# DE MAZENOD COLLEGE

Kandana

**Accounting I**



Grade 13

Name : ........................................................................................................... Time : 02 hours.

**Answer all questions** .

01. Financial output refers to the financial statements prepared through the accounting process. Which is useful to take economic decisions. These set of financial statements does not include,
    1. Income statement that shows profit or loss for the period,
    2. Statement of financial position which snows assets, Liabilities and equity to a particular date.
    3. Cash flow statement which sow the total cash inflows and outflows during the year.
    4. Statement of changes in equity.
    5. Recognition and measurement of transactions. Recording, classifying, summarizing and interpreting of transactions.

02. Which of the following accounting concepts used to prepare financial statements which provide the information regarding the operating result, financial position and cash flows of an organization,
    1. Accounting Entity
    2. Matching
    3. Money Measurement
    4. Prudence
    5. Accruals

03. Which of the following accounting concepts is irrelevant in recording of expenses,
    1. Realization
    2. Matching
    3. Periodic
    4. Accrual
    5. Money mesurevence

04. Owner of a business has invested Rs. 400 000 at the beginning of a month and he paid Rs. 50 000 maintained cost from his personal money. The asset is depreciated at 6% per annum. Which of the accounting equation indicate the net of this transaction. [ Assume that the financial statements are prepared per month. ]

| | Assets | = | Liabilities | + | Equity |
|---|---|---|---|---|---|
| 1. | 447 750 | = | 0 | + | 447 750 |
| 2. | 398 000 | = | 0 | + | 398 000 |
| 3. | 350 000 | = | 0 | + | 350 000 |
| 4. | 348 000 | = | 0 | + | 348 000 |
| 5. | 450 000 | = | 0 | + | 450 000 |

05. Which of the following statements is correct,

1. Petty cash journal functions as a ledger A/C.
2. All adjustments are recorded in the source document called journal voucher.
3. All return inwards are recorded in the return inwards journal.
4. Dividend paid is an expenses.
5. Suspense AC is not a ledger A/C.

06. Following information is relating to a company.

| | 31/03/2017 | 31/03/2016 |
|---|---|---|
| Dividend Payable | 30 000 | 20 000 |
| Tax Payable | 25 000 | 12 000 |

Additional information

- Interim dividend paid during the year Rs. 50 000.
- Estimated income tax for the year Rs. 30 000.

Required,

Dividend declared and tax paid.

| | Dividend declared | Tax paid |
|---|---|---|
| 1. | 60 000 | 17 000 |
| 2. | 40 000 | 43 000 |
| 3. | 60 000 | 43 000 |
| 4. | 40 000 | 17 000 |
| 5. | 50 000 | 30 000 |

**Use following information to answer questions No. 7 to 8.**

A business has started on 01/01/18. All cash transactions of this business are operated through a current A/C following information has been provided.

| | Rs 000 |
|---|---|
| Total of cash received journal | 400 |
| Total of cash payment journal | 270 |
| Total of Discounts allowed | 50 |

Summery of the bank statement

| | |
|---|---|
| Unrealized cheques | 350 |
| Cheques paid | 240 |
| Fixed deposit interest received | 15 |
| Bank charges | 05 |

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07. Cash balance and bank statement balance would be,

| Cash A/C balance Rs. 000 | Bank Statement balance Rs. 000 |
|---|---|
| 1. 140 | 120 |
| 2. 110 | 120 |
| 3. 140 | 110 |
| 4. 80 | 110 |
| 5. 120 | 130 |

08. Which of the following statement / Statements is / are false in relation to cash transactions.

A. Value of all cash receipts Rs. 415 000.
B. Total of all cash paid Rs. 290 000.
C. Unrealized cheques Rs. 50 000.
D. Bank statement balance is Rs 20 000 more than cash A/C balance.

1. A & B
2. B & C
3. A & C
4. B C & D
5. D only

09. Following information has been extracted from a business who does not keep proper accounting records,

| Description | 31/03/2017 Rs. 000' | 31/03/2016 Rs. 000' |
|---|---|---|
| Equity | 2000 | 1600 |

10. Drawings not recorded in the books 300 000. Owner has contributed an additional capital of Rs. 500 000. But it has not been recorded in the books. Profit for the period would be,

1. Rs 400 000
2. Rs 200 000
3. Rs 100 000
4. Rs 30 000
5. Rs 700 000

11. Following information has been provided by nonprofit making organization for the year ended 31/03/2017.

| | Rs. 000 |
|---|---|
| Surplus for the year | 800 |
| Brought forward balance of Equipment donation A/C | 200 |
| Total assets as at 01/04/2016 | 1500 |
| No liabilities as at 01/04/2016 | |

**Required**
Accumulated fund as at 31/03/2017

1. Rs. 1 600 000
2. Rs. 800 000
3. Rs. 2 100 000
4. Rs. 1 000 000
5. Rs. 2 500 000

12. Saliya and Ashoka carried out a partnership sharing profits and losses in the ration of 381. following information has been provided.

