

ඩෙපාර්තමේන්තු සංඛ්‍යා පාඨමාලා සංස්කීර්ණ කාලාන ප්‍රතිච්ඡල සංඛ්‍යා පාඨමාලා Department of Examinations, Sri Lanka

අධ්‍යාපන පොදු සහතික පත්‍ර (ලෙසේ පෙළ) ජ්‍යෙෂ්ඨ පිළිපිටියෙහි, 2018 අගෝස්තු කළ බාහිත පොත්තු තරාතුරුප පත්තිර (෉ යුරු තුරු)ප ප්‍රිට්සේ, 2018 ඉකළුව් අධ්‍යාපන පොදු සහතික පත්‍ර (ලෙසේ පෙළ) ජ්‍යෙෂ්ඨ පිළිපිටියෙහි, 2018 අගෝස්තු කළ බාහිත පොත්තු තරාතුරුප පත්තිර (෉ යුරු තුරු)ප ප්‍රිට්සේ, 2018 ඉකළුව් General Certificate of Education (Adv. Level) Examination, August 2018

21.08.2018 / 0830 – 1030

கணமிக்கரணம் கணக்கீடு **Accounting**

33 E I

ஆய தேவை
இரண்டு மணித்தியாலம்
Two hours

Instructions:

- * 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 two marks.
- * Write your Index Number in the space provided above.

Index No. :

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

- Use the following information to answer questions No. 2, 3 and 4.

The following transactions took place in Nihal's business.

- * 01.03.2018 – Purchase of goods costing Rs. 150 000 from Upasena on credit
- * 05.03.2018 – Return of goods costing Rs. 30 000 to Upasena
- * 20.03.2018 – Sale of goods costing Rs. 100 000 for Rs. 160 000 on credit
- * 20.03.2018 – Payment of sales commission of Rs. 10 000
- * 02.04.2018 – Settlement of the full amount due to Upasena

2. The accounting equation which shows the **net impact** of the above transactions in Nihal's business as at 31.03.2018:

| | Assets (Rs.) | = | Liabilities (Rs.) | + | Equity (Rs.) |
|-----|---------------------|----------|--------------------------|----------|---------------------|
| (1) | + 50 000 | | – | | + 50 000 |
| (2) | + 60 000 | | – | | + 60 000 |
| (3) | + 170 000 | | + 120 000 | | + 50 000 |
| (4) | + 170 000 | | + 150 000 | | + 20 000 |
| (5) | + 180 000 | | + 120 000 | | + 60 000 |
| | | | | | (.....) |

3. Owing to the above transactions the **increase** in the balances of creditors control account and debtors control account of Nihal's business as at 31.03.2018:

| | Creditors control account (Rs.) | Debtors control account (Rs.) |
|-----|---------------------------------|-------------------------------|
| (1) | 20 000 | 150 000 |
| (2) | 20 000 | 160 000 |
| (3) | 120 000 | 150 000 |
| (4) | 120 000 | 160 000 |
| (5) | 150 000 | 160 000 |
| | | (.....) |

4. The source documents used to record transactions with **Upasena** in the books of Nihal's business in the order of their occurrence:

- (1) Invoice, Credit Note, Payment Voucher
- (2) Invoice, Debit Note, Payment Voucher
- (3) Invoice, Debit Note, Journal Voucher
- (4) Invoice, Credit Note, Journal Voucher
- (5) Invoice, Journal Voucher, Payment Voucher

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(.....)

5. Which of the following statement/s is/are correct in relation to the general ledger?

- A - The transactions of an entity are initially recorded in the general ledger.
- B - The general ledger is the collection of accounts maintained by an entity based on the double entry system.
- C - The transactions of an entity are posted to the general ledger after recording in the prime entry books.
- D - Closing entries are passed for all accounts in the general ledger of an entity at the end of the accounting period.

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

6. The equation that represents the profit earned by a business during a financial year:

- (1) Year-end equity + Drawings + New capital introduced – Beginning of the year equity
- (2) Year-end equity + Drawings – New capital introduced – Beginning of the year equity
- (3) Year-end equity – Drawings + New capital introduced – Beginning of the year equity
- (4) Year-end equity – Drawings – New capital introduced – Beginning of the year equity
- (5) Year-end equity + Drawings + New capital introduced + Beginning of the year equity (.....)

7. Which of the following statement/s is/are correct in relation to application of accounting concepts in the preparation of financial statements?

- A - Equity is identified as a separate element in financial statements in line with the entity concept.
- B - Going concern concept provides the basis for classification of assets and liabilities as current and non-current in the financial statements.
- C - Recognition of depreciation for each period in the income statement is in line with the matching concept.

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

8. Which of the following measurement bases can be used to measure the elements of financial statements as per Sri Lanka Accounting Standards?

| | |
|----------------------|-------------------|
| A - Historical cost | B - Fair value |
| C - Realisable value | D - Present value |

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

9. The qualitative characteristic of accounting information that is most protected when leases are classified as finance and operating as per LKAS 17 (Leases):

- (1) comparability (2) faithful representation (3) timelines
- (4) understandability (5) verifiability (.....)

10. Which of the following are considered as components of financial statements prepared by a welfare society?

- A - Accumulated Fund Account
- B - Statement of Financial Position
- C - Statement of Cash Flows
- D - Subscription Account
- E - Income and Expenditure Account

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

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

The balance of the debtors control account in the general ledger of an entity as at 31.03.2018 was Rs. 500 000. However, this balance did not agree with the total of balances extracted from the debtors' ledger on that date. The following were revealed in the subsequent investigation.

- (i) Cheques of Rs. 180 000 received from debtors during March 2018 have been recorded only in the cash receipts journal and the respective accounts in the debtors' ledger. However this has not been posted to the general ledger.
- (ii) Credit sales of Rs. 520 000 has been recorded in the sales journal as Rs. 250 000. However, this has been correctly recorded in the debtors' ledger.
- (iii) A bad debt written off amounting to Rs. 50 000 has been correctly recorded in the general ledger. However, this has not been recorded in the respective debtor's account in the debtors' ledger.
- (iv) A balance of Rs. 80 000 has been omitted in extracting balances from the debtors' ledger.

11. The total of debtors' balances extracted from the debtors' ledger before correcting the above errors:

(1) Rs. 440 000 (2) Rs. 470 000 (3) Rs. 560 000 (4) Rs. 590 000 (5) Rs. 620 000 (.....)

12. The correct balance of debtors' control account as at 31.03.2018:

(1) Rs. 440 000 (2) Rs. 470 000 (3) Rs. 560 000 (4) Rs. 590 000 (5) Rs. 620 000 (.....)

