



Paper - I

Name : No : Class :

Answer all questions.

1) Which of the following statements best describes the purpose of financial accounting in a limited liability company?

- (a) To assist in the day-to-day management of the company.
- (b) To enable the business to pay the correct amount of tax.
- (c) To ensure that the business pays the correct dividend.
- (d) To help the directors discharge their obligations to the shareholders.
- (e) answer b and c only

2) Bank statement balance of ABC Ltd as at 30/6/13 was 20000 but cash book bank balance was 30000/-

Below reasons were revealed later, direct remittances of 6000 and bank charges of 3000 not recorded in cash book Issued but un presented cheques were 8000 as at 30.06.13

What is the value of deposited but unrealized cheques (rs)?

- a) 21000 b) 16000 c) 28000 d) 13000 e) 18000

3) Lanka milk plc packed milk packets on the dated 31/3/13. cost of closing milk packets were 400000. but 50000 storage cost has been included in the closing stock amount. not only that expired milk packets of 40000 also included. Which should be in the balance sheet as stocks

- a) 310000 b) 340000 c) 320000 d) 380000 e) 400000

4) the financial statement that doesn't consider accrual concept is

- 1 statement of changes in equity
- 2 cash flow statement
- 3 income statement
- 4 comprehensive income statement
- 5 balance sheet

5) total assets and total liabilities of a business is follows

	assets	liabilities
1/4/12	250000	80000
31/3/13	680000	280000

For the year ended 31/3/13 additional capital of 100000 was acquired paid 40000 as dividends

Profit for the business for the year ended 31/3/13

1 230000	2 130000	3 170000
4 47000	5 90000	

6) the objective of frame work for presenting financial statements is

A to support the preparation of accounting standards

B to support the audit opinion that financial statements are prepared according to accounting standards

C introduce a specific format for the preparation of financial statements

D to guide the matters that is not covered by accounting standards

1 A B only 2 A B C only 3 B C D only 4 AB D only 5 ABCD all

7) accrual expenses and prepayments details are as follows

A at the beginning accrual expenses 40000 and prepayments are 15000

B annual expenses are 410000

C at the end accrual expenses 30000 and prepayments are 20000

What is the cash paid expenses

1. 410000 2. 425000 3. 395000 4. 420000 5. 415000

8) financial statements comprise of

1 comprehensive income statement, statement of financial position, management report, statement of changes in equity, cash flow statement

2 bank reconciliation statement, statement of financial position, statement of changes in equity, cash flow statement, income statement

3 comprehensive income statement, statement of financial position, notes to account, statement of changes in equity, cash flow statement

4 3 comprehensive income statement, statement of financial position, notes to account, statement of changes in equity, cash book

5 ledger trial balance income statement, statement of financial position, cash flow statement

9) as at 1/4/12 debtors balance is 500000 and at 31.3.13 it is 600000 . bad debt written off within the year was 35000. end of the year doubtful debt provision is 10% from debtors , for the year ended 31/3/13 bad and doubtful debt expenses is

1. 95000 2. 45000 3. 60000 4. 48500 5. 35000

10) debtor with carrying value of 100000 as at 31/3/12 was bankrupted on 30.6.12 . on 31.3.12 a special doubtful debt provision of 20% is done for this debtor. financial statements been approved on 25.5.12 what is the expense to be recognized for this debtor for the year 31/3/13. rs

- 1 rs 0 2 rs 20000 3 rs 100000 4 rs 120000 5 rs 80000

11) below information relates to the year ended 31/3/12 =rs

Rawmaterial –openng 25000

Closing 20000

Purchase raw material; 80000

Conversion cost 120000

Direct labour 30000

Overheads 90000

Work in progress 1/4/11 15000

30000

What is the total production cost for the year ended 31/3/12

1. 205000 2. 175000 3. 200000 4. 235000 5. 240000

12) use below information for q12 and 13

Money collected from debtors 210000 during 2012

Credit sales for 2012 is 240000

Debtors control a/c balance 55000 was recorded as 50000 as at 1/4/11

Discount allowed 5000 was recorded as 15000 in debtors ledger

4000 credit sales not updated in debtors ledger

What is the carrying value of debtors as at 31/3/12

1. 80000 2. 55000 3. 70000 4. 85000 5. 50000

13) before correcting errors total of debtors list as at 31/3/12

1. 74000 2. 69000 3. 80000 4. 84000 5. 70000

14) from below errors which effect the disagreement of trial balance

A sales invoice is fully omitted

B electricity paid not posted to electricity a/c

C amount paid to creditor been credited to a creditors a.c

D expense is posted to asset a/c

- 1 A B only 2 A B C only 3 A D only 4 B C only 5 B C D only

Using following details answer question no. 15& 16.