Rs, 000

| | Saliya | Ashoka |
|---|---|---|
| Equity as at 01/04/2016 | 1000 | 800 |
| Equity as at 31/03/2017 | 1500 | 1000 |

Capital A/C balances for salling and Asoka exist for years are Rs. 900 000 & Rs 600 000 respectively. Saliya and Asoka have withdrawn Rs. 500 000 and Rs. 300 000 respectively during the year.

**Required**

Profit for the year ended 31/03/2017 and retained profit of partners would be,

| | Profit of the partnership | Returned profit |
|---|---|---|
| | Rs. 000 | Rs. 000 |
| 1. | 1500 | 700 |
| 2. | 1000 | 900 |
| 3. | 1200 | 900 |
| 4. | 1500 | 1000 |
| 5. | 1000 | 700 |

13. Tharanga was admitted to the above partnership. He brought Rs 120 0000 as capital. Saliya Ashoka & Tharanga share profit equally in future.

Journal entries for goodwill adjustment in the partners capital accounts.

Total equity of the partnership as at 31/03/2017 after the admission of Tharanga.

Rs. 000

1. 2500
2. 3700
3. 1200
4. 5500
5. 4700

14. Which of the following statement is correct according to LKAS 16,

A. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

B. Assets are recorded using cost model or revaluation model.

1. A B C
2. A & C
3. A only
4. A & B
5. B only

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15. Following information is relating to an asset acquired on 31/03/2017 [ Company has registered for VAT ]

| | |
|---|---|
| 10% vat inclusive purchased price | 110 000 |
| Carriage inwards cost | 15 000 |
| Testing charge before use | 35 000 |
| Staff training expenses before use of asset | 18 000 |
| Opening ceremony expenses | 12 000 |
| Depreciation for the period | 30 000 |



Required cost of the asset and net book value of the asset as at 31/03/2017.

| | Cost | Carrying value |
|---|---|---|
| 1. | 180 000 | 150 000 |
| 2. | 120 000 | 100 000 |
| 3. | 150 000 | 1 200 000 |
| 4. | 180 000 | 130 000 |
| 5. | 150 000 | 100 000 |

16. Ransila ltd has provided following information for the year ended 31/03/2017

| | Rs. 000 |
|---|---|
| Gross profit | 5000 |
| Profit on sale of vehicle | 300 |
| Operating expenses [without deprecation interest] | 2600 |
| PPF depreciation | 400 |
| Increase in stock | 200 |
| Increase in debtors | 150 |
| Interest paid | 25 |

This company operates in a tax free period.

Required

Net cash flow from operating activities would be,

1. 2200
2. 2450
3. 2000
4. 2600
5. 2300

17. Financial Statement of Ruwan Company are approved by directors on 10/06/2017. Accounting year ends on 31/03/2017. Following transaction and events have taken place during that period.

(A) Net realizable value of closing stock on 01/06/2017 was 120 000. Closing stock as at 31/03/2017 was 100 000.

(B) On 20/05/2017 a debtor become insolvent. This credit sale has been made on 20/03/2017.

(C) Value of Investment existed as at 31/03/2017 has been dropped down on 12/05/2017

(D)Court imposed a penalty on 06/04/2017 for the garbage in the company as at 31/03/2017 adjusting events would be.

