

නව නිර්දේශය / புதிய பாடத்திட்டம் / New Syllabus

NEW

Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2019 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2019 ஓகஸ்த்
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සිංහල මාතෘකා I
 கணக்கீடு I
Accounting I

33 E I

22.08.2019/0830 - 1030

පැය දෙකයි
 இரண்டு மணித்தியாலம்
Two hours

Instructions:

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

Index No. :

For Examiner's Use Only

	Signature	Code No.	For paper I	
			Q. Nos.	Marks
1 st Examiner			01 - 30	
2 nd Examiner			31 - 50	
Addl. Chief				
E.M.F.				
Chief			TOTAL	

- Which of the following statements best describes the main purpose of accounting in a firm?
 - Recording of transactions of the firm in the books of accounts.
 - Recording of transactions of the firm for the preparation of financial statements.
 - Preparation of financial statements of the firm in compliance with accounting standards.
 - Communication of financial information of the firm for the use of managers.
 - Communication of information for decision making of the stakeholders of the firm. (.....)
- What is the correct sequence of the following steps that take place in the accounting process?
 - Balancing of ledger accounts
 - Preparation of source documents for transactions
 - Recording of transactions in the prime entry books
 - Preparation of the trial balance
 - Posting of journal entries to the ledger

(1) B, C, A, E, D (2) B, C, E, A, D (3) B, C, E, D, A
 (4) C, B, E, A, D (5) C, B, D, E, A (.....)
- Use the following information to answer questions No. 3, 4 and 5.
 Sandun commenced a trading business on 01.01.2019 by investing Rs. 750 000 in cash and the following transactions took place during the month of January 2019.

Date	Description
10.01.2019	Purchased goods for Rs. 500 000 on credit from Jayamal Traders.
12.01.2019	Returned Rs. 50 000 of the goods purchased from Jayamal Traders.
15.01.2019	Sold goods costing Rs. 400 000 for Rs. 600 000 to Sirimal on cash.
24.01.2019	Settled the balance due to Jayamal Traders subject to a discount of Rs. 5 000.
- The source documents used to record the above transactions with Jayamal traders in the books of Sandun's business in the order of their occurrence:
 - Invoice, debit note, payment voucher (2) Invoice, credit note, payment voucher
 - Invoice, journal voucher, payment voucher (4) Invoice, debit note, receipt, payment voucher
 - Invoice, credit note, receipt, journal voucher (.....)

4. The order of the prime entry books used to record the transactions that took place in Sandun's business from 12.01.2019 to 24.01.2019:

- (1) Purchase returns journal, sales journal, cash payments journal
- (2) Purchase returns journal, cash receipts journal, cash payments journal
- (3) General journal, cash receipts journal, cash payments journal
- (4) Purchase journal, sales journal, cash payments journal
- (5) Purchase journal, cash receipts journal, cash payments journal

(.....)

5. What is the profit for the month of January 2019 and Cash balance as at 31.01.2019 of Sandun's business?

	Profit for the month (Rs.'000)	Cash Balance (Rs.'000)
(1)	200	
(2)	200	155
(3)	205	905
(4)	205	155
(5)	205	900
		905

(.....)

6. Use the following information to answer questions No. 6 and 7.

Following information has been extracted from the payroll of Saman's business for the month of March 2019. This business was commenced on 01.03.2019.

Description	Rs.'000
Gross salary	500
Less: Employee contribution to Employees Provident Fund (EPF) - 10%	50
Net salary	450
Employer contribution to EPF - 15%	75
Employer contribution to Employee Trust Fund (ETF) - 3%	15

The EPF and ETF of a particular month are remitted on the 10th day of the following month and the net salary is paid in the same month itself.

6. Which of the following accounting equations reflects the effect of above transactions in Saman's business as at 31.03.2019?

	Assets (Rs.'000)	=	Liabilities (Rs.'000)	+	Equity (Rs.'000)
(1)	- 450		+ 50		- 500
(2)	- 450		+ 140		- 590
(3)	- 500		-		- 500
(4)	- 500		+ 90		- 590
(5)	- 500		+ 140		- 640

(.....)

7. What is the correct double entry to record the EPF expenses for the month ending 31.03.2019 and the EPF liability as at 31.03.2019?

	Dr. (Rs.'000)	Cr. (Rs.'000)
(1) EPF expenses	50	
EPF payable		50
(2) EPF expenses	75	
EPF payable		75
(3) EPF expenses	125	
EPF payable		125
(4) EPF expenses	50	
Salary expenses	75	
EPF payable		125
(5) EPF expenses	75	
Salary expenses	50	
EPF payable		125

(.....)

8. Which of the following statements is true in relation to application of accounting concepts in a firm?
- (1) The basis to show the dividends paid to ordinary shareholders as a deduction from the retained earnings is provided by the entity concept.
 - (2) The basis to classify income receivable as a current asset in the Statement of Financial Position is provided by the materiality concept.
 - (3) The basis to recognize discounts received from creditors as an income is provided by the matching concept.
 - (4) The basis to recognize discounts allowed to debtors as an expense is provided by the realization concept.
 - (5) The basis to recognize contingent liabilities as a liability in the Statement of Financial Position is provided by the prudence concept.

(.....)

9. Which of the following accounting concepts provide the basis to recognise inventory at the lower of cost and net realizable value in the financial statements?
- | | |
|------------------------------|----------------------------------|
| (1) Materiality and Matching | (2) Matching and Periodicity |
| (3) Prudence and Realisation | (4) Prudence and Historical Cost |
| (5) Prudence and Matching | |

(.....)

10. The entire inventory of a firm was destroyed on 31.03.2019 owing to a fire that occurred at its stores. Following information has been provided for the year ending 31.03.2019.

	Rs.'000
Inventory as at 01.04.2018 – at cost	750
Purchases	1750
Purchase returns	250
Sales	2400
Sales expenses	300

The firm sells goods with a mark-up of 20% on cost.

The insurance company has agreed to pay 80% of the cost of inventory as at 31.03.2019.

What is the cost of inventory destroyed on 31.03.2019 and the stock loss recognized for the year ending 31.03.2019?

