



Provincial Department of
Education
Northern Province



Grade :- 13 (2021)

Accounting - II

Three Hours and ten minutes

Additional Reading Time 10 minutes

Use additional reading time to go through the question paper, select the questions you will answer and decide which of them you will priorities.

Instructions :-

- Answer five questions only including questions No. 01 and No. 02
- Begin each answer on a fresh sheet of paper.
- Relevant workings should be attached to the answer script.
- This question paper carries 200 marks.

Question No. 01

The trial balance of corona Co. Ltd as at 31.03.2021 is given below.

Description	Dr.(Rs.000)	Cr. (Rs. 000)
Stated capital - ordinary shares (12/= each)		36,000
General reserve		15,000
Retained earnings as at 01.04.2020		18,000
Sales		42,000
Purchases	18,000	
Administrative expenses	4,500	
Distribution cost	3,600	
Opening inventory	160	
Provision for warranty as at 01.04.2020		500
Provision for income tax as at 01.04.2020		52
Income tax paid	280	
Administrative expenses payable		110
Trade receivables	800	
Trade payables		500
Provision for claims as at 01.04.2020		60
Land revaluation reserve as at 01.04.2020		800
Property, plant and equipment – Carrying amount	54,000	
12% Bank loan		2,000
Bank loan interest	200	
Movement of assets account	800	
Long term bank fixed deposit	1,000	
Fixed deposits interest		120
Lease liability		3,000
Other expenses	120	
Cash and cash equivalents	34,682	
	118 142	118 142

Additional Information:

01. The cost and net realizable value of inventory as at 31.03.2021 are given below.

Type of inventory	Cost (Rs. 000)	Net realizable value (Rs. 000)
M_1	45	50
M_2	75	70
M_3	80	90
Total	200	210

Inventories were valued as units basis

02. The composition of property, plant and equipment and their accumulated depreciation as at 01.04.2020 was as follows.

Assets	Useful Life	Cost / Valued amount Rs. 000	Accumulated Depreciation Rs. 000	Carrying Amount Rs. 000
Land	-	15,000	-	15,000
Buildings	80	45,000	18,000	30,000
Motor vehicle	10	10,000	4,000	6,000
Equipment	5	5,000	2,000	3,000
		78,000	(24,000)	54,000

Depreciation in relation to property, plant, and equipment for the current year has not been recorded.

03. While motor vehicles are used for distribution of goods all other property, plant and equipment are used for administration purposes.

04. The land was revalued on 31.03.2021 for Rs. 14,000,000 Entries in relation to revaluation of land for the current year have not been recorded.

05. Useful life of buildings was revised on 01.04.2020 Form this date onwards, the remaining useful life was estimated as 40 years.

06. A motor vehicle which was purchased at a cost of Rs. 4,000,000 on 30.04.2017 was sold for Rs. 2,800,000 on 30.06.2020 on a cash basis. Further, a new motor vehicle was purchased on 01.10.2020 for Rs. 2,000,000 on a cash basis and its Useful life 8 years. Cash received and cash paid with respect of this transaction were recorded in the cash control account and posted to the movement of asset account. No other entries have been made.

07. A 10% provision for doubtful debts should be adjusted on trade receivable balance as at 31.03.2021.
08. Income tax for the last quarter year 2019/2020 was agreed as Rs. 50,000 and paid. The income tax for the last quarter of the current year 2020/2021 was estimated as Rs. 40,000.
09. The company sells goods with a one year warranty period. The company has paid Rs. 480,000 as warranty expenses during the current year for sales made in the previous year. This is included under distribution cost of the current year. The provision for warranty as at 31.03.2021 has been estimated as Rs. 520,000.
10. Rs. 200,000 was transferred to general reserve and the company capitalized retained earnings by issuing 50,000 shares at a price of Rs. 12. The board of directors proposed a final dividend of Rs. 5,000,000 at the end of the year.
11. The company acquired a plant on 01.04.2020 on the basis of right of use asset for 4 years. A down payment of Rs. 1,000,000 was paid and an annual instalment payment of 2,000,000 including the interest should be paid at the end of the year. Annual lease interest 10%. Instalment and down payment were recorded in the cash control account and debited to lease liability account. No other entries with respect of the transaction were made.

present value index of the lease interest are as follows

Year	0	1	2	3	4	5
10% Discount	1.0	0.91	0.83	0.75	0.68	0.62

12. The company has entered into a contract with a customer on 01.01.2021 to sell goods and provide maintenance services for one year. The total consideration of the contract was R.1,800,00 and of which Rs. 1,200,000 relates to the sale of the goods and Rs. 800,000 relates to the maintenance service income. The company sold all goods agreed in the contract on 01.01.2020 and the total Consideration of the contract was received in cash. This total amount has been credited to the sales account.

