



FWC

**Term Examination G.C.E. (A/L) – 2020 March**  
**conducted by Field Work Center, Thondaimanaru in collaboration**  
**with Provincial Department of Education, Northern Province**

**Grade 13 (A/L) 2020**

**Accounting I**

**Time : 2 hours**

**Instructions:**

- Answer *all* the questions on *this question paper itself*.
- Write your **Index Number** clearly in the space provided above.
- Select the correct answers for the questions No. **1 – 30** and write its number on the dotted lines given.
- Write short answers for the questions No. **31 – 50** on the dotted lines given.
- Each question carries **two** marks.

**Index Number:.....**

**For examiner's use only**

Q.No.	Marks
1 – 30	
31 – 50	
<b>TOTAL</b>	

**01.** Which of the following statements is / are correct in relation to general purpose financial reporting?

A – Their objective is to provide the financial information to those who do not have authority to require the information.

B – Their objective is to provide required financial information to the users for their decision making.

C – They provide all required financial information to the users.

D – They are prepared in the view of indicating the value of the relevant business.

(1) A only

(2) A and B only

(3) B, C and D only

(4) A, B and D only

(5) A, B, C and D all

(.....)

**02.** Sharuka started her business on 2020 January 01 investing Rs. 150 000. The following transactions were undertaken during January 2020.

January 05 – Credit purchase Rs. 100 000

January 07 – Sales of goods costing Rs. 30 000 for Rs. 50 000 on credit basis

January 15 – Cash received from debtors Rs. 20 000

January 20 – Cash paid to creditors Rs. 50 000

February 05 – Sharuka drew cash Rs. 10 000 for her own need.

Select the accounting equation which correctly shows the values of assets, liabilities and equity of Sharuka's business on January 31.

Assets (Rs.)	=	Liabilities (Rs.) +	Equity (Rs.)
(1) 260 000		100 000	160 000
(2) 210 000		50 000	140 000
(3) 210 000		50 000	160 000
(4) 220 000		50 000	170 000
(5) 240 000		80 000	190 000

(.....)

**03.** The impact of a transaction undertaken by a business is shown in the following accounting equation.

$$\begin{array}{rcl} \text{Assets (Rs.)} & = & \text{Liabilities (Rs.)} + \text{Equity (Rs.)} \\ & & - 33\,000 \qquad + 33\,000 \end{array}$$

The correct transaction suitable for the above impact is,

- (1) Owner settled bank loan Rs. 30 000 from his own fund.
- (2) Owner paid Rs. 30 000 to creditors from his own fund and discount received Rs. 3 000.
- (3) Bank loan installment paid Rs. 33 000 including interest Rs. 3 000.
- (4) Bank loan installment paid Rs. 33 000 from business fund. It includes interest Rs. 3 000.
- (5) Owner paid bank loan Rs. 30 000 and bank loan interest Rs. 3 000 from his own fund. (.....)

**04.** Maran business purchased office furniture at invoice price of Rs. 1000 000 from Alagan company on credit basis, after deducting 10% trade discount. Cost value of this furniture was Rs. 600 000 in the view of Alagan company. Cash Rs. 855 000 was obtained from Maran company, after deducting 5% discount. The source documents required to be recorded the above transactions in the accounting books of Maran business are,

- |                              |                                       |
|------------------------------|---------------------------------------|
| (1) Invoice, Receipt         | (2) Invoice, Voucher                  |
| (3) Journal voucher, Voucher | (4) Invoice, Receipt, Journal voucher |
| (5) Journal voucher, Receipt | (.....)                               |

**05.** Bank statement of a business showed Rs. 25 000 debit balance (overdraft) on 2020 March 31. The following information was revealed, when cross-checking bank statement with accounts.

- Out of unrealized cheque Rs. 19 000 on 28 February 2020, Rs. 15 000 only was realized during March 2020.
- Out of unpresented cheque Rs. 35 000 on 28 February 2020, Rs. 25 000 only was presented during March 2020.
- Cheque issued during March 2020 Rs. 11 000 has not been presented for payment at bank up to the end of March.
- Bank charge Rs. 2 000 in bank statement has not been recorded in March month cash account.

What is carried forward value of bank balance to be disclosed in the statement of financial position on 2020.03.31?

- |                               |                          |                              |
|-------------------------------|--------------------------|------------------------------|
| (1) Rs. 12 000 overdraft      | (2) Rs. 42 000 overdraft | (3) Rs. 2 000 credit balance |
| (4) Rs. 25 000 credit balance | (5) Rs. 000 balance      | (.....)                      |

**06.** Which of the following statement is / are correct?

- A – Money measurement concept indicates that all the items in the statement of financial position are disclosed in their cost value at beginning.
- B – In accordance with money measurement concept, employees' skill is recognized in the financial statements.
- C – Prudence concept provides the base to recognize provisions as liabilities in the statement of financial position.

- |                    |                  |            |
|--------------------|------------------|------------|
| (1) A and C only   | (2) A and B only | (3) C only |
| (4) A, B and C all | (5) B only       | (.....)    |

**07.** Which of the following statements is / are correct?

A – Accrual concept assesses economic results in a best way.

B – Income for certain period is recognized when it is earned.

C – Legal form of a transaction should be reflected in financial statements.

(1) A and C only

(2) A and B only

(3) C only

(4) A, B and C all

(5) B only

(.....)

**08.** Relevant statement / statements to going concern concept is / are,

A – It is a fundamental assumption to prepare financial statements.

B – It mentions that financial statements should be prepared annually.

C – It assumes that the business organization would continue for an unlimited future period.

D – It is a base to follow historical cost concept.