	Cost of Inventory Destroyed (Rs.'000)	Stock Loss (Rs.'000)
(1)	250	50
(2)	250	200
(3)	330	66
(4)	500	100
(5)	500	400

(.....)

- Use the following information to answer questions No. 11 and 12.

Following information was extracted from the draft financial statements of Chaturika Traders for the year ending 31.03.2019.

	Rs.'000
Gross profit	850
Administrative expenses	275
Distribution expenses	200
Finance and other expenses	100

However, following were revealed after the preparation of draft financial statements.

- Office-staff salaries Rs. 30 000 and sales commission Rs. 20 000 payable as at 31.03.2019 have not been accounted.
- Prepaid building rent of Rs. 40 000 has been included as administrative expenses.
- Depreciation on motor vehicles of Rs. 50 000 has been included in distribution expenses. However, these vehicles are used to provide transport facilities to the office staff.

11. The correct administrative and distribution expenses for the year ending 31.03.2019, after making the relevant adjustments:

	Administrative Expenses (Rs.'000)	Distribution Expenses (Rs.'000)	
(1)	265	170	
(2)	265	220	
(3)	285	170	
(4)	315	170	
(5)	315	220	(.....)

12. Profit for the year ending 31.03.2019 after making the relevant adjustments:

(1) Rs. 215 000 (2) Rs. 225 000 (3) Rs. 265 000 (4) Rs. 275 000 (5) Rs. 285 000 (.....)

13. The prime cost and the total production cost of a manufacturing business for the year ending 31.03.2019 were Rs. 900 000 and Rs. 1 600 000 respectively. The work-in-progress inventories, which were measured at production cost as at 31.03.2018 and 31.03.2019 were Rs. 200 000 and Rs. 330 000 respectively.

What is the production overheads for the year ending 31.03.2019?

(1) Rs. 570 000 (2) Rs. 700 000 (3) Rs. 830 000 (4) Rs. 900 000 (5) Rs. 1 030 000 (.....)

14. A welfare society had 150 members during the year ending 31.03.2019. The annual subscription per member is Rs. 2 000. The cash received for the society during the year ending 31.03.2019 were as follows.

- Subscription for the current year Rs. 200 000.
- Donation Rs. 250 000.
- Proceeds of the fixed deposit matured on 31.03.2018 Rs. 560 000. (of which Rs. 60 000 represents the interest income and it has been recognised as interest income receivable as at 31.03.2018.)

The policy of the welfare society is to recognize donations as an income, in equal amounts, over a period of 5 years from the year of receipt.

The income recognized for the year ending 31.03.2019 and the increase in assets as at 31.03.2019 due to the above transactions:

	Income Recognized (Rs.'000)	Increase in Assets (Rs.'000)	
(1)	310	1 110	
(2)	350	550	
(3)	350	610	
(4)	410	550	
(5)	410	610	(.....)

15. Which of the following statements are correct in relation to a partnership?

- A - The goodwill of a partnership is estimated when its profit-sharing ratio is changed.
- B - The goodwill of a partnership is estimated as per Section 42 of the Partnership Ordinance of 1890.
- C - The partners are not entitled to a salary as per Section 24 of the Partnership Ordinance of 1890.
- D - 'Drawings' can be used as a means of withdrawing profits of a partnership by the partners.
- E - An interest of 5% should be payable on the partners' capital balances as per Section 24 of the Partnership Ordinance of 1890.

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

- Use the following information to answer questions No. 16 and 17.

Madu, Nilu and Raju carried out a partnership sharing profits and losses in the ratio of 3:2:1 respectively. The capital and current account balances of partners as at 01.04.2018 were as follows.

	Madu (Rs.'000)	Nilu (Rs.'000)	Raju (Rs.'000)
Capital Accounts	3 000	2 000	1 000
Current Accounts	400	200	100

The partnership earned a profit of Rs. 600 000 for the year ending 31.03.2019. Raju retired from the partnership on 31.03.2019 and the total amount payable to him on this date, Rs. 1 500 000, was transferred to a loan account. Madu and Nilu continued the partnership from this date sharing profits and losses at the ratio of 2:1 respectively. The goodwill of the partnership is adjusted through the partners' capital accounts and goodwill account is not maintained in the partnership.

16. What is the value of goodwill of the partnership as at 31.03.2019?
 (1) Rs. 300 000 (2) Rs. 400 000 (3) Rs. 500 000
 (4) Rs. 1 500 000 (5) Rs. 1 800 000 (.....)
17. What is the net impact of the goodwill adjustment on capital account balances of Madu and Nilu as at 31.03.2019?
- | Madu | Nilu |
|--------------------------------|-----------------------------------|
| (1) No impact | No impact |
| (2) No impact | An increase of Rs. 300 000 |
| (3) A decrease of Rs. 300 000 | No impact |
| (4) A decrease of Rs. 300 000 | An increase of Rs. 300 000 |
| (5) An increase of Rs. 300 000 | A decrease of Rs. 300 000 (.....) |
18. Which of the following statement/s is/are correct as per LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)?
 A - Accounting policies are the specific principles, bases, conventions, rules and practices used in the preparation and presentation of financial statements.
 B - Changes in accounting estimates arise due to the new information or new developments.
 C - Prior period errors are corrected retrospectively only if they arise with respect to measurement of elements in financial statements.
 (1) A only (2) B only (3) A and B only
 (4) B and C only (5) All A, B and C (.....)
19. Which of the following statement/s is/are correct as per LKAS 16 (Property, Plant and Equipment)?
 A - Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
 B - Depreciable amount is the cost or other amount substituted for cost of an asset, less its residual value.
 C - Useful life is the period over which an asset is expected to be available for use by an entity.
 (1) A only (2) B only (3) A and B only
 (4) B and C only (5) All A, B and C (.....)
20. Nethu PLC imported a machine on 01.03.2019 for use in the production by paying Rs. 2 000 000. Following expenses were also incurred by the company in this respect.

