



Provincial Department of Education - NWP Provincial Department of Education - NWP Provincial Department of Education - NWP Provincial Department of Education - NWP
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Provincial Department of Education - NWP

Third Term Test - Grade 13 - 2016

Index No :

Accounting I

Two Hours

Important

- ◆ Select the correct answers from 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. What is the most corrected statement out of the followings?
- i. The objective of financial accounting is the preparation of special purpose financial statements for the stakeholders.
 - ii. Provide information only for the external parties from financial Accounting.
 - iii. Prepares general purpose financial statements for the stakeholders from financial Accounting.
 - iv. An activity of financial Accounting is providing information to the government and the institutions relates to the government for taking decisions about collecting taxes.
 - v. The main activity of management accounting is the preparation of general purpose financial statements (.....)
02. Thilak started a retail business by investing Rs. 1,000,000 on 01.04.2016. During the month of April, purchased stock Rs 240,000 and sold them all on credit basis to Rs. 360,000. Sales returned inward from the buyer the goods that invoiced price is Rs. 60000. Out of the above transaction what is the amount of increasing the equity on 30.04.2016
- i. Rs. 60 000 ii. Rs. 100 000 iii. Rs. 108 000 iv. Rs. 120 000 v. Rs. 140 000 (.....)
03. According to the conceptual framework for the financial reporting, which is not a enhance qualitative characteristic of a financial information,
- i. Timeliness
 - ii. Comparability
 - iii. Acurability
 - iv. Understandability
 - v. Faithful representation. (.....)
04. State the most suitable accounting concepts respectively for following statements.
- A- The provision for doubtful debts
 - B- Classify assets as current and non – current.
 - C- Holding the same policy that uses to measure the inventories.
 - D- Assets obtained on finance lease are recognized and reported as an assets.
- i. Prudence, Going concern, Periodic, Substance over form
 - ii. Prudence, Matching, Going Concern, Entity
 - iii. Prudence, Going Concern, Matching, Substance over form
 - iv. Prudence, going concern, Consistency, Substance Over Form
 - v. Prudence, Matching, Consistency, Entity. (.....)

05. What is the concept for recognizing the annual sales as an income and the cost of sales as an expense?
 i. accrual ii. prudence iii. periodic iv. matching v. consistency (.....)
06. Renuka PLC bought a machine on credit basis Rs. 600 000 on 01.10.2015. The machine is depreciated on straight line method at 10% per annum. The net effect of this transaction on assets liabilities and equity as at 31.03.2016 to the accounting equation is,

	Assets (Rs.)	Liabilities (Rs)	Equity (Rs)
i.	540000	540000	--
ii.	540000	570000	(30000)
iii.	570000	600000	(30000)
iv.	570000	540000	30000
v.	600000	600000	--

(.....)

• **Use the following information to answer the questions form no. 07 to 08.**

Sena's business sold goods list price Rs. 80 000 on credit basis to pala under 10% trade discount. Return inwards selling price Rs. 12000 worth goods from pala as they were damaged. Pala paid cash a half of rest due amount under 10% cash discount during the two weeks.

07. State the related source documents respectively to record above transactions in sena's business.
 i. invoice, credit note , receipt ii. invoice, credit note, voucher
 iii. invoice, credit note, debit note iv. invoice, debit note, receipt
 v. invoice, debit note, voucher (.....)

08. The corrected creditors balance and the discount received amount of pala's business after the above transactions are,

	Creditors (Rs.)	Discount Received (Rs.)
i.	30000	1500
ii.	30000	3000
iii.	36000	3000
iv.	36000	3600
v.	40000	4000

(.....)

09. The balance to the bank account of a certain business is decreased than the balance of the bank statement on 31.03.2016. What are the reasons to affect such situation?

- i. Deposited but unrealized cheques.
 ii. Unrecorded loan installments and interests in bank account
 iii. Unrecorded deposited dishoarded cheques in the bank account
 iv. Deposited but unrealized cheques
 v. Issued but un presented cheques (.....)

10. The balance of the debtors control account of Sisira PLC was Rs. 520 000 as at 31.03.2016. The total of the debtors balances as per the debtors ledger was different to it. The subsequent investigation revealed the following.