(1) A and C only

(2) A and D only

(3) C only

(4) A, C and D only

(5) A, B, C and D all

(.....)

❖ **Use the following information to answer the questions 9 – 11.**

The following information was extracted from the drafted financial statements of Mithusha business for the year ended 31.03.2019.

	<b>Rs.</b>
Sales	2250 000
Cost of sales	1150 000
Distribution expenses	300 000
Administrative expenses	250 000
Financial expenses	100 000

The following were revealed after preparing drafted financial statements.

- Total of return inwards journal Rs. 50 000 has not been posted to general ledger.
- Accrued office staff salary Rs. 60 000 on 31.03.2019 has not been accounted. Building rent paid in advance Rs. 30 000 on 31.03.2019 has been recognized an administrative expense.
- Delivery van depreciation Rs. 50 000 has been included in administrative expenses.
- Sales commission paid Rs. 30 000 has been debited in sales account.

**09.** The correct distribution expenses and administrative expenses for the year ended 31.03.2019 after making necessary corrections are,

	<b>Distribution expenses (Rs.)</b>	<b>Administrative expenses (Rs.)</b>	
(1)	350 000	380 000	
(2)	380 000	230 000	
(3)	230 000	380 000	
(4)	380 000	170 000	
(5)	230 000	170 000	(.....)

**10.** The profit of the business for the year ended 31.03.2019 after making errors is,

(1) Rs. 340 000

(2) Rs. 400 000

(3) Rs. 265 000

(4) Rs. 370 000

(5) Rs. 420 000

(.....)

11. Total income and total expenses for the year ended 31.03.2019 after correcting errors are,

	<b>Total income (Rs.)</b>	<b>Total expenses (Rs.)</b>	
(1)	2250 000	1800 000	
(2)	2280 000	1860 000	
(3)	2230 000	1860 000	
(4)	2230 000	710 000	
(5)	2280 000	1800 000	(.....)

12. All trade stock of a business for the ended 31.03.2019 was destroyed due to flood incurred in 31.03.2019. The following information is related to the year ended 31.03.2019.

**Rs. '000'**

Trade stock on 01.04.2018	750
Purchases	2 250
Sales	3 000
Carriage inwards	300

This business sells goods by adding 20% profit. Insurance company has agreed to give 80% of cost of stock held in business on 31.03.2019.

The expense in related to stock for the year ended 31.03.2019 is,

(1) Rs. 180 000	(2) Rs. 720 000	(3) Rs. 900 000	
(4) Rs. 2400 000	(5) Rs. 2580 000		(.....)

13. The information related to a business producing and selling furniture items for the year ended 2019.03.31 is given below.

**Rs.**

Purchase of timber	200 000
Factory overhead	48 000
Storing cost of furniture	50 000
Factory machine – cost	120 000
Carriage inwards of timber	40 000
Production wages	300 000

Annual depreciation of machine 10% on cost has not been included in factory overhead cost. During the year, 200 tables were produced and 150 were sold. The cost of stock and cost of sales on 2019.03.31 are,

	<b>Cost of stock (Rs.)</b>	<b>Cost of sales (Rs.)</b>	
(1)	162 500	487 500	
(2)	150 000	450 000	
(3)	189 500	568 500	
(4)	650 000	487 500	
(5)	600 000	450 000	(.....)

❖ Use the following information to answer the questions 14 – 15.

The following information was extracted from the payroll of a company for January 2020. Salary was paid on 05 February 2020.

Total salary	Rs. 1000 000
EPF deducted from total salary	Rs. 100 000
Employer's contribution to EPF (15%)	Rs. 150 000
Employees' contribution to ETF (3%)	Rs. 30 000

14. The information to be disclosed in the financial statements for January 2020.

	Net salary (Rs.)	Employee expense (Rs.)	Accrued EPF (Rs.)	
(1)	900 000	1000 000	150 000	
(2)	900 000	1250 000	250 000	
(3)	750 000	1075 000	280 000	
(4)	720 000	1057 000	150 000	
(5)	900 000	1180 000	250 000	(.....)

15. The correct journal entries to record EPF expense and EPF payable for the month ended 31.01.2019 are,

	Debit (Rs.)	Credit (Rs.)	
(1) EPF expense account	100 000		
EPF payable account		100 000	
(2) EPF expense account	150 000		
EPF payable account		150 000	
(3) EPF expense account	250 000		
EPF payable account		250 000	
(4) EPF expense account	100 000		
Salary expense account	150 000		
EPF payable account		250 000	
(5) EPF expense account	150 000		
Salary expense account	100 000		
EPF payable account		250 000	(.....)

16. Some information of a welfare association for the year ended 2020.03.31 are given below.

	2020.03.31 (Rs.)	2019.04.01 (Rs.)
Accumulated fund		420 000
Accrued membership fees		30 000
		350 000
		20 000

Additional information:

1. The expenses made by the association during the year is Rs. 140 000.
2. Donation of Rs. 50 000 was received for building construction.
3. Members' subscription received during the year is Rs. 50 000.
4. A canteen is conducted by the association.

The profit obtained from the canteen for the year ended 2020.03.31 is,

(1) Rs. 80 000	(2) Rs. 90 000	(3) Rs. 100 000	
(4) Rs. 130 000	(5) Rs. 150 000		(.....)

17. A partnership agreement includes the following.

- A – As partnership business is carried out in a building belonging to a partner, annual rent should be paid.
- B – Profit and loss should be shared equally.
- C – All partners are entitled for annual salary.
- D – Partners are entitled for an interest on capital account balance.
- E – An interest is paid for the amount paid by partners to the partnership business in addition to capital.

