

**G.C.E. (A/L) Support Seminar - 2016**  
**33 - Accounting - Paper I**  
**Answer Guide**

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Question Number	Answer
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30	2

(Question 1-30, 4 marks each per question for 120 marks)

	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
31. (1)	No change	Decrease	Increase (01)
(2)	Decrease	No change	Decrease (01)
(3)	Decrease	Decrease	No change (01)
(4)	Increase	Increase	No change (01)

32. Rs 2 600 (04)

33. (a) Rs 680 000 (02)

(b) Rs 670 000 (02)

34. A - will not occur (01)

B - will occur (01)

C - will not occur (01)

D - will not occur (01)

35. To provide financial information to the existing & potential investors ,Lenders, & Other creditors to take decisions regarding providing of resources for the reporting entity. (04)

36. A - Going concern (01)

B - periodic (01)

C - Accrual (01)

D - Substance over form (01)

37. Rs 400 000 (04)

38. Rs 580 000 (04)

39. Rs 220 000 (04)

40. - Kalana - Rs 176 000 (02)

Nadun - Rs 24 000 (02)

41. **Provision** **Contingent Liabilities**

(1)	Recognize as a liability in the financial statements.	(1)	Not recognize as a liability in the financial Statements.	} (02)
(2)	Present Obligation	(2)	Whether there is a present Obligation or not ,there is no reliable estimation of out flow of Economics resources.	

} (02)

42. Adjusting events Adjusting Non events

1 .....	.....√.....	(01)
2 .....√.....	.....	(01)
3 .....	.....√.....	(01)
4 .....√.....	.....	(01)

43. (a) General reserve account Dr 40 000  
 Ordinary Share capital Account Cr 40 000 (02)

(b) Rs 458 000 (02)

44. (a) Application & Allotment Account Dr 5 000 000  
 Cash/ Bank 5 000 000 (02)

(b) Application & Allotment Account Dr 10 000 000  
 Ordinary Share capital Account Cr 10 000 000 (02)

45. A - Sasindu (01)  
 B - Sasindu (01)  
 C - kavindu (01)  
 D - kavindu (01)

46. (i) Purchase Requisition Note (01)  
 (ii) Material Requisition Note (01)  
 (iii) Order (01)  
 (iv) Materials/Goods Received Note (01)

47. 100 Units (04)

48. Waiting time Active time

1 .....	.....√.....	(01)
2 .....√.....	.....	(01)
3 .....√.....	.....	(01)
4 .....	.....√.....	(01)

49. A - True (01)  
 B - False (01)  
 C - False (01)  
 D - True (01)

50. (අ) 2500 Units (02)  
 (ආ) Rs 100 000 (02)

**G.C.E.(A.L.) Support Seminar - 2016**  
**Accounting II**  
**Answer Guide**

Viskam PLC

1. (1) Profit or Loss & other comprehensive Income Statement  
for the year ended 31.03.2016

	Note	(Rs000)
Sales		15 700
Cost of sales		(8 800)
Gross profit		6 900
Other Income	01	30
		6 930
Distribution cost		(454)
Administration cost		(2 462)
Other cost		450
Finance cost		(240)
Profit before tax	02	4 224
Income tax		(1 408)
Profit for the period		2 816
<b>Other comprehensive Income</b>		
Revaluation surplus on land		1 500
Revaluation surplus on building		400
<b>Total comprehensive income</b>		<b>4 716</b>

**Note Rs'000**

Note 01	-	Other Income	
		Interest on Treasury Bills	30
Note 02	-	Following expenses have been deducted in arriving of profit before tax	
		Stock write off	50
		Depreciation on Property Plant & Equipment	880
		Lease Interest	240
		EPF expense	135
		ETF expense	27

**Working : (Rs'000)**

**Cost of sales**

Opening stock	1 800
Purchases	<u>8 500</u>
	10 300
Closing stock	<u>(1 500)</u>
	<u>8 800</u>

