G.C.E (A. L.) Support Seminar – 2016

33 - Accounting I

Two Hours

Key Instructions :

- ⋆ **For the questions from 1 to 30 write the number of the correct answer on the space given**
- ⋆ **For the questions from 31 to 50 provide short and specific answers.**

01. What statement/s are true in relation to the special purpose financial statements?
    - A It provides the information for decision making for the external parties
    - B It is a part of the organizational Management Information System
    - C It is prepared to plan and control the organizational operational activities
    - (1) A Only
    - (2) B Only
    - (3) A & B Only
    - (4) B & C Only
    - (5) All above A, B, C (.....)

02. Below given values are taken from the statement of Financial position of Nipuni's Business as at 01/01/2016

Current Assets	+	Non Current Assets	=	Current Liabilities	+	Non Current Liabilities	+	Equity
100 000		400 000		200 000		50 000		250 000

Following transactions have been occurred on 2nd of January 2016

(i) Good sold for Rs. 34 500 on credit including 15% of VAT (Gross profit margin is 20% on the selling price)

(ii) Payment of an installment of a bank loan of Rs 20 000 in cash including an interest of Rs 2 000.

What is the correct accounting equation after adjusting for the above transactions?

	Current Assets	+	Non Current Assets	=	Current Liabilities	+	Non Current Liabilities	+	Equity
(1)	+ 80 000	+	400 000	=	+ 200 000	+	50 000	+	230 000
(2)	+ 85 000	+	400 000	=	+ 200 000	+	32 000	+	253 000
(3)	+ 85 000	+	400 000	=	+ 200 000	+	30 000	+	257 500
(4)	+ 89 500	+	400 000	=	+ 204 500	+	32 000	+	250 000
(5)	+ 90 500	+	400 000	=	+ 204 500	+	32 000	+	254 500

(.....)

03. In the below given table, what is the answer with only correct categorization of accounts?

		Asset Account	Liability Account	Equity Account	Income Account	Expenditure Account
(1)	Sales Return Account	√				
	Purchase Account					√
(2)	Drawings Account			√		
	Purchase Account					√
(3)	Drawings Account					√
	Purchase Returns Account					√
(4)	Bad Debts Account					√
	Provision for Doubtful Debts		√			
(5)	Depreciation Account					√
	Provision for Depreciation Account				√	

(.....)

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04. A stock of goods was sold on credit with a profit of 25% on cost. The cost of stock sold was Rs 20,000. What is the correct answer to record this transaction?

	Source Document	Primary Book	Double Entry
(1)	Invoice	Cash Book	Trade Debtors Account Dr. 25 000 Sales Account Cr. 25 000
(2)	Invoice	Sales Journal	Trade Debtors Account Dr. 25 000 Sales Account Cr. 25 000
(3)	Invoice	Sales Journal	Sales Account Dr. 25 000 Trade Debtors Cr. 25 000
(4)	Receipt	Cash Book	Cash Book Dr. 25 000 Sales Account Cr. 25 000
(5)	Voucher	Sales Journal	Trade Debtors Account Dr. 25 000 Sales Account Cr. 25 000

(.....)

05. **Kumudu Traders** sold goods to **Sumudu Limited** on 01/01/2016 on credit for Rs. 75 000. On 04/01/2016 Rs. 2 000 worth of goods were returned due to the damages occurred in the transportation. Sumudu Limited issued a cheque for Rs. 30 000 and made a payment.
What is the correct answer that lists the respective source documents to be used by Kumudu Traders to record the above transactions?
(1) Debit note, Invoice, Voucher
(2) Invoice, Credit Note, Receipt
(3) Credit Note, Receipt, Invoice
(4) Invoice, Debit Note, Bank Statement
(5) Invoice, Credit Note, Voucher (.....)

06. The balance of the trade debtors control account as at 31/03/2016 was Rs. 80 000. The total balance of the debtors' ledger had a different balance as at the same date. Following are the reasons for the above difference.
1. Total of sales journal has been under casted by Rs 2 000
2. Credit sale of Rs.20 000 has been recorded in the sales journal as Rs 2 000
3. Credit sale of Rs 4 500 has been recorded in the debtors' account as Rs 5 400
4. Discount allowed of Rs 500 was not recorded in the individual account in the debtors ledger

The balance to be shown in the Statement of Financial Position as at 31/03/2016 is;
(1) Rs. 79 100 (2) Rs 88 600 (3) Rs 98 000
(4) Rs 98 600 (5) Rs 100 000 (.....)