The factor / factors which influences / influence in determining profit of partnership business is / are,

- (1) A only
  - (2) B only
  - (3) B and C only
  - (4) A and E only
  - (5) A, B, C, D and all
- (.....)

18. Out of the following, select the correct statement / statements in accordance with LKAS-08 (Accounting policies, Changes in accounting estimates and Errors)

- A – Specific accounting principles bases, conventions, rules, practices adopted by an enterprise in preparing and presenting financial statements are called as accounting policies.
- B – Omission from and misstatements in the entities periods arising from a failure to user or misuse of reliable information is errors.
- C – Changes in accounting estimates are an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset.
- D – Changes in accounting occur due to new information, new development and revaluing present condition.

- (1) A and C only
  - (2) B and D only
  - (3) A, B and C only
  - (4) A and D only
  - (5) A, B, C and D all
- (.....)

19. Which of the following can be considered as cost classification of inventory?

- A – Direct material and production labour cost
- B – Abnormal cost of direct material cost
- C – Storage cost of finished goods
- D – Other direct cost to be incurred to maintain stock ready for sale

- (1) A and B only
  - (2) B and D only
  - (3) A and D only
  - (4) A, B and D only
  - (5) A, B, C and D all
- (.....)

20. The following information is related to Sneha motor company PLC.

**Rs. '000'**

Carrying amount on 2018.04.01	1 350
Carrying amount on 2019.03.31	1 300
Cost of new vehicle purchased on 2018.10.01	500
Cash received on disposal of a motor vehicle on 2019.01.01	100

The motor vehicle was purchased at cost Rs. 300 000. The loss incurred on this disposal was Rs. 75 000.

What is value of depreciation of motor vehicle for the year ended 2019.03.31?

- (1) Rs. 275 000
  - (2) Rs. 150 000
  - (3) Rs. 200 000
  - (4) Rs. 250 000
  - (5) Rs. 375 000
- (.....)

21. Vavuniya PLC made a contract with Jaffna PLC on 01.04.2019. The right to use a machine was obtained, by paying a lease installment Rs. 300 000 for three years commencing 31.03.2020. Inclusive interest rate of lease is 10%.

Discounting factor at 10%:

Year	1	2	3
Discounting factor	0.91	0.83	0.75

Initial present value of the machine on 01.04.2019 is,

- (1) Rs. 900 000                      (2) Rs. 747 000                      (3) Rs. 675 000  
(4) Rs. 810 000                      (5) Rs. 720 000                      (.....)

22. Kirushi PLC had its stated capital of 60 000 shares at Rs. 3000 000 on 2019.04.01. On the same date, reserves were capitalized by issuing shares each at Rs. 20 on 5:1 basis. A right issue was made by issuing shares at Rs. 50 on 8:1 basis on 2020.01.01 The changes in ordinary share capital account and shareholders' equity are respectively,

Changes in ordinary shares (Rs.)	Changes in equity (Rs.)	
(1) 450 000	240 000	
(2) 690 000	450 000	
(3) 690 000	690 000	
(4) 450 000	690 000	
(5) 3690 000	690 000	(.....)

23. Which of the following statements is correct in relation to total comprehensive income of a company?

A – It is the total of profit for the period and other comprehensive income.

B – It is the difference between all income and expenses recognized during a particular period.

C – It is the difference between all operational income and total expenses recognized during a particular period.

D – It is an increase in equity during a particular period.

- (1) A and B only                      (2) A and C only                      (3) B and D only  
(4) C and D only                      (5) A, B and D                      (.....)

- ❖ Use the following information to answer the questions 24 – 25.

Details	Rs. '000'
Total income	1 500
Total expenses	500

- Total income includes motor vehicle revaluation surplus Rs. 200 000, profit Rs. 300 000 and sales.
- The company recorded motor vehicle revaluation deficit Rs. 150 000 during the year ended 31.03.2017 and it was recognized as an expense.

**24.** Sales income and other comprehensive income during the year ended 31.03.2019 recognized by the company are,

	<b>Sales income Rs. '000'</b>	<b>Other comprehensive income Rs. '000'</b>	
(1)	1 150	50	
(2)	1 000	50	
(3)	1 000	200	
(4)	1 200	150	
(5)	1 150	200	(.....)

**25.** Total comprehensive income and profit for the period ended 31.03.2019 are,

	<b>Total comprehensive income (Rs. '000')</b>	<b>Profit for the period (Rs.'000')</b>	
(1)	950	950	
(2)	1 000	800	
(3)	1 000	950	
(4)	1 100	900	
(5)	1 100	1 050	(.....)

● **Use the following information to answer the questions 26 – 27.**

The balances of Jeya company PLC are given below.

	<b>On 2019.03.31 Rs. '000'</b>	<b>On 2018.03.31 Rs. '000'</b>
Stock	50	150
Receivables	300	200
Payables	100	-
Accrued interest	50	30
Accrued tax	10	20
Other information	Rs. '000'	
Sales	800	
Cost of sales	400	
Total expenses	200	
Profit for the period	200	

The following expenses are included in the total expenses given above.

Interest	Rs. 40 000
Depreciation	Rs. 80 000
Income tax expense	Rs. 50 000

**26.** Net cash flow generated from operating activities for the year ended 2019.03.31 in accordance with LKAS-7 (Cash flow statement)

(1) Rs. 250 000	(2) Rs. 380 000	(3) Rs. 390 000	
(4) Rs. 310 000	(5) Rs. 290 000		(.....)



27. Net profit ratio and inventory turnover ratio are,

	Net profit ratio	Inventory turnover ratio	
(1)	50%	3 times	
(2)	20%	3 times	
(3)	25%	4 times	
(4)	30%	6 times	
(5)	25%	8 times	(.....)

