



17-07-2019

DE MAZENOD COLLEGE- KANDANA  
 GRADE 13- ACCOUNTING I  
 G.C.E.A/L EXAMINATION- 2019  
 TERM TEST – JULY 2019

Answer all questions

1. Which of the following statements best describes the objective of accounting.
  - (i) Provide useful information to internal management to control financial activities efficiently.
  - (ii) Provide information to internal management to avoid frauds.
  - (iii) Communicate information about the financial position, profitability and cash flows of the organization to the interested parties.
  - (iv) Help the directors to settle financial obligations.
  - (v) None of the above.

2. Wilson has provided two buildings for rent. Following information is relating to those assets.

	Building 1	Building 2
31.3.2018	Rs 5000 DR	Rs 10000 CR
31.3.2017	Rs 8000 CR	Rs 2000 DR

Wilson received rent income for the year ended 31.3.2018 Rs 80000 for the Building 1 and Rs 90000 for the Building 2.

What is the amount of rent income to be included in the income statement prepared as at 31.3.2018?

- (i) Rs 171000
  - (ii) RS 181000
  - (iii) Rs 153000
  - (iv) Rs 169000
  - (v) Rs 179000
3. The bank reconciliation statement prepared in a limited company is given below.

	Rs
Balance as per bank statement( un favourable )	38600
Add-unrealized cheques	41200
	79800
Less-Un presented cheques	(3300)
Balance as per the bank account of the business	76500

Assuming that bank statement balance of Rs 38000 is correct, what will be the correct bank balance in the bank account of the business.

- (i) Rs 76500 un favourable
- (ii) Rs 5900 un favourable
- (iii) Rs 700 un favourable
- (iv) Rs 5900 favourable
- (v) Rs 79500 un favourable

4. The trial balance prepared in Asura Ltd did not get balanced. The totals of debit and credit sides are given below.
- Debit side Rs 815600  
Credit side Rs 808400

Following errors were discovered later.

- Insurance payment of Rs 7000 has been completely omitted from the books.
- Discount allowed amount of Rs 3500 has been mistakenly debited to the discount received account.
- Cash sales Rs 6500 has been recorded in the books.
- Return outwards account balance of Rs 4000 has been recorded in the debit side of the trial balance.

What is the balance in the suspense account after rectifying the above errors,

- (i) Rs 82000 Cr  
(ii) Rs 15200 Dr  
(iii) Rs 8200 Dr  
(iv) Rs 6200 Dr  
(v) Rs 6200 Cr

5. Sathurusingha Ltd has obtained a building for Rs 100 million on 1.4.2009. The information relating to that is given below.

	2010	2011	2012
Revaluation value as at 31 <sup>st</sup> March		120	115
Depreciation for the year ended 31 <sup>st</sup> March		4	5

Balance in the revaluation account as at 31.3.2012 would be,

- (i) Rs 1 million  
(ii) Rs 4 million  
(iii) Rs 5 million  
(iv) Rs 10 million  
(v) Rs 140million

Use following information to answer questions 6,7 and 8.

Vasana Ltd produce several types of goods. It has three departments as machinery department, assembling department and finishing department.

1. Cost accountant has calculated the followings.

Description	Machinery Rs	Assembly Rs	Finishing Rs
Total overheads	20000	45000	40000
Overhead absorption ratios			
Machinery hours	2	-	-
Labour hours	-	3	4
Overhead cost absorbed by product A	10	18	16

2. Following overhead information has been omitted when calculating the above information.  
Maintenance cost in the machinery department Rs 10000  
Employee overtime payments in the assembling department Rs 30000
3. Prime cost of the product A is Rs 39.

6. Machine hours. Assembly hours and finishing hours respectively would be,
  - (i) 10000, 15000, 10000
  - (ii) 15000, 10000, 18000
  - (iii) 15000, 15000, 15000
  - (iv) 20000, 45000, 40000
  - (v) 10000, 22500, 20000
  
7. Overhead absorption ratio for above no. (3) would be,
  - (i) 2:3:4
  - (ii) 3:5:4
  - (iii) 4:3:2
  - (iv) 5:3:4
  - (v) 1:2:3
  
8. Overhead cost per unit is
  - (i) Rs 51
  - (ii) Rs 48
  - (iii) Rs 56
  - (iv) Rs 61
  - (v) Rs 72
  
9. If the selling price is calculated by keeping 20% profit on the cost of a unit. What is the selling price?
  - (i) Rs 95
  - (ii) Rs 105
  - (iii) Rs 104.59
  - (iv) Rs 114
  - (v) Rs 120
  
10. When paying cash to creditors working capital has increased by Rs 15000. All creditors were paid under 10% discount. Creditors balance as at 31.12.2018 was Rs 65000. This amount is 1/3 of the credit sales. Creditors balance as at 1.1.2018 would be,
  - (i) 10
  - (ii) 20
  - (iii) 65
  - (iv) 30
  - (v) 135
  
11. Statement of financial position and accounting books showed difference in the stock balance. The reason was the difference in valuing the stock. Which of the following qualitative characteristic/s is/are violated from the above incident
  - A- Comparability
  - B- Reliability
  - C- Understandability
  - (i) A only
  - (ii) C only
  - (iii) A and C
  - (iv) A and B
  - (v) A,B and C

12. Kamal and Amal are partners who share profits in the ratio of 2:3. Kamal was entitled to Rs 2500 monthly salary. Kamal agreed to give up the salary and both partners agreed to share the profit equally. Net profit before the salary payment of Kamal was Rs 300000. What is the impact on the total income of Kamal due to the new decision taken?

