rs 1000 from a student for two days and estimated expenses are as follows.

<b>Expected expenses per student ;</b>	<b>Rs.</b>
Lunch and tea for a day	100
A file for two days	40
A CD for two days	60
Rent for building per day	15 000

- Other expected expenses relevant to the seminar for **two days** as follows.

	<b>Rs.</b>
Electricity and A/C expenses	8 000
Hall arrangement expenses	3 000
Sounds arrangement expenses	4 000
Allowance for resource person	60 000

**Required :**

1. Calculate the number of students should be participate to cover the expected cost for the seminar.
2. What is the amount of profit, if 200 students are participate for the seminar
3. In order to earn Rs 56 000 profit, calculate the number of students should be participated for the seminar.
4. If the student participation will be increased by 50 students, determine the incremental amount of profit.

**(Marks 07)**

**(Total marks 15)**

6. (b) **Srimal** is considering to commence photocopy shop in front of the school after his A/L exam . The following estimated details have been provided for two photocopy machines named **Alpha** and **Beta**.

	<b>Alpha</b>	<b>Beta</b>
Purchase price (Rs)	355 000	395 000
Estimated useful life time	05 year	05 year
Carriage inwards of machine (Rs)	5 000	5 000
Expected residual value (Rs)	40 000	50 000
Variable cost per copy (Rs)	1.50	1.00
Selling price per copy (Rs)	6.00	6.00

- Expected No. of photocopies will be estimated for next 05 years period as follows.

<b>Year</b>	<b>Alpha</b>	<b>Beta</b>
1	30 000	34 000
2	36 000	42 000
3	40 000	38 000
4	38 000	34 000
5	20 000	22 000

- Estimated annual overhead cost is Rs. 80 000
- Discounting factors for 10% required rate of return is given below.

Year	0	1	2	3	4	5
Discount factor	1	0.9	0.8	0.7	0.6	0.5

**Required :**

1. The payback period for each machine
2. Accounting / Average rate of return for each machine.
3. Compute the Net Present Value (NPV) and provide your recommendation for choosing an appropriate machine on the basis of NPV technique with reasons.

**(Mark 10)**

- (b) The following information were extracted from LRP company relating to employees salary and wages for the month ended 31<sup>st</sup> of March 2015.

Employee No.	Name of the employee	Basic salary	Allowances	Over time
0100	Savithree	50 000	20 000	-
0101	Kaveen	30 000	12 000	-
0102	Tharindu	20 000	8 000	6 000
0103	Nirindu	18 000	-	12 000

Additional information ;

- (1) Installment festival advances of Rs. 3 000, Rs. 2000 and Rs. 1500 are deducted from the salaries of Kaveen, Tharindu and Nirindu respectively.
- (2) Leasing installment of Rs. 6000 of Tharindu and bank loan installment of Rs. 4000 of Nirindu should be deducted from salary and send them to the respective institutions.
- (3) Overtime is ignored calculating EPF and ETF  
EPF contribution - Employer 15%  
Employee 10%
- (4) ETF contribution of Employers 3%
- (5) The policy of payment of salary, EPF and ETF of the company is to pay in the following month

Required to prepare the following for the month of March 2015

1. Salary sheet
2. Salary and wages control account
3. Accrued EPF account

**(Marks 05)**

**(Total Marks 15)**

7. (a) The balance of machinery account as at 31.03.2014 was Rs. 600 000 and the balance of provision for depreciation on machine was Rs. 125 000. All these assets were purchased on 01.04.2013 and the useful life of the machine as 4 years and residual value as Rs. 100 000 were estimated.

Following transactions were taken place during the year ended 31.03.2015

A machine was sold for Rs. 110 000 on 01.04.2015 which cost was Rs. 120 000 and residual value was Rs. 20 000

Remain useful life of all the other machines were estimated as 5 years on 01.04.2014.

**Required :**

1. Journal entries for disposal of machine
2. Machinery account, Machinery provision for depreciation account and Machinery disposal account

**(Marks 05)**

(b) "Guru Sevana" is a welfare society of teachers of a school. The following information was relevant for the year ended 31.03.2015

- Cash balance was Rs. 80 000 and Accumulate fund was Rs 320 000 as at 01.04.2014.
- The number of members of the society was 124 as at 31.03.2015 and monthly membership fee is Rs. 200. Entrants to the society and leavers from the society during the year are as follows

Date	No. of entrans	No. of leavers
2014.07.01	02	05
2014.10.01	02	-

Though the new members have paid their membership fee, resigned members had their not paid membership fee for the accounting year (2014/2015)

- A concert namely '**Guru Prathibha**' was conducted by the society as a fund raising programme and it earns an income of Rs. 300 000 by tickets and souvenir. The printing charges Rs. 15 000, foods and beverages Rs. 50 000 and other expenses 35 000 are paid for the concert.
- A computer worth of Rs. 200 000 was received as a donation on 01.04.2014. it is estimated to depreciated 25% annually on straight line method. This donation is recognized as income equally distributed over 4 years period starting from the current year.
- It is expected to pay of Rs. 15 000 per member for scholarship of their children for 12 members but it is paid only for 8 members.

**Required :**

The following for the 'Guru Sevana' Teacher's welfare society for the year ended 31.03.2015

1. Annual subscription
2. Receipts and payment account
3. Income and expenditure account
4. Accumulated fund as at 31.04.2015

(Marks 10)  
(Total marks 15)

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