	Rs.'000
Site preparation	160
Charges to connect power supply to the machine	10
Cost of the initial test run	20
Advertising cost on the product quality	60
Licensing fee paid to obtain approval for use of the machine	30
Cost of the inaugural ceremony of commissioning the machine	40

What is the cost of the machine at recognition as per LKAS 16 (Property, Plant and Equipment)?

- (1) Rs. 2 160 000 (2) Rs. 2 180 000 (3) Rs. 2 210 000
 (4) Rs. 2 220 000 (5) Rs. 2 260 000 (.....)

21. The financial statements of Tharaka PLC for the year ending 31.03.2019 were authorized by the directors on 20.06.2019. Following events had taken place in the company during the period 31.03.2019 to 20.06.2019.

- A - A trade debtor who owed Rs. 500 000 as at 31.03.2019 was declared bankrupt on 28.05.2019.
 B - The value of investments of shares in quoted public companies as at 31.03.2019 declined by Rs. 1 000 000 by 20.06.2019.
 C - The judgement of the court case, which had been filed against the company on 05.04.2019, was delivered on 01.06.2019 ordering to pay a penalty of Rs. 4 000 000 to the government.

Which of the above event/s should be adjusted in the financial statements of the company as at 31.03.2019 as per LKAS 10 (Events after the Reporting Period)?

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

22. Which of the following cost item/s is/are not included in the determination of cost of inventory as per LKAS 2 (Inventories)?

- A - Abnormal amounts of wasted material, labour or other production costs
 B - Storage costs of finished goods till they are delivered to customers
 C - Administrative overheads of the showrooms

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

Use the following information to answer questions No. 23 and 24.

Following information relates to Saranga PLC for the year ending 31.03.2019.

Description	Rs.'000
Turnover	950
Gross profit	450
Administrative and distribution expenses	250
Revaluation surplus of land	150
Revaluation surplus of motor vehicles	75

Land was revalued for the first time and motor vehicles for the second time during the year. First time revaluation of motor vehicles on 31.03.2017 resulted in a deficit of Rs. 35 000. The company is fully financed by equity and is exempted from income tax.

23. Total income and total expenses recognized by the company for the year ending 31.03.2019:

	Total Income (Rs.'000)	Total Expenses (Rs.'000)
(1)	1 140	700
(2)	1 140	750
(3)	1 175	700
(4)	1 175	750
(5)	1 175	785

(.....)

24. The profit and other comprehensive income of the company for the year ending 31.03.2019:

	Profit for the year (Rs.'000)	Other Comprehensive Income (Rs.'000)
(1)	165	225
(2)	200	225
(3)	200	190
(4)	235	190
(5)	235	225

(.....)

25. Following information relates to a company as at 31.03.2019.

Current ratio	2 times
Current liabilities	Rs. 60 000
Inventory	Rs. 48 000

Inventory as at 01.04.2018 was Rs. 32 000. Further, sales for the year ending 31.03.2019 was Rs. 300 000 and its gross profit ratio was 20%.

The inventory turnover ratio for the year ending 31.03.2019 and quick assets ratio as at 31.03.2019:

	Inventory Turnover Ratio (Times)	Quick Assets Ratio (Times)	
(1)	5	1.2	
(2)	6	1.33	
(3)	6	1.2	
(4)	6.25	1.33	
(5)	7.5	1.2	(.....)

26. The return on equity ratio calculated for Saman PLC for the year ending 31.03.2019 was 20%. However, following transactions have not been considered when preparing its financial statements for the year ending 31.03.2019.

- A - Surplus of Rs. 500 000 that resulted from the revaluation of buildings for the first time
- B - Capitalization of reserves of Rs. 800 000
- C - Return outwards of Rs. 200 000

Which of the above transaction/s will lead to an increase in the return on equity ratio of the company?

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

27. Amal PLC produces and sells 50 000 units of a product annually. Prime cost per unit is Rs. 20, which consists only of variable costs. Manufacturing overheads and non-manufacturing overheads are Rs. 2 000 000 and Rs. 1 500 000 respectively at an activity level of 50 000 units. Fixed costs of the company amounts to 60% of the total overheads.

What is the total cost per unit and variable cost per unit of this product?

	Total Cost per Unit (Rs.)	Variable Cost per Unit (Rs.)	
(1)	36	30	
(2)	70	48	
(3)	90	30	
(4)	90	40	
(5)	90	48	(.....)

28. A company that produces a single product has two production departments, 'X' and 'Y'.

The following information relates to these two production departments:

Production Departments	Production Overheads (Rs.)	Required No. of Hours
X	200 000	10 000 machine hours
Y	150 000	30 000 labour hours

The production of one unit of this product would require Rs. 50 of direct material and 4 hours of direct labour at the rate of Rs. 50 per hour. In computing the unit production cost, production overheads are absorbed for 2 machine hours and 4 labour hours.

The production overheads and cost of production for a unit of the product:

	Production Overheads per Unit (Rs.)	Cost of Production per Unit (Rs.)	
(1)	20	270	
(2)	25	310	
(3)	40	290	
(4)	60	310	
(5)	60	350	(.....)

29. Which of the following statements are correct at the break-even point?
- A - Total contribution is equal to the total fixed cost.
 - B - Total sales income is equal to total fixed cost.
 - C - Sum of the total fixed cost and total variable cost is equal to the total sales income.
 - D - Fixed cost per unit is equal to the variable cost per unit.
- (1) A and B only
 (4) B, C and D only
 (2) A and C only
 (5) All A, B, C and D
 (3) A, B and D only
 (.....)

30. The net present value of a project is Rs. 800 000. Which of the following would lead to a decrease in the net present value of this project, while other factors remain unchanged?
- A - Decrease in the discount rate
 - B - Increase in the initial investment
 - C - Decrease in net operating cash inflows
 - D - Increase in the cost of preparing the project report
- (1) A and C only
 (4) B, C and D only
 (2) B and C only
 (5) All A, B, C and D
 (3) A, B and C only
 (.....)

..... x 4 = Marks

● Write short answers for questions No. 31 - 50 on the dotted lines.

31. State whether the following statements are true (T) or false (F) as to the role of management accounting in a business.