13. Income statement of a retail business reported the following information for the year ending 31.03.2018.

| Description | Rs. '000 |
|--------------------------------|----------|
| Sales | 2 000 |
| Interest earned | 250 |
| Gain on sale of motor vehicles | 150 |
| Interest expenses | 300 |
| Operating expenses | 500 |
| Cost of sales | 1 200 |
| Drawings-goods | 200 |

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The total income and total expenses to be recognized by this business for the year ending 31.03.2018:

| Total Income (Rs.'000) | Total Expenses (Rs.'000) | |
|------------------------|--------------------------|---------|
| (1) 1 200 | 800 | |
| (2) 1 200 | 1 000 | |
| (3) 2 250 | 2 000 | |
| (4) 2 400 | 2 000 | |
| (5) 2 400 | 2 200 | (.....) |

● Use the following information to answer questions No. 14 and 15.

The following information relates to Nalinda and Shantha partnership.

| Balance as at 31.03.2017 | Nalinda (Rs.'000) | Shantha (Rs.'000) |
|--------------------------|-------------------|-------------------|
| Capital accounts | 800 | 500 |
| Current accounts | 200 | 100 |

On 01.04.2017 Nalinda provided Rs. 200 000 as additional capital and Shantha provided Rs. 500 000 as a loan in cash to the partnership. The annual interest rate of this loan is 5% and it is credited to the current account of Shantha.

Profits and losses are shared between Nalinda and Shantha in the ratio of 3:2 respectively and they are entitled to an annual interest rate of 10% on the closing balances of the capital accounts.

The profit of the partnership for the year ending 31.03.2018 was Rs. 500 000. During the year, Nalinda and Shantha have drawn cash Rs. 100 000 and Rs. 50 000 respectively from the partnership. There were no any other cash withdrawals by the partners.

14. The equity of this partnership as at 31.03.2018:

(1) Rs. 1 350 000 (2) Rs. 1 500 000 (3) Rs. 1 650 000
(4) Rs. 2 175 000 (5) Rs. 2 300 000 (.....)

15. Net cash received from the transactions with partners during the year ending 31.03.2018 and Shantha's current account balance as at 31.03.2018:

| | Net cash received (Rs.) | Shantha's current account balance (Rs.) |
|-----|-------------------------|---|
| (1) | 50 000 | 265 000 |
| (2) | 50 000 | 410 000 |
| (3) | 550 000 | 265 000 |
| (4) | 550 000 | 315 000 |
| (5) | 550 000 | 410 000 |
| | | (.....) |

16. The following information relates to a machine acquired by a company, which is registered for value added tax (VAT).

| Date | Description | Amount (Rs.) |
|------------|---|--------------|
| 01.04.2017 | Importing the machine (including 15% VAT) | 575 000 |
| 15.04.2017 | Transporting the machine to the company | 40 000 |
| 30.04.2017 | Preparing the site and installing the machine | 60 000 |
| 15.05.2017 | Conducting a test run and ensuring thereby that the machine is functioning properly | 80 000 |
| 15.05.2017 | Receiving cash from sale of items produced in the test run | 30 000 |
| 30.06.2017 | Conducting the opening ceremony | 20 000 |

The cost of this machine at recognition and the date of commencing depreciation of the machine as per LKAS 16 (Property, Plant and Equipment):

| Cost (Rs.) | Date | More Past Papers at tamilguru.lk |
|-------------|------------|-------------------------------------|
| (1) 540 000 | 15.04.2017 | |
| (2) 650 000 | 15.05.2017 | |
| (3) 650 000 | 30.06.2017 | |
| (4) 725 000 | 30.06.2017 | |
| (5) 755 000 | 15.05.2017 | (.....) |

17. Gamage PLC purchased a motor vehicle on 01.04.2017 on a finance lease. On this date, the fair value of the motor vehicle was Rs. 5 400 000 and a down payment of Rs. 1 400 000 was paid on the same day. A lease instalment of Rs. 1 262 000 is payable on 31st March of each year over the lease-term of 4 years. The first instalment was paid on 31.03.2018. The interest rate implicit in the lease is 10% per annum.

The lease liability presented as a current liability and a non-current liability in the Statement of Financial Position as at 31.03.2018 as per LKAS 17 (Leases):

| Current Liability (Rs.) | Non-Current Liability (Rs.) |
|-------------------------|-----------------------------|
| (1) 862 000 | 2 189 800 |
| (2) 862 000 | 3 138 000 |
| (3) 948 200 | 2 189 800 |
| (4) 948 200 | 3 138 000 |
| (5) 1 262 000 | 1 876 000 |
| | (.....) |

● Use the following information to answer questions No. 18 and 19.

The following information was extracted from the financial statements of Ajith PLC for the year ending 31.03.2018.

| Description | Rs. |
|--|----------|
| Turnover | 800 000 |
| Cost of sales | 300 000 |
| Administrative and distribution expenses | 80 000 |
| Surplus/(Deficit) on revaluation: | |
| Land | 60 000 |
| Machinery | 100 000 |
| Office equipment | (75 000) |

All property, plant and equipment were revalued on 31.03.2018. While lands were revalued for the first time, machinery and office equipment were revalued for the second time. The revaluation of machinery and office equipment for the first time on 31.03.2016 had resulted in a deficit of Rs. 30 000 and a surplus of Rs. 40 000 respectively. The total assets of the company are fully funded by equity and the company is not subject to income tax.

18. The total income and total comprehensive income of this company for the year ending 31.03.2018:

| Total Income (Rs.) | Total Comprehensive Income (Rs.) |
|---------------------------|---|
| (1) 900 000 | 160 000 |
| (2) 930 000 | 505 000 |
| (3) 960 000 | 505 000 |
| (4) 960 000 | 580 000 |
| (5) 1 000 000 | 160 000 |
| | (.....) |

19. The profit and other comprehensive income of this company for the year ending 31.03.2018:

| Profit (Rs.) | Other Comprehensive Income (Rs.) |
|--------------|----------------------------------|
| (1) 345 000 | 90 000 |
| (2) 345 000 | 130 000 |
| (3) 385 000 | 160 000 |
| (4) 415 000 | 90 000 |
| (5) 415 000 | 130 000 |

20. Saranga PLC is engaged in selling garments. The summarized cash account of this company for the year ending 31.03.2018 is given below.

| Cash Account (Rs.) | | | |
|----------------------|------------------|-----------------------------|------------------|
| Balance – 01.04.2017 | 70 000 | Creditors control | 720 000 |
| Sales | 850 000 | Rent expenses payable | 40 000 |
| Debtors control | 550 000 | Distribution expenses | 180 000 |
| Dividend income | 10 000 | Administrative expenses | 270 000 |
| Bank loan | 500 000 | Purchase of a motor vehicle | 560 000 |
| | | Income tax | 125 000 |
| | | Balance – 31.03.2018 | 85 000 |
| | 1 980 000 | | 1 980 000 |

The net cash flow generated from operating activities for the year ending 31.03.2018 as per LKAS 7 (Statement of Cash Flows):

21. The following balances were extracted from the financial statements of Nimali PLC as at 31.03.2017.

| Description | Rs. |
|---|------------|
| Stated capital – 80 000 ordinary shares issued at Rs. 10 each | 800 000 |
| Revaluation reserve | 300 000 |
| Retained earnings | 450 000 |

The information on share issues made by the company during the year ending 31.03.2018 are as follows.

| Date | Description |
|----------|---|
| .05.2017 | A public issue of 20 000 shares at Rs. 15 per share was made. Applications were received for 25 000 shares. Shares were allotted on pro-rata basis. |
| .01.2018 | Retained earnings were capitalized by issuing one share for every four held as at 01.04.2017 at Rs. 20 per share. |

Profit for the year ending 31.03.2018 was Rs. 600 000.