1. A B & D
2. B & C
3. C & D
4. B & D
5. B C & D

18. Accounting concept that provides the basis not to record contingent Assets in the books.

1. Accrual
2. Realization
3. Historical Cost
4. Matching
5. Money Measurement

19. Following information relates to Indu ltd, It was incorporated on 01/04/2016.

| | |
|---|---|
| Stated ordinary share capital as at 31/03/2017 | Rs. 6000 |
| Retained earnings | Rs. 1000 |
| Revaluation reserve | RS 300 |

Rs. 400 000 interim divisional has been paid for eh year ended 31/03/2017. Proposed dividend has been declared as Rs, 200 000. PPF has been revalued on 31/03/2017 for the first time. Profit & total comprehensive income for the year ended 31/03/2017 would be.

| Profit Rs. 000' | Total comprehensive in com Rs. 000' |
|---|---|
| 1. 1000 | 1300 |
| 2. 1300 | 1000 |
| 3. 1200 | 1500 |
| 4. 1500 | 1200 |
| 5. 1200 | 1000 |

20. The following information relates to a manufacturing company,

| As at 31/03/2017 | | For the year ending 31/03/2017 | |
|---|---|---|---|
| Current ration | 2 : 1 | Sale | Rs. 600 000 |
| Current liabilities | Rs. 300 000 | Gross profit margin | 25% |
| Inventory | Rs. 120 000 | | |

Inventory as at 01/04/2016 was Rs 180 000.

What is the quick ratio and the inventory turnover ratio of the company ?

| Quick Ration (Times) | Inventory Turnover Ratio (Times) |
|---|---|
| 1. 0.4 | 3.75 |
| 2. 0.625 | 3 |
| 3. 0.625 | 4 |
| 4. 1.6 | 3 |
| 5. 1.6 | 4 |

21. The current ratio of a retail business as at 31/03/2017 was 2:1. While other factors remain constant, which of the following transaction leads to a reduction in this ratio ?

1. Receipt of an advance for a sale of goods
2. Sales of goods on credit with a profit margin
3. Return of goods previously purchased on credit
4. Sale of a motor vehicle on cash
5. Obtaining a long-term loan from a bank

22. Which of the following tasks are carried out in the management accounting function of a firm.

A – Preparation of the annual budget
B – Analysis of costs of an activity as fixed and variable for decision making
C – Preparation of the cash flow statement for publication
D – Estimation of cash flows to evaluate a project

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

23. Which of the following cost classification is more suitable for cost-volume-profit (CVP) analysis ?

1. Direct cost and indirect cost
2. Irrelevant cost and opportunity cost
3. Relevant cost and irrelevant cost
4. Relevant cost and sunk cost
5. Variable cost and fixed cost

24. The following budgeted information relates to the Machine and Finishing Divisions of a factory, that manufactures a single product,

| | Machine Division | Finishing Division |
|---|---|---|
| Time spent to produce a unit | 6 machine hours | 8 labour hour |
| Overhead absorption rate | Rs. 30 per machine hour | Rs. 40 per labour hour |

1. Rs 300
2. Rs 480
3. Rs 500
4. Rs 620
5. Rs 730

25. Which of the following items are considered as direct wages of machine operators in a garment manufacturing firm?

A – Basic pay for normal hours worked
B – Incentive based on number of units produced
C – Overtime premium for a special order
D – Medical allowance payable at hospitalization

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

26. A manufacturing company uses the economic order quantity as the re-order quantity in purchasing raw materials. The following information relates to a raw material item.

| | |
|---|---|
| Ordering cost | Rs. 750 per order |
| Holding cost | Rs. 10 per unit per annum |
| Monthly demand | 5000 units |

The economic order quantity and the annual ordering cost of the raw material would be :

| | Economic order quantity (units) | Annual ordering cost (Rs.) |
|---|---|---|
| 1. | 1 000 | 45 000 |
| 2. | 2 000 | 22 500 |
| 3. | 3 000 | 15 000 |
| 4. | 4 000 | 11 250 |
| 5. | 5 000 | 9 000 |

27. The following information relates to a product manufactured by a company.

Variable cost per unit Rs. 150 Contribution sales ration 40%

The company wishes to increase the contribution-sales ration to 60% by increasing the selling price while variable cost per unit remains constant. What would be the new selling price of the product ?