- Return inward Rs. 20 000 was not recorded in the return inward journal.
- The total amount of the sales Journal Rs. 52000 has been recorded in debtors control account as Rs. 25000
- Cash received form a debtor Rs. 30 000 has been recorded twice in the relevant debtor's account.

The correct balance in the debtor's control account as at 31.03.2016 is,

i. Rs. 527 000 ii. Rs. 540 000 iii. Rs. 565 000 iv. Rs. 592 000 v. Rs. 622 000 (.....)

11. The Trial balance of Hema PLC as at 31. 03.2016 did not balance. A subsequent investigation revealed the following.

- Cash purchased Rs. 200 000 has been recorded only in the cash book.
- The total of the sales journal has been under cast by Rs. 50 000.
- Discount receive Rs. 6000 has been debited to the discount allowed account.
- Rent paid Rs. 20 000 has been debited twice in the rent account

The balance of the suspense account before rectifying above errors.

i. Rs. 142000 Dr ii. Rs. 168 000 Dr iii. Rs. 168 000 Cr
iv. Rs. 242 000 Dr v. Rs. 276 000 Dr (.....)

12. Following information relates to an item of inventory in a certain company.

Date	Description	Quantity (Units)	Unit Cost (Rs)
2016.03.01	Balance	2000	30
2016.03.15	Purchases	6000	80
2015.03.31	Sales	4000	--

The company uses FIFO method to issue inventories. The net realizable value of an inventory unit is Rs.90

State the cost of sales indicates n income statement and the carrying amount of inventory indicates in financial position statement on 31.03.2016 according to LKAS 02.

	Carrying amount (Rs.)	Cost of Sales (Rs.)
i.	120 000	220 000
ii.	220 000	220 000
iii.	320 000	220 000
iv.	320 000	360 000
v.	360 000	360 000

(.....)

13. Following information relates to a machine as at 31.03.2015

- The balance of the machine account is Rs. 1600 000
- The useful life time is 10 years
- The balance of the machines accumulated depreciation account is Rs. 320 000
- Because of the fitting a new part cost Rs. 400 000 to the machine the useful life time increases up to 10 years to 12 years
- What is the annual deprecation amount of this machine as at 31/03/2016

i. Rs 90 000 ii. Rs. 128 000 iii. Rs. 160 000 iv. Rs. 168 000 v. Rs. 180 000 (.....)

14. Following information relates to membership fees in a sports club for the year ended 31.03.2016

- There were 150 members formed on 01.04.2015 and a monthly membership fees of a member is Rs. 200
- Out of the above members there are 10 members were life members and 10 years subscription was paid
- The life membership fee is recognized in income equally over a period of 10 years.
- 20 members have paid subscription for six months and 10 members have paid subscription for 15 months in this year.
- State the amount of received membership fees and the subscription income is recognized in the income and expenditure account

Income & Expenditure Account (Rs.)**Received Subscription Amount (Rs.)**

i. 318 000	402 000
ii. 318 000	318 000
iii. 360 000	402 000
iv. 360 000	318 000
v. 360 000	360 000 (.....)

15. Dilmi & Nilmi Started a partnership on 01.04.2015 by investing capital Rs. 300 000 and Rs. 200 000 respectively. According to partnership deed.

- Interest on opening capital annually 10%.
- Dilmi & Nilmi Share profits and losses in the ratio of 3:2 respectively.
- During the year ending 31.03.2016 the partnership earned a net profit Rs. 50 000

When allocating the profit. The account decided not to calculate the interest on capital. What is the suitable statement for that decision?

- The profit share increases when receiving the interest on capital.
- It decides more advantages will treats to Dilmi.
- It can't obtain the interest on capital as the net profit is equal to interest on capital.
- When it earned a less profit, There is no reasonable way to pay interest on capital to the business
- The profit ration and the ratio of capital invested are equal. (.....)