The stated capital-ordinary shares and equity of the company as at 31.03.2018:

| Stated Capital – Ordinary Shares (Rs.) | Equity (Rs.) |
|--|--------------|
| (1) 1 100 000 | 1 850 000 |
| (2) 1 100 000 | 2 525 000 |
| (3) 1 500 000 | 2 450 000 |
| (4) 1 500 000 | 2 850 000 |
| (5) 1 600 000 | 2 925 000 |
| | (.....) |

22. The financial statements of Anjula PLC for the year ending 31.03.2018 were authorized by the directors on 15.05.2018 and the annual general meeting of the company was held on 30.05.2018. The following events took place in the company after 31.03.2018.

- A - A building costing of Rs. 1 000 000 was destroyed due to a fire that occurred on 10.04.2018.
- B - A debtor who owed Rs. 500 000 was declared bankrupt on 05.05.2018. This debtors balance arose due to a sale of goods on 05.04.2018.
- C - A tax estimate of Rs. 400 000 payable for the vehicles imported on 31.03.2018 was informed to the company by the Sri Lanka Customs on 10.05.2018.

Which of the above event/s should be adjusted for, in the financial statements of this company for the year ending 31.03.2018 as per LKAS 10 (Events after the Reporting Period)?

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

23. The following information is relevant to Saman PLC for the year ending 31.03.2018.

| | Rs. '000 |
|---------------------------------------|----------|
| Sales (All sales are on credit basis) | 2 400 |
| Gross profit | 1 400 |
| Average inventories | 200 |

Debt collection period for the year ending 31.03.2018 was 45 days. Assume that the numbers of days for a year is 360.

The inventory residence period and the average debtors of this company for the year ending 31.03.2018:

| Inventory Residence Period (Days) | Average Debtors (Rs.) |
|-----------------------------------|-----------------------|
| (1) 30 | 53 333 |
| (2) 30 | 125 000 |
| (3) 30 | 300 000 |
| (4) 72 | 53 333 |
| (5) 72 | 300 000 (.....) |

24. Which of the following statements is **false** in relation to accounting ratios of a company?

(Assume that other factors affecting each situation remain constant.)

- (1) An increase in the income tax rate in the current year does not impact on the interest-cover ratio.
- (2) An increase in the debtors turnover ratio compared to the last year indicates the adoption of an effective debt collection strategy in the current year.
- (3) An increase in the inventory residence period compared to the last year indicates the adoption of an effective inventory management policy in the current year.
- (4) An increase in cash and cash equivalents compared to the last year indicates an increase in the liquidity ratios in the current year.
- (5) An increase in the closing stock compared to the last year will not affect the quick assets ratio in the current year.

(.....)

25. Which of the following statements are **correct** in relation to Management Accounting?

- A - It is carried out at the discretion of the management.
- B - It focuses on the needs of all stakeholders.
- C - It is used for planning of future activities.
- D - It provides information based on generally accepted accounting principles.

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

26. A company uses a special type of material for the production of a product. Its re-order quantity is 8 000 units. Material usage and the lead time are as follows.

| | Maximum | Minimum |
|---------------------|---------|---------|
| Daily usage (units) | 200 | 100 |
| Lead time (weeks) | 05 | 03 |

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The company works all seven days of the week.

The minimum and maximum inventory levels maintained by this company:

| Minimum Inventory Level (units) | Maximum Inventory Level (units) | |
|---------------------------------|---------------------------------|---------|
| (1) 2 800 | 10 800 | |
| (2) 2 800 | 12 900 | |
| (3) 3 800 | 12 900 | |
| (4) 6 000 | 10 800 | |
| (5) 6 000 | 12 900 | (.....) |

27. A manufacturing company has two production departments and a service department. The budgeted and actual information relating to these departments are as follows:

| | Production Departments | | Service Department |
|--------------------------------------|------------------------|----------|--------------------|
| | Machinery | Assembly | Store |
| Budgeted production overheads (Rs.) | 420 000 | 320 000 | 180 000 |
| Budgeted direct material costs (Rs.) | 500 000 | 400 000 | — |
| Budgeted machine hours | 52 000 | 2 000 | — |
| Budgeted labour hours | 10 000 | 20 000 | — |
| Actual machine hours | 50 000 | 1 000 | — |
| Actual labour hours | 13 000 | 16 000 | — |

Overheads of the service department are re-apportioned between the production departments on the basis of the direct material costs.

Most appropriate overhead absorption rates for Machinery Department and Assembly Department:

| Machinery Department | Assembly Department | |
|-----------------------------|--------------------------|---------|
| (1) Rs. 10 per machine hour | Rs. 20 per labour hour | |
| (2) Rs. 10 per machine hour | Rs. 200 per machine hour | |
| (3) Rs. 10 per machine hour | Rs. 25 per labour hour | |
| (4) Rs. 40 per labour hour | Rs. 25 per labour hour | |
| (5) Rs. 52 per labour hour | Rs. 200 per machine hour | (.....) |

● Use the following information to answer questions No. 28 and 29.

A company manufactures a single product and sells at Rs. 50 per unit. The following information relates to two activity levels:

| Number of units produced | Cost per unit (Rs.) |
|--------------------------|---------------------|
| 2 000 | 50 |
| 3 000 | 40 |

28. Total fixed cost and the unit variable cost respectively:

| | | |
|---------------------------|---------------------------|-------------------|
| (1) Rs. 20 000 and Rs. 10 | (2) Rs. 20 000 and Rs. 20 | (3) 1 000 and 0.8 |
| (3) Rs. 40 000 and Rs. 30 | (4) Rs. 60 000 and Rs. 10 | |
| (5) Rs. 60 000 and Rs. 20 | | (.....) |

29. Break-even point (in units) and contribution to sales ratio respectively:

| | | |
|-------------------|-------------------|-------------------|
| (1) 500 and 0.4 | (2) 667 and 0.4 | (3) 1 000 and 0.8 |
| (4) 1 500 and 0.6 | (5) 2 000 and 0.6 | (.....) |

30. Which of the following statement/s is/are correct as to the evaluation of capital investment projects?

A - Payback period method does not consider the time value of money.
 B - Net present value method considers cash flows received during the total project period.
 C - Accounting rate of return considers income and expenses for the total project period.

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

..... × = Marks

[See page eight]

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

31. Which of the following stakeholders of a business entity would be most interested in each of the information given below?

| | | | |
|--------------------|---------------|-------------|---|
| (1) Government | (2) Investors | (3) Lenders | (4) Managers |
| Information | | | Stakeholder (Indicate the No.) |

| | |
|--|-------|
| A - The entity's ability to meet its long-term obligations | |
| B - The profitability of the entity compared to the capital invested | |
| C - The cost of products manufactured by the entity | |
| D - The amount of taxes paid by the entity | |

● Use the following information to answer questions No. 32, 33 and 34.