1. Rs 210
2. Rs 240
3. Rs 250
4. Rs 275
5. Rs 375

28. A project of 5 year duration needs an investment of Rs. 5 000 000 to purchase a machine. Its residual value at the end of the project is Rs. 1 000 000. If the accounting rate if return (ARR) is 20%. What is the avarage annual profit of the project ? (ARR has been calculated by dividing average annual profit by average investment. Further, assume that the project earns an equal profit each year)

1. Rs. 500 000
2. Rs. 600 000
3. Rs. 800 000
4. Rs. 1 000 000
5. Rs. 1 200 000

**Use the following information to answer questions No 29 and 30**

The information relating to salaries of a business for the month of March 2014 is as follows.

| | |
|---|---|
| Basic salary | Rs 75000 |
| Overtime allowance | RS 3000 |
| Other allowances | Rs 15000 |

**Deductions'**

| | |
|---|---|
| Festival advance | Rs 3000 |
| Salary advance | Rs 7500 |

EPF contribution employee 8%, employer 12%

ETF employer3%

(overtime allowance is ignored when calculating EPF and ETF)

29. The employee related expenses for the month of March 2014

1. Rs 90000
2. Rs 93000
3. Rs 106500
4. Rs 106950
5. Rs 113700

30. Which of the following entries are correct regarding EPF contribution for the month of March 2014?

| | EPF expense A/C Dr | Salary A/C Dr | EPF payable A/C Cr |
|---|---|---|---|
| 1. | 9000 | 6000 | 15000 |
| 2. | 10800 | 7200 | 18000 |
| 3. | 11160 | 7440 | 18600 |
| 4. | 18000 | - | 18000 |
| 5. | 18600 | | 18600 |

31. Are the following transactions include in financial accounting?

| | | Yes/no |
|---|---|---|
| 1. | Calculating the cost of a product | |
| 2. | Appropriation of overhead cost | |
| 3. | Analyse data based on accounting ratios | |
| 4. | Allocating the cost | |

32. Sate the prime entry books relating to the following transactions.

| | Transaction | Prime entry book |
|---|---|---|
| 1. | Dishonouredcheques | |
| 2. | Purchased Fixed assets on credit | |
| 3. | Dividend received | |
| 4. | Purchased stock on credit | |

33. State the correct element of each transaction given below.

| | Account | Element |
|---|---|---|
| 1. | Advance payment made for purchases | |
| 2. | Sale commission payable | |
| 3. | Damage stock account | |
| 4. | Return inwards account | |

34. Discount allowed to a debtor RS 3000 has been cancelled.

1. Provide the journal entry for cancellation of discount.

2. Prime entry book relating to the transaction

35. A company purchased office equipment on credit for Rs50000 . When settling the debt the company received discount amount of 10%. Annual depreciation on this asset was RS 1000.
Provide the followings in relation to above transaction.

Assets................ Liabilities.......................... Equity.............................

36. State the accounting standard relating to each transaction given below.

| | Event | Standard |
|---|---|---|
| 1. | Pricing of stock | |
| 2. | Asset revaluation | |
| 3. | A compensation to an employee measure and record reliably | |
| 4. | Asset purchased on operating lease | |

37. Following information relates to a sports society.

| | RS 000' |
|---|---|
| Deficit for the year | 180 |
| Assets at the beginning for the year | 800 |
| Liabilities at the beginning of the year | 300 |
| Subscription in arrears at the beginning of the year | 20 |
| Subscription in arrears at the end of the year | 15 |
| Subscription received during the year | 125 |

Required

1. Accumulated fund at the end of the year.

2. Subscription income for the year.

38. State 4 characteristics of a partnership business.

39. State whether the following statements are true or false

T/F

1. Current accounts of partners are equity account
2. Equity of partners do not change due to drawings
3. Commission payable to partners are accounted in the appropriation a/c

40. Fill in the blanks in each sentence.

1. Appropriation account of a partnership indicates ........................................................................
2. Expenses paid by partners on behalf of business are debited to ................................. and credited to ................................

41. State two situations in which a company could change accounting policy as per LKAS 08 (accounting policies changes in accounting estimates and errors)

42. State two criteria's used in classifying a lease as a finance lease in terms of LKAS17.

43. State whether an increase in the each of following ratios will indicatean improvement in the liquidity of a company while other factors remain constant.

| Ratio | Improvement in liquidity(yes/no) |
|---|---|
| 1. Debtors turnover | |
| 2. Debt collection period | |
| 3. Inventory turnover | |
| 4. Inventory retention period | |

44. The following information relates to a company for the year ending 31.3.2016

- During the year , an office equipement costing RS 250000 was sold for gain of R 50000. On the date of sale, the accumulated depreciation of this asset was Rs 120000.
- On 1.4.2015 , a land costing Rs 1500000 was purchased by paying Rs 500000 in cash in hand and the balance by a bank loan obtained by mortgaging the land.An interest of Rs 100000 was paid in this loan on 31.3.2016.
- State the cash flows arising due to above transactions(with value) and the appropriate classification of these cash flows in terms of LKAS 7(Sattement of cash flows)

| | Cash Flow | Amount(Rs) | classification |
|---|---|---|---|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |

45. The following information relates to two manufacturing companies for the financial year ending 31.03.2017.

| Ratio | R PLC | Q PLC |
|---|---|---|
| Debt-equity (times) | 1.5 | 0.8 |
| Interest cover (times) | 2.5 | 3.2 |
| Return on equity | 25% | 20% |
| Quick assets | 0.8:1 | 1:2:1 |

State the following in relation to these companies,

A - The company that generates a higher return to shareholders ..............