Required:

The following financial statements of Corona Co. Ltd for publication as per LKAS 1.

- 1) Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2021.
- 2) Statement of changes in Equity for the year ending 31.03.2021.
- 3) Statement of Financial Position as at 31.03.2021.

(40 Marks)

Question No. 02

- a) Covid Co. Ltd manufactures two types of products (P) and (Q). The company has a factory consisting of two production departments, namely: Assembly and Finishing and a service department namely Stores. All these departments are located in the same premises. Further, the company has an administrative department and it is located in a separate building. The budgeted overheads for the next financial year at the activity level of 5,000 units are given below.

	Total (Rs. 000)	Factory (Rs. 000)	Administrative (Department Rs. 000)
Indirect raw materials	800	800	-
Managers salary	2,400	?	?
Rent of buildings	360	?	?
Employee welfare expenses	800	?	?
Plant insurance	1,400	1,400	-
Electricity	2,000	?	?
Other overheads	740	?	140

Additional information

01. Overhead apportionment bases are follows :

Description	Assembly	Finishing	Stores
Floor area (Sq. meters)	12,000	8,000	4,000
Kilowatt hours	800	600	200
No. of employees	10	10	5
Cost of Machinery (Rs)	4,000	3,000	-

02. The factory employs three production managers, two at the Assembly department and other manager at the finishing department. An Administrative manager is also employed Each of them are paid a monthly salary of Rs. 50,000.
03. 25 employees in the factory and 15 employees in the administrative Department are working,
04. Company pays a monthly rent of Rs. 5,000 for the building where the Administrative Department is located and its annual usage of electricity is 400 kilowatt hours.
05. All factory overheads are apportioned equally between the cost centres.
06. Total overheads of the stores are re-apportioned between other production departments in the ratio of 3:2.
07. Overheads of Assembly department are absorbed based on machine hours. Overheads of finishing department are absorbed based on employee hours.

08. Over heads of Administrative department are fixed overheads that are apportioned between the products P, Q equally.
09. Indirect raw materials worth of Rs. 320,000 belongs to Assembly department and worth of Rs. 480,000 belongs to finishing department.
10. Budgeted machine hours and labour hours are as follows.

	Product (P)	Product (Q)
Machine hours	60,000	40,000
Labour hours	30,000	20,000

11. The following information are related to production of goods P,Q.

	P	Q
Real hours for producing a unit		
Assembly (Machine hours)	03	02
Finishing (Labour hours)	02	04
Unit prime cost	360	260
Profit margin at sales price	25%	20%

Required:

- 1) The overhead analysis sheet.
- 2) Overhead absorption rate for each department.
- 3) Total administrative overheads.
- 4) Production cost per unit of product P and Q.
- 5) Selling price per unit of product P and Q.

(25 marks)

- b) Sinofarm manufacturing company has three employees namely production labourer, production manager and administrative officer. The salary related information for the month of January 2021 is given below.

Description	Production labourer (Amalan)	Production Manager Vimalan	Administrative Officer (Kabilan)
Basic salary	?	?	?
Travelling allowance	-	5,000	5,000
Incentive payment	4,000	-	-
Deductions			
Employee welfare fund	4,000	3,000	1,000
Employee provident fund (EPF)	10%	10%	10%
Net salary	27,000	20,000	22,000
Employer (EPF)	15%	15%	15%

Employee provident fund is calculated on the basic salary of the employees. Production labourer is directly related to production.

Required:

- 1) Pay roll for the month of January, 2021.
- 2) What is the total cost related to employees included in the prime cost.
- 3) What is the total cost related to the employees included in the production overhead.
- 4) What is the total cost related to the employees included in the administrative expenses.

(15 marks)

(Total marks 40)

Question No. 03

Medona Company is a business distributing stationeries. The statement of financial position as at 01.01.2021 is given below.

Description	Amount (Rs)	Amount (Rs)	Amount (Rs)
Non-current Assets			
Property plant and equipment	400,000	(80,000)	320,000
Current assets			
Stock of stationeries		60,000	
Debtors		40,000	
Prepaid payment and payment in advance		22,000	
Cash		128,000	250,000
			570,000
Equity			
Capital		300,000	
Retained earnings		160,000	460,000
Non-current liability			
6% Bank loan			50,000
Current liabilities			
Creditors		40,000	
Received in advance		15,000	
Accrued salary		5,000	60,000
			570,000

The following are the information for the month of January 2021.