- (i) Increase by Rs 8000
- (ii) Decrease by Rs 3000
- (iii) Increase by Rs 12000
- (iv) Decrease by Rs 25500
- (v) Increase by Rs 25500 and decrease by Rs 3600.

13. There are two investment opportunities as A and B. Cost of both projects respectively are Rs 150000 and RS 100000. Present values relating to three years are given below (PV).

Year	1	2	3
Project A	42000	58000	40000
Project B	25000	46000	52000

What is the best project to be selected according to the NPV method? (Net Present Value method)

- (i) A of Rs 140000
  - (ii) B of Rs 123000
  - (iii) A of Rs 10000
  - (iv) B of Rs 23000
  - (v) A of Rs 10000
14. Sales income and cost related information of Manjula Ltd are as follows.

Sales Rs 40000

Variable production cost Rs 17500

Fixed overhead RS 7500

Fixed administration and distribution expenses Rs 20000

Variable administration and distribution expenses Rs 5000

What is the contribution?

- (i) Rs -10000
  - (ii) Rs 12500
  - (iii) Rs 17500
  - (iv) Rs 22500
  - (v) Rs 27500
15. Following information can be used to prepare cash flow statements.

A- Net profit before tax

B- Cash received from debtors

C- Depreciation of fixed assets

D- Increase in creditors balance

E- Cash purchases

Items used when preparing the cash flow statement according to the indirect method would be,

- (i) A, B and C
- (ii) A, C and D
- (iii) A, C and E
- (iv) B, D and F
- (v) B, E and F

16. Tax information extracted from the statement of financial position prepared for the year 2010/2011 is given below.

Provision for income tax 2010/2011 Rs 21600 Cr

Tax paid for 2010/2011 Rs 32000 Dr

Tax liability of Rs 20000 relating to the year 2009/2010 has been paid during the year 2011.

Tax payable amount stated in the statement of financial position prepared for the year 2010/211 is Rs 24000

Tax expense in the income statement of the year would be,

- Rs 56600
- Rs 35000
- Rs 34400
- Rs 36600
- Rs 32000



Use following information to answer questions 17 and 18.

- Malik Ltd has provided following information.
- There are 20 employees in Malik Ltd.
- Each employee works 8 hours per day and 21 days per month
- All employees have reported to the work everyday.
- Normal wage per hour is RS 40 and employees are paid Rs 50 for an overtime hour.
- Employee and employer contribute to the EPT respectively as 10% and 15%.
- All payments are made on the 5<sup>th</sup> date of the following month.
- Employees have worked 4000 hours during the month.

17. Correct values to be included in the income statement prepared for the month ended 31.7.2018 would be,

			Employer	Employee
(i)	Gross salary Rs 161600	EPF	28000	12000
(ii)	Gross salary RS 146240	EPF	38400	20160
(iii)	Gross salary Rs 160240	EPF	38160	24800
(iv)	Gross salary Rs 146240	EPF	28040	20160
(v)	Gross salary Rs 166400	EPF	20160	13440

18. Items that should be recorded in the statement of financial position as at 31.7.2018 would be,

- (i) Salary paid in advance Rs 148000, EPF payable Rs 38000
- (ii) Salary paid in advance Rs 148000, EPF payable Rs 38000
- (iii) Salary payable Rs 146240, EPF payable Rs 38400
- (iv) Salary payable Rs 146240, EPF payable Rs 38000
- (v) Salary payable Rs 152960, EPF payable 33600

19. Number of production units and unit cost relating to a product in two conditions are given below

Condition	Number of units	Unit cost (Rs)
1	1000	50.00
2	1500	40.00

What is the total fixed cost?