B - The company that has a higher ability to cover interest expenses ..............

C - The company that uses more debt capital to acquire assets ..............

D - The company that is more capable of settling short-term obligations..............

46. State whether the return on equity ratio and the debt-equity ratio of a company as at 31.03.2017 increases (i), decreases (D) or remain unchanged (NC) in each of the following transactions while other factors remain constant. (Assume that all these transactions took place on 31.03.2017)

| | Transaction | Return on Equity Ratio | Debt-Equity Ratio |
|---|---|---|---|
| A - | Obtaining a long-term loan from a bank at 12% | .................... | ........................ |
| B - | Making a right issue of shares where all rights were subscribed by existing share holders | .................... | ........................ |

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Tuesday

DE MAZENOD COLLEGE KANDANA

GRADE 13- ACCOUNTING MARCH/ APRIL 2018

3HOURS

27.03.2018

Answer five questions including questions No. one and two.

## Question 01

Sahan PLC is manufacturing and trading company. The trial balance as at 31.3.2017 is given below.

| | Dr Rs 000' | C r Rs 000' |
|---|---|---|
| Cost of goods manufactured | 24000 | |
| Material stock as at 31.3.2017 | 3000 | |
| Work in progress as at 31.3.2017 | 1000 | |
| Finished goods as at 1.4.2016 | 4000 | |
| Expenses | 16000 | |
| Vat on purchases and expenses | 3600 | |
| Interest paid on bank loan | 200 | |
| Income tax paid | 1800 | |
| Dividend paid | 900 | |
| Cash and cash equivalents | 1300 | |
| Carrying value of Property Plant and Equipment | 26000 | |
| Sales | | 42000 |
| Vat on sales | | 6000 |
| Bank loan | | 4000 |
| Retained earnings as at 1.4.2016 | | 8300 |
| Stated ordinary share capital | | 20500 |
| | 81800 | 81800 |



Additional information

Before preparation of financial statements for the year ending 31.3.2017 adjustments have to be made for the following.

1. Followings are included in the expenses.
   Distribution expense Rs6000
   Administration expense Rs 8000
   Other expenses Rs 1000

2. Cost of inventory as at 31.3.2017 was RS 6000000. The net realizable value was RS 5900000.

3. The audit fees for the year ending 31.3.2017 was Rs 1500 000, of which Rs 1000000 has been paid during the year. Only the amount paid has been recognized as an administration expense.

4. Estimated income tax for the year is RS 2400000.

5. The composition of Property Plant and Equipment and their accumulated depreciation as at 31.3.2017 are as follows.

| | Cost | Accumulated Depreciation | Net book value |
|---|---|---|---|
| Revalued amount | Rs 000 | Rs 000 | Rs 000 |
| Land (1.4.2016) | 9000 | - | 9000 |
| Delivery vehicle | 10000 | 3000 | 7000 |
| Furniture and fittings | 6000 | 1200 | 4800 |
| Plant and machinery | 7000 | 1800 | 5200 |
| Total | 32000 | 6000 | 26000 |

- The land was revalued on 31.3.2017 for Rs 11000000 for the second time. A deficit of 1400000 was reported when this asset was revalued in the previous year.
- Depreciable assets are depreciated at 10% per annum on straight line basis. However the revision of remaining useful life of furniture and fittings as 9 years on 1.4.2016 has not been considered when providing the depreciation for the current year. (Assume there is no residual value for furniture and fittings).
- A motor vehicle was acquired on 1.4.2016 on finance lease basis for 4 yaers.Its fair value was 4000000. Useful life was 6 years. The ownership of this asset will not be transferred to the company at the end of the lease term. The lease interest relevant for the first year and second year are Rs 900000 and Rs 600000 respectively. The total lease interest for the remaining 2 years amount to 6500000.Annual lease installment is RS 1500000. It has been paid at the year end and recorded as a distribution cost. No other entry has been made in relation to this transaction.