**Distribution Expenses**

Depreciation on delivery vehicle	300
Bad & doubtful debts	22
Motor vehicle fuel & maintenance	80
Sales commission	<u>52</u>
	<u>454</u>

**Finance cost**

Lease Interest	<u>240</u>
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**Administration Expenses**

Depreciation on furniture & fittings	80
Rent on building	360
Electricity & Telephone	320
Building depreciation	500
EPP expense	135
ETF expense	27
Salaries	900
Rates & Insurance	140
	<u>2 462</u>

**Other Expenses**

Setting off with revaluation loss	(500)
Stock write off	50
	<u>(450)</u>

(2)

Vihaga PLC  
Statement of changes in Equity  
for the year ended 31.03.2016 (Rs'000)

	Stated ordinary share capital	Revaluation Reserve	General Reserve	Retained Earnings	Total
01.04.2015 Balance	10 000	-	1 500	944	12 444
Total comprehensive Income	-	1 900	-	2 816	4 716
Transfer to General reserve	-	-	500	(500)	-
31.03.2016 Balance	10 000	1 900	2 000	3 260	17 160

(3)

**Vihaga PLC**  
**Statement of Financial Position**  
**as at 31.03.2016**

	Notes	(Rs000)	(Rs000)
<b>Non current Assets</b>			
Property plant & Equipment	03		14 780
<b>Current Assets</b>			
Inventories		1 450	
Trade receivables		3 078	
Prepaid Rent		360	
Interest Receivable		30	
Cash & Cash equivalents	04	1 712	6 630
			21 410
<b>Equity</b>			
<b>Stated Capital</b>			
Ordinary shares			10 000
<b>Reserves</b>			
Revaluation reserve		1 900	
General reserve		2 000	
Retained Earnings		3 260	7 160
<b>Non current Liabilities</b>			
Lease creditors			705
<b>Current Liabilities</b>			
Trade payables		1 535	
Lease creditors		270	
EPF payable		225	
ETF payable		27	
Rates & Insurance payable		80	
Accrued Income tax		1 408	3 545
			21 410

**Note 03 - Property Plant & Equipments (Rs'000)**

	Land	Administration Building	Delivery Vehicle	Furniture & Fittings	Total
<b>Cost</b>					
Balance 01.04.2015	8 000	5 000	-	800	13 800
Revaluation Surplus	2 000	400	-	-	2 400
Transfer of depreciation based on revaluation	-	(2 000)	-	-	(2 000)
Acquisition	-	-	1 200	-	1 200
Balance 31/03/2016	10 000	3 400	1 200	800	15 400
<b>Accumulated Depreciation</b>					
Balance 01.04.2015	-	1 500	-	240	1 740
Depreciation for the period	-	500	300	80	880
Transfer of depreciation based on revaluation	-	(2 000)	-	-	(2 000)
Balance 31.03.2016	-	-	300	320	620
carrying value as at 31.03.2016	10 000	3 400	900	480	14 780

**Note : 04**

	Rs'000
Treasury bills	1 200
Bank balance	512
	<u>1 712</u>

**Note : 05**

A dividend of Rs 600 000 has been declared for ordinary shares.

2. (a) (1)

**Olu & Nelum Partnership**  
Income statement for the year ended 31/03/2016

		Rs'000	
Sales			5 000
<b>Cost of sales</b>			
Opening stock		250	
Purchases		2 800	
		3 050	
Closing stock		(700)	(2 350)
Gross profit			2 650
<b>Operational Expenses</b>			
Salaries		400	
Delivery Expenses		720	
Depreciation		380	
Doubtful debtors (over)		(50)	
Interest on loan		75	
Office expenses		640	(2 165)
Net profit			485
Interest on capital - Olu		82	
- Nelum		62	(144)
Salaries - Olu		120	
- Nelum		120	(240)
Profit shares - Olu		50.5	
- Nelum		50.5	(101)