- (i) Rs 40000
- (ii) Rs 30000
- (iii) Rs 20000
- (iv) Rs 35000
- (v) Rs 28000
- (vi)



20. Cash received from debtors will affect the working capital and quick asset ratio as,

	Working capital	Quick asset ratio
(i)	Increase	Increase
(ii)	No change	No change
(iii)	Decrease	Decrease
(iv)	Increase	No change
(v)	No change	Increase

21. Debtors control account balance as at 31.3.2010 in Namal Ltd was Rs 112000. Total debtors were amounting to Rs 114500. The reason for the difference is the discount given to Sunil Rs 2500. This amount has not been recorded in Sunil's account. The journal entry required to correct this error in the general journal would be,

- (i) Discount allowed a/c -Dr 2500  
Debtors control a/c Cr 2500
- (ii) Discount allowed a/c Dr 2500  
Sunil's a/c Cr 2500
- (iii) Debtors control a/c Dr 2500  
Sunil's a/c Cr 2500
- (iv) Discount allowed a/c Dr 5000  
Debtors control a/c Rs 5000
- (v) No entry in the general ledger

22. Manel Ltd is planning to get a machine to the business costing Rs 3500000. Due to this decision five employees have to leave their job so that they could be utilized for another job. Monthly salary paid for each worker was Rs 15000. What is the payback period of this project?

- (i) 4 years and 6 months
- (ii) 4 years
- (iii) 3 years
- (iv) 3 years and 10 months
- (v) 3 years and 8 months

23. Following information as at 31.3.208 has been extracted from the books of sports club. What is the accumulated fund as at 1.1.2018?

	Rs
Subscription in arrears	1550
Subscription paid in advance	350
Building	53500
Furniture and fittings	10250
Bank	325
Stock in the canteen	10250
Cash in hand	275
Accrued expenses	2175

- (i) Rs 73625
- (ii) Rs 76150

- (iii) Rs 78675  
 (iv) Rs 73075  
 (v) None of the above

X and Y carried out a business by sharing profits and losses in the ratio of 3:2.

Profit for the month Rs 50000

Monthly salaries respectively entitled by X and Y are Rs 10000 and Rs 15000

Opening capital balances at the beginning of the year X Rs 200000, Y Rs 300000

Current account balances as at 1.1.2018 X Rs 25000 Cr, Y Rs 10000 Dr.

Drawings during the month of January 2018 X Rs 4000, Y Rs 1000

Current account balances of A and B as at 31.1.2018 respectively would be,

- (i) Rs 30000 and Rs 20000  
 (ii) Rs 45000 and Rs 15000  
 (iii) Rs 49000 and Rs 16000  
 (iv) Rs 55000 and Rs 10000  
 (v) Rs 49000 and Rs 16000

Following information relates to material "X"

Monthly usage 12000 units

Unit cost Rs 20

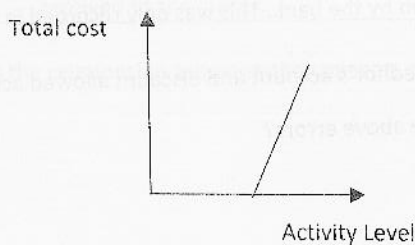
Holding cost per unit- 20% of unit cost

Ordering cost per order Rs 500

What is the Economic Order Quantity?

- (i) 10954 units  
 (ii) 37947 units  
 (iii) 16971 units  
 (iv) 8485 units  
 (v) 12000 units

Following diagram has been provided.



The cost indicated by the above graph would be,

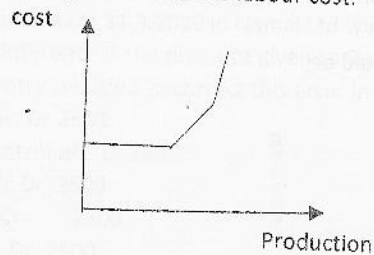
- (i) Sales commission paid from the beginning  
 (ii) Fixed and variable costs included in electricity expense.  
 (iii) Bonus paid to employees after reaching an activity level  
 (iv) Fixed cost up to a certain activity level and the variable cost after that activity level  
 (v) Fixed payment made to employees after certain activity level

Debtors control account balance of a business did not equal to the total of personal account balances in the debtors' ledger. Which of the followings is not a reason for the difference.

Return inwards has been debited to debtors control account and credited to debtor's personal account.

- (ii) Cash received from a debtor has been correctly recorded in the debtors' control account but it has been debited to debtor's personal account.
- (iii) Return inwards has been debited to both debtors' control account and debtor's personal account.
- (iv) Bad debt written off has been credited to debtors control account and debited to debtor's personal account.
- (v) Sales invoice amounting to Rs 23000 has been recorded as Rs 2300 in the books and debtor's personal account.

28. Following diagram shows the labour cost.



Which of the following is correct.

- (i) Paying wages on piece meal basis based on output.
- (ii) Piece meal basis with a minimum wage level.
- (iii) Paying wages for a maximum output level.
- (iv) Paying wages for average level of output.
- (v) Paying wages on labour time.

29. A trial balance prepared on 31.12.2018 did not balance. The difference has been transferred to a suspense account. The following errors were discovered later.

1. Cash received from a debtor has been posted to debtors' account as Rs 5700
2. Sales return amounting to Rs 1500 has been credited to debtor's account and debited to the cash purchases account.
3. Cheque received from a debtor Rs 6000 has been dishonoured by the bank. This was only recorded in the cash book.
4. Rs 3500 received from a supplier has been debited to both creditor's account and discount allowed account.