28. The following information was taken from the financial statements of a company on 31.03.2020 and 31.03.2019.

	As at 31.03.2020	As at 31.03.2019
Inventory	120 000	80 000
Trade receivables	20 000	30 000
Equity	600 000	500 000
Liability (loans)	300 000	350 000

Sales for the year ended 2020.03.31 are Rs. 400 000. It includes credit sales Rs. 250 000. Gross profit is 25% on sales.

	Debtor turnover ratio	Debt-equity ratio	
(1)	12.5	50	
(2)	10	31	
(3)	16	20	
(4)	10	50	
(5)	16	32	(.....)

29. Which of the following is not an assumption for Economic Order Quantity (EOQ) calculation?

- (1) Total holding cost of inventory directly varies with average inventory level.
- (2) Total ordering cost directly varies with order quantity.
- (3) Inventory is refilled, as soon as it comes to minimum level.
- (4) Demand for inventory is already known and consumption takes place equally over the time period.
- (5) Discounts are allowed on order. (.....)

30. The following information is given related to raw material A of a company.

Average consumption per week	300 units
Minimum inventory level	1 800 units
Re-order quantity	1 600 units
Ordering period – maximum 42 days, minimum 14 days	

Re-order level and maximum inventory level are,

	Re-order level	Maximum inventory level	
(1)	4 400 units	5 200 units	
(2)	2 400 units	4 600 units	
(3)	10 200 units	3 600 units	
(4)	3 900 units	9 600 units	
(5)	3 000 units	4 400 units	(.....)

❖ Write the correct answer for the questions 31 – 50 in the dotted lines given.

31. State whether the following statements are true or false, in relation to functions of management accounting.

- A – Estimation of cash flows for project evaluation .....
- B – Analyzing costs for decision making .....
- C – Preparing annual budget .....
- D – Preparing annual cash flow .....

32. A business provides the following information for the year ended 2020.03.31.

	Rs.
Profit for the period	140 000
New capital introduced	150 000
Cash drawing during the year	40 000
Increase in total assets	100 000

What is changes in total liability during the year ended 2020.03.31?

.....

33. State whether the following statements are true or false regarding characteristics of liabilities, in accordance with Conceptual Framework of Financial Reporting.

- A – Present obligation for the business .....
- B – The payable amount can be reliably estimated. ....
- C – Obligation of a business which does not have the ability to avoid .....
- D – Exchange of economic resources can take place. ....

34. Monthly petty cash imprest amount of Madhura business is Rs. 5 000. Petty cash transactions for four months are given below.

Write the value relevant for the English letters.

Details	First month (Rs.)	Second month (Rs.)	Third month (Rs.)	Fourth month (Rs.)
Balance c / f	2 500	A .....	200	D .....
Cash received	2 500	4 200	C .....	4 100
Value of petty cash voucher	4 200	B .....	4 100	4 750

35. State whether the following statements are true or false in relation to prime books used in financial accounting.

A	After recording a transaction in relevant prime book, source document will be found out.	
B	Prime books mean the accounting books where a transaction is recorded using its source document.	
C	Sales journal, purchase journal, purchase return journal, general journal are the types of prime books.	
D	Objective of sales return journal is to get credit side entries in relation goods returned to its supplier.	

36. State the whether the following statements are true or false in relation to requirement of maintaining debtor control account.

- A – To record journal entries .....
- B – To reduce cost by maintaining a single account instead of maintaining various individual accounts. ....
- C – To get details of total credit sales of a particular period .....
- D – Finding out errors .....

37. A customer Anil informed to company B on 2020 March 28 that he wanted to purchase 100 units in goods X. The company replied to Anil that selling price of goods X was Rs. 500 and 75 units only were available at present and remaining 25 units were being produced and they could be supplied within two weeks. Anil paid full amount Rs. 50 000 and got 75 units on 2020 March 30 and agreed to get remaining units after production.

What is value of income to be recognized by the company during the period ended 2020 March 31?

.....

38. Write the relevant accounting concept for the following statements.

1. The things which can influence on the decisions and comments of users of financial statements.	.....
2. Disclosure of assets in their cost value without considering their net realizable value.	.....
3. The expenses which do not create any economic benefits are recognized as the expenses for the year.	.....
4. Favourable environment to the business are not disclosed as assets in the financial statements.	.....

39. There are 100 members in Jeyanthan Sports club on 31.03.2020. Annual membership fee per member is Rs. 1 000. Member subscription received during the year ended 2020.03.31 is Rs. 85 000. Subscription received in advance on 31.03.2020 and on 31.03.2019 are Rs. 5 000 and Rs. 3 000 respectively.

(a) What is members' subscription income for the year ended 31.03.2020?

.....

(b) What is subscription receivable on 31.03.2020?

.....

40. Amal, Wimal and Saleem are the partners in a partnership business sharing profit and losses on 2:2:1 basis. Wimal retired from this partnership business on 2020.03.31. Amal and Saleem have decided to carry out partnership business, sharing profit and losses equally. Equity of partners were as follows on 2020.03.31.

	Saleem (Rs.)	Amal (Rs.)	Wimal (Rs.)
Capital account balances	250 000	200 000	200 000
Current account balances	(30 000)	20 000	30 000

On the date Wimal retired, his goodwill share was evaluated as Rs. 80 000 and adjusted through partners' capital account. Payment to Wimal was paid in cash.

1. Calculate cash paid to Wimal. ....
2. Calculate the balance equity of new partnership after retirement of Wimal. ....

41. State whether the following statements are true or false in accordance with Sri Lanka Financial Reporting Standard (SLFRS) – 16 (Leasing).