16. Following current account is related to Sanda. Hiru and Tharu partnership for the year ended 31.03.2016

Current Account

	Sanda	Hiru	Tharu		Sanda	Hiru	Tharu
01.04.2015 blbf	--	--	50000	01.04.2015 blbf	300000	200000	--
drawings	30000	--	10000	interest on capital	40000	30000	30000
				salary	24000	18000	18000
				profit share	50000	30000	20000

The profit or loss ratio respectively and the net profit earned for the year ended 31.03.2016 of Sanda, Hiru and Tharu partnership.

Profit Ration	Net Profit (Rs.)
i. 4:3:3	100 000
ii. 4:3:3	160 000
iii. 4:3:3	260 000
iv. 5:3:2	260 000
v. 5:3:2	300 000 (.....)

17. When the revaluation of useful life time of the computer system in a limited company. The difference of annual depreciation of this asset must be record in financial statements.

- Adjust the profit or loss of the current period by considering as an error.
- Adjust the profit or loss of the current and future periods by considering as a change in accounting estimates.
- Revise the opening balance of retained earnings considering as an error.
- Revise the opening balance of retained earnings by considering as a change in accounting policy
- Revise the opening balance of retained earnings by considering as a change in accounting estimates. (.....)

18. The accounting period of a certain company ended on 31.03.2016 and the board of directors authorized the issues of financial statements on 30.06.2016. The following events took place in relation to the company after 31.03.2016

A – Reduce the value of investments because of the reducing the market values.

B – A debtor Rs. 500 000 as at 31.03.2016 was declared bankrupt on 20.04.2016

C – Directors have proposed a final dividend on 01.06.2016, Rs. 2 per ordinary share.

D – The inventory as at 21.03.2016 on cost Rs. 400 000 and was sold for Rs. 320 000 on 01.05.2016

Which of the above should be adjusted in the financial statements for the year ended 31.03.2016

i. A & B only ii. A,B & C only iii. B & D only iv. A,B & D only v. D only (.....)

19. Which of the following events should be disclosed as contingent liabilities?

A - A motor vehicle purchased on finance leasing system.

B - The company was liable to pay compensation to an employee who had filed a case against the company.

C - An agreement to act as a guarantor for a loan obtained by another firm

D - Accrued compensation for the reason for closing a division of the business

i. A & B only ii. A,B & C only iii. C only iv. C & D only v. D only (.....)

20. Following information relates to a company of the year ended 31.03.2016

	Rs. 000
Profit for the year	1700
Income tax for the year	300
Annual depreciation	200
Profit for selling furniture	50
Decrease in inventories	20
Increase in debtors	30

Annual income tax is being accrued yet. The net cash flows from operating activities for the year is,

i. Rs. 2 140 000 ii. Rs. 2 200 000 iii. Rs. 2 300 000
 iv. Rs. 2 340 000 v. Rs 2 400 000 (.....)

21. Which statements are affected to increase the current ratio?

A – Receiving cash from debtors B - Credit sales inventories with a profit

C - Bought a motor vehicle by cash D - Obtained a long term bank loan

i. A,B,C & D all ii. B & D only iii. B,C & D only iv. C & D only v. D only (.....)

• **Using following information, answer question no 22 and 23**

A production firm produce 02 types of goods, named X & Y. The estimated overhead cost is Rs. 3 000 000 in the assemble department of this firm. Other information is as follows.

i.

Good	Direct labour hours		Expected Products Units
	Estimated	Used	
X	5	4	1000
Y	10	8	1000

ii. Absorption of production overhead cost is based on direct labour hours.

22. What is the absorption amount of overhead cost for unit "x" to a direct labour hour?

i. Rs. 200 ii. Rs. 300 iii. Rs 400 iv. Rs. 500 v. Rs. 900 (.....)

23. What is the absorption amount of overhead cost for unit "y" in assemble department?
 i. Rs. 800 ii. Rs. 1000 iii. Rs. 1600
 iv. Rs. 2000 v. Rs 3000 (.....)

24. Following raw material data relates to a production firm used.

Maximum consumption – units per day	1200
Average consumption – Units per day	1000
Minimum ordering period - Days	3
Average ordering period – Days	4
Maximum stock level - Units	8000

The re-order level and the re – order quantity of this raw material,

	Re – order level (units)	Re-order quantity (units)	
i.	4000	2400	
ii.	4000	3200	
iii.	6000	3200	
iv.	6000	4000	
v.	6000	4400	(.....)