	Rs.
Carrying cost on the dated 31/3/2011	500 000
Carrying cost on the dated 31/3/2010	600 000
Depreciation for the year ended 31/3/2011	40 000
Sales value of the motor vehicle on the dated 30/7/2011	300 000
Carrying cost of sold motor vehicle on the dated 1/4/10	225 000
Annual depreciation of the motor vehicle	75 000

All motor vehicle acquired in cash.

- 15) Cash outflows when the acquisition of motor vehicle for the year ended 31/3/2011 is,
 i) 80 000 ii) 100 000 iii) 140 000 iv) 190 000 v) 240 000
- 16) Profit of the deposal asset is,
 i) 0 ii) 100 000 iii) 5 000 iv) 150 000 v) 75 000

Following information provided is regarding the buildings which were acquired for Rs. 100 million on 01.04.2008 of a business. End of each year the building are revalued.

	Rs. Million		
	2009	2010	2011
• Revalued amount 31 March	120	115	90
• Provision for depreciation for the year ended	4	5	5

- 17) What is the balance of revaluation reserve account on the dated 31/3/2011
 i) 0 million ii) 4 million iii) 5 million iv) 10 million v) 14 million
- 18) What is the correct statement from the followings?
 i) Depreciation will not be included in the manufacturing cost.
 ii) Total direct and indirect cost will be included in the manufacturing cost.
 iii) Periodic cost will not be included in the manufacturing cost for given particular period.
 iv) When identifying manufacturing cost the cost need to be classified as variable and fixed.
 v) Cost of purchase of raw materials and cost of used labour are included in the conversion cost.

- 19) There is a fairly change in the debtors balance according to the balance sheet and account in a business. Due to above change which effect can be made for quality / qualities of the financial information.
 a) **Comparability** b) **Reliability** c) **Understandability**
 i) A only ii) C only iii) A & C only iv) A & B only v) B & C only

Using following details answer for question No. 20 & 21

Rs. 000

Cost of physical stocks on the dated 31/3/2011 50

Cost of expired stocks on dated 31/3/2011 10

(These stock items has not been included in the physical stocks and the stock can be returned for supplier)

Collected cash from debtors 210

Debtors on the dated 31/3/2011 40

Paid to creditors 150

The profit margin is maintained 25% on mark-up.

All sales and purchases are on credit.

- 20) Cost of sales for the year ended 31/3/2011 is,
 i) 150 000 ii) 190 000 iii) 200 000 iv) 210 000 v) 250 000

- 21) Payable amount to creditors on the dated 31/3/2011
- i) 100 000 ii) 110 000 iii) 200 000 iv) 250 000 v) 260 000

- 22) Following details are given for a manufacturing business.

Departments	Overhead Cost	
	Actual (Rs.)	Budgeted (Rs.)
A	600 000	700 000
B	400 000	500 000
Total	1000 000	1200 000

Actual and budgeted machine hours for the two departments A & B are 50 000 and 60 000 respectively, what is the overhead cost absorption rate per machine hour?

- i) 12 ii) 20 iii) 30 iv) 15 v) 22.50
- 23) Declaration of dividends after balance sheet date and before the certified date for publication is not presented in the balance sheet. What is the statement which provide above.
- i) The incident after balance sheet date.
 ii) It is not a present obligation on the balance sheet date.
 iii) It is concerned as a quantitative amount after balance sheet date.
 iv) It is not relevant for expenses definition
 v) It has a chance for future cash inflows.

- 24) A company produce & sells a single product, it's selling price is 60 per unit and variable cost is 40/= per unit the fixed cost are Rs. 100000 the Breakeven point (in units) & Margin of safety (Rs.) at a sales level of 8000 unit respectively are.
- 1) 2000 units & 180 000 2) 5000 units & 120 000
 3) 5000 units & 120 000 4) 2000 units & 180 000
 5) none of above

- 25) A business changed their stocks valuation method FIFO in to WAC method. This change is adjusted in the financial statements.
- i) For prior periods because it is a change of accounting policies.
 ii) For prior periods and present periods because it is a change of accounting policies.
 iii) For future periods because it is a change of accounting policy.
 iv) For present periods and future periods because it is a change of accounting estimations.
 v) For future periods because it is a change of accounting estimations.