A – Accounting entries are not applied for short-term and low value lease properties.	.....
B – Leased property is recorded in the accounting books of lessee under the classification of finance lease and operating lease.	.....
C – Leased property is disclosed in the statement of financial position of lessee under a separate note ‘property right to use’.	.....
D – The value of leased property at low value or short term property is recognized as expense in total comprehensive income statement based on straight line method or any other relevant method.	.....

❖ Use the following information to answer the questions 42 – 43.

Naveena company has made an agreement with a customer on 2019.04.01 regarding selling a machine and providing maintenance service for 2 years. On the same date, the machine was delivered to customer and legal ownership was transferred. The customer paid Rs. 1200 000 for machine and 2 year maintenance services. If Naveena company sells these two items separately, it will get Rs. 1000 000 for machine and Rs. 500 000 for maintenance service. Customer will make this payment on 2019.04.30.

42. Calculate income for the year ended 2020.03.31 and trade receivable and to be disclosed in the statement of financial position as at 2020.03.31 in accordance with Sri Lanka Financial Reporting Standards (SLFRS) – 15 (Revenue from contracts with customers).

(a) Income: Rs. .... (b) Trade receivable: Rs. ....

43. Calculate provision for maintenance services on 2020.03.31.

.....

44. Write the conditions to be fulfilled by contract to cover under Sri Lanka Financial Reporting Standards (SLFRS) – 15 (Revenue from contracts with customers)

- (1) .....  
 (2) .....  
 (3) .....  
 (4) .....

45. A company issued 100 000 ordinary shares each at Rs. 30 during the year ended 31.03.2020. Applications for 150 000 shares were obtained with their money. The company allocated 100 000 shares on pro-rata basis and returned extra application money to applicants. Share issue expense was Rs. 20 000.

Provide the journal entries for the following. (narration not required)

- (a) Allotment for shares:

.....  
 .....

- (b) Net increase in equity of the company due to this issue of shares during the year ended 31.03.2020.

.....  
 .....

46. The information is related to Kajanika company for the year ended 2020.03.31.

<b>Rs. '000'</b> Profit for the period	2 200
Profit on sale of motor vehicle	200
Income tax paid	500
Depreciation of property, plant and equipment for the year	400
Increase in current assets (except cash)	100
Income tax expense for the year	700
Calculate net cash flow generated from operating activities of the company.	
.....	

47. Fill the following table according to their cost classification and their objective.

Cost classification	Objective of cost classification
1. Production cost and Period cost	A .....
2. B .....	Short term investment decision
3. Related cost and non-related cost	C .....
4. D .....	Accountability of management

48. The following information is related to inventory of a company for March 2020.

Date	Details	Units	Purchase price	(Rs.)
01.03.2020	Balance		1 000	600
15.03.2020	Purchase		1 500	700
20.03.2020	Purchase		1 500	800
31.03.2020	Sales		2 000	

Calculate the following under the following each pricing method.

**Pricing method   Cost of sales for   2020 March   Cost of inventory on   31.03.2020**

(a) First-in-first-out (FIFO)	Rs. ....	Rs. ....
(b) Weighted average cost (WAC)	Rs. ....	Rs. ....

❖ Use the following information to answer the questions 49 – 50.

A manufacturing company uses economic order quantity to purchase raw material. The following information is related to raw material item.

Ordering cost per order	Rs.750
Inventory holding cost per annum	Rs. 10 per unit
Monthly raw material requirement	5 000 units

49. (a) Calculate economic order quantity. ....
- (b) Calculate annual ordering cost. ....

50. Calculate annual inventory holding cost, if reorder quantity is 1 000 units.

.....



**Term Examination G.C.E. (A/L) – 2020 March**  
**conducted by Field Work Center, Thondaimanaru in collaboration**  
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**Grade 13 (A/L) 2020**

**Accounting II**

**Time : 3 hours & 10 Min.**

**Instructions:**

- Answer *five* questions *including* question No.1 and 2.
- Each question carries **20** marks.
- Write the answer for each question in *fresh page*.
- Suitable *workings* should be attached.

**01.** Jayanthan PLC sells special type of substance. The trial balance of this business on 2020.03.31 is given below.

Details	Debit (Rs. '000')	Credit (Rs. '000')
Stock on 2019.04.01 .....	3 000	
Trade receivable .....	8 280	
Cash at bank .....	1 550	
Three month treasury bills (invested on 2020.03.30) .....	200	
Financial expenses .....	960	
Purchase .....	17 550	
Administrative expenses .....	1 800	
Distribution cost .....	1 400	
Income tax paid .....	800	
Dividend paid .....	200	
Land – revalued amount .....	6 000	
Building – revalued amount .....	10 000	
Computer equipment – cost .....	2 000	
Property right to use .....	1 000	
Lease obligation .....		868
Sales .....		28 750
Commission income .....		750
Trade payable .....		2 700
VAT payable on 2019.04.01 .....		100
Accumulated depreciation - building on 2020.03.31 .....		5 500
Accumulated depreciation – computer equipment on 2020.03.31 .....		1 200
Provision for environment protection .....		600
Revaluation reserve – building .....		700
Retained earnings on 2019.04.01 .....		1 872
Stated capital .....		10 000
Income tax provision for the year ended 2019.03.31 .....		500
15% Bank loan (received o 2019.10.01) .....		1 200
	<b>54 740</b>	<b>54 740</b>

**Additional information:**

The following information should be considered when preparing financial statements for the year ended 2020.03.31.