8. Ordinary shares of Rs 2500000 were issued during the year and the amount was received in full. This amount has been recorded in the retained earnings account.

9. The bank loan was obtained on 1.10.2017 at annual interest rate of 20%.The settlement of the loan will commence after two years. However, interest for this should be paid from the beginning. Only two months interest has been paid.

Required.

(1) Statement of profit or loss and other comprehensive income for the year ending 31.3.2017.

(2) Statement of changes in equity.

(3) Statement of financial position as at 31.3.2017.

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**Question 02**

(a) Anil and Ruwan carried out a partnership business. The details relating to the financial statements as at 31.3.2017 are given below.

| | Rs 000' |
|---|---|
| Sales | 10000 |
| Cost of sales | 4000 |
| Expenses | 5000 |

| Capital accounts as at 1.4.2016 | Rs 000' |
|---|---|
| Anil | 4000 |
| Ruwan | 3000 |

| Current accounts as at 1.4.2016 | RS 000 |
|---|---|
| Anil | 600 |
| Ruwan | 400 |

Following information has been omitted when preparing the profit for the year ended 31.3.2017.

1. Personal electricity payment of Ruwan Rs 50000 has been paid by the business. It has been recorded as an expense of the business.
2. Office expenses paid Rs 150000 has been recorded in the office equipment account.
3. Anil has withdrawn goods worth Rs 300000 for his personal use. It has not been recorded in the books of accounts.
4. Partnership business is carried out in a building owned by Ruwan. The annual rent Rs 600000 has not been recorded.
5. According to the terms of the partnership partners are entitled to interest on capital at 10% per annum. Anil is entitled to an annual salary of Rs 100000. The remaining profit is to be shared equally among the partners.
6. On 31.3.2017, Ruwan retired from the partnership. On the same day Jagath admitted to the partnership. He brought Rs 2500000 cash and Office equipment worth Rs 500000 as his capital.Anil and Jagath agreed to continue the business sharing profits and losses in the ratio 3:2 respectively.
7. On the retirement date the good will was estimate at Rs 1000000.All adjustments are made through the capital accounts of the partners. Equity of Ruwan should not be settled instead it should be transferred to a loan account.

Required
(1) Journal entries required to rectify the errors.
(2) Statement of corrected profit as at 31.3.2017.
(3) Statement of profit and loss appropriation.
(4) Capital accounts and current accounts of the partners.

(b) (i) Some information relating to raw material 'X' of Shirani Company is given below.

| | |
|---|---|
| Re order level | 1400units |
| Minimum stock | 800 units |
| Average lead time | 3 days |
| Minimum lead time | 2 days |
| Maximum stock | 4300 units |
| Minimum consumption per day | 50 units |

Required
(1) Re- order quantity for 'X'
(2) Maximum consumption of material X per day.

(ii) The following information is relevant to a particular job assigned to Mr. Upul to produce product A.

| | |
|---|---|
| Time allowed (hours) | 40 |
| Time spent (hours) | 36 |
| Production target (units) | 300 |
| Actual production (units) | 320 |
| Normal hourly pay rate (Rs) | 100 |
| Production intensive per extra unit (Rs) | 50 |

Payment for time saved 150% of the normal rate.

Calculate the gross pay entitled to Mr. Upul for the job.

**Question 03**

Following information has been provided by Sarath PLC for the month ended 31.1.2017.

| Balances as at 1.1.2017 | Rs 000' |
|---|---|
| Property Plant and Equipment(cost) | 3600 |
| Provision for property plant and equipment | 1600 |
| Stock | 1200 |
| Accounts receivables | 600 |
| Provision for doubtful debt | 60 |
| Bank balance | 260 |
| Accounts payables | 500 |
| Bank loan | 700 |
| Retained earnings | 1800 |
| Capital | 2000 |

Following transactions have been taken place.

1. Bought equipment for credit Rs 1200000.
2. Credit purchases Rs 300000.
3. Issued bonus shares Rs 500000 using retained earnings.
4. Sold goods for RS 180000. Cost of it was Rs 100000.
5. Received cash from debtors Rs 600000.
6. Debtors paid Rs 450000 to settle a debt of Rs 50000.
7. PPE depreciation per month Rs 150000.
8. Pad debt written off Rs 50000.
9. Paid operating expenses Rs 200000.
10. Amount owing by debtor RS 100000 has been set off against the credit balance owing to him by the business.
11. Paid bank loan installment of Rs 250000 inclusive of interest amount Rs 50000.
12. Increase the provision for doubtful debt amount by Rs 20000.
13. Paid interim dividend Rs 40000.
14. Returns from debtors Rs 90000. Cost of returns Rs 50000.