Statement	True/False
A - Prepares general-purpose financial reports for the use of managers
B - Prepares financial reports in compliance with accounting standards
C - Provides both past and future information of the business
D - Generates information on demand of the managers of the business

32. State whether the following transactions of a business lead to an increase in its equity. (If increases indicate with a '✓' and if does not increase indicate with a '×'.)

Transaction	Increase in Equity
A - Sold goods costing Rs. 50 000 for Rs. 80 000 on credit
B - Owner provided an equipment worth Rs. 200 000 to the business
C - Owner paid a loan instalment of Rs. 30 000 of the business from his personal money
D - Received a cash discount of Rs. 5 000 when a creditor was settled

33. State the most appropriate accounting record that is described by each of the following statements.

Statement	Accounting Record
A - The full list of accounts with their balances on a specified date
B - The record that contains the collection of accounts of an entity
C - The document that records the movement of the balance of an inventory item
D - The book of account that records a particular category of transactions in the chronological order

34. The trial balance of a business as at 31.03.2019 did not balance and the difference was transferred to a suspense account. The subsequent investigation revealed the following errors.

A - The total of the sales journal for March 2019 of Rs. 540 000 has been posted to the debtors control account and sales account as Rs. 450 000.

B - The discounts allowed Rs. 10 000 to the debtors has been debited to discount allowed account as Rs. 1 000. However, this amount has been correctly posted to the debtors control account.

Write the journal entries to rectify the above errors. (Narration is not required.)

Error	Description	Dr. (Rs.)	Cr.(Rs.)
A
B

35. State the most appropriate accounting concept for the following accounting treatments.

Accounting Treatment	Accounting Concept
A - Making a provision for warranties provided on goods sold
B - Recording a building obtained on lease as an asset in lessee's books
C - Recognizing depreciation as an expense in the profit or loss account
D - Presenting assets as current and non-current in the Statement of Financial Position

36. State whether the following statements relating to a sole-trader business are true (T) or false (F).

Statement	True/False
A - The sum of capital investment and retained earnings is equal to equity
B - The income statement is not prepared on accrual basis
C - The drawings are recognized as an expense in the income statement
D - It is not useful to prepare management accounting reports as the business is operated by the owner

37. The following information has been provided with respect to Amali Traders, a sole trader, as at 31.03.2019.

	Rs.
Total assets	2 750 000
Total liabilities	1 650 000

Equity of the business as at 31.03.2018 was Rs. 800 000.

During the year ending 31.03.2019, the owner of the business has drawn Rs. 250 000 and invested Rs. 450 000 as additional capital.

State the following:

- (a) Equity as at 31.03.2019 : Rs.
- (b) Profit for the year ending 31.03.2019 : Rs.

● Use the following information to answer questions No. 38 and 39.

Ananda and Jayantha carried out a partnership without a written agreement. On 01.04.2018, Ananda paid Rs. 250 000 for the insurance premium of the motor vehicles of the partnership using his personal money. However, this had not been adjusted for when preparing financial statements for the year ending 31.03.2019 and the partnership reported a profit of Rs. 562 500. Later, it was decided that this amount is to be recognised as a loan provided to the partnership by Ananda.

38. Write the journal entries to recognize the insurance premium of the partnership paid by Ananda as a loan and the interest payable on the loan as at 31.03.2019.

Description	Dr. (Rs.)	Cr. (Rs.)
(a) (Insurance premium of partnership paid by Ananda)
(b) (Interest payable on the loan provided by Ananda)

39. State the following:

- (a) Revised profit for the year ending 31.03.2019 : Rs.
- (b) Profit share of Ananda based on the revised profit : Rs.

40. State the four enhancing qualitative characteristics of accounting information as per the Conceptual Framework for Financial Reporting.

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

41. Manel PLC bought a machine on 01.04.2015 for Rs. 1 000 000. On this day, its useful life and the residual value were estimated as 5 years and Rs. 100 000 respectively. A main component of this machine was modified on 01.04.2018 incurring a cost of Rs. 280 000. On this date, it was re-estimated that the remaining useful life of the machine as 4 years and its residual value as Rs. 180 000.

Compute the following:

- (a) Depreciation for the year ending 31.03.2019 : Rs.
- (b) Carrying amount of the machine as at 31.03.2019 : Rs.

42. Select the correct term indicated in parenthesis below to denote the nature of characteristics of provisions and other liabilities as per LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

Characteristics

Provisions

Other Liabilities

- A - Existence of a present obligation (Yes/No)
- B - Amount payable on settlement (Certain/Uncertain)..... ..
- C - Timing of settlement (Certain/Uncertain)

43. State the following as per SLFRS 16 (Revenue from Contracts with Customers):

- (a) When to recognise revenue of an entity:
.....
.....
- (b) Definition of 'transaction price':
.....
.....
.....

44. The following balances were available in Nilu PLC as at 01.04.2018.

	Rs.'000
Stated capital (100 000 ordinary shares)	2 000
Retained earnings	800

On 30.09.2018, the company capitalized Rs. 400 000 of retained earnings at a consideration of Rs. 20 per share. On 31.12.2018, the company made a rights issue of shares at the rate of 1 share per every 12 shares held on this date at a consideration of Rs. 10 per share. All rights have been subscribed by the existing shareholders. The profit for the year ending 31.03.2019 was Rs. 300 000.

State the following:

- (a) Increase in the cash balance due to above share issues : Rs.
- (b) Equity as at 31.03.2019 : Rs.

45. State whether the following statements are true (T) or false (F) with respect to accounting ratio analysis of a firm.

Statement	True or False
A - A high inventory turnover ratio indicates a low stock residence period.
B - Collection of money from debtors leads to a decrease in the current ratio.
C - A high interest cover ratio indicates low repayment ability of loans.
D - The valuation of year-end inventory at net realizable value has an impact on gross profit ratio.