What is the balance in the suspense account before rectifying the above errors?

- (i) Debit balance of Rs 2800
- (ii) Debit balance of Rs 7700
- (iii) Credit balance of Rs 2800
- (iv) Credit balance of Rs 7700
- (v) None of the above.

30. According to the final accounts prepared for the year ended 31.03.2018 in Sithumina's business the net profit is RS 156000. Suspense account balance has been recorded in the statement of financial position as a suspense account balance. Following errors were discovered later.

1. Credit sales has been debited to building account
2. Electricity paid Rs 1865 has been correctly recorded in the cash book but it has been recorded in the electricity expense account as Rs 1685,
3. Rs 1000 paid by debtor has been completely omitted from the books.
4. Rates paid for the year ended 31.12.2018 Rs 4000 has been debited to rates account.

What is the correct net profit of the business/

- (i) Rs 155820
- (ii) Rs 158820



) Rs 142180  
 ) Rs 152160  
 ) Rs 152820

31. Mahim Ltd purchased chemical 'z' for resale purpose. Sales and purchases information related to the month ending 31<sup>st</sup> March is given below.

Purchase – 1<sup>st</sup> February - 1000 liters at Rs 50 each  
 1<sup>st</sup> March - 1000 liters at Rs 60 each  
 Sales 30<sup>th</sup> March - Issued 1500 liters to sell.

Required

Fill the following table assuming that issued 1500 liters has been sold at Rs 70 each.

Pricing method	Closing stock	Cost of sales	Sales (Rs)	Gross profit
1. FIFO				
2. WAC				

32. Fill the table with the information relating to given documents.

Document	Issuing department	Applying department	Purpose
1. Stores requisition note			
2. Purchase order			
3. Purchase requisition note			

33. Purchasing procedure of a firm is given below. Provide the document relating to each incident.

1. Requesting material from the stores by the production department	
2. Requesting material by the stores	
3. Ordering material from suppliers	
4. Store keeper ensure that the goods have been received to the stores.	

34. State the relationship between the concepts cost, expense and asset.

Use following information to answer questions no. 35 and 36.

Following information has been provided by the Samanala Manufactures for the year ended 31.3.2018.

Sales Rs 600000

Factory overhead cost Rs 130000

Raw material purchases Rs 300000

Other direct expenses Rs80000

Increase in Work In Progress Rs 50000

Increase in finished goods RS 150000

Gross profit is calculated at 33 1/3 % from the selling price.

35. What is the change in material stock?

36. If the information relating to above sum is as follows,

- Opening material Rs 40000
- Closing finished goods Rs 90000
- Opening WIP RS 50000

a. What is the closing stock of material?

b. What is the closing stock of WIP?

37. Information as at 31.3.2018 in Laksiri Ltd was as follows.

- Ordinary share capital RS 1000000
- 12% preference share capital Rs 500000
- Revaluation reserve Rs 200000
- General reserve Rs 100000
- Retained profit Rs 150000

- Additional information
- Profit for the year Rs350000
- Interim dividend paid

- Ordinary shares 50000
- Preference shares 40000
- Transferred to general reserve 50000

A motor vehicle revalued last year resulting RS 50000 gain has been sold during the current year. Preference dividend payable should be paid.

What is the equity as at 31.3.2019?

38. State 4 accounting concepts and an example for each concept?

39. State 4 source documents used to prepare the pay sheet.

40. Selling price of a commodity is Rs 44. Total fixed cost is Rs 100000. Variable cost per unit is Rs 24. Margin of safety 20000 units. Calculate the followings

- BEP in units
- Sales value

- c/s ratio
- BEP in value

What is the impact for BEP in each case if the other variables are constant?

- Situation
- Increase in selling price per unit impact
  - Increase in sales volume
  - Increase in variable cost is relatively higher than increase in sales price
  - Increase in fixed cost

Following information has been provided by a business.

- Selling price Rs 100
- Marginal cost Rs 60
- Fixed cost Rs 400000
- Sales Rs 200000

What is the value at Break Even point and what is the value of Margin of Safety.

Following information has been provided by a manufacturing business.

- Direct material per unit Rs 20
- Direct labour per unit Rs 30
- Variable non production overheads per unit Rs 10
- Fixed production overheads Rs 50000
- Fixed non production overheads Rs 60000
- Estimated production in units 1500.

What are the total overhead cost and total variable cost.

Information relating to a machinery on 31.3.2009 in a company is given below.

Cost	Purchased date	Useful life(years)	Scrap value	Expected selling expense
800000	2006.04.01	10	120000	20000

A renovation was carried out costing Rs 120000 on 1.4.2010 to increase the production capacity of the machine. As a result the remaining useful life time has increased up to 8 years. At the end of that useful life time the asset could be sold for Rs 80000 scrap value by incurring selling expense of Rs 30000. If the asset was depreciated on Straight Line basis, what is the depreciation expense for the year ended 31.3.2011?