The following transactions took place in Gemunu PLC during the month of March, 2018. The accounting year of the company ends on 31st March.

- (1) Received cash Rs. 500 000 by issuing ordinary shares.
- (2) Purchased goods for Rs. 1 000 000 on credit.
- (3) Revalued the land for the first time, which resulted in a deficit of Rs. 300 000.
- (4) Incurred advertising expenses of Rs. 60 000, and it is payable in May 2018.

32. Which of the following statements indicate the impact of each of the above transactions?

| Impact | Transaction (Indicate the No.) |
|--|---|
| A - Decrease in assets and decrease in equity | |
| B - Increase in liabilities and decrease in equity | |
| C - Increase in assets and increase in equity | |
| D - Increase in assets and increase in liabilities | |

33. State the prime entry-book in which each of the above transactions are recorded.

| Transaction | Prime Entry Book |
|--------------------|-------------------------|
| (1) | |
| (2) | |
| (3) | |
| (4) | |

34. Indicate with '✓' the types of account under which each of the above transactions is recorded in the general ledger.

| Transaction | Type of Account | | | | |
|--------------------|------------------------|------------------|---------------|---------------|-----------------|
| | Asset | Liability | Equity | Income | Expenses |
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |

● Use the following information to answer questions No. 35 and 36.

The following information relates to Amal PLC as at 01.04.2017.

| | Rs. '000 |
|------------------------------|----------|
| Trade receivables | 900 |
| Allowance for doubtful debts | 90 |

The following transactions were carried out in the entity during the year ending 31.03.2018.

| | Rs. '000 |
|---------------------------------------|----------|
| Credit sales | 3 600 |
| Sales returns | 400 |
| Receipt of cash for trade receivables | 2 800 |
| Bad debts written off | 200 |

The business makes a 10% allowance for doubtful debts on the year-end balance of trade receivables.

35. The following as at 31.03.2018:

(a) Trade receivables control account balance (Rs. '000)

(b) Carrying amount of trade receivables reported (Rs. '000)

36. Journal entries to record the bad debts and doubtful debts for the year ending 31.03.2018:

| Description | Dr (Rs. '000) | Cr (Rs. '000) |
|--|---------------|---------------|
| (a) | | |
| (Being recording of bad debts) | | |
| (b) | | |
| (Being recording of doubtful debts) | | |

37. The following transactions took place in Isuru's catering business.

- * 15.01.2018 - Accepted an order to supply food and received a cash advance of Rs. 100 000.
- * 28.01.2018 - Supplied the food for the above order and received Rs. 200 000 in cash.
- * 05.02.2018 - Received the balance amount of Rs. 50 000 for this order.

In relation to recognition of revenue of the above order:

(a) Date of recognition of revenue :

(b) Revenue to be recognized on this date : Rs.

(c) The most applicable accounting concept :

38. Indicate how the adjustment of following items in the financial statements of a public limited company will lead to **increase (I)**, **decrease (D)** or **no change (NC)** in its profit. (These items are not yet adjusted in the books.)

Impact on profit
(Indicate as I, D or NC)

A - Accrued electricity
 B - Interest income receivable
 C - Discounts received from creditors
 D - Surplus on revaluation of a land for the first time

39. Rantharu Sports Club has 100 members. Annual subscription of a member is Rs. 2 400. The following information is given.

| Description | As at 31.03.2018 (Rs.) | As at 31.03.2017 (Rs.) |
|----------------------------------|------------------------|------------------------|
| Subscription received in advance | 24 000 | 12 000 |
| Subscription in arrears | 36 000 | 48 000 |

Indicate the following of this sports club:

(a) Subscription income recognized for the year ending 31.03.2018 Rs.

(b) Total subscription received during the year ending 31.03.2018 Rs.

40. The following information has been extracted from the profit and loss appropriation account of Anura and Bimal partnership for the year ending 31.03.2018.

| | Rs. | Rs. |
|-------------------------|---------------|--------|
| 5% interest on capital: | | |
| Anura | 5 000 | |
| Bimal | <u>20 000</u> | 25 000 |
| Profit share: | | |
| Anura | 20 000 | |
| Bimal | <u>10 000</u> | 30 000 |

This account has been prepared by a trainee accounts clerk without considering the partnership agreement. However, these amounts have been posted to the partners' current accounts.

As per the partnership agreement, profits and losses should be shared between Anura and Bimal in the ratio 3:2 respectively. There is no provision in the agreement as to interest on capital.

Write the journal entry to rectify the current account balances of the partners.

| Description | Dr. (Rs.) | Cr. (Rs.) |
|-------------|-----------|-----------|
| | | |
| | | |

41. Shantha and Yasith are partners in a business. They share profits and losses in the ratio 3:2 respectively. On 01.04.2017, Dayan was admitted as a partner and capital balances of Shantha and Yasith on this date were Rs. 1 000 000 and Rs. 750 000 respectively. The new profit and loss sharing ratio among Shantha, Yasith and Dayan is 2:2:1 respectively. On this date, the goodwill of the partnership was estimated as Rs. 3 000 000. Further, it was decided not to maintain a goodwill account but to adjust it through the partners' capital accounts.

The capital balances of Shantha and Yasith after adjusting for the goodwill:

(a) Shantha Rs. (b) Yasith Rs.

42. State whether the following statements are **true (T)** or **false (F)** according to Sri Lanka Accounting Standards.

| Statement | T/F |
|--|-------|
| A - Provisions are 'possible obligations' with uncertain timing or amount. | |
| B - Contingent liabilities are disclosed in the notes to the financial statements. | |
| C - Year end inventory is valued at cost and net realisable value, whichever is lower. | |
| D - Changes in accounting estimates are accounted for retrospectively. | |

43. State as per LKAS 1 (Presentation of Financial Statements), the components of financial statements in which the following items are presented.

| Item | Component of Financial Statements |
|-----------------------|-----------------------------------|
| A - Cost of sales | |
| B - Retained earnings | |
| C - Income tax paid | |
| D - Trade payables | |

44. State two items each that are reported as cash outflows from investing activities and financing activities as per LKAS 7 (Statement of Cash Flows).

| Category | Item |
|--------------------------|---------|
| (a) Investing activities | 1. |
| | 2. |
| (b) Financing activities | 1. |
| | 2. |

45. Inventory turnover ratio and current ratio of a retail business were 10 times and 2 : 1 respectively. But subsequently it was found that the following transactions had been omitted from the books.

When these transactions are considered, state whether the inventory turnover ratio and current ratio will increase (I), decrease (D) or no change (NC).

| Transaction | Inventory turnover ratio (I/D/NC) | Current ratio (I/D/NC) |
|---|-----------------------------------|------------------------|
| (a) Sale of goods costing Rs. 500 000 for Rs. 800 000 on credit | | |
| (b) Purchase of goods costing Rs. 250 000 on credit | | |

46. The following information was extracted from the financial statements of Ananda PLC for the year ending 31.03.2018.

| | Rs. '000 |
|----------------------------------|----------|
| Gross profit | 4 800 |
| Cost of sales | 7 200 |
| Other income | 1 500 |
| Operating and financing expenses | 4 500 |
| Other comprehensive income | 1 500 |

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The income tax rate of the company is 20% on profit before tax.