(2) Capital Accounts

Rs'000				Rs'000			
	Olu	Nelum	Manel		Olu	Nelum	Manel
Goodwill	400	400	-	Balance B/F	900	700	800
Loan Account	-	-	1 500	Goodwill	320	320	160
Balance c/d	820	620	-	Current accounts	-	-	540
	1 220	1 020	1 500	Balance B/F	1 220	1020	1 500
					820	620	-

Current accounts

Rs'000				Rs'000			
	Olu	Nelum	Manel		Olu	Nelum	Manel
Capital Accounts	-	-	540	Balance B/F	460	400	540
Drawings	240	260	-	Interest on capital	82	62	-
Balance	472.5	372.5	-	Salaries	120	120	-
	712.5	632.5	540	Profit shares	50.5	50.5	-
				Balance B/F	712.5	632.5	540
					472.5	372.5	-

(3) Olu & Nelum Partnership

Financial Position as at 31/03/2016

		Rs'000	
<b>Non Current Assets</b>			
Property plant & Equipment		3 800	
Accumulated depreciation		(1 200)	2 600
<b>Current Assets</b>			
Inventories		700	
Trade debtors	500		
(-) Provision for doubtful debtors	(100)	400	
Prepaid delivery expense		180	
Cash balance		155	1 435
			4 035
<b>Capital Accounts</b>	Olu	820	
	Nelum	620	1 440
<b>Current Accounts</b>	Olu	472.5	
	Nelum	372.5	845
<b>Non Current Liabilities</b>			
Loan account - Manel			1 500
<b>Current Liabilities</b>			
Trade creditors		100	
Accrued office expenses		150	250
			4 035

Workings : Rs'000

Debtors Control Account				Creditors Control Account			
Balance	750	Cash	5 250	Cash	3 100	Balance	400
Sales	5 000	Bal/c/d	500	Bal/c/d	100	Purchases	2 800
	<u>5 750</u>		<u>5 750</u>		<u>3 200</u>		<u>3 200</u>
<b>Office Expenses</b>							
Cash	600	Balance	110				
Bal/c/d	150	P/L	640				
	<u>750</u>		<u>750</u>				



Cash			
Balance B/F	480	Employee Salaries	400
Receipts - Trade debtors	5 250	Trade creditors	3 100
		Office expenses	600
		Delivery expenses	900
		Drawings	500
		Interest	75
		Balance c/d	155
	<u>5730</u>		<u>5730</u>

(B) (1) Statement of Overhead Analysis (Rs'000)

Description	Basis	Production			Service	
		Total	Finishing	Painting	Stores	maintenance
Primary Allocation	-	1 280 000	505 000	600 000	105 000	70 000
Supervisor Salaries	Direct	259 000	120 000	139 000	-	-
Employee welfare expenses	No of employees(5:3:1:1)	100 000	50 000	30 000	10 000	10 000
		<u>1 639 000</u>	<u>675 000</u>	<u>769 000</u>	<u>115 000</u>	<u>80 000</u>
Maintenance overhead cost	Maintenance hours (5:3)	-	50 000	30 000	-	(80 000)
Stores overhead cost	No of material requisitions (2:3)	-	46 000	69 000	(115 000)	-
		<u>1 639 000</u>	<u>771 000</u>	<u>868 000</u>	-	-

		Rs
(2) Direct material cost		400
Direct labour cost		200
Overhead	- Finishing 1 x 257	257
	Painting 1/2 x 434	217
		<u>1074</u>
(3) Direct material cost		400
Direct labour cost		200
Overhead cost	600 x $\frac{75}{100}$	450
		<u>1050</u>

**Workings**

Overhead absorption rate	<b>Finishing</b>	<b>Painting</b>
	<u>771 000</u>	<u>868 000</u>
	3 000	2 000
	<u>Rs 257 per hour</u>	<u>Rs 434 per hour</u>