Following details of a company are given for the year ended 31/3/2011 extracted from financial statement.

	'000
• Total assets of the dated 31/3/2011	800
• Total liabilities on the dated 31/3/2011	400
• Retained profit on the dated 31/3/2011	200
• Total income for the year	1000
• Total expenses (including tax)	800
• Paid dividends	150

- 26) Total equity of the company on the dated 31/3/2011.
- i) 200 million ii) 350 million iii) 400 million
 iv) 450 million v) 600 million

Use the following information to answer questions No. 27&28

Date	Units	Cost per unit
Balance 2011.3.1	4000	90
Purchase 2011.3.13	8000	60
Issues 2011.3.20	11000	-
Balance 2011.3.31	1000	-

- 27) If the stock is valued under the weight average cost method, what is the cost of closing stock as @ 31/3/2011?
 i) 60 000 ii) 67 000 iii) 70 000 iv) 75 000 v) 90 000
- 28) If the stock is valued under the first in first out (FIFO). What is the cost of sales for the year ended 31.3.2011.
 i) 660 000 ii) 700 000 iii) 750 000 iv) 780 000 v) 840 000
- 29) What is the equation which represents total cost from following?
 A) Total cost = Manufacturing cost + Non manufacturing cost
 B) Total cost = Prime cost + Total overhead cost
 C) Total cost = Direct cost + Indirect cost
 i) A only ii) B only iii) C only iv) A & C only v) A, B and C
- 30) Pre received membership fees should be recorded
 i) As a liability ii) As an Asset
 iii) Debit to income and Expense account iv) Credit to Receipt and Payment account
 v) Credit to income and Expense account
- 31) What is the most effective ratio to calculate gearing status of the company?
 i) Current ratio ii) Interest covered
 iii) Debt ratio to total assets iv) Total assets turnover ratio
 v) Creditors turnover ratio

Following details provide you according to two alternative projects.

	Project x	Project y
Payback period (years)	5	4
Net present value	110 000	135 000

- 32) Which one should be selected base on the payback period decision from the projects x and y?

- 33) If the business is getting a decision based on net present value method, which project should be selected out of the above two projects.

- 34) Following ratios are given according to two companies, engaging in the same production process.
- | | A company | B company |
|-----------------------------|-----------|-----------|
| Current asset ratio | 2.3 | 2.0 |
| Quick asset ratio | 0.9 | 1.1 |
| Total assets turnover ratio | 1.8 | 2.5 |

Explain with details which company can be selected according to asset utilizing efficiently.

35) Explain with details which company has the higher liquidity.

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36) Indicating (✓) mark, should identify each activity from the following.

Activity	Operating	Financing	Investment
Receipts from debtors			
Obtain bank loan			
Disposal of non current assets			
preference share issue			

37) What is the main objective of the management accounting?

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38) categorize below cost as direct indirect and manufacturing and non manufacturing for a garment factory

Cost	direct	indirect	manufacturing	non manufacturing
Cost of fabric				
Quality control				
Royalty				
Machine Operators salary				