07. What are the characteristics that need to be satisfied to meet the definition of a liability as per the conceptual framework of financial reporting
A - Existence of a present obligation for the Entity
B - Should be able to measure the amount or the realizable value reliably
C - The settlement of which result in an out flow of future economic benefits from the Entity
(1) A Only (2) A & B only (3) A & C Only
(4) C Only (5) All, A,B and C (.....)

08. A land which has been bought for Rs 2 000 000 in the year 2000 has been recorded in the Statement of Financial Position at its revalued value of Rs 5 000 000, as at 31.03.2016. What is the accounting concept that is **not** being adhere and the relevant qualitative characteristic expressed by recording the asset at the revalued value.

	Concept	Qualitative Characteristics
(1)	Entity	Relevance
(2)	Matching	Faithful Representation
(3)	Historical Cost	Understandability
(4)	Historical Cost	Comparability
(5)	Historical Cost	Relevance

(.....)

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09. Following information has been given relating to a company's stocks.

Date	Description	Total Value Rs 000	Purchasing price per unit Rs	Selling price per unit Rs
01/01/2016	Stock	1 500	15	-
05/01/2016	Purchases	4 000	20	-
10/01/2016	Sales	3 500	-	35
15/01/2016	Returns by the debtors	700	-	-
20/01/2016	Purchases	2 500	25	-
30/01/2016	Sales	2 000	-	25

- Stock issues are done based on the First in First out (FIFO) method

  Respective stock value as at 31.01.2016 and the **gross profit** for the month ended 31.01.2016 are

	Closing Stock ('000)		**Gross Profit ('000)**
(1)	3 200	and	4 100
(2)	3 500	and	5 500
(3)	4 500	and	3 100
(4)	5 300	and	2 100
(5)	7 000	and	4 500

(.....)

10. Given below are the transactions occurred in the **Piyumal's Business** during the month of January 2016 and some additional information.
    - During the month purchases made on credit was Rs. 20 000 out of which Rs.15 000 worth of goods has been sold on credit.
    - Bad debts written off are Rs 3 000. Bad debts of Rs 1 000 written off last year has been received in January.
    - The electricity bill for the month of January is Rs 5 000. This has been paid in 10th February 2016.
    - During the month, salaries of Rs 10 000 for the month of January 2016 has not been paid whereas Rs 8 000 worth of salaries for the month of December 2015 has been paid.

    How much is the total expense that should be accounted for against to the income of the month of January 2016 of the above business

    (1) Rs 24 000 (2) Rs 25 000 (3) Rs 32 000
    (4) Rs 36 000 (5) Rs 41 000 (.....)

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11. Below given information have been revealed for the year ended 31st March 2016 from a business which had not been **maintain proper books of accounts.**

	Rs
Sales	500 000
Purchases	400 000
Drawings - Cash	30 000
- Goods	70 000
2016.3.31 Stock	80 000

- Gross profit margin is 40%.

  Stock value as at 01.04.2015 is;

(1) Rs 20 000 (2) Rs 50 000 (3) Rs 80 000
(4) Rs 90 000 (5) Rs 120 000 (.....)

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12. **Shakthi sports club** had 150 members as 31/3/2016 out of which 50 are life members. Annual membership fee per member who is not a life member is Rs.1 000. 12 members have default their payment for the year 2015/16. 8 members have paid their membership fee also for the year 2016/17. As at 1/4/2015, the balance of the life membership account was Rs 200 000 out of which 10% is transferred to the income and expenditure account as membership fee for the year 2015/16. No accrued or prepaid membership fees in the beginning of the financial year.

How much should be recognized as membership income for the year and the cash received as the membership fee during the year 2015/16.

	Income to be recognized Value (Rs.)	**Membership fee received during the year (Rs.)**
(1)	96 000	120 000
(2)	120 000	100 000
(3)	120 000	96 000
(4)	120 000	120 000
(5)	150 000	96 000

(.....)

▲ **Use the below given information to provide answers for the questions 13,14 and 15.**

Following is the profit appropriation account of the partnership conducted by **Harry**, **Danie** and **Wiley** for the year ended 31st March 2016.