The following ratios of the company for year ending 31.03.2018:

(a) Gross profit ratio (%) (b) Net profit ratio (%)

47. A company is planning to manufacture a type of toy. The budgeted information related to this product for a given period is as follows.

| | |
|-------------------------------------|--------------------------------|
| Direct material cost per unit | Rs. 2 300 |
| Direct labour cost per unit | Rs. <u>1 000</u> |
| Total direct cost per unit | Rs. <u>3 300</u> |
| | |
| Direct labour rate | Rs. 200 per hour |
| Production overhead absorption rate | Rs. 300 per direct labour hour |
| Non-production overheads | 20% of the total cost |

Indicate the following:

(a) Budgeted production overheads per unit Rs.
 (b) Budgeted production cost per unit Rs.
 (c) Budgeted total overheads per unit Rs.

48. A company manufactures a single product 'Beta'. The following information relates to a raw material used in its production.

| | |
|------------------------------------|-------------------|
| Annual consumption of the material | 10 000 units |
| Ordering cost | Rs. 400 per order |
| Holding cost | Rs. 200 per unit |

Indicate the following:

(a) The economic order quantity (EOQ) of this raw material
 (b) No. of orders to be placed per annum based on the EOQ

49. A company produces a single product and sells at Rs.60 per unit. If the company sells 16000 units, the loss per unit is Rs.10 and if it sells 40000 units, the profit per unit is Rs.8.

Indicate the following:

(a) Total fixed cost Rs.

50. A company has decided to air-condition its factory to improve employee performance. The cost of the air conditioner is Rs. 1 500 000. It has a 5-year useful life with no residual value. It is estimated that annual income will increase by Rs. 600 000 due to the increase of employee performance. Further, an additional maintenance expense of Rs. 240 000 per annum will be incurred for the air conditioner. The company depreciates its property, plant and equipment on the straight-line method.

Indicate the following for the proposed project:

(a) Estimated net cash flow of year one Rs.

(b) Expected annual net profit Rs.

100

Marks

* * *

கிடைத் த சிலிகள் அதிர்னி/முழுப் பதிப்புரிமையுடையது/All Rights Reserved]

உடலாங்கள் போடு கல்விக் கால (உயிர் பேல்) விழுது, 2018 கல்விக்கால நாள்தீவிப் பொதுத் தூதுருப் பத்திர (உயிர் தூ)ப் பரிசீலனை, 2018 ஒக்டோபர் General Certificate of Education (Adv. Level) Examination, August 2018

கணக்கீடு

33 E II

27.08.2018 / 0830 – 1140

ஏடு எனக்கி
முன்று மணித்தியாலம்
Three hours

| | |
|--------------------------------|--------------------------|
| அமுலர் கியலீமி காலை | - தெளிவான் 10 நிமிடங்கள் |
| 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 six 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.

1. Hiruka PLC is engaged in a retail business. Its trial balance as at 31.03.2018 is given below.

| Description | Dr. (Rs.'000) | Cr. (Rs.'000) |
|--|----------------|----------------|
| Property, plant and equipment – carrying amount | 65 500 | |
| Purchases | 41 850 | |
| Trade receivables | 22 600 | |
| Inventory as at 01.04.2017 | 9 750 | |
| Cash and cash equivalents | 1 250 | |
| Administrative expenses | 7 100 | |
| Distribution cost | 9 850 | |
| Income tax paid | 1 100 | |
| Sales | 83 000 | |
| Trade payables | 12 500 | |
| Provision for warranty as at 01.04.2017 | 670 | |
| Stated capital – ordinary shares | 35 000 | |
| Revaluation reserve on land as at 01.04.2017 | 5 000 | |
| Retained earnings as at 01.04.2017 | 6 880 | |
| Accrued administrative expenses | 250 | |
| Bank loan | 12 000 | |
| Provision for income tax as at 01.04.2017 (for the year ending 31.03.2017) | 450 | |
| Commission income | 3 250 | |
| | 159 000 | 159 000 |

Additional Information:

The following adjustments are to be made in preparing the financial statements for the year ending 31.03.2018.

(i) The inventory consists of three categories and their cost and net realizable value (NRV) as at 31.03.2018 were as follows.

| Category | Cost (Rs. '000) | NRV (Rs. '000) |
|--------------|-----------------|----------------|
| Milk | 4 200 | 4 400 |
| Rice | 2 500 | 2 100 |
| Sugar | 3 800 | 3 900 |
| Total | 10 500 | 10 400 |

(ii) The administrative expenses for the current year consist of the following items.

| Item | Rs. '000 |
|---------------------------------|---------------------|
| Salaries paid | 2 700 |
| Employee Trust Fund (ETF) | 90 |
| Directors' fees | 1 500 |
| Audit fees | 610 |
| Depreciation expenses | 2 200 |
| Total | <u>7 100</u> |

(iii) The salaries included in the administrative expenses represent the net salary paid to employees.

Net salary has been calculated after deducting employees' contribution to the EPF. The employer and employee contributions to EPF are 15% and 10% respectively. However, both employer and employee contributions to EPF for the current year have not been paid to the Central Bank of Sri Lanka and also not recorded in the books of accounts.

(iv) The composition of property, plant and equipment and their accumulated depreciation as at 31.03.2018 was as follows.

| Description | Annual Depreciation Rate on Cost | Cost / Revalued Amount (Rs.'000) | Accumulated Depreciation (Rs.'000) | Carrying Amount (Rs.'000) |
|------------------|----------------------------------|----------------------------------|------------------------------------|---------------------------|
| Land | — | 25 500 | — | 25 500 |
| Buildings | 5% | 28 000 | 8 000 | 20 000 |
| Motor vehicles | 20% | 16 500 | 4 500 | 12 000 |
| Office equipment | 10% | 10 000 | 2 000 | 8 000 |
| Total | | <u>80 000</u> | <u>14 500</u> | <u>65 500</u> |

(v) While motor vehicles are used for distribution of goods, all other property, plant and equipment items are used for administration purposes. All depreciable assets are depreciated using the straight-line method. Depreciation for the current year has been provided.

(vi) The land of the business was revalued for the first time on 31.03.2015 for Rs. 25 500 000. The land was revalued on 31.03.2018 for Rs. 19 500 000 for the second time and it has not yet been accounted for.

(vii) The construction of a new building costing Rs. 4 000 000 was completed on 31.03.2018 and the adjustments related to the new building have been properly accounted for in the books.

(viii) A motor vehicle costing Rs. 2 500 000 was disposed for Rs. 1 500 000 on 31.03.2018. This motor vehicle was purchased on 01.10.2016. This disposal has been properly accounted for and the loss on disposal of the motor vehicle has been recorded under distribution cost.