46. The following information relates to a product traded by a company.

Date	Description
01.07.2019	Inventory balance (1 000 units at Rs. 3 per unit)
05.07.2019	Purchases (1 500 units at Rs. 4 per unit)
12.07.2019	Purchases (500 units at Rs. 6 per unit)
28.07.2019	Sold (2 000 units at Rs. 10 per unit)

Compute the following under each of the pricing method given below:

Pricing method	Cost of goods sold for month of July 2019 (Rs.)	Closing inventory as at 31.07.2019 (Rs.)
(a) First-In-First-Out (FIFO) method
(b) Weighted average method

47. A company uses the Economic Order Quantity (EOQ) model to determine the re-order quantity of a material used in its production process. The following information is provided.

Annual demand	40 000 units
Annual total ordering cost at an order size of 8 000 units	Rs. 5 000
Annual holding cost per unit	Rs. 5

Compute the following:

- (a) Ordering cost per order : Rs.
- (b) EOQ : Units

48. A company has two production departments and a service department. The budgeted overheads of the service department is Rs. 100 000, which is re-distributed between the production departments based on the number of machine hours worked. Following additional budgeted information is also given.

	Production Department I	Production Department II
Machine hours	7 000	3 000
Production overheads per unit	Rs. 120	Rs. 140
Processing time per unit	3 machine hours	2 machine hours

Indicate the following for Production Department I:

- (a) Service department's overheads re-distributed : Rs.
- (b) Overhead absorption rate per machine hour : Rs.

Indicate the following for Production Department II:

- (c) Total production overheads : Rs.

49. Following information relates to a 3-hour seminar organized for a competitive examination.

	Rs.
Hall charges (per hour)	10 000
Lecture fees (per hour)	15 000
Advertising expenses.....	25 000
Lecture material expenses per participant	500
Seminar fee per participant	1 500

Compute the following:

- (a) Contribution per participant : Rs.
- (b) Fixed cost of the seminar : Rs.
- (c) Number of participants required to cover the total cost :

50. A company is considering to purchase a machine for use in a new project at a cost of Rs. 900 000. The useful life and the residual value of this machine are estimated as 5 years and Rs. 100 000 respectively. The expected annual profit of the project is Rs. 200 000 and its only non-cash expense is depreciation.

Calculate the following for this project:

- (a) Accounting rate of return (%) :
- (b) Payback period (Years) :

Marks

* * *

නව නිර්දේශය/புதிய பாடத்திட்டம்/New Syllabus

NEW

Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2019 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2019 ஓகஸ்ட்
General Certificate of Education (Adv. Level) Examination, August 2019

දිනුම්කරණය II
 கணக்கீடு II
Accounting II

33 E II

26.08.2019 / 0830 - 1140

පැය තුනයි
 மூன்று மணித்தியாலம்
Three hours

අමතර කියවීමේ කාලය - මිනිත්තු 10 යි
 மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
Additional Reading Time - 10 minutes

Use **additional reading time** to go through the question paper, select the questions and decide on the questions that you give priority in answering.

Instructions:

- * Answer **five** questions only, including questions **one** and **two**.
- * Begin each answer on a **fresh** sheet of paper.
- * Relevant workings should be attached to the answer script.
- * This questions paper carries **200** marks.

1. The summarized trial balance of Sanuga PLC as at 31.03.2019 is given below.

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
Property, plant and equipment	90 000	
Accumulated depreciation on property, plant & equipment as at 01.04.2018		15 000
Sales		88 000
Cost of sales	45 000	
Inventory	4 200	
Trade receivables.....	17 300	
Trade payables.....		19 000
Lease payments	3 750	
Cash and cash equivalents.....	750	
Provision for warranty as at 01.04.2018		580
Stated capital-ordinary shares		45 500
Retained earnings as at 01.04.2018		6 395
Administrative expenses	4 500	
Distribution costs.....	5 200	
Finance expenses.....	750	
Other expenses	1 800	
Income tax paid	1 950	
Provision for income tax as at 01.04.2018		725
	175 200	175 200

Additional Information:

Before preparation of the financial statements for the year ending 31.03.2019, adjustments have to be made for the following.

- (i) The directors' fee of Rs. 900 000 is included in the administrative expenses. The audit fees for the year ending 31.03.2019 were Rs. 250 000 and it had neither been paid nor accounted for at the year end.

- (ii) The verdict of a case filed by a customer against the company was declared on 10.05.2019 and accordingly, a claim of Rs. 600 000 was paid to the customer on this date. This case had been filed on 01.01.2019. However, the company had not recognized any provision on this claim as at 31.03.2019. The financial statements of the company were authorized for issue by the board of directors on 30.05.2019.
- (iii) The company sells products with one-year warranty period and the warranty expenses paid during the current year for sales done during last year was Rs. 470 000. This is included in the distribution costs of the current year. The provision for warranty as at 31.03.2019 was estimated as Rs. 650 000.
- (iv) The company entered into a lease agreement on 01.04.2018 and obtained the right-of-use of a motor vehicle for a period of 5 years. As at 01.04.2018, the cost of right to use the motor vehicle and its useful life were estimated as Rs. 5 960 000 and 5 years respectively. According to the lease agreement, Rs. 2 500 000 was paid as the down payment on 01.04.2018 and the first annual instalment of Rs. 1 250 000 was paid on 31.03.2019. The initial measurement of the lease liability was Rs. 3 460 000. The lease interest for the years ending 31.03.2019 and 31.03.2020 are Rs. 346 000 and Rs. 256 000 respectively. Only the down payment and first lease installment paid by the company have been recorded in the lease payments account. No other entry has been made in this respect.
- (v) The composition of property, plant and equipment and their accumulated depreciation are as follows:

Description	Cost/value as at 31.03.2019 (Rs. '000)	Accumulated Depreciation as at 01.04.2018 (Rs. '000)
Land	30 000	—
Buildings	45 000	11 000
Office equipment	15 000	4 000
	<u>90 000</u>	<u>15 000</u>