(Rs.'000)

Profit for the year			1 200
Interest on Capital	- Harry	200	
	- Danie	100	
	- Wiley	100	(400)
Salaries	- Harry	100	
	- Danie	100	(200)
Share of Profits	- Harry	300	
	- Danie	200	
	- Wiley	100	(600)
			-

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* The current account balances of the partnership as at 01/04/2015 were given below;

		(Rs.)
Harry	-	20 000
Danie	-	40 000
Wiley	-	50 000

* Harry has done Rs.80 000 worth of drawings during the current year.

* Partners are allowed 5% interest on their capital account balance as at the beginning of the period. Danie has with drawn Rs. 50 000 from his interest on capital on 01/10/2015.

* On 01/04/2015 Danie has rented a motor vehicle for the business at an annual rent of Rs. 60 000. Even though the rent has not being paid as at 31/03/2016, the income statement reported the accurate rent amount.

* On 31/3/2016 Danie retired from the business and the goodwill calculated on the same date was Rs.600 000. It was agreed to adjust the goodwill through to the capital accounts of the partners. The amount which is payable to Wiley was agreed to transferred in to a loan account.

* The profit ratio of the new partnership between Harry and Dannie is 2:1 respectivly.

13. The balances of the current accounts as at 31/3/2016 are;

	Harry (Rs.000)	Danie (Rs.000)
(1)	500	400
(2)	540	450
(3)	540	500
(4)	620	440
(5)	620	500

(.....)

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14. The balances of the capital accounts as at 31/3/2016 are;

	Harry (Rs'000)		Danie (Rs'000)	
(1)	1 300	and	1 200	
(2)	1 900	and	1 000	
(3)	3 900	and	2 000	
(4)	3 900	and	2 200	
(5)	4 200	and	2 200	(.....)

15. The total equity and the loan as at 31/3/2016

	Equity (Rs'000)	Loan (Rs'000)	
(1)	990	250	
(2)	5 900	2 100	
(3)	5 900	2 300	
(4)	5 900	0	
(5)	6 890	2 350	(.....)

16. As per accounting policies, changes in accounting estimates and errors (LKAS 8), which can be identified as estimate change in the financial statements

A - Receipt of Rs.50 000 from a debtor during the current year, which has been written off as bad debts in the previous year.

B - Use of WAC (Weighted Average Cost) method to value the inventories instead of FIFO (First in First Out) method

C - Depreciation method used for property plant and equipment changed from straight line method to reducing balance method.

D - The useful life of the building is decided to increase from 10 to 12 years as a result of the innovations carried out.

Out of the above, what can be identified as the change in estimates?

(1) A & C Only
(2) A & D Only
(3) A, B & C Only
(4) A, C & D Only
(5) B, C & D Only (.....)

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- **Use the information given relating to Malitha PLC for the Year ended 31st March 2016 to answer the questions 17 and 18.**

	Rs.'000
Profit for the year	1 400
Operational expenses	900
Dividend paid	100
Retained earnings as at 01.04.2015	1 800
Machinery revaluation reserve as at 01.04.2015	300
Stated capital of ordinary shares	2 000

* A revaluation loss of Rs. 200 000 on machinery has been reported for the year ended 31/03/2016, where the same machinery was reported with a profit of Rs.100 000 when it was revalued for the first time

17. How much is the **other comprehensive income** and the **total comprehensive income** for the year ended 31/3/2016

	Other comprehensive Income Rs.'000	**Total Comprehensive Income Rs.'000**	
(1)	(100)	1 600	
(2)	(100)	1 300	
(3)	200	1 600	
(4)	(300)	1 400	
(5)	500	1 500	(.....)

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18. The revaluation reserve and the total equity of the business as at 31/3/3016

	Revaluation Reserve (Rs'000)	Total Equity (Rs'000)
(1)	100	3 900
(2)	200	3 900
(3)	200	5 400
(4)	300	5 500
(5)	400	5 400

(.....)