45. Following information has been extracted from the books of Masha Ltd.

	Rs
Cash received from cash sales	210000
Cash purchases	150000
Cash received from debtors	290000
Cash paid to creditors	200000
Tax paid	20000
Interest paid	30000
Dividend paid	40000
Purchased fixed deposits	360000
Paid long term loans	100000

What is the net cash flow from operating activities?

46. Mas Company is considering about two machines. Cost of machine p is Rs 60000. Cost of machine Q is Rs 70000. The expected future cash inflows are as follows.

Year	Machine P	Machine Q
1	20000	15000
2	15000	25000
3	25000	40000
4	40000	30000

- What is the best machine according to the Payback period method?
- What are the payback periods of both machines?

47. Manoj ltd is considering to purchase a new machine for cost of Rs 400000. The fixing and installation cost is Rs 80000. future cash inflows of the machine were as follows. Cost of capital is 10%.

Year	Cash flow	Discount factor
1	40000	0.909
2	120000	0.826
3	120000	0.751
4	160000	0.653
	240000	0.620

- Is it viable to select this project?
- What is the net present value of the project?

48. Use accounting ratios knowledge to fill this table.

Ratio	Formula	Meaning
Stock turn ratio		
Gross profit ratio		
Return on equity		
Interest coverage		

49. P,Q,R are partners. They don't have a partnership agreement. Capital account balances are as follows.

P-Rs 500000    Q-Rs 300000    R-Rs 2000000

Interest on capital has been paid at 10% per annum .salaries paid to partners P-Rs 20000, Q-Rs 15000, R-Rs 1000.

Total income for the year of partner R was Rs 42000. What was the net profit earned by the partnership for the year?

50. Following information is relating to Masha Ltd for the year ended 31.3.2012. Opening stock is Rs 90000. Purchases Rs 270000, closing stock Rs 110000. Calculate the followings.( Assume that there are 360 days per year)

a. Calculate the stock turnover ratio

b. Stock turn period.





17.07.2019

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Answer five questions including questions No. 01 and 02.

Trial balance extracted from chandi PLC as at 31.03.2017;

(Rs.'000)

Description	Dr	Cr
Sales	--	80 600
Cost of sales	52 000	--
Electricity, Rates and Insurance	150	--
Advertising and sales promotion expense	400	--
Carriage outward charges	100	--
Director remuneration	2 000	--
Salaries and wages	1 820	--
Interest payments	800	--
Trade receivable	3 050	--
Trade payable	--	1 700
Income dividend	2000	--
Property, plant and equipment cost and accumulated depreciation as at 01.04.2016		
Land and buildings	30 000	2 500
Motor vehicle	44 000	7 800
Treasury bills (3 months)	3000	700
Cash Balance	3 270	--
Petty cash balance	600	--
Office equipment	400	--
Impairment losses on trade receivables	100	--
Allowance for expected losses on trade receivables 01.14.2016	--	200
Audit fee	--	1 200
General reserve	--	4 000
Lease creditor	--	150
Provision for Income tax as at 01.04.2016	--	--
Income tax payment	380	--
Stock as at 31.03.2017 at cost	3 500	--
Retained earnings as at 01.4.2016	--	3 000
Revaluation reserves	--	1 800
Stated capital - Ordinary shares (200 000 shares)	--	40 000
Other income	--	350
Eco emission and licence fee of motor vehicle	30	--
12% fixed deposit	2 000	--
15% Long term Bank Loan	--	6 000
	150 000	150 000

- Following information to be taken into consideration before preparing financial statements for the year ended 31.03.2017 (All values are expressed in Rs. '000)

01. (i) Cost of buildings were Rs. 10 000. Revaluation reserve balance represent the surplus created thorough the land revaluation on 1.04.2014. A professional valuation institute revalued lands on 1.4.2016 again and recognized a deficit / loss of Rs. 2000. The deficit / loss was not yet recorded.

(ii) It was correctly recorded the purchase of motor vehicle on 1.4.2016 a finance lease. Lease installment that to be paid at each year end is Rs. 1200. It include on interest of Rs. 200. 4 installment to be paid for self interest at lease and useful life time of the motor vehicle is 5 y ears. Installment paid for current year was debited to trade payable account.

(iii) All depreciable assets to be depreciated on straight line method by using rates given below.

Buildings	5%
Motor vehicles	20%

Salvage value estimation for office equipment at the end of useful life time of 3 years is Rs. 900.

(2) Net realizable value of stock as at 31.03.2017 under grouping method was Rs. 3600. But, net realizable value under item by item method was Rs. 3450.

(3) Board of directors approves financial statements on 05.02.2017. On 10.04.2017 the court informed about the bankruptcy of debtor with above of Rs. 50. Bad debts are adjusted using the provision for doubtful debt account. Allowance for expect loss of trade receivable should increase by Rs. 100.