39) explain below

1) material issue note

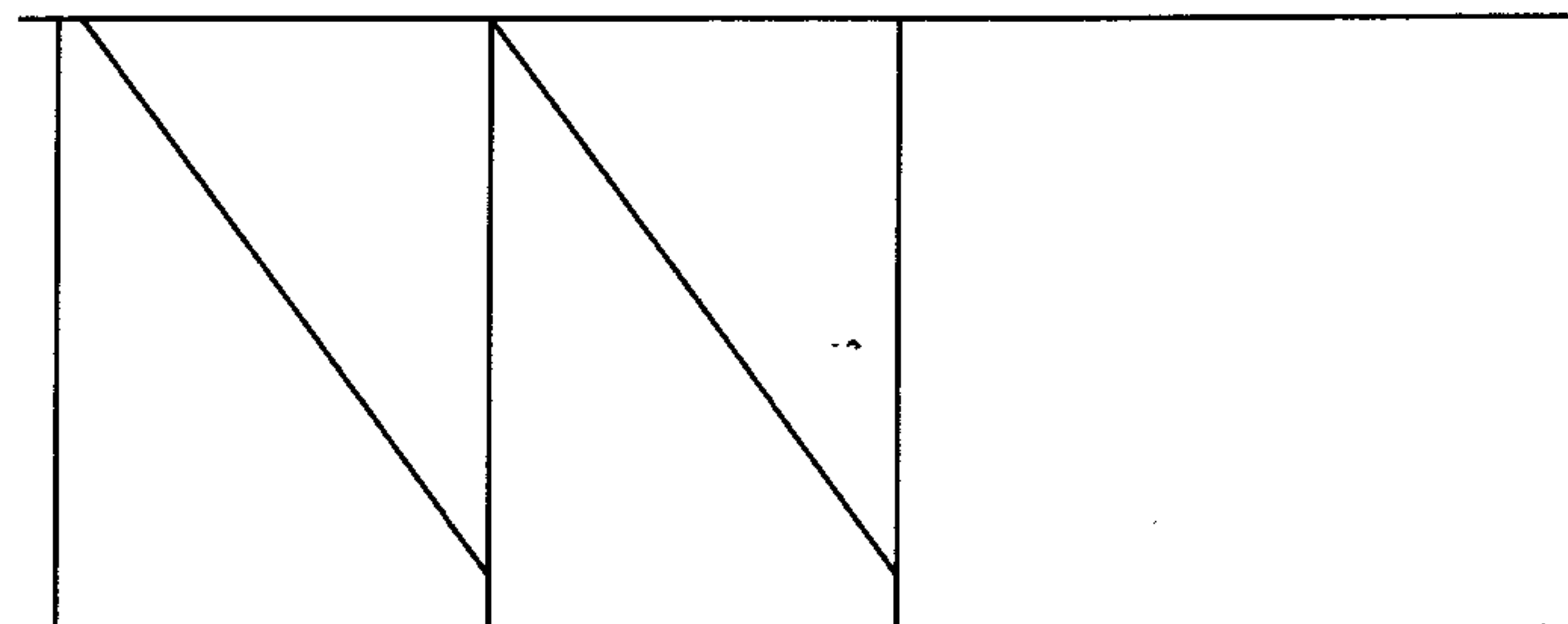
2) idle time sheet

3) stores ledger

4) purchase order.....

40) Stock movement shown from following EOQ model. Using this model find out:

- i) Re-order quantity
- ii) Lead t



41 state 2 differences between current and capital A.c

42. the annual demand of item x is 250000 units cost of an order is 40/- stock holding cost 10% of unit price .the price of the item is 50/-
Calculate EOQ

43. No of orders per annum

44. Information regarding receipts and issues of inventory of a business is as below

01.01.14	bbf	100 units	500/- each
15.1.14	receipts	400 units	550/- each
30.1.14	issue	300 units	

What is the cost of sales for the month for January 2014 if they use WAC method



45. What is the cost of the inventory as at 31.1.14 if they use FIFO method

46. use below data of Manilala Ltd for Y.E 31.3.15

Profit for the period	5200
Profit on sale on motor vehicle	200
Income tax paid	300
PPE depreciation	100
Increase in inventory	20
Provison for tax	360

What is the net cash flow from operational; activities

47. explain what is a operating lease and a finance lease

48. state two advantages of paying salary on time basis and out put basis

49. list two occasions where historical cost concept doesn't apply

50. state 2 assumptions used for cost volume profit analysis

D.S.Senanayake College, Colombo 07

3rd Term Test -2016

Grade - 13

Accountancy - II

Duration:
3 hours

Paper - II

Name : No :

..... Class :

1st Question & 2 compulsory including Question 1 & 2 answer 6 questions only

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01) Below is the Trail balance of Suranga Plc which was established on 1/4/10.they have issued 10000 shares at 250/- each as at 31/3/2016 Trial balance of the company as below.

	dr	Cr	Rs.
		000	
Sales		12500	
Cost of sales	8000		
Closing stock	Stocks 31-3-2016	500	
	Debtors	1200	
Creditors		400	
Interest paid	50		
Directors remuneration	140		
Audit fee	160		
advertising	150		
Bad debt	50		
10% debentures		2000	
Stated capital ordinary shares		2500	
cash	300		
bank		200	
building	8000		
Motor vehicle	3000		
Furniture	1000		
General reserve		600	
Revaluation reserve		400	
Retained earning		500	
Tax paid	150		
Provision for building depreciation		600	
	furniture	200	
Lease creditors		3000	
Dividend paid	200		
	22900	22900	