19. Following information has been extracted from the trial balance prepared as at 31/03/2016 of the **Sulochana** PLC.

(Rs'000)

		Debit	Credit
Income tax payment	- 2015/2016	300	
	- 2014/2015	285	
Provision for income tax	2014/2015		350

It has been agreed with the Inland Revenue Department that the income tax for year ended 2014/15 should be Rs.325 000. The income tax for year ended 31/3/2016 has been estimated as Rs. 350 000. Using the information above,

What are the accurate values that should be included in the financial statements?

	Income tax expenditure (Rs)	Income tax liability (Rs)
(1)	325 000	50 000
(2)	325 000	65 000
(3)	325 000	90 000
(4)	350 000	65 000
(5)	350 000	90 000

(.....)

20. As at 01/04/2015 the number of issued ordinary shares of **"Mayuri" (Pvt) Limited** was 400 000 and ordinary share stated capital account had a balance of Rs. 10 000 000 as at the same date. A reserve capitalization was done for the shares, on one share was issued for every four shares held as at 01/10/2015at a value of Rs.25 per share. Further right issue occured for one share for every five shares held at that date all rights were exercied.

What is the increase or decrease in the equity of the company as at 31.03.2016 due to above transactions?

(1) Increase by Rs.2 000 000 (2) Decrease by Rs. 2 000 000 (3) Increase by Rs. 2 500 000
(4) Increase by Rs. 4 500 000 (5) Decrease by Rs. 4 500 000 (.....)

21. What is not relevant in change in the total equity of a company?

A Dividend paid to shareholder
B Recording accrued audit fees
C Capitalization of reserves
D Making of a right issue
E Propose dividends to the ordinary share holders

(1) A & B Only (2) A & C Only (3) A & E Only
(4) B & C Only (5) C & E Only (.....)

22. The following are some information of a **welfare association** for a year 2015.

	2015/12/31	2015/01/01
Accumulated Fund	420 000	350 000
Accrued Membership Fees	30 000	20 000

Additional Information :

1. Expenditure incurred by the association is Rs.120 000
2. Donations received within the year Rs.50 000
3. Membership fees received within the year is Rs.50 000
4. The association conducts a canteen

The profit earned from the canteen for the year ended 31/12/2015 is?

(1) Rs. 80 000 (2) Rs. 90 000 (3) Rs. 100 000
(4) Rs. 130 000 (5) Rs.140 000 (.....)

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23. Following information has been extracted from **Deshan** (Pvt) Limited

	As at 31/3/2016 (Rs)	As at 31/3/2015 (Rs)
Inventory	240 000	160 000
Trade Receivables	40 000	60 000

I Revenue for the year ended 31/3/2016 was Rs. 800 000 out of which Rs. 500 000 was credit sales.
II The gross profit margin is 25%

The stock turnover and debtors turnover for year ended 31/3/2016 is :

	Stock Turnover		Debtors Turnover
(1)	2.5	and	12.5
(2)	3	and	10
(3)	3	and	16
(4)	4	and	10
(5)	4	and	16

(.....)

24. Below given information relates to salaries of March 2016, of Flower pot manufacturer

	Rs.
Salaries paid to employees	83 000
Deductions from employee salaries	
Festival advances	12 000
Salary Advances	15 000
E P F	10 000
Employer contributions	
E P F	15 000
E T F	3 000

What is the gross salary of employers and total expenditure for salaries for March 2016 of the organization?

	Gross Salary (Rs)	Total Salary expense for employees (Rs)
(1)	83 000	101 000
(2)	101 000	83 000
(3)	102 000	83 000
(4)	120 000	138 000
(5)	138 000	120 000

(.....)

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25. From the given assumptions what are the correct assumptions relating to the Economic Order Quantity (EOQ) model?
A There is a fixed, known stock ordering cost
B There is a fixed, known stock holding cost
C Ordered quantity is received at once
D A new order is ordered as soon as stocks reach the re order level

(1) A & B Only (2) A , B & C Only (3) A , B & D Only
(4) B, C & D Only (5) A, B, C & D Only

(.....)

26. Given below are information relating to the overhead cost of production of **" Ruwangi"** manufacturers;

	Actual	Estimated
Total overhead cost	Rs. 160 000	Rs. 200 000
Total number of direct lobar hours	10 000	8 000
No. of direct labor hours to produce one unit	2	3

- Overhead is absorbed to units, based on the **direct labour hours**.

The overhead value absorbed to a unit is :
(1) Rs. 32 (2) Rs. 40 (3) Rs. 48 (4) Rs. 50 (5) Rs. 75

(.....)

