



Northern Province Education Department
Model Paper
General Certificate of Education (Adv.level) Examination 2019



Accounting I, II

33

E

II

Marking scheme

Part I

- | | | |
|-------|-------|-------|
| 1) 3 | 11) 4 | 21) 3 |
| 2) 4 | 12) 3 | 22) 3 |
| 3) 5 | 13) 4 | 23) 2 |
| 4) 2 | 14) 2 | 24) 4 |
| 5) 4 | 15) 1 | 25) 2 |
| 6) 2 | 16) 3 | 26) 2 |
| 7) 1 | 17) 4 | 27) 4 |
| 8) 3 | 18) 2 | 28) 5 |
| 9) 3 | 19) 2 | 29) 2 |
| 10) 3 | 20) 5 | 30) 4 |

(4x30 = 120 Marks)

- 31) 1 – Technological environment
2 – Socio cultural environment
3 – Political environment
4 – Professional environment. (4 Marks)

- 32) a) Debit note (1 Marks)
b) Purchase return journal (1 Marks)
c) Sales return account Debit (2 Marks)
Debtors control account Credit.

- 33) 1 – General journal
2 – General journal
3 – Cash payment journal.
4 – Cash receives journal (4 Marks)

- | 34) | A | L | E | |
|-----|-----------|-----------|-----------|-----------|
| 1. | Decrease | Decrease | No change | |
| 2. | Decrease | No change | Decrease | |
| 3. | No change | No change | No change | |
| 4. | No change | No change | No change | (4 Marks) |

- 35) Rs. 3100 (4 Marks)

- 36) Rs 100 000 (2 Marks)
Rs 125 000 (2 Marks)
- 37) A – Money value concept
B – Business entity concept
C – Matching concept
D – Accrued concept (4 Marks)
- 38) a. Rs 2625 000
b. Rs 250 000 (2x2=4 Marks)
- 39) Rs 82 000 (4 Marks)
- 40) a. Rs 190 000 (2 Marks)
b. Rs 92 000 (2 Marks)
- 41) a) Rs 3700 000 (2 Marks)
b) Rs 685 000 (2 Marks)
- 42) a) Business has to pay 5% interest on loan from retired partners.
b) Current account
c) Capital account (2 + 1 + 1 Marks)
- 43) 1. Reject additional application. (2 Marks)
2. Allocation of shares based on ratio. (2 Marks)
- 44) a) Land revaluation reserves A/C Dr 150000
Profit or loss account Dr 50000
Land account Dr 200000 (2 Marks)
b) Land revaluation deficit losses Rs 150 000. (2 Marks)
- 45) 1. Rs 7100 (2 Marks)
2. Rs 5400 (2 Marks)
- 46) 1. Rs 9400 (2 Marks)
2. Rs 4000 (2 Marks)
- 47) A) Salary and wages control account Dr 10000
Accrued EPF A / C Cr 10000 (2 Marks)
B) EPF expenses A / C Dr 15000
Accrued EPF A / C Cr 15000 (2 Marks)
- 48) 1. Rs 1000000. (2 Marks)
2. Rs (2 Marks)
- 49) a) 40 % (2 Marks)
b) 2 years 6 month (2 Marks)
- 50) a) D (2 Marks)
b) NPV is high (2 Marks)
- (20 x 4 = 80 Marks)

Part – II

01. Profit or loss and other comprehensive statement for the year ended 31.03.2019.

		(Rs 000)	
Description	Note	Value (Rs)	Value (Rs)
Sales (18000 + 200)			18 200 (1)
Cost of sales			(7 000) (1)
Gross profit			(1) 11 200
Other income	01		660 (1)
			<u>11 860</u>
Distribution expenses		(890) (3)	
Administrative expenses		(1 700) (1)	
Other income		(170) (2)	
Financial expense.	02	(700) (2)	(3 460)
Profit before tax			<u>8 400</u>
(-) Income tax	03		(2 760) (2)
Annual profit			5640
Other comprehensive income – building revaluation.			700 (2)
			<u>(1) 6340</u>

Note – 01

Other income	(000)
Rent income	660

Note – 02

Profit before tax is calculated after deducting following expenses

Directors salary	100	} 2 Marks per 4 items
Lease interest	50	
Property plant & equipment	500	
Bank loan interest	120	
Auditing expenses	100	
EPF expense	210	
fzpzp kPs;kjpg;G el;lk;	400	
fhzp kPs;kjpg;G el;lk;	300	