(ix) There were no other additions or disposals of property, plant and equipment during the year.

(x) The company sells products with a one-year warranty period. The company has paid Rs. 450 000 as warranty expenses during the current year for sales made in the previous year. This is included under distribution cost of the current year. The provision for warranty as at 31.03.2018 has been estimated as Rs. 750 000.

(xi) The bank loan obtained on 31.03.2018 is payable in 5 annual instalments of Rs. 3 580 000 each commencing from 31.03.2019. The interest rate for the loan is 15% per annum.

(xii) Income tax paid includes Rs. 350 000 paid for the previous year and payments for the first three quarters of the current year. The income tax liability for the last quarter of the current year was estimated as Rs. 400 000 and it has to be adjusted for in the financial statements.

Required :

The following financial statements (including notes) of Hiruka 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 31.03.2018
- (2) Statement of Changes in Equity for the year ending 31.03.2018
- (3) Statement of Financial Position as at 31.03.2018

(Total 20 marks)

2. (a) Amal, Bimal and Chamal partnership is engaged in a manufacturing business. The following information has been extracted from its Statement of Financial Position as at 31.03.2017.

Rs.'000

Inventory :

| | |
|--|-------|
| Raw material | 600 |
| Work-in-progress (valued at production cost) | 800 |
| Finished goods | 1 200 |

Capital Accounts :

| | |
|--------------|--------|
| Amal | 10 000 |
| Bimal | 6 000 |
| Chamal | 4 000 |

Current Accounts :

| | |
|---------------------------|-------|
| Amal | 1 200 |
| Bimal | 1 000 |
| Chamal | 600 |
| Loan Account – Amal | 4 000 |

Additional information :

- The terms of the partnership agreement are as follows:
 - Amal, Bimal and Chamal share profits and losses in the ratio of 5:3:2 respectively.
 - Partners are entitled to an annual interest of 10% on the opening capital balances.
 - Partners are entitled to an annual interest of 12% for the loans provided.
- The following information is provided for the year ending 31.03.2018.

Rs.'000

| | |
|--|-------|
| Raw material purchases | 1 400 |
| Direct wages | 700 |
| Administrative and distribution expenses | 2 350 |
| Finance expenses | 350 |
| Sales | 9 700 |
| Production overheads | 300 |

- Inventory as at 31.03.2018:

Rs.'000

| | |
|--|-------|
| Raw material | 1 000 |
| Work-in-progress (valued at production cost) | 600 |
| Finished goods | 1 500 |

- Interest on Amal's loan has not been paid and no entry has been made in the books in this regard.
- Chamal is paid a monthly salary of Rs. 10 000 for serving as the manager of the factory. The salaries paid to Chamal for a 10 month period has been included in production overheads. Salaries for the balance period have been neither paid nor accounted for.
- The depreciation for the current year is Rs. 1 400 000 and it has been accounted for under administrative and distribution expenses. This amount has to be equally distributed between the factory and the administration office.
- Bimal retired from the partnership with effect from 31.03.2018 due to ill-health. On this date, his share of goodwill was estimated and accounted for as Rs. 2 100 000. Of the amount due to him, Rs. 3 000 000 was paid for his medical treatment at the time of retirement and the balance was transferred to a loan account. Amal and Chamal decided to continue the partnership by sharing profits and losses in the ratio of 5:2 respectively.

Required :

- Income Statement of Amal, Bimal and Chamal partnership for the year ending 31.03.2018 (including appropriations to partners)
- Capital and Current Accounts of Partners for the year ending 31.03.2018
- Bimal's Loan Account

(10 marks)

(b) A fruit drink processing company produces two types of fruit drinks (Mango and Pineapple). It has a factory consisting of two production divisions—**Processing** and **Bottling**, and a service division—**Store**. The factory and store are located in separate buildings.

The budgeted information at the activity level of 50 000 units for a one year period is as follows.

| Description | Factory (Rs.) | Store (Rs.) | Total (Rs.) |
|-------------------------------------|------------------|----------------|----------------|
| Rent | 180 000 | 50 000 | 230 000 |
| Indirect wages | ? | ? | 400 000 |
| Electricity charges | 120 000 | 30 000 | 150 000 |
| Machinery insurance | 90 000 | 20 000 | 110 000 |
| Rates for buildings | 90 000 | 30 000 | 120 000 |
| Charges for security services | ? | ? | 360 000 |
| Description | Processing | Bottling | Store |
| Number of indirect employees | 10 | 15 | 15 |
| Floor area (square meters) | 12 000 | 18 000 | 8 000 |
| Production machinery cost (Rs.) | 400 000 | 200 000 | — |
| Cooling machine cost (Rs.) | — | — | 250 000 |
| Machine hours for the period | 100 000 | 65 000 | — |
| Number of security personnel | 2 | 2 | 8 |
| Total kilowatt hours for the period | 3 000 | 2 000 | 1 000 |

Additional information:

- Production machinery and the cooling machine are depreciated annually at 10% and 8% respectively on straight-line method.
- The total overheads of the Store is re-apportioned between **Processing** and **Bottling** divisions on the basis of cost of production machinery.
- Overheads of the production divisions are absorbed based on machine hours.
- The following information relates to a bottle of Mango Drink.

| Description | Per one bottle |
|---|--|
| Actual time spent: | Processing Division |
| | 12 minutes |
| | Bottling Division |
| | 6 minutes |
| Direct costs: | Raw material |
| | Rs. 6.40 |
| | Labour |
| | Rs. 5.00 |
| Non-production variable overheads | Rs. 4.00 |
| (v) Non-production fixed overheads is Rs. 300 000. | More Past Papers at tamilguru.lk |
| (vi) Profit margin is 20% on the selling price of each product. | |

Required :

- The Overhead Analysis Sheet showing clearly the bases of apportionment (including re-apportionment of Service Division overheads)
- Overhead absorption rates for two divisions – Processing and Bottling
- Cost of production per bottle of Mango Drink
- Budgeted selling price per bottle of Mango Drink

(10 marks)
(Total 20 marks)

3. Saman commenced a stationery trading business on 01.01.2018. All cash transactions of the business are carried out through a bank current account. Saman while serving as the manager of the business recruited an employee to assist in carrying out sales and maintaining inventory.