(4) Accrued expenses as at 31.03.2017 - Electricity	50
- Audit fee	100
Prepared expenses as at 31.03.207 - Insurance	50
- Advertising & sales promotion	100

(5) Payable amount of income tax for previous year was settled with in current year 1/10 of profit before tax was assessed as income tax for current year.

(6) An ex-employee field a case against the company requesting a compensation of Rs. 600. Company lawyers are in a vies that it have to be paid a compensation of Rs. 500.

(7) Fixed deposit was stated on 01.10.2016 and bank informed interest for the period ended 31.03.2017 was added to the fixed deposit. But it was not yet adjusted.

- (8) Interest payment balance represent the loan interest paid within the year. Loan was obtained prior to 01.04.2016.
- (9) A computer purchase on 01.10.2016 of Rs. 2000 was wrongly recorded as purchases. Useful life time of computers is 4 years. Computers to be listed as office equipment.
- (10) Board of directors made following decisions On 31.03.2017.

- Reserve capitalization using retained earnings at a ratio of 20 : 1.
- Transfer Rs. 500 to general reserves.
- Rs. 1 to be paid as dividend for ordinary shareholders.

**Required**

Following financial statements for the year ended 31.3.2017

1. Profit or loss statement and other comprehensive income statement.
2. Statement of changes in equity.
3. Statement of financial position as at 31.3.2017
4. Notes to the accounts.

Particulars	Particulars	Particulars	Particulars	Particulars	Particulars	Particulars	Particulars
4000	32000	32000	32000	32000	32000	32000	32000
3200	12000	12000	12000	12000	12000	12000	12000



(20 marks)

Particulars	Amount (Rs)
Machinery depreciation	40000
Rent	50000
Rates	20000
Employee insurance	50000
Electricity	20000
Indirect material	100000

Following bases and information has been provided:  
 • Indirect material and indirect labour should be apportioned equally among two production departments.  
 • Other overhead costs should be apportioned as follows.

02. ABC company produce toy cars. 500 cars were produced during the year 2019.

1. Information relating to material.

	Maximum	Minimum	Average
Consumption per day	400	300	.....
Lead time (days)	40	.....	30

- Maximum stock level 15000 units
- Stock in units as at 1.1.2019 was 1000. Cost per unit was Rs 100.
- During the year 2019 stocks were purchased in 4 times at equal quantity. Unit cost at each time is given below.

30.1.2019	Rs 150
20.6.2019	Rs 200
14.08.2019	Rs 250
20.12.2019	Rs 300

12500 units were issued to the production department during the year 2019. (Company use FIFO method for pricing of issues)

2. Information relating to the wages.

Type of employee	Basic salary	Allowance	Gross salary	Deductions			Total deductions	Net salary	Employer contribution	
				EPF 10%	welfare	Loans			EPF 15%	ETF 3%
machine operator	200000	50000	250000	25000	1000	4000	320000	230000	37500	7500
supervisor	100000	20000	120000	12000	500	2500	15000	105000	18000	3600

3. Overhead costs

Cost	Amount (Rs)
Indirect material	100000
Electricity	50000
Employee insurance	50000
Rates	20000
Rent	50000
Machinery depreciation	40000

Following bases and information has been provided.

- Indirect material and indirect labour should be apportioned equally among two production departments.
- Other overhead costs should be apportioned as follows.

Base	Packaging	Finishing	Storing
Land square meters	500	300	200
Kilo watt	200	150	150
Number of employees	50	20	30
Cost of machinery	500000	250000	250000
Machine hours	2568	3960	-
Labour hours	3966	3896	-
Stores requisition notes	100	50	-

- Packaging and finishing departments absorb the overhead cost based on machine hours and labour hours respectively.
  - To produce a toy car 3 actual machine hours, and 05 actual labour hours are required.
- Required
1. Re order level
  2. Re order quantity
  3. Direct material cost
  4. Direct labour cost
  5. Overhead analysis sheet
  6. Overhead absorption ratios
  7. Total cost of a toy car.

(20 marks)





Required:

(1) Record the above transactions in the following Journals. (prime entry books)

- (i) Cash payment journal
- (ii) Purchase journal

(2) The following accounts in the General ledger:

- (i) Cash Account
- (ii) Purchase Account
- (iii) Trade payable Account
- (iv) VAT Receivable Account

(10 Marks)

(c) Balances as at 01.03.2018 and extracts of prime entry books for the month of March of Somasundara's business are as follows.

Description	(Rs.)		
	Sisira	Kumari	Amal
Debtors balances as at 2018.03.01	15 000	48 000	1 200
Sale journal	30 000	60 000	-
Return inwards journal	800	2 200	-
General journal (bad debts write off)	1 500	-	500
	Sirimal	Jayasiri	Premasiri
Creditors balances as at 2017.04.01	30 000	53 000	65 000
Purchase journal	20 000	80 000	-
Return outward journal	7 000	3 000	-

Additional Information:

- \* Balance as at 31.03.2018 in cash control account was Rs. 16 700
- \* Total of expenses column in the cash payment journal Rs.10 000 has been recorded as Rs. 1 000 in the cash control account.
- \* The bank has informed that the cheque issued on 20.03.2018 was dishonored. Creditor has informed that the discount offered was cancelled.