1. Stock of inventory on 2020.03.31 was Rs. 2 500 000. Due to a fire caught on 2020.04.10, stock at cost value Rs. 500 000 was damaged completely and Rs. 300 000 was obtained from insurance company as compensation on 2020.05.29. Directors authorized financial statements on 2020.06.20.
2. The company obtained a building on rental basis on 2020.01.01 for business purpose. On that date, company paid Rs. 240 000 for two year rent. This amount has been included in administrative expense.
3. Income tax for current year was estimated as Rs. 1800 000. Income tax paid includes Rs. 400 000 paid for last year.
4. The company obtained a right to use a motor vehicle for 4 years on 2016.04.01. present value of motor vehicle was Rs. 4000 000 on 2016.04.01. Current year lease installment paid Rs. 960 000 has been included in financial expenses. This motor vehicle has not been depreciated for the current year.
5. Allowance for expected loss of trade receivable has been reliably estimated to be Rs. 180 000.
6. In accordance with the verdict issued by court during the current year on the case filled by Central Environment Authority against the company, it was reliably estimated that the company should pay a compensation of Rs. 800 000. It has not been adjusted in the accounts of the company yet. However, the company made a provision last year on a reliable estimation basis.
7. Computer equipment was purchased for Rs. 300 000 on 2019.04.01. It has been recorded as a 'purchase'. Further, computer equipment purchased for Rs. 500 000 on 2017.04.01 was disposed for Rs. 100 000 on 2020.03.31 by cash. Cost and accumulated depreciation of this property were properly removed from the accounts. The loss on disposal of computer has been included in administrative expenses.

Useful life time of computer equipment is 5 years. Life time of building is 25 years. Current year depreciations for these have been done and included in relevant expense category.

As company's land was revalued, there was surplus Rs. 500 000. Entries related to it has been made properly. This revaluation surplus has been credited in building revaluation reserve account.

8. The company sells goods with one year warranty from current year. Rs. 200 000 paid for this warrantee during current year has been included under administrative expenses. It has been reliably estimated that a provision of Rs. 400 000 should be made on 2020.03.31.
9. Bank loan received on 01.10.2019 should be settled in annual installment of each Rs. 358 000 for five years commencing 30.09.2020.
10. 5 000 ordinary shares were issued at Rs. 1000 000 on 2020.01.01 and correctly recorded.
11. The company has been registered for VAT. Purchase and sales are made with 15% VAT. Purchase and sales given in trial balance include VAT.

**Required,**

Prepare the following financial statements of Jeyanthan PLC for general purpose (including notes)

1. Profit or loss and other comprehensive income statement for the period ending 2020.03.31.
2. Statement of changes in equity for the period ending 2020.03.31
3. Statement of financial position as at 2020.03.31.

(40 marks)

02. (a) 1. The details related to a furniture manufacturing company for March 2019 are given below.

- First-in-first-out method is used in pricing material issue.
- Details of material received to store and issued to factory:

Date	Details	Timber (sq.ft.)	Price per sq.ft. (Rs.)
01.03.2019	Balance	600	120
03.03.2019	Purchases	1 000	100
04.03.2019	Delivery	800	-
15.03.2019	Purchase	1 000	110
20.03.2019	Delivery	900	-

Other information related to raw material:

There is no any stock at factory on March 01. Remaining balance of raw material on March 31 without using for production is 200 units.

Details of lead time and usage:

Details	Maximum	Minimum	Average
Material usage per day (units)	60	?	50
Lead time (days)	?	10	15

**Required,**

1. Calculate the cost of timber issued to production during March 2019.
2. Calculate the cost of timber used for production during March 2019.
3. Calculate re-order level.
4. Calculate maximum inventory level.
5. Calculate cost of stock of timber on 2019 March 31.
6. Find the cost of timber stock on 2019 March 31, if weighted average method (WAC) is used.

2. The following details are related to product P of a company.

EOQ	100 units
Monthly material requirement	500 units
Ordering cost per order	Rs. 200
Stock holding cost per unit	Rs. 240

Calculate the following.

1. Total ordering cost
2. Total stock holding cost, if ordering quantity is 50 units. (20 marks)

(b) Summary of income statement and statement of financial position of Priyanka company for the year ended 2020.03.31 are given below.

- Income statement:

	Rs. '000'
Sales (credit)	15 000
Cost of sales	(11 400)
Gross profit	3 600
Operating expenses	(1 800)
Interest expense	(200)
Profit before tax	1 600
Income tax	(800)
Profit for the period	800



- Items extracted from statement of financial position as at 2020.03.31:

	Rs. '000'
Total assets	10 000
Current assets	4 000
Long term loans	4 800
Average stock	1 900
Average debtors	1 500
Stated capital (100 000)	2 000
Retained earnings	1 200

Assume that there are 360 days in a year.

**Required,**

Calculate the following ratios for the year ended 2020.03.31.

- |                              |                             |            |
|------------------------------|-----------------------------|------------|
| 1. Interest coverage ratio   | 2. Debtor collection period |            |
| 3. Inventory turnover ratio  | 4. Stock holding period     |            |
| 5. Debt-equity ratio         | 6. Current ratio            |            |
| 7. Net profit ratio          | 8. Return on equity ratio   |            |
| 9. Return total assets ratio | 10. Earnings per share      | (20 marks) |

**03.** Jamuna is conducting a retail business. Draft income statement showed profit Rs. 780 000 for the year ended 2020.03.31. However, the following errors were found later.