- (vi) The depreciation for the current year has not yet been provided. The motor vehicle obtained on lease basis is used for distribution activities, and buildings and office equipment are used for administrative activities. Office equipment is depreciated on straight line method at 25% per annum on cost. Assume that the residual value of the motor vehicle is zero.
- (vii) Property, plant and equipment acquired during the current year are as follows.
- On 01.07.2018: a land at a cost of Rs. 10 000 000
 - On 01.10.2018: office equipment at a cost of Rs. 5 000 000
- These items have been correctly accounted for.
- (viii) The buildings were revalued for the second time on 01.04.2018 for Rs. 38 000 000. The first time revaluation of buildings on 31.03.2014 had resulted in a deficit of Rs. 1 500 000. The remaining useful life of the buildings after the second time revaluation has been estimated as 8 years. Assume that the residual value of the buildings is zero. No accounting entries have been made with respect to the second time revaluation.
- (ix) Income tax paid during the year includes Rs. 600 000 paid with respect to previous year. Total income tax liability for the year ending 31.03.2019 has been estimated as Rs. 1 920 000.
- (x) The interim dividends paid amounting to Rs. 1 500 000 has been included in the distribution costs. Directors have proposed a final dividend of Rs. 1 000 000 on 30.05.2019.

Required :

The following financial statements (including notes) of Sanuga PLC for publication as per LKAS 1 (Presentation of Financial Statements):

- (1) Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2019
- (2) Statement of Changes in Equity for the year ending 31.03.2019
- (3) Statement of Financial Position as at 31.03.2019

(Total 40 marks)

2. (a) 'XYZ' is a product manufactured by Dayan PLC. The weekly production of this product varies from 300 to 500 units. It is produced using two raw materials – 'A' and 'B'. To produce one unit of product 'XYZ', 10 kgs of raw material 'A' and 5 kgs of raw material 'B' are required. The following information relates to raw materials 'A' and 'B'.

	A	B
Re-order quantity	20 000	?
Re-order level	18 000	?
Maximum stock level	?	19 000
Minimum stock level	?	5 000
Lead time in weeks:		
Minimum	2	3
Maximum	4	5

Required :

- (1) Maximum and minimum stock levels of raw material 'A'
- (2) Re-order level and re-order quantity of raw material 'B'
- (3) Average stock levels of raw materials 'A' and 'B'

(16 marks)

- (b) Kumudu PLC has two production departments – 'Assembly' and 'Finishing' and a service department – 'Stores'. The budgeted information for the next financial year is as follows:

Description	Total	Assembly	Finishing	Stores
Supervisors' salary (Rs.'000)	1 690	530	730	430
Rent (Rs.'000)	360	?	?	?
Electricity (Rs.'000)	180	?	?	?
Security charges (Rs.'000)	240	?	?	?
Depreciation on machinery (Rs.'000)	?	?	?	–
Floor area (sq. meters)	18 000	9 000	6 000	3 000
Kilowatt hours	9 000	3 000	4 500	1 500
No. of security persons	12	5	3	4
Labour hours	21 000	7 000	14 000	–
Machine hours	15 000	12 000	3 000	–
No. of material requisitions raised	50	30	20	–

Additional information:

- (i) The cost of machinery of Assembly and Finishing Departments are Rs. 450 000 and Rs. 800 000 respectively. The company depreciates machinery on straight line method at 20% per annum.
- (ii) The total overheads of the Stores Department are re-apportioned between Assembly and Finishing Departments based on the number of material requisitions raised by each department.
- (iii) The Assembly Department uses machine hours and Finishing Department uses labour hours to absorb overheads.
- (iv) The company sells goods by adding a profit mark up of 20% on total production cost. The following details relate to products 'ABC' and 'PQR', manufactured by the company.

	ABC (per unit)	PQR (per unit)
Actual hours spent:		
Assembly Department (machine hours)	2	4
Finishing Department (labour hours)	3	2
Production overheads (Rs.)	?	?
Prime cost (Rs.)	380	?
Selling price (Rs.)	?	1 200

Required :

- (1) The Overhead Analysis Sheet naming the bases of apportionment (including re-apportionment of Service Department Overheads)
- (2) Overhead absorption rates for the two production departments
- (3) Production overheads per unit and selling price per unit of Product – 'ABC'
- (4) Production overheads per unit and prime cost per unit of Product – 'PQR'

(24 marks)

(Total 40 marks)

3. Kamal commenced a business on 01.04.2018. The balances extracted from the draft financial statements of this business as at 31.03.2019 are given below.

	Rs.'000
Property, plant and equipment (PPE) – at cost	4 500
Inventory (based on accounting records)	600
Trade receivables	820
Pre-paid rent	480
Cash balance	610
Trade payables	100
Accrued expenses	90
Advance received	240
Profit for the year ending 31.03.2019	580
Capital introduced on 01.04.2018	6 000

All cash transactions of the business are carried out through a bank current account.

It was later revealed that, in preparing the draft financial statements for the year ending 31.03.2019, the following items have not been considered.

- (i) Depreciation on PPE amounting to Rs.500 000 for the year ending 31.03.2019.
- (ii) The rent of the showroom Rs. 80 000 for March 2019 has been included in the pre-paid rent account.
- (iii) Electricity bill of Rs. 5 000 for March 2019 has been neither paid nor accounted for as at 31.03.2019.
- (iv) The purchase of goods costing Rs.80 000 on credit on 30.03.2019 has not been recorded in the books of accounts.
- (v) The sale of goods costing Rs.200 000 for Rs.400 000 on cash on 30.03.2019 has not been recorded in the books of accounts. However, the cheque received in this respect has been deposited in the bank on 01.04.2019.
- (vi) Inventory items costing Rs.40 000 were destroyed during year and were not in a saleable condition. However, these items had been included in the inventory as at 31.03.2019, at cost and they did not have a realizable value.
- (vii) A customer has placed an order to purchase 40 items. The selling price of these goods was Rs. 240 000 and this amount has been received during the year. This amount has been recorded in the advance received account. However, only half of these goods has been delivered to the customer by 31.03.2019 and their cost was Rs. 80 000. Further, no entry has been made with respect to this delivery. The rest of the goods should be delivered during next year.
- (viii) The bank statement received on 03.04.2019, revealed that a cheque for Rs.20 000 received from a debtor on 28.03.2019 has been dishonoured by the bank on 31.03.2019.
- (ix) The bank statement also revealed that a cheque for Rs.50 000 has been deposited by a debtor directly in the bank on 31.03.2019. This amount has been written off as an irrecoverable amount when preparing the draft financial statements.
- (x) The bank statement revealed Rs.2 000 paid by the business as examination fees of the owner's child.