The following transactions took place in the business during January, 2018.

| No. | Date | Cheque No. | Transaction |
|-----|-------|--------------|--|
| 1 | 01/01 | | Saman invested Rs. 600 000 in cash and brought Rs. 180 000 worth of furniture. |
| 2 | 03/01 | 5001 | Purchased stationery for Rs. 300 000 on cash. |
| 3 | 07/01 | 4450 | Stationery costing Rs. 100 000 was sold for Rs. 150 000 on cash. |
| 4 | 10/01 | | Stationery costing Rs. 150 000 was sold on credit to Gamini for Rs. 200 000. |
| 5 | 12/01 | | Purchased stationery for Rs. 400 000 on credit from Jayamal PLC. |
| 6 | 12/01 | | Stationery costing Rs. 300 000 was sold on credit to Nimal for Rs. 280 000. |
| 7 | 15/01 | 6005 | Received the full amount due from Gamini. |
| 8 | 18/01 | 2005 | Stationery costing Rs. 150 000 was sold for Rs. 120 000 on cash. |
| 9 | 25/01 | 5002 5003 | Paid salaries: Saman Rs. 50 000 Assistant Rs. 25 000 |
| 10 | 26/01 | 5004 | Office expenses incurred for the month was Rs. 40 000, of which Rs. 30 000 was paid. |
| 11 | 29/01 | 3010 | Received the full amount due from Nimal after allowing a discount of Rs. 10 000. |
| 12 | 30/01 | 5005 | Settled the amount due to Jayamal PLC. |

The bank statement of the business for the month of January received on 03.02.2018 was as follows:

| Saman Traders Account No. 5063-7000-8002 | | | | |
|---|-----------------|-------------|--------------|---------------|
| Date | Description | Debit (Rs.) | Credit (Rs.) | Balance (Rs.) |
| 01/01 | Cash deposit | | 600 000 | 600 000 |
| 03/01 | Cheque No. 5001 | 300 000 | | 300 000 |
| 07/01 | Cheque No. 4450 | | 150 000 | 450 000 |
| 15/01 | Cheque No. 6005 | | 200 000 | 650 000 |
| 18/01 | Cheque No. 2005 | | 120 000 | 770 000 |
| 25/01 | Cheque No. 5002 | 50 000 | | |
| | Cheque No. 5003 | 25 000 | | 695 000 |
| 26/01 | Cheque No. 5004 | 30 000 | | |
| | Bank charges | 5 000 | | 660 000 |
| 31/01 | Balance | | | 660 000 |

Required:

(1) Show the impact of transactions 1 to 12 (with values) using the accounting equation and state whether each value increases (+) or decreases (-) in front of the value. (In answering this question, use a format similar to the one given below.)
(Rs. '000)

| Transaction No. | Assets | | | | Liabilities | | Equity | |
|--------------------|--------|-----------|----------------------|------|-------------------|-------------------|---------|----------------------|
| | PPE | Inventory | Trade Receivables | Cash | Trade Payables | Other Payables | Capital | Retained Earnings |
| | | | | | | | | |
| | | | | | | | | |

(2) Cash Receipts Journal for the month ending 31.01.2018

(3) Bank Reconciliation Statement for the month of January 2018 (Start with the balance as per bank statement)
(Total 15 marks)

4. Mithun (Pvt) Ltd is operating a bookstore. Its transactions for the month of March 2018 are as follows:

| | Amount (Rs.) |
|--|--------------|
| Transactions with Nathan Publishers : | |
| Purchase of books on credit (Invoice No. 15670) | 550 000 |
| Return of books that did not match the specifications | 50 000 |
| Cash payments subject to 5% cash discount | 475 000 |
| Purchase of books on cash..... | 100 000 |
| Transactions with Samanala Publishers : | |
| Purchase of books on credit (Invoice No. 13209) – list price | 410 000 |
| Trade discount deducted | 10 000 |
| Cash payments | 300 000 |
| Purchase of books on cash..... | 150 000 |
| Sales (with 20% profit margin on selling price) | |
| Cash | 800 000 |
| Credit | 500 000 |
| Cash received from debtors..... | 420 000 |
| Salaries paid to employees : | |
| Manager – Jinadasa | 63 000 |
| Store Keeper – Siripala | 45 000 |
| Sales Assistant – Sugath | 27 000 |
| Rent paid | 72 000 |

Additional Information:

- (i) Salaries of all employees for March 2018 have been paid after deducting the following:
 - Contribution to Employee Provident Fund (EPF)..... 8% of gross salary
 - Employee Welfare Fund (EWF)–monthly contribution 2% of gross salary
- (ii) The company contributes 12% and 3% of the gross salary to EPF and Employee Trust Fund (ETF) respectively.
- (iii) The company remits cash to EPF, ETF and EWF of each month on the 10th day of the following month.
- (iv) Carrying amounts of assets and liabilities as at 01.03.2018:

| Item | Rs. |
|-----------------------------|------------|
| Inventory of books | 150 000 |
| Trade payables | 120 000 |
| Trade receivables | 180 000 |
| EPF payable | 30 000 |
| ETF payable | 4 500 |
| Amount payable to EWF | 3 000 |
| Cash | 50 000 |

(v) The bookstore is maintained in a rented building and the rent paid relates to a six-months period commencing on 01.03.2018.

Required:

(1) Payroll for the month of March 2018 using a format similar to one given below:

| Employee Name | Gross Salary (Rs.) | Deductions (Rs.) | | Total Deductions (Rs.) | Net Salary (Rs.) | Employer Contributions (Rs.) | |
|---------------|--------------------|------------------|-----|------------------------|------------------|------------------------------|-----|
| | | EPF | ETF | | | EPF | ETF |
| | | | | | | | |
| | | | | | | | |

(2) Employee related total expense for the month ended 31.03.2018 (Show each expense item separately)

(3) Purchases Journal and Cash Payments Journal for the month ended 31.03.2018

(4) Following assets and liabilities as at 31.03.2018 :

| | |
|------------------------|-------------------------|
| (i) Inventory of books | (ii) Trade Receivables |
| (iii) Trade Payables | (iv) Other Payables |
| (v) Prepaid Expenses | <i>(Total 15 marks)</i> |

(Total 15 marks)

[See page seven]

5. (a) A company has decided to purchase a new machine costing Rs. 4 000 000 and its estimated useful life is 4 years. The Net Present Value (NPV) of this project has been calculated as Rs. 600 000 **positive** at 10% discount rate. However, the Accountant of the company has later found that the following cash flow items have not been considered in this calculation.

| Item No. | Description | Amount (Rs.'000) |
|----------|---|------------------|
| 1 | Annual operating cost savings | 300 |
| 2 | Sales value of the old machine | 200 |
| 3 | Sales value of the new machine at the end of the project period | 500 |
| 4 | Installation charges of the new machine | 1 200 |
| 5 | Annual subscription payable to Central Environment Authority (Payable from end of year 1) | 200 |

Discounting factors at 10%:

| Year | 0 | 1 | 2 | 3 | 4 |
|---------------------------|---|------|------|------|------|
| Discounting factor at 10% | 1 | 0.91 | 0.83 | 0.75 | 0.68 |

Required :

(1) Show with values the annual cash inflows as (+) and outflows as (-) of items No. 1 – 5. (Use the format similar to one given below): (Rs.'000)

| Item No. | Years | | | | |
|----------|-------|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

(2) Revised net present value of the project at 10% discount rate and the recommendation (05 marks)

(b) The summarised Statement of Financial Position as at 01.01.2017 of an Old Boys Association of a school is as follows :

| Description | Rs.'000 |
|---|---------------------|
| Assets : | |
| Property, Plant and Equipment-carrying amount | |
| Property, Plant and Equipment-carrying amount | 4 500 |
| Inventory of stationary | 80 |
| 10% Fixed Deposit | 1 400 |
| Cash | 20 |
| | <u>6 000</u> |
| Equity and Liabilities : | |
| Accumulated Fund | 4 580 |
| Building Construction Fund | 1 400 |
| Accrued Electricity Expenses | 20 |
| | <u>6 000</u> |

Additional Information :

(i) Association has 800 members as at 31.12.2017 including those who have obtained membership during 2017.