- **Use the following information to answer. Question No. 25 & 26**

Following is a summary of a salary sheet of a company during the month of March.

	Rs. 000
Basic salary	1200
Allowances	300
Gross salary	1500
Deductions	
Salary advances	(100)
E.P.F (10%)	<u>(150)</u>
Net pay	<u>1250</u>
Employers Contribution	
EPF 15%	225
ETF	45

All the payments relates to the salary must be paid on 10th of the next month.

25. What is the total cost of salary recognized, in income statement of the month of March 2016?
 i. Rs. 1 920 000 ii. Rs. 1 770 000 iii. Rs. 1 520 000
 iv. Rs. 1 500 000 v. Rs. 1 250 000 (.....)
26. What is the total liability relates to salary recognized in financial position statement as at 31.03.2016?
 i. Rs. 1 735 000 ii. Rs. 1 720 000 iii. Rs. 1 670 000
 iv. Rs. 1 475 000 v. Rs. 1 250 000 (.....)
27. When the sales volume increases and the other factors remain unchanged, what are the correct statements?
 A – Unchanged unit contribution
 B – Increased total contribution
 C – Decreased break – even - point
 D – Increases break – even - point
 E - Increases profit
 i. A & B only ii. A,B & C only iii. A,B & D only iv. A & E only v. A,B & E only (.....)

28. Following estimated information relates to a certain good in a firm during the months of January & February 2016

	Jan.	Feb.
i. Sales income	1000000	1500000
Profit	150000	250000

ii. During the above period fixed cost, unit variable cost and selling price were not changed
What is the sales contribution ratio / profit volume ration?

- i. 20% ii. 25% iii. 33% iv. 40% v. 60% (.....)

29. Select the correct statement which techniques to relate the evaluation of investment decisions.

- i. Consider cash flows after the payback period in payback period method.
 ii. Consider the time value of money in payback period method
 iii. Not consider the time value of money in net present value method (NPV)
 iv. Consider cash flows when calculating investment rate of return (IRR)
 v. Consider the time value of money in net present value method (NPV) (.....)

30. Which items consider by estimating cash flows of a new project in a firm,

- A – Machine acquisition cost for the project
 B - Book value of the old machine
 C - Depreciation of new machine
 D - Cash received from selling the old machine
 E - Market research expenses for the new project.

- i. A,B, & D only ii. A & D only iii. D only iv. A,D & E only v. A & E only (.....)

• **Write short answers for questions No. 31 – 50 on the dotted line.**

31. Indicate whether the following statements are true or false by placing a mark in the appropriate column.

<u>Statement</u>	<u>True / False</u>
A- Provide information only for external Parties by the management accounting
B- When selecting Accounting policies there haven't it accounting standard relates a transaction, the Management of the firm uses their own judgments.
C- Only transactions that can be measured in terms of money are recorded in accounting.
D- In financial accounting, the financial statements are prepared many times of the year

32. State the prime entry book and the source document used of following each transaction.

Transaction	prime entry book	Source document
A Provision for doubtful debts
B Return outward stock purchased on credit
C Cash paid for creditors
D Credit sales of PPE (Property plant & Equipment)

33. The petty cash impress Rs. 5000 was given to petty cashier on 1st of the month of a firm. At the end of the month he had Rs. 500. The firm decided to increase the imprest up to Rs. 6000 since next month. Calculate following items.

- a). The reimburse amount for the next moth = Rs.
- b). The journal entry to record the imbrues amount. (Narration no need)

34. Identify the accounting concept that is most applicable to each of the following situations.

- A- Receiving an advance from a sales agreement which is affected to the next year
- B- The value of a stapler machine purchased recorded as an expense in the income statement.
- C- Indicate debtors and creditors in the financial position statement.
- E- The land purchased Rs. 500 000 be for five years, the present value of this land is Rs. 2 000 000 but it is recorded in financial position statement as Rs. 500 000

Item	Accounting concept
A
B
C
D

35. State 02 main conditions to recognize a liability according to the conceptual framework for financial reporting.

- a).
- b).