(20 Marks)

Note – 03

Income tax

Current year tax (2018 / 2019) (8400) x 1/3	2800
Adjustment (2017 / 2018)	(40)
	<u>2760</u>

Workings

Distribution expenses

Distribution expenses	1000
Business expectation losses	90
(-) Pre paid insurances	<u>(200)</u>
	<u>890</u>

Other expenses

Land revaluation deficit	300
Computer revaluation losses	400
	<u>700</u>

Administration expense

Administration	<u>1700</u>
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Financial expenses

Lease interest	50
Bank loan interest	120
	<u>170</u>

Statement for equity changes
(000)

Description	Ordinary share capital	Revaluation reserve	General reserve	Retained income	Total
Opening balance	5700	300	600	200	6800
Total comprehensive income	-	700	-	5640	6340
General reserve	-	-	100	(100)	-
Capitalization	300	-	-	(300)	-
Right issues	1000	-	-	-	1000
Closing balance	7000	1000	700	5440	14140

(04 Marks)

Provision for income tax A / C.

Cash	180	B - blf	220
Income	40		
	220		220
Cash	1220	Income statend	2800
BC / d	1580		
	2800		2800
		B - blf	1580

PLC 31.03.2019

(1) (000)

Desuption	Note	Value (Rs) (000)
Non current assets Property, plant and equipment.	04	14 200
Lease property	05	800
Current assets		
Stocks		400
Trade receivable	06	810
Prepaid insurance		200
Cash & cash equivalent.	07	1 470
		17 880
Equity		
Stated capital – Ordinary shares		7 000
Reserves – Revaluation reserves		1 000
- General reserves		700
- Retained profit.		5 440
		14 140
Non current liabilities		
Bank loan		1 000
lease creditors (850 – 450)		400
		1 400
Current liabilities		
Trade payable		280
Lease creditros		200
Accrued bank loan interest		30
Accrued lease installment		250
Accrued income tax		1 580
		2 340
		17 880

Lease creditors (000)

Cash	200	Motor van	1000
B – c /d	850	lease interest	50
	1050		1050
	1050	B – c /d	850

Note – 04

Property plant and equipment

(000)

	Land	Motor van	Buildings	Computer equipment	Total
Cost – Balance 01.04.2018	4000	6000	5000	2000	17000
(+) Revaluation	1000	-	(600)	(400)	-
Depreciation adjustment	-	-	(400)	(600)	(1000)
Balance on 31.03.2019	5000	6000	4000	1000	16000
Accumulated depreciation B/S on 01.04.2018		1600	300	400	2300
Sales	-	-	(400)	(600)	(1000)
Depreciation	-	200	100	200	500
B / S on 31.03.2019	-	1800	-	-	1800
Carring value 31.03.2019	5000	4200	4000	1000	14200

(4 Marks)

Note – 05

Lease property

(000)

Motor van (cost)	1000
Accumulated depreciation	(200)
	800

Note – 06

Trade receivable

(000)

Trade receivable (620 + 280)	900
Allowance for losses expected from trade receivable	(90)
	810

Note – 07

Cash and cash equivalent

(000)

Cash balance	540
Petty cash balance	30
Treasury bill (3 months)	900
	1470

(20 Marks)

(Total 40 Marks)

02. a.

$$\begin{aligned} 1. \text{ BEP (units)} &= \frac{\text{Fixed cost}}{\text{Unit contribution}} \\ &= \frac{5000\ 000}{500} \\ &= 10000 \text{ Pairs. } \textcircled{1} \end{aligned}$$

$$\begin{aligned} \text{BEP (value)} &= \text{BEP in unit} \times \text{Unit sales price} \\ &= 10000 \times 800 \\ &= 8000\ 000 \textcircled{1} \end{aligned}$$

$$\begin{aligned} 2. \text{ Margine of safty (units)} &= \text{Budgeted sales units} - \text{Sales units in BEP} \\ &= 25000 - 10000 \\ &= 15000 \text{ Pairs. } \textcircled{1} \end{aligned}$$