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

Transaction no. and Balances	Assets				Liabilities		Equity
	Property Plant & Equipment	Trade Receivable	Inventories	Cash	Trade payables	Bank Loan	
Balance B/F	+ 2 900	+ 135	+ 165	+ 550	+ 450	+ 100	3 200
1			+ 65	- 65			
2		+ 40	- 80	+ 75			+ 35
3				- 20			- 20
4		- 100		+ 95			- 5
5				- 5			- 5
6				- 6		-5	- 1
Total	+ 2 900	+ 75	+ 150	+ 624	+ 450	+ 95	+ 3 204

(2) Net profit = Closing Net Assets - Opening Net Assets + Drawings  
9 000 = 3 204 000 - 3 200 000 + 5 000

3. (b) (1)

											(Rs'000)		
Earnings						Deduction					Net Salary	EPF	ETF
Basic Salary	Incentives	Bonus	Travelling Allowance	Overtime	Gross Salary	EPF	Salary Advance	Loan Instalments	Festival Advance	Total deduction			
2 800	300	470	260	50	3 880	280	300	80	500	1 160	2 720	420	84

(2) Direct salaries

(Production Employees)	Rs'000
Basic salary	1 500
Incentives	250
Travelling Allowance	100
Overtime Allowance	50
EPF	225
ETF	45
	<u>2 170</u>

Production overhead

(Supervision)	Rs'000
Basic salary	300
Incentives	50
Travelling Allowance	10
EPF	45
ETF	9
	<u>414</u>

Total labour cost Rs'000

Basic salary	2 800
Incentives	300
Bonus	470
Travelling Allowance	260
Overtime Allowance	50
EPF	420
ETF	84
	<u>4 384</u>

4. (e) (1) Creditors Ledger

Amith			
Purchase returns	5 000	B/B/F	20 000
Cash	20 000	Purchases	75 000
Cash	15 000		
B/c/d	<u>55 000</u>		
	<u>95 000</u>		
		B/B/F	<u>55 000</u>

Charith			
Cash	10 000	B/B/F	30 000
		Purchases	60 000
B/c/d	80 000		
	<u>90 000</u>		
		B/B/F	<u>80 000</u>

Janith			
Cash	30 000	B/B/F	24 000
		Purchases	37 500
B/c/d	31 500		
	<u>61 500</u>		
		B/B/F	<u>31 500</u>

Sumith			
Cash	10 000	B/B/F	16 000
B/c/d	6 000		
	<u>16 000</u>		
		B/B/F	<u>6 000</u>

List of Creditors : (Rs)

Amith	55 000
Charith	80 000
Janith	31 500
Sumith	6 000
	<u>172 500</u>

(2) General Ledger

Creditors Control Account				(Rs)
Cash	105 000	B/B/F	90 000	
Purchase returns	5 000	Purchase	172 500	
		Misellaneous payments	20 000	
B/c/d	172 500	(Lalith)		
	<u>282 500</u>			
		B/B/F	<u>172 500</u>	

Purchase Account			
Creditors Control Account	172 500		
Cash	70 000	P/L	242 500
	242 500		242 500
	242 500		242 500

(B) (1)

	(Rs'000)
Annual depreciation - buildings	$\frac{6\ 500 + 1\ 250 - 3\ 250}{15}$
	<u>Rs. 300</u>

Furniture & Fittings	$\frac{1\ 000 - 200}{20}$
	<u>Rs. 40</u>

Office Equipment	$\frac{(500 - 50)}{9} \times \frac{1}{2}$
	<u>Rs. 25</u>

(2) Carrying value as at date of revaluation	= 4 800 - 2 200 = 2 600
Revaluation profit	= 3 800 - 2 600
	= <u>Rs. 1 200</u>

	Machine Disposal Account		(Rs'000)
(3)	Machine account	Accumulated depreciation account	1 500
	3 000	Cash	1 000
		P/L	500
		3 000	3 000

5. (a)

Soorya PLC  
Cash flow statement for the year ended  
31.03.2016 (Rs'000)