Required:

- (1) Correct balance of the cash control as at 31.03.2018
- (2) Bank reconciliation statement for the month of March 2018
- (3) Debtors control and creditors control accounts for the month of March 2018

(5 Marks)

(Total 20 marks)

4

(a) The balance of machinery account as at 31.03.2014 was Rs. 600 000 and the balance of provision for depreciation on machine was Rs. 125 000. All these assets were purchased on 01.04.2013 and the useful life of the machine as 4 years and residual value as Rs. 100 000 were estimated.

Following transactions were taken place during the year ended 31.03.2015

A machine was sold for Rs. 110 000 on 01.04.2015 which cost was Rs. 120 000 and residual value was Rs. 20 000

Remain useful life of all the other machines were estimated as 5 years on 01.04.2014.

Required :

1. Journal entries for disposal of machine
2. Machinery account, Machinery provision for depreciation account and Machinery disposal account

(Marks 05)

4. (b) Athuru and Mithuru were partners of a partnership sharing profit and losses equally. Sithum was admitted to the business as a partner on 01.04.2014 the following balances were extracted from books of accounts prepared by newly recruited account clerk.

Balances as at 01.04.2014		Dr (Rs)	Cr (Rs)
Capital Account	- Athuru	-	350 000
	- Mithuru	-	250 000
Current Account	- Athuru	-	12 000
	- Mithuru	8 000	
Inventory as at 31.03.2015		80 000	
Loan - Sithum			50 000
Profit before appropriation			252 000

The internal audit has revealed that following errors were occurred in calculating the profit.

- The interest for Sithum's loan of Rs 5000 was not recorded.
- Drawing of Partner's Athuru and Mithuru were Rs 10 000 and 8 000 respectively. These were recorded as expenses of the business.
- Inventory as at 31.03.2015 overcasted by Rs 24 000.
- Sithum has provided a store building with a value of Rs 160 000 to the business on 01.10.2014. On the same day, it is rented for Rs 120 000 per year. Cash for two years was received. Out of an amount for the one year was adjusted to the profit.
- Property, plant and equipment as at 01.01.2014 was Rs 100 000. Equipment of Rs. 200 000 was acquired on 01.01.2014. Property plant and equipment are depreciated 10% annually on straight line method.

Additional information :

- Sithum brought Rs 150 000 as capital on 01.04.2014 and goodwill of the partnership as at 01.04.2014 was agreed for Rs 90 000 and adjustments in this regard should be made through partners capital accounts.
- Sithum was entitled to 10% interest on capital and he has not been paid any interest on capital up to 31.03.2015.
- Partners agreed to transfer Sithum's loan account to his capital account on 31.03.2015.
- Information relating to salaries and interest on capital of Athuru and Mithuru as at 31.03.2015 are given below.

	Athuru Rs	Mithuru Rs
Interest on capital-paid	12 000	10 000
Interest on capital-accrued	23 000	15 000
Salary-paid	30 000	20 000
Salary-accrued	15 000	15 000

- Required :**
- The journal entries for correcting the profit (The narration is not required)
  - Appropriation of profit for the year ended 31.03.2015.
  - Partner's current accounts and capital accounts for the year ended 31.03.2015.

(Marks 10)

- (c) A company is considering to acquire a new solar power generating machine of 'A' for fulfilling the electricity requirement from solar power. Total purchase and installation cost of machine would be Rs. 300 000. Salvage value and useful life time estimations of the machine are Rs. 50 000 and 5 years. Existing average annual Operating expenses of company is Rs. 100 000. Estimated average annual Operating expenses including depreciation for the next 5 years and discount rate for 15% given below.

Year	1	2	3	4	5
Average annual electricity consumption cost (Rs.)	70 000	65 000	60 000	60 000	55 000
Discount Factor 15%	0.87	0.75	0.65	0.57	0.49

**Required:**

- (1) Pay back period of the project
- (2) Net present value (NPV) of the project
- (3) Recommendation as to selection of the project based on the NPV (05 Marks)

**5. Following information relates to Liliyan Ltd.**

(a)

1. Selected account balances

Item	31.3.2013(Rs'000)	31.3.2012(Rs'000)
Stock	8500	7000
Debtors	7200	9000
Creditors	13000	14000
Accrued loan interest	600	200
Accrued tax	500	200
Long term loan	15000	18000
Stated ordinary share capital	29500	19500
Retained earnings	8000	5000
Cash and cash equivalents	9000	2000

2. Income statement extract for the year ended 31.3.2013 is given below.

	Rs '000
Sales	65000
Gross profit	20000
Depreciation	3000
Interest expense	2250
Income tax	1800
Profit on sale of equipment	500

3. Dividend paid during the year Rs 750000.
4. All purchases and sales are on credit basis.
5. Motor vehicle costing Rs 800000 has been purchased during the year ended 31.3.2013 and office equipment has been sold which has a carrying amount of Rs 200000. No any other fixed asset has been sold or purchased during the year.
6. There was no capitalization of reserves during the year.