$$\begin{aligned} \text{Margine of safty (value)} &= \text{Margine of safty units} \times \text{Sales price} \\ &= 15000 \times 800 \\ &= 12000000 \textcircled{1} \end{aligned}$$

$$\begin{aligned} 3. \text{ Expected profit} &= \text{Margine of safty in units} \times \text{Unit contribution} \\ &= 15000 \times 500 \\ &= 7500000. \end{aligned}$$

$$\begin{aligned} 4. \quad &\frac{5000,000 + 400\ 0000}{450} \textcircled{1} \\ &= \frac{9000000}{450} \\ &= 20000 \text{ Pairs.} \end{aligned}$$

$$5. \quad \frac{\text{Fixed cost}}{\text{Unit contribution}} = \frac{81\ 00\ 000 \textcircled{1}}{540 \textcircled{1}} = 15000 \text{ Pairs}$$

(10 Marks)

b.

1. Production overhead apportionment table.

(000)

Over heads	Apportionment basis	Total	Production department		Service department
			A	B	C
Indirect meterial	Allocated		240	90	15 (1)
Indirect wages	Allocated		180	60	10 (1)
Other indirect cost	Allocated		15	10	5 (1)
Machine depreciation	Machine cost 25 : 14 : 1	200	125	70	5 (1)
Rent & Electricity	Flooe area 6 : 3 : 1	150	90	45	15 (1)
Employees welfare	No. of employes 6 : 3 : 1	100	60	30	10 (1)
			710	305	60
Service department	Equal		30 (1)	30	(60)
			740	335	0

2. Overhead absorption rate = $\frac{\text{Budgeted over head}}{\text{Budgeted direct wages hours.}}$

$$A = \frac{740\ 000 (1)}{37\ 000 (1)} = \text{Rs. } 20.$$

$$B = \frac{335\ 000 (1)}{33\ 500 (1)} = \text{Rs. } 10.$$

c.

Direct material		650 (1)
Direct wages A (8 x 80)	640	
B (6 x 60)	360	1000 (1)
Other direct cost		30 (1)
Prime cost		1680
Over head A (8 x 20)	160 (1)	
B (6 x 10)	60 (1)	220
Production cost per unit		1900
10% profit		190
Selling price per unit		2090 (1)

(20 Marks)

Store ledger – FIFO

Date	Purchases			Distribution			Balance		
	Units	Rate	Value	Units	Rate	Value	Units	Rate	Value
1/1	1000	10	10000				1000	10	10000
10/1	260	10.50	2730				1260		12730
20/1				700	10	7000	560		5730
4/2	400	11.50	4600				960		10330
21/2	300	12.50	3750				1260		14080
16/3				300	10	3000			
				260	10.50	2730			
				60	11.50	690			
				620		6420	640		7660
12/4				240	11.50	2760	400		4900
10/5	500	11	5500				900		10400
25/5				100	11.50	1150			
				280	12.50	3500			
				380		4650	520		5750
			26580						

- Total purchasing Cost \Rightarrow 26580. (1)
- Total cost of sales \Rightarrow 7000 + 6420 + 2760 + 4650 \Rightarrow 20830 (1)
- Closing stocks \Rightarrow 5750 (1)

(10 Marks)
(Total 40 Marks)

03. a. 1.

1	Assets				Liabilities		Equity
	Property	Debtors	Stocks	Cash	Creditors	Loan	
	2900	135	165	550	450	100	3200
1			+ 65	- 65			+ 35 (1)
2		+ 40	- 80	+ 75			- 20 (1)
3				- 20			- 5 (1)
4		- 100		+ 95			- 5 (1)
5				- 5			- 5 (1)
6						- 5	- 1 (1)
							+ 6 (1)
	2900	75	150	630	450	95	3210

$$\begin{aligned}
 2. \text{ Profit / loss} &= \text{Closing net assets} - \text{Opening net assets} + \text{Drawings} - \text{Additional Capital} \\
 &= \overset{(1)}{3210} - \overset{(1)}{3200} + \overset{(1)}{5} - \overset{(1)}{6} \\
 &= 9.
 \end{aligned}$$

(10 Marks)

b. General journal

(000)