<b>Cash flow from operational Activities</b>			
Cash sales		5 100	
Receipts from debtors		3 510	
Payments to creditors		(5 580)	
Payment of operational expenses		(2 465)	
Cash flows generated from operational activities		565	
Interest payments		(70)	
Tax payments		(190)	
Net cash flows generated from operational activities			305
<b>Cash flows from Investment Activities</b>			
Sale of machinery		900	
Purchase of property plant		(880)	
Net cash flows generated from Investment activities			20
<b>Cash flows generated from finance activities</b>			
Dividend payment		(60)	
Bank loan payment		(400)	
Obtain of bank loans		200	
issues of shares		300	
Net cash flows generated from financial activities			40
Net Increase in cash & cash equivalents			365
<b>Cash &amp; cash equivalents as at 01.04.2015</b>			(195)
<b>Cash &amp; cash equivalents as at 31.03.2016</b>			170

(b) (1)

General Journal

(Rs)

		Debit	Credit
1	Trade debtors account Discount allowed account (Being correcting the over casting of discount allowed account)	1 800	1 800
2	Sales account Suspense account (Being correcting the duplication of sales values)	20 000	20 000
3 i	Trade creditors account Suspense account (Being correcting the payment made to creditors not being included in the creditors account)	15 000	15 000
3 ii	Salaries account Suspense account (Being correcting for salaries being not recorded in the salaries account)	65 000	65 000

Adjusting for net profit (Rs)

Net profit before adjustment		300 000
+ Discount allowed	1 800	<u>1 800</u>
		301 800
- Sales	20 000	
Salaries	<u>15 000</u>	
		<u>(35 000)</u>
Adjusted profit		<u><u>266 800</u></u>

(2) Statement of Financial Position as at 31.12.2015

	Rs	Rs
<b>Property Plant &amp; Equipment</b>		600 000
<b>Current Assets</b>		
Inventories	240 000	
Trade debtors	111 800	
Cash at bank & in hand	<u>280 000</u>	
		<u>631 800</u>
<b>Equity</b>		<u><u>1 231 800</u></u>
Capital	800 000	
Net profit	<u>266 800</u>	1 066 800
<b>Current Liabilities</b>		
Trade creditors		<u>165 000</u>
		<u><u>1 231 800</u></u>

6. (a)

$$(1) \frac{\text{Fixed cost}}{\text{Contribution per unit}} = \frac{35\,000}{70} = \underline{\underline{500 \text{ tickets}}}$$

$$(2) \frac{\text{Fixed cost} + \text{Desired profit}}{\text{Contribution per unit}} = \frac{35\,000 + 35\,000}{70}$$

$$= \underline{\underline{1000 \text{ tickets}}}$$

$$(3) \text{Total contribution} - \text{Fixed cost} = \text{Profit}$$

$$70 \times 750 - 35\,000 = \underline{\underline{\text{Rs. } 17\,500}}$$

$$(4) \frac{\text{Fixed cost} + \text{Desired profit}}{\text{No. of unit}} = \text{Contribution per unit}$$

$$\frac{35\,000 + 37\,000}{800} = \text{Rs. } 90$$

$$\text{Selling price} = \text{Variable cost} + \text{Contribution}$$

$$= 30 + 90 \text{ (Contribution per unit)}$$

$$= \underline{\underline{\text{Rs. } 120}}$$

<b>Optional answer</b>		Rs
Sales		<u>96 000</u>
Variable cost		<u>(24 000)</u>
Contribution		72 000
Fixed cost		<u>(35 000)</u>
Profit		<u>37 000</u>
Selling price	=	<u>96 000</u> 800
		<u>Rs.120</u>

(b)

Receipt Journal (Rs 000)

Date	Description	Discounts	Value	Analysis columns		
				Sales	Debtor Accounts	Other
	Cash sales		560	560		
	Sale of office equipment	4	200			200
	Receipts from debtors		320		320	
	Sales		60	60		
	Receipt from debtors		150		150	
		4	1290	620	470	