(ii) The fixed deposit was opened on 31.12.2016 for a six-month period using the cash received for the building construction fund.

(iii) The cash receipts during the year:

- Entrance fees of 50 new members at Rs. 1 000 each. (All new members joined the Association on 01.01.2017.)
- The annual subscription of Rs. 2 000 per member has been received from 640 members.
- The fixed deposit has matured on 01.07.2017 and cash was received including interest income.

(iv) Payments during the year:

- Electricity charges Rs. 120 000 including Rs. 20 000 payable for the month of December 2016
- Refreshments for the annual general meeting Rs. 170 000
- Purchase of stationary Rs. 200 000 (Inventory of stationary as at 31.12.2017 was Rs. 40 000)
- Maintenance expenses Rs. 160 000
- Completed the construction of the association's building using Rs. 1 000 000 of the cash received on maturity of the fixed deposit

(v) The annual get together of the association was held in the new building on 31.12.2017.

The expenses incurred in this respect were Rs. 550 000, which was paid on 10.01.2018.

(vi) Annual depreciation on property, plant and equipment was Rs. 450 000.

Required :

With respect to the Old Boys Association:

- (1) Cash Account for the year ending 31.12.2017
- (2) Income Statement for the year ending 31.12.2017
- (3) Equity as at 31.12.2017 (Use a format similar to the one given below)

| Description | Equity Items (Rs. '000) | |
|--------------------------|-------------------------|----------------------------|
| | Accumulated Fund | Building Construction Fund |
| Balance as at 01.01.2017 | | |
| Additions: | | |
| | | |
| | | |
| Deductions: | | |
| | | |
| | | |
| Balance as at 31.12.2017 | | |

(10 marks)

(Total 15 marks)

6. The summarized Statements of Financial Position of Bowatta PLC as at 31.03.2018 and 31.03.2017 are given below.

| Description | As at 31.03.2018 (Rs.'000) | As at 31.03.2017 (Rs.'000) |
|--|-------------------------------|-------------------------------|
| Property, Plant and Equipment - carrying amount... | 28 000 | 19 000 |
| Inventory | 9 680 | 8 800 |
| Trade Receivables..... | 9 500 | 10 500 |
| Cash and Cash Equivalents | 5 020 | 2 200 |
| Total Assets | 52 200 | 40 500 |
| Stated Capital-ordinary shares | 22 800 | 18 000 |
| Revaluation Reserve | 2 000 | — |
| Retained Earnings | 5 200 | 2 500 |
| Long-term Loans | 10 500 | 10 100 |
| Trade Payables | 8 600 | 8 100 |
| Provision for Income Tax | 500 | 400 |
| Bank Overdraft | 2 600 | 1 400 |
| Total Equity and Liabilities | 52 200 | 40 500 |

Additional Information :

- (i) The profit before tax and after tax for the year ending 31.03.2018 were Rs. 6 000 000 and Rs. 4 500 000 respectively.
- (ii) Total interest expense on long-term loan for the year ending 31.03.2018 was Rs. 600 000. The accrued interest in this respect was Rs. 400 000 and it has been erroneously added to the long-term loan balance as at 31.03.2018.
- (iii) Depreciation expenses for the year ending 31.03.2018 was Rs. 1 250 000. During the year ending 31.03.2018, a new motor vehicle was purchased for cash and the land was revalued for the first time resulting a surplus. There were no other additions or disposals of property, plant and equipment during the year.
- (iv) The company made a public issue of shares during the year and paid an interim dividend for ordinary shareholders on 01.01.2018.
- (v) Long-term loan is payable from 31.03.2020.

Required :

- (1) Statement of Cash Flows for the year ending 31.03.2018 as per LKAS 7 (Statement of Cash Flows). (Use the indirect method to calculate cash flows from operating activities.) **(10 marks)**
- (2) Following ratios for the current year :
 - (i) Current ratio
 - (ii) Quick assets ratio
 - (iii) Return on equity ratio
 - (iv) Debt-equity ratio
 - (v) Interest cover ratio**(05 marks)**
(Total 15 marks)

7. (a) The annual operating capacity of a company which produces a single product is 1 500 units. The budgeted information of the product for the year 2019 is given below.

Annual production and sales 1 200 units

Rs. per unit:

| | |
|---|-------------|
| Selling price | 1 200 |
| Direct material | 160 |
| Direct labour (paid on unit basis) | 180 |
| Variable production overheads | 100 |
| Variable non-production overheads | 200 |
| Annual fixed production overheads..... | Rs. 132 000 |
| Annual fixed non-production overheads | Rs. 180 000 |

Required :

- (1) Variable cost per unit
- (2) Production cost per unit
- (3) Profit per unit
- (4) Total cost at the activity level 1 500 units

(05 marks)

(b) An education institute in Kandy is planning to introduce a Diploma Programme in Accounting. It will be conducted during week-ends in a rented premises. This programme consists of 10 subjects and each subject will be taught for 15 hours. The duration of the programme is 6 months. Further, each student should submit a project report at the end of the program.

The budgeted income and expenses of this programme is given below.

Income:

| | |
|----------------------|------------------------|
| Programme fee | Rs. 60 000 per student |
| Examination fee..... | Rs. 5 000 per student |

Expenses:

Payment for lecturers:

| | |
|--------------------------------------|---------------------------------|
| - Lecture fees | Rs. 2 000 per hour |
| - Assignment marking fees..... | Rs. 600 per student per subject |
| - Project report evaluation fees ... | Rs. 10 000 per report |

| | |
|---------------------------|---------------------------------|
| Study material cost | Rs. 500 per student per subject |
|---------------------------|---------------------------------|

| | |
|----------------------------------|----------------------|
| Programme manager's salary | Rs. 45 000 per month |
|----------------------------------|----------------------|

| | |
|-----------------------------|----------------------|
| Rent for the building | Rs. 40 000 per month |
|-----------------------------|----------------------|

| | |
|--------------------------|-------------------------------------|
| Operating expenses | Rs. 70 000 for the six-month period |
|--------------------------|-------------------------------------|

| | |
|----------------------------|---------------------------------|
| Examination expenses | Rs. 400 per student per subject |
|----------------------------|---------------------------------|

Required :

- (1) Contribution per student
- (2) Total fixed cost of the programme
- (3) The number of students to be enrolled to cover the total cost of the programme
- (4) The number of students to be enrolled to the programme to earn a profit of Rs. 200 000
- (5) The minimum programme fee to be charged from a student if the expected profit and the number of students to be enrolled are Rs. 350 000 and 30 respectively

(10 marks)

(Total 15 marks)

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