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27. Out of the cost types listed, what are the cost type that is used for **"valuation of stocks"**
    A - Direct production cost
    B - Manufacturing overhead cost
    C - Opportunity cost
    D - Non manufacturing cost

    (1) A Only (2) B Only (3) A & B Only
    (4) A, B, and C Only (5) All, A,B, C & D (.....)

28. What Statement is not true regarding the Break Even Point (BEP) holding the other factors constant?
    (1) Increase in volume of sales will results in decrease in break even units.
    (2) Decrease in total fixed cost will result in decrease in break even units.
    (3) Increase in selling price per unit will result in decrease in break even units.
    (4) Increase in variable cost per unit will result in increase in break even units.
    (5) Break even units will not change as a result of change in sales volume. (.....)

29. Below given is the production level & the total cost relating to product X of a manufacture company.

Production Level (Units)	Total Cost (Rs.)
5000	500 000
6000	540 000

Variable cost per unit & the total fixed cost respectively

	Variable cost per unit (Rs.)		Total fixed cost (Rs.)
(1)	40	and	200 000
(2)	40	and	300 000
(3)	50	and	300 000
(4)	90	and	200 000
(5)	100	and	300 000

(.....)

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30. A company is planning to purchase a printing machine. Following Information relates to this machine.

	Rs.'000
A - cost of acquisition of the machine	3 000
B - Installation Fees	400
C - Depreciation of the machinery	300
D - Site preparation cost	200
E - Cost of market research done relating to purchasing of the machine.	100

What items will be included in estimating the cash flows of the machine?

(1) A, B &C Only (2) A, B & D Only (3) A, B & E Only
(4) A, C & D Only (5) All A, B, C, D & E (.....)

31. State the impact on the **"Assets" "Liabilities" "Equity"** as "Decrease" , "Increase" & "No changes" for following transactions.

	Assets	Liabilities	Equity
(1) An accured expense was settled by the owner using his personal cash.	.....	.....	.....
(2) Provision is made for doubtful debts from the trade debtors.	.....	.....	.....
(3) Deposit cash in the bank account when the balance is an over draft.	.....	.....	.....
(4) Building rent received in advance.	.....	.....	.....

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32. Below information relates to petty cash imprest of a business.

			Rs.
Balance of the petty cash book	-	2016.01.01	600
	-	2016.01.31	400
Reimbursement		2016.01.01	1 900

How much of an reimbursement to be made on 01/02/2016 if the imprest is to increase by Rs.500?
.....

33. As at 31/3/2016 a favorable balance of Rs.630 000 was in the balance of the bank statement of a business. But this balance was not agreed with the balance in the bank account. The causes for the difference is as follows.

(i) A standing order payment of Rs.10 000 to settle the loan installment
(ii) Cheques of Rs. 40 000 was deposited deposited but were not realized
(a) What is the bank account balance in the business before the adjustments are made as at 31.03.2016 .....
(b) What is the bank balance to be reported in the statement of financial position as at 31/3/2016.....

34. State whether following errors will have impact or not on the trial balance of a business.
(1) A sale invoice of Rs. 40 000 has not been recorded in the books of accounts. .....
(2) Rs. 15 000 of overdraft balance has been taken to the trial balance as a favorable balance. .....
(3) A discount given of Rs. 4 000 has been debited to discount received account. .....
(4) Bad debts write off of Rs. 30 000 has been recorded in the control account has not been recorded in the individual debtors account. .....

35. State the objective of the general purpose financial statements as per conceptual frame work for financial reporting.
.....
.....
.....
.....

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36. Identify the most appropriate accounting concept for below given scenarios for a Limited liability company enyge in trading business.

Scenarios	**concept**
A - Classification of Assets & liabilities in to current & non current in the statement of financial statement.	.....
B - Prepare an Income statement for every accounting period.	.....
C - Though the Rent paid in cash with in the year is Rs.500 000 Income Statement record Rs.600 000.	.....
D - The value of a motor vehicle obtained from a finance lease, is recognized in the statement of finance position.	.....

▲ Use the following information to answer the question number 37 & 38

Below information relates to two assets in a business.