Description	Dr	Cr
Machinery	4250	✓
Motor van	2750	✓
Stocks	3240	✓
Debtors	3600	✓
Cash	1610	✓
Bank loan		6150
Creditors		4500
Capital		4800
(Transfer the opening assets and liabilities to capital A /C)	15450	15450
Bad debits account Dr	2	✓
Debtors control account Cr		2
(Written off bad debits from Amal has been recorded)		✓

(10 x ½) = 5 Marks

Sales journal

(000)

Description	Value
Pimal	1870
Amal	3850
Transfer to General ledger	5720

(1 Mark)

Purchase ledger

(000)

Description	Value
Piratheep	3120
Rumesh	2850
Transfer to General ledger	5970

(1 Mark)

Sales return journal

(000)

Description	Value
Pimal	65
Amal	55
Transfer to General ledger	120

(1 Mark)

Purchase return journal

(000)

Description	Value
Piratheep	125
Rumesh	42
Transfer to General ledger	167

(1 Mark)

(000)

Date	Description	Discount	Value	Analysis			
				Sales	Debtors	Other income	Others
2.4.19	Sales		12000	12000			
7.4	Rent		2000			2000	
12.4	Capital		200				200
	Pimal	12	2510		2510		
	Amal	18	4950		4950		
		30	21660	12000	7460	2000	200

(7 x ½ = 3 ½ Mark)

Cash payment journal

(000)

Date	Description	Discount	Value	Analysis			
				Purchase	Creditors	Expenses	Other
1.4.19	Machine		750				750
1.4	Furniture		150				150
2.4	Drawings		1500				1500
5.4	Administration		900			900	
10.4	Distribution		85			85	
20.4	Purchase		460	460			
30.3	Electricity		275			275	
	Piratheep	44	3450		3450		
	Rumesh	19	1560		1560		
		63	9130	460	5010	1260	2400

(5 ½ x 11 Marks)

2. Sales ledger

(000)

Amal A / C		Pimal A / C	
B - b / f	2250	Sales return	55
Sales	3850	Cash	4950
		Discount	18
		B - b / f	1077
	6100		6100
B - b / f	1077		3220
		B - b / f	631
			3220

Debtors list

Debtors	Balance
Amal	1077
Pimal	631
Total	1708

Purchase ledger

(000)

Piratheep A / C		Rumesh A / C	
Return	125	Return	42
Cash	3450	Cash	1560
Discount	44	Discount	19
B - c / d	2426	B - c / d	2804
	6045		4425
	2426		2804

Creditors list

Credits	Balance
Piratheep	2426
Rumesh	2804
Total	5230

(25 x ¼ = 6 ¼ Marks)

3. General ledger

(000)

Debtors control A / C			
B - c / f	3600	Returns	120
Sales	5720	Cash	7460
		Discount	30
		Bad debts	2
		B - c / f	1708
	9360		9320
B - c / f	1708		9320

Creditors Control A / C

கடன் கொடுநர் கட்டுப்பாட்டுக் கணக்கு.

(000)

Return	167	B - c / d	4500
Cash	5010	Purchase	5970
discount	63		
B - c / d	5230		
	<u>10470</u>		<u>10470</u>
		B - c / f	<u>5230</u>

Cash control A / C

B - c / f	1610	Purchase	460
Sales	12000	Creditors	5010
Debtors	7460	Expenses	1260
Income	2000	Others	2400
Others	200	B - c / d	14140
	<u>23270</u>		<u>23270</u>
B - c / d	14140		

Purchase A / C

Credits	5970	B - c / d	6430
Cash	460		
	<u>6430</u>		<u>6430</u>
B - c / d	6430		

Sales A / C

Machinery A / C

B - c / d	17720	Debt	5720	B - c / d	4250	B - c / d	5000
		Cash	12000	Cash	750		
	<u>17720</u>		<u>17720</u>		<u>5000</u>		<u>5000</u>
		B - c / f	17720	B - c / d	5000		

Furniture A / C

Cash	150	B - c / d	150
B - b / d	<u>150</u>		<u>150</u>

(23 x 1/4 = 5 3/4)
(Total 40 Marks)

04. a.