- Rent received in advance Rs. 60 000 has been recorded as rent income.
- Goods sent on 'sale or return basis' at cost Rs. 100 000 and at invoice price Rs. 160 000 on 2020.03.20 were in the hands of agent without selling. It has not been included in closing stock on 31.03.2020.
- As goods costing Rs. 20 000 sold for Rs. 30 000 on 2020.03.24 have not been taken out by customer, it has been included in closing stock.
- Regarding a business expense Rs. 20 000, Jamuna paid Rs. 10 000 from her own fund and remaining balance is payable. It has not been recorded.
- Goods costing Rs. 15 000 issued for advertising have not been accounted for.
- Annual bank loan installment Rs. 100 000 including interest Rs. 20 000 has been paid but not recorded in the accounts.
- Bad debt written off during last year Rs. 30 000 has been recovered during current year. It has been credited to debtor control account from cash account and no any other entry has been made.
- Goods taken by owner her own need at cost Rs. 20 000 have not been recorded.
- Insurance Rs. 12 000 paid for the year ended 2020 June 30 has not been recorded in the accounts, as expense.
- Cash received for goods to be delivered in May 2020 Rs. 30 000 have been credited in sales account. Inventory has been valued based on accounting entries.

**Required,**

1. Show the impacts of correction of the above errors in the following table with values and with '+' and '-' marks.

No.	Assets					Liability			Equity
	PPE	Trade stock	Trade receivable	Prepaid expense	Cash	Accrued expense	Income rec.adv.	Bank loan	
1.									

2. Prepare net profit adjusted statement for the year ended 2020.03.31.  
 3. Provide the journal entries to rectify the above errors. (40 marks)

04. (a) Sole proprietorship business of Ilamaram sells goods on cash basis. This business is a registered business for VAT.

Prime books and other information for January 2020 are given below.

**General journal**

Date	Details	Debit	Credit
01.01.2020	Cash balance	175 000	
	Petty cash	12 000	
	Creditors control account (Panchan Rs. 10 000, Kanthan Rs. 2 000)		12 000
	VAT		2 000
	Capital (Opening balances)		173 000
		<b>187 000</b>	<b>187 000</b>

**Purchase journal**

Date	Name	Net	VAT	Total
04 Jan.	Panchan	60 000	9 000	69 000
11 Jan.	Balan	60 000	9 000	69 000
13 Jan.	Kanthan	40 000	6 000	46 000
31 Jan.	Total	<b>160 000</b>	<b>24 000</b>	<b>184 000</b>

**Return outwards journal**

Date	Name	Net	VAT	Total
03 Jan.	Balan	10 000	1 500	11 500
28 Jan.	Panchan	20 000	3 000	23 000
		<b>30 000</b>	<b>4 500</b>	<b>34 500</b>

**Petty cash payment journal**

Date	Details	Total	Postal	Travelling	Other
01.01.2020	Parcel by post	1 000	1 000		
06.01.2020	Bus fare	2 000		2 000	
10.01.2020	Train fare	1 000		1 000	
12.01.2020	Stamps	1 900	1 900		
14.01.2020	Three wheeler charge	1 000		1 000	
16.01.2020	Stamps	1 100	1 100		
18.01.2020	Kanthan	2 000			2 000
		<b>10 000</b>	<b>4 000</b>	<b>4 000</b>	<b>2 000</b>

According to information obtained from cash receipts journal and cash payment journal, cash sales for January 2020 was Rs. 230 000, including VAT Rs. 30 000 and opening balance of Panchan was settled after 5% discount on 14.01.2020.

**Required,**

1. Prepare personal accounts of creditors in creditor ledger.
2. Prepare ledger accounts in general ledger. (20 marks)

(b) Bank statement of Suntech business for December 2019 is given below.

Date	Details	Debit	Credit	Balance
2019.12.01	Balance			16 200
2019.12.10	Cash deposit		30 000	46 200
2019.12.12	Cheque 300510	24 000		22 200
2019.12.14	Cheque deposit 800780		8 800	31 000
2019.12.18	Dividend		7 000	38 000
2019.12.19	Cheque 300512	12 000		26 000
2019.12.20	Cheque deposit 600878		6 000	32 000
2019.12.20	Cheque return 600878	6 000		26 000
2019.12.24	Cheque 500513	10 000		16 000
2019.12.25	Bank charge	1 000		15 000
2019.12.27	Standing order	7 000		8 000
2019.12.31	Balance on 31.12.2019			8 000

Additional information:

1. The reasons for the difference between cash balance and bank statement balance on 2019.11.30 is an unrealized cheque (600878) Rs. 6 000.
2. Accountant informed that the following deposits and issue of cheques were not in bank statement.

	Rs.
Cheque issued - 300511	13 000
- 300514	7 000
Cheque deposited - 801201	15 000

3. A cheque received (800780) Rs. 8 800 for has been recorded as Rs. 800 in cash receipt journal.
4. Dividend, bank charge and standing order have not been recorded in cash account.

**Required,**

1. Prepare cash account for December 2019.
2. Adjust cash account for December 2019.
3. Prepare bank reconciliation for December 2019. (20 marks)

05. (a) Receipts and payments account of Potpathi sports club for the year ended 2019 December 31 is given below.

**Receipts and payments account**

	Rs.		Rs.
Balance on 2019 January 01	43 000	Salaries and wages	198 000
Common donations	230 000	Furniture purchase	425 000
Member subscription	900 000	Maintenance expenses	235 000
Donation for playground and pavilion	1400 000	Assessment tax paid	15 000
		Land purchase for playground	1000 000
		Balance on 2019 December 31	700 000
	<b>2573 000</b>		<b>2573 000</b>

1. The following information is related to member subscription for the year 2019.
  - Member subscription received during the year includes Rs. 15 000 total receivable for 2018 and Rs. 80 000 received for the year 2020.
  - Subscription receivable for the year 2019 was Rs. 35 000.
2. Furniture was purchased on 2019 January 01 and their life time was 5 years. Furniture is depreciated on straight line method.
3. Assessment tax paid includes Rs. 5 000 paid for first quarter year of 2020.
4. The following balances were also available except the above.