Required :

- (1) Show the impact of items (i) to (x) (with values) using the accounting equation and state (+) if the value increases or (–) if the value decreases in front of each value. (In answering, use a format similar to the one given below.)

(Rs. '000)

Item No.	Assets					Liabilities			Equity
	PPE	Inventory	Trade receivables	Pre-paid Rent	Cash	Trade Payables	Accrued expenses	Advance Received	
Balance	4 500	600	820	480	610	100	90	240	6 580
(i)									
(ii)									
.....									
.....									
Revised balance									

- (2) A statement to show the correction of draft profit for the year ending 31.03.2019
- (3) Journal entries required to rectify/record the above item Nos. (ii), (iii), (iv), (ix) and (x) (Including the narrations)

(Total 40 marks)

(See page five)

4. (a) 'Madara Traders' is a firm registered for value added tax (VAT). The following balances were extracted from the Statement of Financial Position of the firm as at 31.12.2018:

	Rs.
Trade debtors	120 000
Cash	30 000
Trade creditors	70 000
VAT payable	30 000

The following transactions have been taken place in this firm during the month ending 31.01.2019.

Date	Transaction
05.01.2019	Purchased goods Rs.230 000 on credit from Amal (Pvt.) Ltd. (This purchase includes VAT of Rs. 30 000.)
10.01.2019	Sold goods costing Rs.150 000 for Rs.207 000 on cash. (This sale includes VAT of Rs.27 000.)
12.01.2019	Received Rs.110 000 subject to a discount as the full settlement of the debtors balance as at 31.12.2018.
15.01.2019	Settled the full amount due to trade creditors as at 31.12.2018.
16.01.2019	Settled the amount due to Amal (Pvt.) Ltd. and a discount of Rs. 5 000 was received.
18.01.2019	Purchased goods with a list price of Rs.360 000 for Rs.345 000 on credit from Nathan Traders. (This purchase includes VAT of Rs. 45 000.)
20.01.2019	Sold goods costing Rs.350 000 for Rs.460 000 on credit to Jayamal PLC. (This sale includes a VAT of Rs.60 000.)
28.01.2019	Paid office expenses Rs.60 000
30.01.2019	Received Rs.360 000 from Jayamal PLC as a part settlement of the amount due.

Assume that there is no VAT on expenses.

Required :

- (1) The following prime entry books of the business for the month ending 31.01.2019:
 - (i) Cash receipts journal
 - (ii) Cash payments journal
 - (iii) Purchases journal
- (2) The following accounts for the month ending 31.01.2019:
 - (i) Trade debtors control account
 - (ii) Trade creditors control account
 - (iii) VAT control account
 - (iv) Cash account

(20 marks)

- (b) The following information relates to Suhada Sports Club for the month of March 2019. This club operates without a profit motive.

Description	As at 31.03.2019 (Rs.'000)	As at 28.02.2019 (Rs.'000)
Property, Plant and Equipment (at carrying amount)	1 000	800
Subscription receivable.....	60	40
Subscription received in advance	?	100
Cash at bank	?	80
Accumulated fund.....	?	820

The following transactions have occurred in the sports club during the month ending 31.03.2019.

- (i) Received subscription Rs. 300 000. (This includes Rs. 40 000 subscription receivable at the beginning of the month and Rs.70 000 received for April 2019.)
- (ii) 14 new members joined the club during the month and paid an entrance fee of Rs. 10 000 each.
- (iii) Purchased office equipment costing Rs.300 000 on cash on 01.03.2019.
- (iv) Paid Rs.180 000 as salaries. (The accrued salaries as at 31.03.2019 was Rs.30 000.)

The sports club carries out all its cash transactions through a bank current account. The cash balance of the club as at 28.02.2019 agreed with the bank statement balance on this date. However, the balance of the bank statement as at 31.03.2019 did not agree with the cash account balance on this date. As per the bank statement, following transactions have taken place during the month of March 2019.

	Rs.
Cheques realized	400 000
Cheques presented for payment	350 000
A donation directly deposited in the bank	20 000
Standing order payment for office rent	10 000

The direct deposit of donation and the standing order payment for office rent have been recorded in the cash account after receiving the bank statement. Donations and entrance fees are recognized as income in the month of receipt.

Required :

- (1) Cash account for the month ending 31.03.2019
- (2) Bank Reconciliation Statement for the month of March 2019
- (3) Income Statement for the month ending 31.03.2019
- (4) Subscription Received in Advance and Accumulated Fund as at 31.03.2019

(20 marks)

(Total 40 marks)

5. (a) Nadi and Ganga entered into a partnership agreement on 01.04.2018 to operate a supermarket. On the same day, they brought the following assets to the business as their capital.

	Nadi (Rs.'000)	Ganga (Rs.'000)
Land	1 500	-
Buildings	1 000	1 000
Office equipment	-	1 000
Cash	500	-

The terms of the partnership agreement are as follows:

- Profits and losses to be shared between the partners in the ratio of capital introduced by them on 01.04.2018.
- Each partner is entitled to a monthly salary of Rs.50 000 in the first six months from the date of commencement of the partnership and Rs.60 000 per month thereafter.
- Partners are entitled to an annual interest of 8% on the loans provided to the partnership.
- The goodwill of the partnership is to be adjusted through partners' capital accounts without maintaining a goodwill account in the business.

The summarized trial balance of the business as at 31.03.2019 is as follows:

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
Sales		5 000
Cost of sales	1 800	
Inventory as at 31.03.2019	400	
Operating expenses	1 200	
Property, plant and equipment	4 500	
Depreciation	200	
Accumulated depreciation		200
Loan provided by Nadi on 01.01.2019		1 500
Insurance premium paid	500	
Salaries paid to partners:		
Nadi	300	
Ganga	500	
Capital accounts:		
Nadi		3 000
Ganga		2 000
Cash given by Sagara		1 500
Cash	3 800	
	<u>13 200</u>	<u>13 200</u>

Additional Information :

- (i) During the year, Nadi has taken goods costing Rs. 80 000 from the business. This has not been recorded in the books of accounts of the business.