1. Sales journal

Description	Sales	VAT	Value
Salini	30 000	3000	33 000
Sangavi	10 000	1000	11 000
Sambavi	16 000	1600	17 600
Samini	20 000	2000	22 000
Transfer to general ledger	76 000	7600	83 600

(4 x 1 = 4 Marks)

2. Salini A / C

B - c / d	50000	Cash	60000 ✓
Sales	30000 ✓	Discount	150 ✓
VAT	3000 ✓	B - c / d	22850
	<u>83000</u>		<u>83000</u>
B - b / d	<u>22850</u>		

Sangavi A / C

B - c / d	20000	Cash	24000 ✓
Sales	10000 ✓	Discount	300 ✓
VAT	1000 ✓	Bad debts	6700 ✓
	<u>31000</u>		<u>31000</u>

Sambavi A / C

B - c / d	16000	Cash	15000 ✓
Sales	16000 ✓	Discount	600 ✓
VAT	1600 ✓	B - c / f	18000
	<u>33600</u>		<u>33600</u>
B - c / d	<u>18000</u>		

Samini A / C

B - c / d	14000	Cash	13000 ✓
Sales	20000 ✓	Discount	280 ✓
VAT	2000 ✓	Bad debts	400 ✓
	<u>36000</u>	B - c / d	22320
B - c / d	<u>22320</u>		<u>36000</u>

Debtors list

Debtors	Balance
Salini	22850 ✓
Sangavi	-
Sambavi	18000 ✓
Samini	22320 ✓
	<u>63170</u>

(21 x 1/2 = 10 1/2 Marks)

3. General ledger

Debtors control A / C

B - b/d	100000 ✓	Cash	112000 ✓
Sales	76000 ✓	Discount	1330 ✓
VAT	7600 ✓	Bad debts	7100 ✓
	<u>183600</u>	B - c / d	63170
B - b/d	<u>63170</u>		<u>183600</u>

Sales A / C

Debts	76000 ✓
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Cash A / C

Debts	112 000 ✓
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VAT A / C

Debts	7600 ✓
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Allowed discount A / C

Debtors	1330 ✓
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Bad debts.

Debtors	7100 ✓
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(11 x 1/2 = 5 1/2 Marks)

b. 1. Petty cash payment journal

Date	Description	Value	Analysis			
			Leading & unloading	Cleaning	Travelling	Others
5.1.19	Loading	1000	1000			
8.1	Three weeler	800			800	
10.1	Cleaning	1100		1100		
14.1	Unloading	900	900			
16.1	Drawings	2000				2000
18.1	Rent	1500			1500	
20.1	Cleaning	1200		1200		
22.1	Malathy	2500				2500
23.1	ticket	1200			1200	
25.1	loading	800	800			
31.5	Transferred to general ledges	13000	2700	2300	3500	4500

(10 x ¼ = 4 Marks)

Petty cash A / C

B – b/ d	2000	loading & unloading	2700
Cash	18000	Travelling	2300
		Cleaning	3500
		Drawing	2000
		Creditors	2500
	<u>20000</u>	B – c/ d	7000
B – b/ d	<u>7000</u>		<u>20000</u>

Cash A / C

1/1 Petty	18000
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Cleaning expenses

31/1 Petty cash	2300
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Drawing A / C

31/1 Petty cash	2000
-----------------	------

Loading & unloading expenses

31/1 Petty cash	2700
-----------------	------

Travelling expenses

31/1 Petty cash	3500
-----------------	------

Debtors control A / C

31/1 Petty cash	2500
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(12 x ½ = 6 Marks) (10 Marks)

C. 1. VAT A / C

Debtors	400 ✓	B - c / d	2500 ✓
Purchase	7000 ✓	Creditors	300 ✓
Cash	5000 ✓	Sales	12000 ✓
B - c / d	2400		
	<u>14800</u>		<u>14800</u>
		B - c / d	<u>2400</u>

(6 Marks)

2. Vanavil business

Profit or loss statement for the year ended 31.03.2019

Sales		120 000 ✓
(-) Sales returns		(4 000) ✓
		<u>116 000</u>
(-) Cost of sales		
Opening stocks.	15 000	
Purchases	70 000 ✓	
(-) Sales returns	(3 000) ✓	
Cost of goods to be sold	<u>82 000</u>	
(-) Closing stocks	(28 000) ✓	(54 000)
Gross profit		<u>62 000</u>
(+) Other income		5500 ✓
Discount received		<u>67500</u>
(-) Operating expenses		(13 000) ✓
		<u>54 500</u>