Other information

1. From the closing stock as at 31/3/2016 ½ of the stock been sold for 200000 on 03/4/2016 and the NRV of the balance stock been estimated at 200000/-
2. Prepaid advertising is 50000
3. Write of 100000 as bad debt & from the balance debtors provide 2% as doubtful debt
4. Building been revalued on 31/3/2016 for 7500000 it is annually depreciated at 10%
5. Motor vehicle was obtained under a lease agreement on 1/4/2015 it is decided to repay it back by 6 annual installment of 700000/- each .first installment was paid on 30/3/2016.it was debited to debentures account an installment include lease interest of 200000 motor vehicle been depreciated at 10% annually on straight line basis
6. Furniture is depreciated at 5% annually on cost
7. BOD has decided below
 - 1.to transfer 50000 to general reserve
 - 2.declare 100000/- final dividend for ordinary shares
 - 3.A bonus issue for 1000 shares 250/- each been made and revaluation reserve used for this

Required:

- a) Comprehensive income statement (for publication purpose) for the year ended 31/3/16
- b) *Statement of financial position as at 31/3/16.
- c)statement of changes in equity for the Y/e 31/3/16

(20M)

- 02) I) **A&B are partners who don't keep their accounts in a proper manner for the year ended 31/3/15 below asset & liabilities are provided.**

	01/4/14	31/3/15 (Rs. 000)
Land	800	800
Building	500	450
Motor Vehicle	300	250
Stocks	150	180
Debtors	450	650
Creditors	300	200
Cash	180	300

Additional information

- 1) As at 1/4/2014 current A/C balances were 190,000/= & 160,000/= and capital Account balances were 500000 and 300000
- 2) On 1/4/2014 C was admitted to the partnership he invested 260,000/= by cash & Machine of 520,000/=. on this date goodwill was valued at 600,000/=. Partnership does not maintain goodwill Account in their books there was no record of this admission of the partnership in the books.they agreed to adjust this through capital a.c
- 3) A&b share profit equality and partnership agreement of the new partnership as below.

Interest on capital	10%		
Partnership salary	-	A	(annual) 50 000
		B	60 000
		C	70 000

Profit sharing ratio 5 : 3 : 2

- 4) From the money bought of C 40,000/= been taken from B& 60 000/= taken from A for their personal use.
- 5) .during the year cash receipts from debtors were 250000 and cash paid to creditors were 150000.assume all sales and purchases on credit basis. operationalexpenses paid is 45000 and office expenses are 5000 .no disposal or addition of PPE during the year

Required:

- a) For the year ended 31/3/15 income statement
 b) Profit & loss appropriation Account for the year ended 31/3/15.
 c) Current & capital Account for the year end 31/3/15.

(10 marks)

- II) a) x&y are two production departments and z is a service department in the Ventil Ltd.

Detail	Dept : x	Dept : y	Service – z
Indirect materials	55 000	35 000	-
Indirect Labour	30 000	30 000	10 000
Indirect other	15 000	10 000	10 000
Machine at cost	450 000	500 000	-
Floor area (sq. feet)	400	200	100
No of employee	50	30	20
Machine hours	4000	30000	-

- b) For the 4 months ended 30/4/15 overhead cost.
 Machine Depreciation 10% on cost annually
 Rent is 140 000/=
 Employee welfare 100 000/=
 For department A there is a 135 000/= rates applicable for 4 months.
- c) Primary cost - (per unit)
 Direct Material - 500/=
 Direct Labour - 400/=
 Direct other - 100/=
- d) To produce a one unit 4 Machine hours from departmentx& 5 hours from department y is spent.
- e) Service department (z) provides its services equally to production departments.

Required:

- i) Overhead analysis sheet
 ii) Overhead adsorption rates separately for dept :x&y separately based on Machine hours
 iii) Cost per unit

(10 marks)

- 03) I) below details relates to rahul Ltd for the year ended 31/3/15 adopted from their financial statement.