- 2.1 Purchased stationeries for Rs. 40,000 of which Rs. 20,000 was paid in advance last month. It was deducted and the balance was paid this month.
- 4.1 Stationeries costing Rs. 60,000 was sold for Rs. 100,000 at invoice price.
(Trade discount 20%)
- 6.1 Returned by debtors Rs. 12,000 (Sold on 4.1)
- 9.1 Rent received in cash Rs. 10,000
- 11.1 Rent for the month of January was Rs. 3,000 of which Rs. 2,000 was paid last month and the balance was paid this month.
- 13.1 Stationeries costing Rs. 25,000 was sold for Rs. 40,000. For that, Rs. 15,000 was received previous month and the balance was received this month.
- 15.1 Purchased a motor vehicle for Rs. 100,000 from a bank loan.
- 18.1 Donated stationeries costing Rs. 5,000 to school students.
- 20.1 Trade receivable of Rs. 10,000 which was written off previous month was received this month.
- 22.1 Settled the full amount of accrued salary of previous month. Accrued salary for the period was Rs. 5,000.
- 22.2 Settlement of Rs. 8,000 due from a debtor against Rs. 6,000 payable to him as a creditor. The balance was received in cash.
- 25.1 Advertisement expenses of Rs. 6,000 was paid personally by the owner.
- 27.1 Stationeries amounting to Rs. 15,000 was damaged of which the insurance company agreed to compensate Rs. 12,000
- 30.1 Property, plant and equipment should be depreciated at 12% annually.
- 30.2 Bank loan interest for the month was accrued.

Required:

- 1. Show the impact of the above 15 transactions including the balances as at 1.5 in the accounting equation. (Use the format similar to the one given below)
Property, plant and equipment + Inventory + Trade receivable + Other receivable + Cash =
Capital + Trade payable + Other payable + Bank loan + Retained earnings (including receivable prepaid payments, receivable incomes) and (including other payable, advanced incomes, and payable expenses)
- 2. Income Statement for the month of January, 2021.
- 3. Statement of Financial Position as at 31.01.2021.

(40 marks)

Question No. 04

- a) The following are the statements of financial position as at 31.3 in the books of Suruthi Sports Club.

	31.03.2021	01.04.2020
Property, plant and equipment (Carrying amount)	448,000	200,000
Inventory of Book shop	36,000	40,000
Subscription receivable	5,000	3,000
Cash	137,000	270,000
	626,000	513,000
Accumulated fund	400,000	250,000
Fund for club building	150,000	200,000
Fund for life time membership	20,000	32,000
Fund for sports equipment	20 000	-
Book shop creditors	32,000	26,000
Subscription received in advance	2,000	4,000
Electricity arrears	2,000	1,000
	626,000	513,000

Following are the cash transactions for the year ending 31.03.2021

Subscription received	Rs. 48,000
Received from book shop debtors	Rs. 120,000
Paid to book shop creditors	Rs. 92,000
Payment of electricity	Rs. 7,000
Received as fund for sports Equipment	?
Received as fund for buildings	?

Additional information

- 1) Depreciation for the year was Rs. 12,000 of which $\frac{1}{2}$ part was related to book shop.
- 2) A part of the donation for sports equipment was received in cash. All sports equipment/s were purchased using the fund for sports equipment during the year.
- 3) It is the policy of the club to recognize the donation received as income based on the usage of it.
- 4) $\frac{1}{2}$ of the electricity payment belongs to books shop.
- 5) Building valued Rs. 200,000 was built for the year using the fund for building.
- 6) A discount of Rs. 3,000 was allowed to book shop debtors and a discount of Rs. 5,000 was received from book shop creditors during the year.

Required:

1. Income statement of the book shop.
2. Income statement of the club.
3. Receipts and payments account.

(20 Marks)

- b) Kavi and Puvi are partners in a partnership sharing profit and losses in a ratio of 3:2. Ravi was admitted to the partnership on 01.04.2021. He contributed capital and his share of goodwill to the partnership in cash. All adjustments relating to goodwill were recorded through the partners' capital accounts. As per the revised partnership agreement partners are entitled to an annual interest of 10% on their capital accounts balances. Puvi and Ravi are entitled to an annual salary of Rs. 300,000 and Rs. 200,000 respectively. Profits and losses are shared among Kavi, Puvi and Ravi in the ratio of 5:3:2 respectively. Partners' capital and current accounts in the year opening and year ending are as follows.

	31.03.2021	31.03.2020
	(Rs. 000)	(Rs. 000)
Capital Kavi	4,100	4,000
Puvi	3,100	3,000
Ravi	1,800	-
Partners' current A/c's : Kavi	1,310	600
Puvi	1,210	400
Ravi	580	-

Kavi and Puvi have withdrawn Rs. 200,000 and Rs. 100,000 during the year for personal use

Additional information

- 1) Salary of Rs. 150,000 paid for 15 months was completely debited in the salary account.
- 2) No entries with regard to the drawings of goods amounting to Rs. 50,000 by Ravi were made.
- 3) No entries in relation to the rent of Rs. 200,000 paid by Ravi for partnership were made.
- 4) Kavi provided loan of Rs. 400,000 to the partnership on 01.10.2020. No entries in respect of the loan were made.
- 5) Partners have taken $\frac{1}{2}$ of their annual salary in cash. It was debited to salary account from the cash control account.