(½ x 8 = 4 Marks)

(Total 40 Marks)

05. a. 1. Cash account

B - b / f	20 000 ✓	Payments	69 000 ✓
Receives	68 000 ✓	B - c / d	19 000 ✓
	<u>88 000</u> ✓		<u>88 000</u>
B - b / f	19 000	Standing order	5 000 ✓
		B - c / d	14 000
	<u>19 000</u>		<u>19 000</u>
B - B / f	<u>14 000</u>		

2. Bank statement for the month of March 2019.

Description	Debit	Credit	Balance
Balance			18000
Cash deposit		70000	88000
Cheque	65000		23000
Standing order payment	5000		18000

(½ x 20 = 10 Marks)

b. 1. Subscription account

B - b / f	10000 (1)	B - b / f	5000 (1)
Income & expen	55000 (1)	Cash	53000 (1)
B - c / d	10000 (1)	Written off	2000 (1)
		B - c / d	15000
	<u>75000</u>		<u>75000</u>
B - b / f	<u>15000</u>	B - b / f	<u>10000</u>

(6 Marks)

2. Life membership fees A / C

Income & expense	15000 (1)	B - b / f	10000 (1)
B - c / d	60000 (1)	Cash	65000 (1)
	<u>75000</u>		<u>75000</u>
	<u>75000</u>	B - b / f	<u>60000</u>

(4 Marks)

3. Receipts and payment account.

B - b / f	20000 (1)	Expenses	43000 (3)
Life membership	65000 (1)	Property	35000 (2)
Membership fees	53000 (1)	B - c / d	95000 (1)
Other income	35000 (1)		
	<u>173000</u>		<u>173000</u>
B - c / d	<u>95000</u>		

(10 புள்ளிகள்)

(10 Marks)

Working

Expenses A / C

Cash	43000	B - b / f	5000
B - c / d	20000	In come	58000
	<u>63000</u>		<u>63000</u>
	<u>63000</u>	B - c / d	<u>20000</u>

Property plant & equipment

B - c / d	60000	Depreciation	10000
Cash	35000	B - c / d	85000
	<u>95000</u>		<u>95000</u>
B - c / d	<u>85000</u>		

c. Payment for the month of may 2019.

Name of Employees	Payments		Total salary	Reduction		Total Reducti on	Net salary	EPF Employees contribution
	Basic salary	Allowen ce		Welfar e	EPF			
Kugan	10000	8000	18000	100	1800	1900	16100	2700
Piraba	5000	4000	9000	100	900	1000	8000	1350
Jaso	10000	8000	18000	100	1800	1900	16100	2700
Sami	5000	4000	9000	100	900	1000	8000	1350
	30000	24000	54000	400	5400	5800	48200	8100

Salary wages control A / C

EPF	5400	①	Salary & wages	54000	①
Welfare	400	①			
Cash	48200	①			
	<u>54000</u>			<u>54000</u>	

(10 Marks)
(Total 40 Marks)

06. a. Arani, Poorani, and Tharani Partnerships Profit or loss statement for the year ended 31.03.2019.

(000)

Service income			9800	
(-) Service providing expenses			(3750)	①
Gross profit			6050	①
(+) Other income				
Fixed deposit interest		420		
Comission income		200	620	①
			6670	
(-) Expenses				
Property plant and equipment dep		1260		
Office expenses		100		
Other operating expenses		1100		①
Tharani loan interest		60	(2520)	
Net profit			4150	
Capital interest - Arani	120			①
- Poorani	140			①
- Tharani	80	340		
Salary - Arani	480			
- Poorani	360			①
- Tharani	600	1440	(1780)	
			2370	
Share of profit - Arani		1185		
- Poorani		790		①
- Tharani		395	(2370)	

(8 Marks)

Partner's current A / C

	A	P	T		A	P	T
B - b / f		100	(1)	B - b / f	200		
Salary	400	280	200	Capital interest	120	140	80
Loan interest			60	Salary	(1) 480	360	600
B - c / d	1585	910	875	Loan interest			60
				Profit	(1) 1185	790	395
	1985	1290	1135		1985	1290	1135
				B - b / f	1585	910	875

(6 Marks)