		(Rs. 000')
Stated Capital ordinary share		800
Retained earning		200
20% debentures		500
Noncurrent assets		1 500
Current assets stock	1/4/14	500
	31/3/15	300
Debtors		500
Cash & Cash equlient		100
Current liabilities		300
Sales		3 000
Cost of sales		2 200
Tax for the year		200
Annual profit		400

Required:

- Current ratio
- Acid test ratio (quick ratio)
- Return on total assets
- Stock turnover ratio
- Debt – equity ratio

(5 marks)

II) Shehara Ltd provided you with below details.

Raw materials	-	Maximum Consumption	-	5000 units
	-	Minimum Consumption	-	3000 units
Expectation time		2 days Minimum		
		8 days Maximum		

Annual consumption units 4500/= per unit price 100/= ordering cost 2000/= per order.

Holding cost is 20/= from unit cost.

- EOQ Economic order quantity
- Maximum stock level
- Re-order level
- Minimum stock level

11)

2015.01.01 stock balance 10/- per unit @ 500 units

2015.01.08 stock purchases 12/= per unit 1000 units

2015.01.20 stock purchases 15/= per unit 1000 units

2015.01.20 issued 1500 units

2015.01.25 issued 800 units

Sell one unit 35/= each

FIFO method is used in stock issue

Required:f) Prepare stores ledger

(10M)

04) I) The trial balance prepared by Shantha Ltd for the year ended 31.03.2011 was not tallied. The difference was transferred to a suspense A/c and they prepared the final accounts. Accordingly the net profit for the year was Rs.12400. Below information that led to the differences was revealed by the annual audit and the suspense A/c was set off.

1. A purchase invoice of Rs.1200 was completely omitted by the books

2. The stocks returned by Senaka for Rs.360 was correctly recorded in the sales return journal but transferred to Senaka A/c as Rs.630

3. The debit side of the electricity account has been totaled short of Rs 600

4. The total of the discount column in the payment side of the cash book been cast in short of Rs 800

5. The total of the purchase return journal is under cast by Rs 450

6. The balance of the discount allowed A/c Rs 700 been not extracted to the trail balance

From the above information prepare

1. Necessary Journal entries to correct above

2. Suspense a/c

3. Show how the profit was affected by a statement

(5 marks)

II) Dayan Ltd established on 1/4/14 issuing 50 000 ordinary shares 100/= each provides you with below cash transactions for the year ended 31/3/2015.

Purchase Machinery for 1 000 000/=

Cash sales 460,000/=

Loan paid 150,000/=

Tax paid 50,000/=

Interest paid 10,000/=

Operational expenses 50,000/=

Credit transactions

Credit sales 250 000/=

Credit purchases 320 000/=

Property plant & equipment purchased on credit 450 000/=

Purchase return 20 000/=

Sales return 40 000/=

Balances as at 31/3/2015

Debtors 30 000

Creditor 20 000

Bank loan 350 000

Operational expenses payable 15 000

Creditors 400 000

Property plant & equipment 2 000 000

Provision for depreciation 100 000

20% investment (1.10/14 purchased) 200,000

Additional information

a) A fixed asset was bought on 31/3/2015 and that property value is not included in above cash transaction list.#

b) Paid dividends for ordinary share holders for 750 000/=

c) Interest income receivable for investment been obtained on 31/3/15.

d) 50 000/= received for rent income been used to pay income tax.

Required:

i) Cash flow statement for the year end 31/3/15 (direct method)

(10 M)

5. (a) The following are some information relating to machinery owned by a business.
- The cost of a machine purchased on 01.04.2010 was Rs. 90 000 and its scrap value estimated after 10 years is Rs.10 000.
 - On 01.10.2012, Rs.40 000 was spent to add a new part to the above machine to increase its efficiency. Because of this new addition, the estimated useful life of the machine was extended by another 10 years from the date of the new addition. There were no changes for the scrap value estimated.
 - On 01.01.2014, the above machine was exchanged with a similar machine of Rs. 120 000. For this purpose, in addition to the old machinery, Rs.20,000 was paid in cash.
 - The estimated useful life of the new machine was estimated as 10 years and it was estimated that it has no scrap value.

Required:

- Journal entries for the exchange of machinery.
 - The impact on the profit for the year ending 31.03.2014 due to the exchange of machinery.
- (07 Marks)**

- (b) The following information relates to Sadun's business as at 30.06.2014, which has not followed the double entry system to record transactions.