Required

(1) Record the above transactions in to the account ting equation given below.

PPE + Stock +Accounts receivables + Bank = Bank loan + Accounts payables + Capital +Retained earnings

(2) Calculate the profit based on change in net assets.

**Question 04**

(a) Following information relating to salary expense of a company has been provided for the month of January 2017.

1. Details relating to gross salary
   - Average hours worked 3000hours. Rate per hour Rs 500.
   - Overtime payment is made as Rs 600 per overtime hour.
   - Production intensive Rs 500000.
   - Bonus payment based on profit Rs 800000
   - Wages paid for labourers for building maintenance.

2. Deductions from salary for the month of January
   - EPF employee contribution Rs 150000
   - Loan repayment of employee Rs 120000
   - Employee welfare fee Rs 30000

3. Employer's contribution for the EPF 15%. EPF is calculated for the basic salary.

Required

(1). Salary expense A/c

(2). Salary control account

(3). EPF expense

(4). EPF payable account

(b) Following information in relation to production has been provided by Kasun manufacturing business for the month of February.

1. **Cash receipts and payments**

| Received | Rs 000' |
|---|---|
| Sales | 2000 |
| Debtors | 1500 |

| Payments | Rs 000' |
|---|---|
| Purchase of material | 1000 |
| Creditors | 1200 |
| Direct wages | 800 |
| Factory manager's salary | 300 |
| Factory rent | 150 |
| Factory electricity | 60 |
| Administration expenses | 120 |
| Advertising expenses | 30 |

2. **Other prime entry books.**

| | Rs 000' |
|---|---|
| Sales journal | 3500 |
| Purchases journal | 1000 |
| Return inwards journal | 200 |

3. Salary per month for factory manager Rs 240000.
4. Electricity bill relating to the month of February Rs 70000 has been received on 2nd of March 2017.
5. Bad debt written off RS 50000.
6. Rs 20000 discount has been received from the creditors at the point of settlement.
7. Information relating to closing stock

| | 000' |
|---|---|
| Material stock | 700 |
| Work in progress (at factory cost) | 300 |
| Finished goods | 500 |

Required

(1) Sale account
(2) Purchases account
(3) Debtors control account
(4) Creditors control account
(5) Manufacturing statement for the month.
(6) Income statement for the month.

**Question 05**

(a) The following information relates to Ravindu PLC.

- An extract of the statement of Profit or Loss and other Comprehensive Income for the year ending 31.3.2017

| | Rs 000' |
|---|---|
| Gross profit | 5600 |
| Gains on sale of property, plant and equipment | 700 |
| Operating expenses | (800) |
| Depreciation | (1200) |
| Finance expenses | (1300) |
| Profit before tax | 3000 |
| Income tax | (1800) |
| Profit for the year | 1200 |

- The summarized Statement of Financial Position.

| Description | As at 31.3.2017(Rs'000) | As at 31.3.2016 (Rs.'000) |
|---|---|---|
| **Non-current assets** | | |
| Property Plant and Equipment at cost | 37000 | 30000 |
| Accumulated depreciation | (12000) | (14900) |
| | 25000 | 15100 |
| **Current Assets** | | |
| Inventory | 2000 | 3000 |
| Trade receivables | 9000 | 8000 |
| Cash and cash equivalents | 2000 | 1900 |
| **Total Assets** | 38000 | 28000 |
| **Equity** | | |
| Stated capital- ordinary shares | 18000 | 10000 |
| Retained earnings | 2100 | 1800 |
| **Non-Current Liabilities** | | |
| Bank loan | 7000 | 8000 |
| **Current Liabilities** | | |
| Trade payable | 6000 | 4000 |
| Accrued office expenses | 4000 | 3000 |
| Accrued income tax | 900 | 1200 |
| Total equity and liabilities | 38000 | 28000 |

Additional information

(i) An item of Property, Plant and Equipment purchased for Rs 9000000 was sold for cash on 31.3.2017. The accumulated depreciation of this asset on this date was Rs 4100000

(ii) Dividends of Rs 900000 have been paid during the year.