Value of equipment written off on 2018 December 31	Rs. 342 000
Value of equipment written off on 2019 December 31	Rs. 300 000

There is no any addition or any disposal of equipment during the year.
5. A three-wheeler at value Rs. 500 000 was obtained on donation basis on 01.01.2019. Its useful time is 5 years and it is depreciated on straight line method. This donation should be recognized as equal income in 5 years from current year.
6. Land was purchased from donation fund for playground and pavilion.
7. Accumulated fund was Rs. 400 000 on 2019 January 01.

1. Income and expenditure statement for the year ended 2019.12.31.
2. Statement of financial position as at 2019 December 31. (20 marks)

1. When Ramani joined the business, goodwill of the business was evaluated as Rs. 300 000. It should be adjusted through partners' capital accounts.
2. Ramani's capital contribution was Rs. 1000 000. She paid Rs. 600 000 in cash and provided office equipment for remaining amount for her capital contribution. Any entry has not been made regarding it.
3. Trial balance of business was as follows, after preparing income statement on 2020 March 31.

## Accounting II

Additional information:

1. The following was extracted from the agreement between Kamani and Lalani.
  - Kamani is entitled for monthly salary Rs. 25 000.
  - 10% annual capital interest should be paid for each partner on their beginning balance of capital account.
  - Partners are entitled to recover their telephone charges, as their telephone calls are related to business activities.
2. Kamani submitted her telephone bill Rs. 30 000 for March 2020 but it has not been recorded in the accounting books till its settlement in April.
3. Building depreciation Rs. 20 000 and office equipment depreciation Rs. 40 000 have not been considered in profit calculation for the year.
4. Lalani has taken goods at cost value Rs. 40 000 during the year. It has not been considered in accounting.
5. Cost of physical inventory was Rs. 240 000 on 2020 March 31. The difference between this value and the value given in trial balance caused due to frauds. It was agreed to write off this difference.
6. Salary paid to Kamani Rs. 100 000 has been included in administrative expenses.

**Required,**

1. Prepare a statement showing how profit for the year should be corrected.
2. Partners' capital accounts for the year ended 2020 March 31
3. Partners' current accounts for the year ended 2020 March 31 (20 marks)

**06. (a)** The details of property, plant and equipment of Vishwa PLC on 2019.04.01 are given below.

Items	Carrying value on 2019.04.01 Rs. '000'	Accumulated depreciation on 2019.04.01 Rs. '000'	Residual value Rs. '000'	Life time in years
Land	240			
Building	460	160	20	30
Delivery van	580	300	80	8

The following transactions were carried out regarding property, plant and equipment during the year ended 2020.03.31.

1. Land was revalued as Rs. 340 000 based on current market price. This land was revalued at loss Rs. 60 000 first time on 2017.03.31.
2. Building was renewed at cost Rs. 100 000 on 2019.04.01 and its life time increased from 30 to 33 years. Residual value / scrap value was estimated as Rs. 10 000.
3. Delivery van which was on 2020.01.01 was exchanged for a new vehicle at value Rs. 900 000. Cash Rs. 400 000 was paid on this exchange. Life time of new vehicle was 11 years and residual value was estimated as Rs. 20 000.
4. The company made an agreement with a finance company on 01.04.2019. According to this agreement, a machine was obtained on lease basis by agreeing that installment should be paid in three years. Details of annual lease installment are given below.
  - On 31.03.2020 Rs. 400 000
  - On 31.03.2021 Rs. 400 000
  - On 31.03.2022 Rs. 400 000
  - On 31.03.2022 , residual payment was Rs. 20 000 and inclusive interest rate is 10%.

Discounting factors at 10%:

Year	1	2	3
Discounting factor	0.91	0.83	0.75

5. Building and delivery van are depreciated on straight line method.

**Required,**

For the year ended 2020.03.31,

1. Provide the journal entries for the land revaluation.
2. Annual building depreciation
3. Motor vehicle exchange account
4. Present value of lease liability
5. Right to use asset account
6. Obligation to make the lease payment account
7. Show the extracts for profit or loss and other comprehensive income statement for the year ended 31.03.2020. (20 marks)

- (b) The following information is related to transactions undertaken by Mathura PLC during the year ended 2020.03.31.

1. Total sales for the year were Rs. 750 000. Debtor balance decreased by Rs. 50 000. All purchases were done on credit basis since 2019. Total purchases were Rs. 550 000. Out of it, 80% was settled during the year. Discount received was Rs. 40 000 regarding this settlement.
2. Total operating expenses were Rs. 190 000 for the year, including depreciation Rs. 70 000. Regarding operating expenses, Rs. 10 000 was accrued on 2020.03.31. There was no any prepaid and accrued operating expense on 2019.04.01. Expense of Rs. 18 000 for the year ending 2021.03.31 was paid during current year.
3. Other expenses paid during the year:

Interest expenses	Rs. 10 000
Income tax	Rs. 50 000
4. Interim dividend paid during the year was Rs. 20 000.
5. The company issued 20 000 ordinary shares each at Rs. 15 on 2020.01.31.
6. The company paid Rs. 200 000 for partial settlement of long term bank loan. It purchased office equipment at cost Rs. 500 000 for business use in December 2019. Rs. 100 000 was paid as down payment.
7. The purchased a new vehicle in cash on 01.04.2019. On the same date, an office equipment was sold for Rs. 500 000 with profit Rs. 160 000. Carrying amount of property, plant and equipment increased by Rs. 410 000 during this year.
8. Cash and bank balances o 2019.04.01 were Rs. 120 000.

**Required,**

Cash flow statement for the year ended 31 December 2020 in direct method in accordance with LKAS-7 (20 marks)