Asset	Cost Rs 000	Useful Life (Years)	Scrap Valve Rs 000	Accumulated depreciation as at 01/04/15 Rs 000
Motor Vehicle	4 000	10	400	1 800
Machine	2 000	5	200	720

* Rs 600,000 was spent to make an advancement for the motor vehicle, on 01/04/2015 as a result the useful life of the machine was re estimated as 6 years. No changes to the scrap valve is been made.
* On 31/3/2016 machine of the business had been sold for Rs. 1 500 000

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37. What is the annual depreciation for the motor vehicle for the year ended 31st March 2016?

.....

38. How much is the Profit / Loss arising from the disposal of the machine?

.....

▲ **Use the information below to answer the questions 39 & 40.**

Kalana & **Nadun** is in a Partnership sharing profits and less in the ratio of 3 : 2 respectively. The following information relates to the year ended 31/3/2016.

* Annul salaries for kalana & Nadun is Rs 100 000 & Rs 60 000 respectively.
* Profit shares of Kalana & Nadun are Rs 60 000 & Rs 400 000 respectively.
* An advance for next years sales has been received in a cheque worth 100 000 on 25/03/2016 Nadun has taken this cheque for his personal use. No record has been made in the books of accounts relating to these transactions.
* Kalana has given a loan for the business of Rs 400 000. The annual interest payable is 10% which has not been recorded in the books of accounts.

39. As at 31/3/2016 the accurate net profit the partnership has earned is :

.....

40. Assuming that no opening balances were recorded balances of the current accounts of Kalana & Nadun as at 31/3/2016

Kalana Rs .....

Nadun Rs .....

41. Identify two differences between **provisions** & **contingent liabilities** as per LKAS 37

Provisions	**Contingent liabilities**
(1)	(1) .....
.....	.....
(2)	(2) .....
.....	.....

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42. Financial period of a limited liability company ends on 31/3/2016. The Financial Statements have been approved on 30/5/2016. Categorize the below given events into **adjusting** or **non adjusting** events using "√" , "X"

	Adjusting events	**Non adjusting events**
(1) Declaring a dividend for the ordinary shares	.....	.....
(2) A judgment was received for a low suit for which the provision is already made for the compensation.	.....	.....
(3) Decrease in prices of the investments	.....	.....
(4) A debtor who existed as at 31/3/2016 was declared as bankrupt	.....	.....

43. Extracts of the statement of Financial position as at 31/3/2016 of Amali PLC is given below.

		Rs'000
Stated capital		
Ordinary shares (10,000)		300
Reserves		
General Reserve	40	
Retained Earnings	18	58
Total Equity		358

Additional Information :

(1) A reserve capitalization was made for existing share holders at Rs 40 per share on 01/10/16.

(2) 5000 shares were issued at Rs 20 each as a right issue on 01/10/2016.

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(a) State the double entry relevant for the capitalization of reserves

.....

.....

.....

(b) After the above transactions what is the total equity of the business as at 01/10/2016.

.....

44. **Vimukthi PLC** made a public issue of 500 000 shares Rs 20 per share for the year ended 31/3/2016. Application were received for 750 000 shares with total proceeds. 500 000 shares were apportion pro rata & the surplus money received were sent back to the applicants.

Write the journal entries for followings (Narration is not required)

(a) Sending surplus proceeds to applicants

.....

.....

(b) Allotment of shares

.....

.....

45. Following information relates to two companies

	Sasindu Company	**Kavidu Company**
Debt to Equity Ratio	2 : 1	1 : 2
Inventory Turnover Ratio	6 Time	10 Time
Interest Coverage Ratio	5 Time	10 Time
Total Asset Turnover	35%	10%
Quick Asset Ratio	1 : 1	0 . 5 : 1

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Company

(a) The best company in terms of liquidity .....

(b) The best company of asset utilization .....

(c) With securing the security of long term debt holders .....

(d) Company that is more leveraged .....

46. State the documents used for the below activities in **inventory control**.

(i) Stores request to purchase materials from the purchasing department. .....

(ii) A production department request goods from the stores. .....

(iii) Purchasing department request goods from an external supplier. .....

(iv) Certification of goods received to stores from a supplier. .....