Required:

1. Adjusted profit or loss statement for the year ended 31.03.2021.
2. Income statement for the year ended 31.03.2021.
3. Statement of financial position as at 31.03.2021

(20 Marks)

(Total 40 Marks)

Question No. 05

The statements of financial position of Fizer Company Ltd as at 31.03.2021 and 31.03.2020.

	31.03.2021	31.03.2021
	Rs. 000	Rs. 000
Property plant and equipment (Carrying amount)	2,700	2,500
Inventory	240	320
Debtors (Carrying amount)	360	270
Prepaid interest	20	50
Cash	3,420	2,190
	<hr/> 6,940	<hr/> 5,330
Stated capital (12/= each)	3,600	2,400
Land revaluation reserve	-	300
Retained earnings	1,600	1,100
General reserve	600	500
10% Long term loan	800	600
Creditors	240	280
Provision for income tax	100	150
	<hr/> 6,940	<hr/> 5,330

Additional information

- 1) A plant which was purchased for Rs. 400,000 on 01.10.2018 was sold on 30.09.2020 with a profit of Rs. 50,000. The plant was depreciated at 10% per annum. A motor vehicle was purchased for Rs. 200,000 in cash during the year.
- 2) The company has issued 25,000 shares at Rs. 12 per share by capitalizing retained earnings during the year.
- 3) A 10% provision for doubtful debts is made generally on the balance of trade receivable.
- 4) The bank loan was obtained on 31.03.2021.
- 5) Dividend was paid for the period.
- 6) Acquisition and disposal of property, plant and equipment were done in cash during the year.
- 7) Land was revalued with a deficit of Rs. 400,000.
- 8) Income tax for the period was Rs. 120,000.
- 9) Profit before tax for the year was Rs. 1,200,000.

Required :-

- a) Cash flow statement for the year ended 31.03.2021. (30 Marks)
- b) Calculate the following ratios for the year ending 31.03.2021.
- Return on equity ratio.
 - Interest cover ratio.
 - Debt to equity ratio.
 - Debtors turnover ratio.
 - Earnings per share ratio.

(10 Marks)

(Total 40 Marks)

Question No. 06

North Provincial Department of Education has decided to have a 03 days workshop on the subject of Accounting for G.C.E. A/L (2021) Students and arranged to distribute the students a handbook and a packet of refreshments during the workshop. Traders Association of Jaffna district agreed to provide the department a sponsorship of Rs. 1,600 for each student who participates in this programme.

The estimated cost of this programme are as follows.

Description	Rs.
• Printing charges of a handbook (It consists of all syllabuses)	600
• Typing cost for a page of the handbook (Handbook consists of 300 pages)	40
• Payment for a resource person per day (02 resource persons work a day)	3,000
• Cost of writing a competency (The handbook consists of 16 competencies)	1,000
• Cost of proof reading of the handbook	4,000
• A packet of refreshments for a student per day	200
• Cost of face mask and gloves for a student per day	50

Required:

- Total fixed cost.
- Contribution per student.
- To cover the total cost of this programme
 - The expected number of students.
 - The expected sponsorship from the Traders Association of Jaffna district.
- The expected number of students to obtain a surplus of Rs. 25,000 to the department.

5) Imagine that 400 students have participated in this programme. If 100 of the students are not provided face masks and gloves for the third day, What could be the surplus for the Department of Educations?

(20 arks)

b) Denofarm PLC has decided to extend its activities. It is considering to replace the old mechine with with a new mechine. The old mechine can be sold at its book value of Rs. 450,000.

The estimated cash inflows and outflows of the new mechine are as follows.

Description	Rs. 000
Purchase price of the mechine	2,200
Carriage inwards of the mechine	250
Installation cost of the mechine	200
Residual value of the mechine at the end of the useful life	150
Working capital requirement at the beginning of the project	200

Additional working capital can be recovered at the end of the year. The expected useful life of the new machine is 05 years. If the new mechine is purchased the annual increase in the Profit after tax of the company is estimated as Rs. 300,000.

The required rate of return of this project is 10% and its discounting factors to the nearest two decimals are as follows.

Year	1	2	3	4	5
Discounting Factor	0.91	0.83	0.75	0.68	0.62

Required:

- 1) What is the period of return of this project?
- 2) What is the rate of return of the average investment?
- 3) Schedule of cash inflows and outflows of the project for each year.
- 4) Net present value (NPV) of the project.
- 5) The recommendation as to the purchase of the new mechine based on the NPV.

(20 Marks)

(Total 40 Marks)