(i) Assets & Liabilities	As at 2013.06.30 (Rs.)	As at 2014.06.30 (Rs.)
Cash	80 000	35 000
Inventory	35 000	48 000
Trade debtors	?	50 000
Trade creditors	30 000	14 000
Property, Plant and Equipment (cost)	150 000	?

- (ii) Some of the transactions occurred during the year ending 30.06.2014 are as follows;

	(Rs.)
Cash received from trade debtors	223 000
Discounts allowed	7 000
Wages paid	19 000
Other operating expenses	18 000
Cash drawings	5 000
Cash paid to creditors	280 000
Discounts received	4 000

- (iii) Additional Information:

- Both cash and credit sales have been made at a 20% profit margin on sales. There are no cash receipts except cash sales and receipts from debtors.
- Wages of Rs. 8 000 for the month of June 2014 have not been paid.
- It has been decided to provide 5% of the year end balance of debtors as doubtful debts and to depreciate Property, Plant and Equipment on cost 10% per annum from the year ending 30.06.2014.

Required:

- Income Statement for the year ending 30.06.2014.
- Statement of Financial Position as at 30.06.2014.

(08 marks)
(Total 15 marks)

06) I) On 01/01/15 sahan Traders started their business with 180000 stocks 380000/= cash & 300 000/= equipment on the same day a bank loan of 150 000/= was obtained. on 3rd of January rented out a building with a monthly rent of 5000/= for 1 ½ years paying a advance for the same.

05th January purchase stocks worth of 45 000/= and admitted Saveen and agreed to pay a monthly salary of 25 000/=.

08th of January sold goods worth of 100 000/= for 150 000/=

10th January sold goods worth of 40 000 for 70 000/= on credit.

15th January pay salary to Praveen & pay electricity & water 12 000/=

20th January sales return of stock (cost 5000 sold for 6000)

25th January received money from debtors 30 000

Subject to 10% Discount

26th January Write off bad debt 5000/=

28th January Manoj has sold a stock of his friend for 150000/= and also invested that money to the business

Required:

a) Opening accounting equation showing the financial position of the business.

b) Record other transaction within January using below format.

Transaction Assets = Capital + liabilities

c) Profit or loss for January using profit equation.

11)

below details relates for the Ranmal sports club for the year ended for 31/3/2015

there are 50 members annual membership fee is 1000/-

receipt and payment a.c

Bbf	20000	Ground workers salary	160000
Membership fee	65000	Electricity	20000
Ground rent income	145000	Cleaning items	8000
Bar income	160000	Purchase liquor	80000
		Ground maintains	30000
		B C D	92000
	390000		390000

Salary composition: Office workers 70000 Bar keeper 60000 Ground keeper 30000

For the year depreciation of non current assets is 50000 use of non current assets for the bar is 20%

10% from electricity is for the Bar

Non current assets and non current liabilities are as follows

	1/4/14	31/3/15
Liquor stock	60000	50000
Electricity payable	2000	3000
Prepaid cleaning items	3000	4000
Membership fee in arrears	5000	5000
Membership fee receipt in advance	?	10000

Required

For the year ended 31/3/15

1. Profit or loss from Bar

2. Income and expenses A/c

3. Subscription A/c

(15M)

07) I) Udara Ltd provides below information on their product x.

Contribution to sales ratio 40%

At total contribution 100 000/= expected net profit is 20 000/=

Current sales income 300 000/=

Required:

1) Fixed cost of the production process

2) at a profit of 30 000/= what is the sales income

3) What is the sale income at Break Even?

4) At current sales level what is the Margin of safety.

5) Prepare the income statement at - current sales income level of 300 000/= showing the profit & loss (5 marks)

II) Company tries to reduce variable cost by 10% and accordingly they want to increase contribution and maximum profit based on this proposal answer below.

1) Sales at break even.

2) Margin of safety at current sales (2 marks)

11) Piyal consider two investment projects, the economic useful life of two machines are estimated at 4 years only one of the machine to be selected

	Machine A	Machine B
Initial investment	250000	250000
Year 1 profit	85000	65000
Year 2 profit	50000	45000
Year 3 profit	75000	60000
Year 4 profit	(32000)	22000
Scrap value at the end of Year 4	50000	50000

Required rate of return is 15%

Dcf Factor 15%

Year	0	1	2	3	4
15%	1	.87	.76	.66	.57

Required

1. pay back period

2. NPV for two machines separately

3. recommend which one to choose

(8M)