**Required**

1. Cash flow statement for the year ended 31.3.2013.
2. Net profit ratio.
3. Interest coverage ratio.
4. Debtors turn over ratio.
5. Debtors collection period.
6. Stock turn ratio.

(15 marks)

(b)

A business produce one commodity. The annual production capacity is 1500 units. Estimated information for the year 2019 is given below.

Annual production and sales in units	1200
Unit cost	
Selling price	Rs 1200
Direct material	Rs 160
Direct labour (on output basis)	Rs 180
Variable production overhead cost	Rs 100
Variable non production overhead cost	Rs 200
Total production fixed overheads per year	Rs 132000
Total non-production fixed overheads per year	Rs 180000

Required

1. Variable cost per unit
2. Production cost per unit
3. Profit per unit
4. Total cost at activity level 1500 units

(5 marks)

6(4) The credit balance of the bank account of Araliya business as at 31.03.2015 was Rs 21 500 it was not agreed with balance as per bank statement on that date. The followings information were revealed in the investigations.

(1) Cheques deposit and dates of realization are as follows.

Cheques	Deposit dates	Realisation date	Value (Rs)
043250	30 <sup>th</sup> March 2015	02 <sup>nd</sup> April 2015	4 500
215412	31 <sup>st</sup> March 2015	03 <sup>rd</sup> April 2015	33 500
721210	31 <sup>st</sup> March 2015	03 <sup>rd</sup> April 2015	16 000

(2) The following deduction was made by bank from business as bank account.

	Rs
Cheque book chargers	400
Overdraft inferest	1 800
Bank Chargers	450

(3) Leasing installment of Rs 20 000 was paid by bank on 20<sup>th</sup> march 2015 on standing order. But it has not been recorded in bank account of the business.

(4) Cheques issued and dates of presented for the payment were as follows.

Cheque	Date of issued	Date of payment	value (Rs)
010253	26 <sup>st</sup> March 2015	10 <sup>st</sup> March 2015	95 000
010262	31 <sup>st</sup> March 2015	04 <sup>th</sup> March 2015	16 500
010284	31 <sup>st</sup> March 2015	04 <sup>th</sup> March 2015	21 500

(5) Business requested from the bank to stop for the payment for a cheque issued for a creditor of Rs 12 000 on 20<sup>th</sup> March 2015 and relevant adjustment was made in the business account but, it is revealed that payment was made by bank.

(6) An issued cheque of Rs 8 900 already on 15<sup>th</sup> March 2015 was recorded in bank account of the business as Rs 9 800.

(7) Rs 40 300 was directly deposited in the bank by a debtor.

Required :

1. Bank account with adjustment as at 31.03.2015
2. Prepare the bank reconciliation statement for the month of March 2015

(Marks 05)



(b) "Guru Sevana" is a welfare society of teachers of a school. The following information was relevant for the year ended 31.03.2015

- Cash balance was Rs. 80 000 and Accumulate fund was Rs 320 000 as at 01.04.2014.
- The number of members of the society was 124 as at 31.03.2015 and monthly membership fee is Rs. 200. Entrants to the society and leavers from the society during the year are as follows

Date	No. of entrans	No. of leavers
2014.07.01	02	05
2014.10.01	02	-

Though the new members have paid their membership fee, resigned members had their not paid membership fee for the accounting year (2014/2015)

- A concert namely 'Guru Prathibha' was conducted by the society as a fund raising programme and it earns an income of Rs. 300 000 by tickets and souvenir. The printing charge Rs. 15 000, foods and beverages Rs. 50 000 and other expenses 35 000 are paid for the concert.
- A computer worth of Rs. 200 000 was received as a donation on 01.04.2014. it is estimated to depreciated 25% annually on straight line method. This donation is recognized as income equally distributed over 4 years period starting from the current year.
- It is expected to pay of Rs. 15 000 per member for scholarship of their children for 12 members but it is paid only for 8 members.

**Required :**

The following for the 'Guru Sevana' Teacher's welfare society for the year ended 31.03.2015

1. Annual subscription
2. Receipts and payment account
3. Income and expenditure account
4. Accumulated fund as at 31.04.2015

(Marks 10)

C. Income statement prepared on marginal costing in Daluwatta Ltd is given below.

			Rs '000
Sales			20000
Less: Variable cost	- Production	6000	
	- Non production	1000	7000
Contribution			
Less: Fixed cost	- Production	4000	
	- Non production	2500	6500
Operating profit			6500

**Additional information**

Expected sales in units 10000

**Required**

1. Contribution to sales ratio
2. Break Even Point in value
3. Margin of safety in value
4. Sales revenue required to get Rs 7150000 profit.

(05 marks)