Partner's capital A / C

	A	P	T		A	P	T
Good will	600	400	200	B - b / f	1200	1200	
B - c / d	1200	(1) 1400	800	Motor van			600
				Cash		(1)	400
				Good will	600	600	
	1800	1800	1000		1800	1800	1000
				B - b / f	1200	1400	800

(4 Marks)

Arani, Poorani, and Tharani partnership's financial position statement as at 31.03.2019 (000)

Non Current Assets		
Property, Plant and equipment	5540	
14% Fixed deposit	3000	8540
Current Assets		(1)
Receivable FD interest	420	
Cash	210	630
		9170
Equity		
Capital - A	1200	} 3400
- P	1400	
- T	800	
Current A / C - A	1585	} 3370
- P	910	
- T	875	
Non current liabilities		
Tharani loan		2400
		9170

(2 Marks)
(20 Marks)

b. Cash flow statement of Mathavi Ltd for the year ended 31.03.2019.

(000)

Operating activities		
Profit before tax	140	✓
Adjustments		
Dividend income	(51)	✓
Depreciation	52	✓
Interest	70	✓
Motor sales loss	5	✓
Profit before working capital changes	✓ 216	
Debtors decrease	40	✓
Stock decrease	12	✓
Prepaid operating expenses decrease	8	✓
Creditors decrease	(76)	✓
Cash flow generated from operating activities	200	
(-) Paid interest	(100)	✓
Paid Income tax	(50)	✓
Net cash flows generated from operating activities		✓ 50

Cash flow statement of Mathavi Ltd for the year ended 31.03.2019.

(000)

Operating activities		
Received from debtors	1600	✓
Paid to credits	(1000)	✓
Paid operating expenses	(400)	✓
Cash flow generated from operating activities	✓ 200	
(-) Paid interest	(100)	✓
Paid income tax	(50)	✓
Net cash flows generated from operating activities		50

(20 x ½ = 10 Marks)

(000)

Working

Debtors control A / C

Creditors control A / C

B - b / f	540 ✓	Cash	1600 ✓	Cash	1000 ✓	B - b / f	566 ✓
Sales	1560 ✓	B - b / f	500	B - b / f	490	Purchase	924
	<u>2100</u>		<u>2100</u>		<u>1490</u>		<u>1490</u>
B - b / f	<u>500</u>					B - b / f	<u>490</u>

Interest A / C

Cash	100	B – b / f	40
B – c / d	10	Profit/loss	70
	<u>110</u>		<u>110</u>
		B – b / f	<u>10</u>

Income tax A / C

Cash	50	B – c / d	20
B – c / d	15	Profit/loss	45
	<u>65</u>		<u>65</u>

Operating expenses A / C

B – b / f	15	Profit/loss	408
Cash	400	B – c / d	7
	<u>415</u>		<u>415</u>
B – b / f	<u>7</u>		

Opening stocks	162
Purchase	924
	<u>1086</u>
(-) Closing stocks	(150)
Cost of sales	<u>936</u>

c. 1. (000)

Purchasing cost	(2500)	✓
Installation cost	(200)	✓
Engineer fees	(100)	✓
Location preparation charges	(300)	✓
	<u>(3100)</u>	
Old machine sales	600	✓
	<u>(2500)</u>	
Working Capital increases	(150)	✓
Net cash flows	<u>(2650)</u>	

(½ x 6 = 3 Marks)

2.

Year	1	2	3	4	
Cash inflows				1400	(1)
Receives increase	1000	1400	1500	150	(1)
Recovery of working capital				200	(1)
	<u>1000</u>	<u>1400</u>	<u>1500</u>	<u>1750</u>	
Cash out flows.					
Payment increase	(200)	(300)	(500)	(750)	(1)
Net cash flows	<u>800</u>	<u>1100</u>	<u>1000</u>	<u>1000</u>	

(4 Marks)

3.

Year	Net cash flows	Discounting factor	NPV
0	(2650)	1	(2650) ✓
1	800	0.9	720 ✓
2	1100	0.8	880 ✓
3	1000	0.7	700 ✓
4	1000	0.6	600 ✓
	NPV		250 ✓

($\frac{1}{2} \times 6 = 3$ Marks)

(10 Marks)

(Total 40 Marks)

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