- (ii) Goods costing Rs. 400 000, which were purchased by Ganga during the year using her personal money, have been given to the partnership. It was decided to consider the cost of these goods as a capital contribution of Ganga to the business. But, no entry has been made in this respect in the books. However, all these goods have been sold during the year and recorded in the sales account.
- (iii) Interest on the loan given by Nadi has neither been paid nor accounted.
- (iv) Personal income tax of Ganga amounting to Rs. 65 000 has been paid by the business. This has been recorded as an operating expense of the business.
- (v) The breakup of the insurance premium paid by the business is as follows:
- | | | |
|----------------------------------|---|-------------|
| • Fire insurance for supermarket | - | Rs. 300 000 |
| • Life insurance of Nadi | - | Rs. 200 000 |
- (vi) On 31.03.2019, Sagara was admitted as a partner to the business. He introduced Rs. 1 500 000 as capital to the partnership and it has been recorded in a separate account. New profit sharing ratio among Nadi, Ganga and Sagara is 3:2:1 respectively. On this date, the goodwill of the business was estimated as Rs. 600 000. However, this has not been accounted for.

Required :

- (1) Income Statement of the partnership for the year ending 31.03.2019 (including appropriations to partners)
- (2) Partners' Capital Accounts and Current Accounts for the year ending 31.03.2019

(20 marks)

- (b) A school is planning its annual staff trip. The following information has been estimated for the trip by the accounting teacher of the school.

Fee charged per teacher	Rs. 1 500
Hiring charge per bus with a seating capacity of 40	Rs. 40 000
Allowance for the driver and the assistant per bus	Rs. 2 000
Refreshment expenses per teacher	?
Number of teachers required to cover the total cost	100
Maximum number of teachers expected for the trip	120

The number of teachers travelling per bus is limited to its seating capacity.

Required :

- (1) Total fixed cost for the trip
- (2) Contribution per teacher
- (3) Refreshment expenses per teacher
- (4) Margin of safety of the trip (number and rupee value)
- (5) Surplus of the trip if the maximum number of teachers expected participate
- (6) The fee charged per teacher to cover the total cost if only 90 teachers participate

*(20 marks)**(Total 40 marks)*

6. (a) The following information relates to Anura PLC for the year ending 31.03.2019.

	Rs.'000
Sales revenue	9 000
Profit for the year	600
Income tax expense	40
Interest expenses	80

Further, the following balances were available as at 31.03.2019.

	Rs.'000
Ordinary share capital (total no. of shares issued 150 000)	4 200
Total assets	8 400

Total assets and retained earnings as at 01.04.2018 were Rs. 6 600 000 and Rs. 1 200 000 respectively. Assume that the liabilities of the company as at 31.03.2019 consisted only of long-term loans.

Required :

Calculate the following ratios for the year ending 31.03.2019:

- (1) Net profit
- (2) Interest cover
- (3) Return on equity
- (4) Earnings per share
- (5) Debt to equity

(10 marks)

(b) Kelum PLC is considering acquisition of a new machine replacing the old machine. The management accountant of the company has provided the following estimated information in relation to the new machine:

Purchase price	Rs. 1 200 000
Useful life	5 years
Residual value	Rs. 200 000
Installation charges	Rs. 75 000
Site preparation expenses	Rs. 125 000
Annual maintenance cost	Rs. 100 000

Additional Information :

- The additional working capital requirement of the new machine is Rs. 300 000, which will be recovered at the end of this project.
- The expected annual savings in operating costs due to the new machine is Rs. 500 000.
- If the new machine is purchased, it is estimated that the old machine can be sold for Rs. 400 000 at the beginning of the project.
- The required rate of return of this project is 12%.
- Discount factors at 12% :

Year	1	2	3	4	5
Discount factor	0.89	0.80	0.71	0.64	0.57

Required :

- The schedule of cash inflows and cash outflows of the project and its Net Present Value (NPV)
 - Based on the NPV method recommendation whether to purchase the new machine (10 marks)
- (c) The balances of some of the assets and liabilities of Nihal PLC were as follows:
- | Description | As at 31.03.2019 (Rs.) | As at 31.03.2018 (Rs.) |
|----------------------------|------------------------|------------------------|
| Trade receivables | 250 000 | 180 000 |
| Trade payables | 110 000 | 140 000 |
| Operating expenses payable | 15 000 | - |
| Cash and cash equivalents | ? | 120 000 |
- The following transactions took place in this company during the year ending 31.03.2019.
- Total sales and purchases for the year were Rs. 1 200 000 and Rs. 550 000 respectively. (All sales and purchases were made on credit basis.)
 - The cash discount allowed to trade debtors during the year was Rs. 30 000.
 - Total operating expenses for the year, including depreciation of Rs. 35 000, was Rs. 95 000.
 - The interest and income tax expenses for the year were Rs. 25 000 and Rs. 65 000 respectively. The interest paid and income tax paid during the year were Rs. 20 000 and Rs. 75 000 respectively.
 - Total interim dividends paid during the year was Rs. 60 000.
 - During the year, the company issued 30 000 ordinary shares at Rs.20 each. This share issue includes the capitalization of reserves of Rs.200 000. The money due on balance shares issued has been received during the year.
 - During the year, the company paid Rs.220 000 as part settlement of a long-term loan.
 - On 01.04.2018, the company purchased a new motor vehicle on cash. On the same day, an office equipment was sold for Rs.250 000 on cash with a profit of Rs.80 000. As a net result of these transactions and depreciation, the carrying amount of property, plant and equipment has increased during the year by Rs. 205 000.

Required :

Statement of Cash Flows for the year ending 31.03.2019 as per LKAS 7 (Statement of Cash Flows). (Use direct method to identify operating cash flows.)

(20 marks)

(Total 40 marks)

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