36. The bank account balance of a firm is de ceased than the balance of the bank statement as at 31.03.2016 (assume there were no errors in bank account or in bank statement) Indicate two reasons affected to this differences.

- a).
- b).

37. State two differences between receipts and payments account and the income and expenditure account of the not for profit oriented business.

- a).
- b).

• **Use the following information to answer question no 38 & 39**

A business purchased office equipment Rs. 500 000 on 01.03.2016 has been debited to the office expenses account. Office equipment is depreciated 12% on per annum on cost on straight line method.

38. As this error what is the net impact on the profit for the year ended 31.03.2016

.....

39. Write the journal entry to rectify the office equipment account and the office expenses account. (Narration is not required)

.....

40. When using the two accounts which current account and the capital account to indicate the equity of a partnership, state two items record in the capital account.

- a).
- b).

41. Name two ways to contribute to the partnership as a partner and write the benefits to those contributions.

Types of contribution

Benefit

- a).
- b).

42. According to LKAS 08, (Accounting policies, changes in Accounting estimates and errors) which situation represent the changes in accounting policies of a limited company.

Changes in Acc. Policies

Situation

Yes / No

- A- Changed the ratio of provision for doubtful debts on the balance of the year ends debtors.
- B- Changed the method of evaluation of inventories from FIFO to WAC
- C- Changed the useful lifetime of Motor vehicle from 10 years to 8 years
- D- Recording the value of PPE on cost model for past years and from the current year records on revaluation model

43. The stated capital of a limited company was 60 000 shares pre Rs 20 each as at 31.03.2015. The company capitalized their reserves by issuing one share for every two shares held at a consideration of Rs. 20 per share. Subsequently a right issue was made on the basis of one share for every three shares held at Rs 20 per share.

What is the stated capital of the company after the capitalizing reserves and the right issues of shares?

.....

44. A company issued 200 000 ordinary shares at a price of Rs. 25 each during the year ending 31.03.2016. Applications for 300 000 with the full amount were received. The company allotted 200 000 shares proportionately and the excess money was returned to the applicants.

Write journal entries for the following. (Narration is not required)

- a) Excess cash returns to the applicants.
.....
.....
- b) Allotment of shares
.....

45. The sales of a company during the year ending 31.03.2016 were Rs. 7200 000 was on credit. The gross profit margin on cost of sales of the company is 50% following information is also available.

	as at 31.03.2016	as at 31.03.2015
Trade debtors	900000	700000
Inventory	500000	300000

Calculate the following as at 31.03.2016 assuming the number of working days in the year as 360.

- a) Debtors turnover ratio
- b) Inventory residence period

46. Following item relates to a garment factory. Indicate each item is a component or not of prime cost.

Cost Item	Component or not of prime cost Yes / No
A Depreciation of sewing machines
B Carriage inwards expenses of clothes
C Salary of sewing machine operators
D Factory rent

47. Following information relates to a production firm and the product of good "x"

Annual demand	8000 Units
Cost of an ordering	Rs. 250
Holding cost for a unit	Rs. 100

Calculate followings.

- a) Economic order quantity
- b) Ordering terms for a year

48. Following are two situations relates to a certain good in a manufacturing company.

Situations	Produced units quantity	Unit cost (Rs.)
1	2000	50
2	3000	40

Calculate the total fixed cost and the unit variable cost.

- a). Fixed cost Rs.
- b). Unit variable cost Rs.

49. State the impact to the break – even point under the following situations that the other factors remain unchanged.

Situation	Impact (Increase / Decrease/ Unchanged)
i Decrease the total fixed cost
ii Decrease the unit selling price
iii Increase the sales volume
iv Decrease the variable cost

50. Bonie PLC is considering to purchase a new machine. If this machine is bought, the machine in use at present could be sold for Rs. 300 000. It will cost Rs. 50 000 for removing the using machine. The useful lifetime of the new machine is 5 years and the residual value is Rs. 200 000 other information related to it is as follows.

	Rs. 000
Purchase price of the new Machine	1000
Carriage inwards	50
Cost of installation	150
Working capital required at the beginning	100
Annual expected cash inflow	400

Calculate the following

- a) Initial investment Rs
- b) Total cash inflow for the 5th year Rs