(iii) Cash received from the share issue during the year was Rs 8000000.

Required

Statement of cash flows of Ranindu PLC for the year ending 31.3.2017 as per LKAS 7(Statement of cash Flows)

(b) A company which produces vegetable storage boxes, uses a special type of raw material for this purpose. In order to produce a storage box , 4kg if this raw material is required. The monthly production of of storage boxes varies from 150 to 200. The re order quantity of this material is 4000kgs and the lead time of an order varies between 5 to 7 working days.

Required

(i) Re-order level

(ii) Minimum stock level

(iii) Maximum stock level

(iv) Average stock level

**Question 06**

(a) Following information for the year ended 31.3.2017 has been provided by Taranga's business.

Net profit ratio 15%
Cost of sales Rs 1200000
Profit for the year Rs 300000
Stock turn ratio 8 times
Asset turnover ratio 4 times
Total liabilities Rs 800000.

Required
- (i) Sales
- (ii) Gross profit ratio
- (iii) Average stock
- (iv) Return on equity ratio
- (v) Debt ratio ( consider the total liabilities amount as total debt)

(b) Following information is relating to motor vehicles of a company.

| M/V No | Date acquired | Cost Rs 000' | Scrap value Rs000' | Life time |
|---|---|---|---|---|
| 1 | 1.10.2013 | 4000 | 8000 | 8 years |
| 2 | 1.4.2014 | 5000 | 1000 | 5 years |
| 3 | 1.10.2016 | 4500 | 1500 | 6 years |

Additional information
1. Motor vehicles are depreciated at 10% per annum
2. Motor vehicle No 01 has been sold on 1.10.2017
3. Use full life time of motor vehicle No 2 has been reestimated as 7 years on 1.4.2016.

Required
- (i) Motor vehicle A/c as at 31.3.2017
- (ii) Motor vehicle provision for depreciation a/c as at 31.3.2017
- (iii) M/V disposal A/C

**Question 07**

(a) Information relating to stores ledger in the month of March 2017 has been provided by Lakshan company.

1/3 Closing stock 600 units at Rs 20 per unit
10/3 Puchased stock 1400 units at Rs 30 each
15/3 Issued 1500 units
18/1 Puchased 500 units at Rs 40 each
24/1 Issued Rs 400

Required

- Stock are valued at weighted average cost method

Required
- (i) Stores ledger
- (ii) Value of closing stock

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Accounting II

(b) An old girls association of a school was formed on 1.4.2013. Its founding members joined as life members contributing Rs.500000.Teh following information has been extracted from the books of this association.

| Description | As at 31.3.2016(Rs 000') | As at 31.3.2015(Rs000') |
|---|---|---|
| Subscription receivable | 30 | 15 |
| Subscription received in advance | 30 | 25 |
| Accumulated fund | ? | 200 |
| Life membership fund | ? | 400 |
| Inventory of T shirts at cost | 40 | - |
| Hall reservation advance | - | 25 |
| Receivable from the musical show | ? | - |
| cash | ? | 50 |



Additional information

(i) Annual subscription per person is Rs 500.Theere were 600 members (excluding life members)as at 31.3.2016.

(ii) Life membership fee is recognized in an income over a period of 10 years.

(iii) The following information relates to the musical show conducted on 1.10.2015 to raise funds for association.

| **Description** | **Cash received /Paid (Rs 000')** |
|---|---|
| Sale of tickets | |
| 100 tickets at Rs 1000 per ticket | 100 |
| 400 tickets at RS 500 per ticket (only 80% is received) | 160 |
| Subscription for the show (only 75% is collected) | 375 |
| Payments to musicians | |
| 5 singers paid RS 40000 each | 200 |
| Music group | 80 |
| Hall hire charge | 50 |
| Refreshment | 30 |

(iv) The association purchased 500 t shirts on cash at Rs 200 each. 300of these were sold on cash among the members at RS 250 each.

(v) The administrative assistant is paid a monthly salary of RS 30000

Required

1. Cash account for the year ending 31.3.2016
2. The following for the year ending31.3.2016
   (i) Subscription income
   (ii) Surplus or deficit of musical show
   (iii) Surplus or deficit from sale of T-shirts
3. The balances of following items as at 31.3.2016
   (i) Accumulated fund
   (ii) Life membership fund
   (iii) Receivables from the musical show