Payment Journal (Rs 000)

Date	Description	Discounts	Value	Analysis columns		
				Purchases	Payments to creditors	Expenses
	Cash purchase		220	220		
	paid to creditor	3	300		300	
	paid expenses		240			240
	paid to creditors		40		40	
	cash purchase		200	200		
		3	1000	420	340	240

(2)

Adjusted Bank Account (Rs.000)

B/C/F	300	Bank charges	20
Direct deposits	100	Standing Orders	15
		Returned Cheques	90
		Bal c/d	275
	<u>400</u>		<u>400</u>

Bank Reconciliation Statement (Rs.000)

Balance as per adjusted bank account	275
(+) Cheques not presented	300
	<u>575</u>
(-) Cheques not realized	(200)
Balance as per bank statement	<u>375</u>

Workings

Cash and bank control account		Rs'000	
Balance c/f	10	Purchases	420
Sales	560	Creditors	300
Sale of office equipments	200	Expenses	240
Debtors	320	Drawings	40
Income	60	Balance c/d	300
Capital	150		
	<u>1300</u>		<u>1300</u>

7 (a) (1)

	Rs'000
Purchasing Price	(2 500)
Installation cost	(200)
Site preparation cost	(300)
Transportation cost	(100)
Increase in working capital	(150)
Proceeds from sale of old machine	600
	<u>(2 650)</u>

(2)

Year	Increase in receipts	Increase in payments	Realization of working capital	Scrap value	Accumulated Net cash flow
1	1 000	(200)	-	-	800
2	1 400	(300)	-	-	1 100
3	1 500	(500)	-	-	1 000
4	1 400	(750)	150	200	1 000

(3) Net Present value Rs 250 000

Workings			
Year	Net cash flow	Discounting Factor	Accumulated Net cash flow
	Rs'000		Rs'000
0	(2 650)	1	(2 650)
1	800	0.9	720
2	1 100	0.8	880
3	1 000	0.7	700
4	1 000	0.6	<u>600</u>
Net Present value			<u><u>250</u></u>

- (b) (1) Maheshika Women Association  
Manufacturing account for the year ended 31/03/2016

	Rs	Rs
4/1 Stocks of raw materials	43 000	
Purchase of raw materials	350 000	
3/31 Stocks of raw materials	(41 000)	
Cost of material consumed		352 000
Production salaries		101 000
Prime cost		453 000
Production over head cost		
Overhead expenses	113 100	
Depreciation for sawing machine	50 000	
		163 100
Total production cost		616 100

- (2) Maheshika Women Association  
Income statement for the year ended 31/3/2016

	Rs	Rs
Sales		819 000
Cost of sales		
4/1 Stock	60 000	
Production cost	616 100	
3/31 Stock	(122 000)	(554 100)
Gross profit		264 900
Expenses - Selling expense	50 000	
- Administration expense	100 000	(150 000)
Net Profit		114 900

- (3) Maheshika Women Association  
Income & Expenditure statement for the year ended 31/3/2016

	Rs	Rs
Income		
Membership fees	325 000	
Donation	200 000	
Interest	80 000	
Profit from sewing center	114 900	719 900
Expenses		
Administration Expenses	200 000	
Aid of emergency disaster	250 000	(450 000)
Surplus		269 900



Workings

Membership Account			
B/F	10 000	B/F	20 000
Income & Expenses	325 000	Cash	300 000
c/d	15 000	c/d	30 000
	<u>350 000</u>		<u>350 000</u>

No. of bags sold	Units	
4/1 Stock	200	Sales Income 1820 x 450
Production with in the year	2 020	<u>Rs 819 000</u>
3/31 Stock	(400)	
	<u>1 820</u>	

Unit Cost

$$\frac{616\ 100}{2020} = \underline{\underline{\text{Rs.}305}}$$

Closing Finished Inventories 400 x 305 = Rs.122 000

Production Salaries 2020 x 50  
Rs.101 000