47. Following information relates to the **"Copra"**of the Coconut oil Production business of **Sunderam**.

Maximum Ordering time	6	Days
Lead time Days	2	Days
Minimum usage per day	60	kg
Re Order quantity	500	Units
Maximum Inventory level	980	Units

How much is the maximum usage per day? .....

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48. Select the purpose of keeping below given records which are relating to labour cost control of an organization, by categorizing them as **"Retaining time"** and **"Active time"** using **"√"** Mark.

	Record	**Retaining time**	**Active time**
(i)	Daily time sheet	.....	.....
(ii)	Finger print machine	.....	.....
(iii)	Signing register	.....	.....
(iv)	Job sheet	.....	.....

49. State whether following statements are true or false relating to the overhead cost of a manufactoring organization

		True/False
A -	"provision" is allocating overhead to a cost center which can be directly identified	.....
B -	"square feet of the floor' can be used as an allocation basis in reallocating the storage overhead cost in to production cost centres	.....
C -	overhead absorption rates can be calculated by dividing the estimated total overhead cost by actual no of units produced	.....
D -	re distribution of overhead costs accumulated in the service departments to the production centres is known as re-apportment.	.....

50. below given information relates to cost information of a tennis ball manufactoring company.

Variable cost per unit	(Rs)	60
Total Fixed cost	(Rs)	100 000
Contribution to sales ratio		40%

Calculate the followings at expected no of sales units of 5 000

(a) number of tennis ball of margin of safety .....

(b) expected profit at 5 000 units of expected sales Rs. .....

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G.C.E (A. L.) Support Seminar – 2016

33 - Accounting II

Three Hours

Key Instructions :

- ★ Answer only six questions including question one & two.
- ★ Start Answering each question with a fresh sheet.
- ★ Attach your workings to the answer sheet.

1. The Trial balance of viscam PLC is given below as at 31/3/2016

	Dr.(Rs'000)	Cr.(Rs'000)
Property plant & Equipment cost/revalued value	15 000	
stock as at 01/04/2015	1 800	
Purchases	8 500	
Trade receivables	3 500	
Rent on building	720	
3 months treasury bills at 10%	1 200	
Salaries for employees	810	
Lease interest	465	
Rates & Insurance	60	
Fuel for motor vehicle & maintenance cost	80	
Electricity & Telephone expense	320	
Sales commission	52	
Bank balance	512	
Sales		15 700
Stated capital of ordinary shares as at 01/04/2015		10 000
General reserve		1 500
Retained earnings as at 01/04/2015		944
Lease creditors		1 200
Trade payables		1 535
(PPE) Accumulated depreciation as at 01/04/2015		1 740
Provision for doubtful debts as at 01/04/2015		400
	33 019	33 019

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Additional Information :

Adjustments are need to be done for the following before preparing the financial statements for the year ended 31/03/2016

(i) The cost of the closing stock & its net realizable value as at 31/03/2016 was Rs 1 500 000 & Rs 1 600 000 respectively. However on 01/05/2016 the entire stock was sold for Rs 1 450 000. Directors approved the financial statements of the company on 30/05/2016.

(ii) The composition of property, plant, equipment & other information are given below.

Assets	Cost/Fair value as at 31/03/2016 (Rs '000)	Accumulated depreciation as at 01/04/2015 (Rs '000)
Land	8 000	-
Administration building (Before revaluation)	5 000	1 500
Delivery vehicles	1 200	-
Furniture & Office equipment	800	240
	15 000	1 740

- The administration building, furniture & office equipment are depreciated on cost at 10% on the straight line basis.

(iii) The land has been bought in 2013 at cost of Rs 8 500 000. In 2014, a professional valuer has revalued it for the first time for Rs 8 000 000 on 31/03/2016 this land has been again revalued for Rs 10 000 000.

(iv) The administration building has been revalued for the first time on 31/03/2016 for Rs 3 400 000.

(v) The delivery van shown under property plant & equipment has been acquired on 01/04/2015 under a finance lease. The lease term is 4 years where as the economic useful life of it is 5 years. The lessee will not have transfer ownership of the asset at the end of the lease period. No down payment has been made & the annual installment paid has been debited to lease interest Account. The lease interest for the 4 years as follows.

Year	Interest (Rs '000)
2015/16	240
2016/17	195
2017/18	145
2018/19	80

(vi) Treasury bills has been purchased on 01/01/2016.

(vii) The rent on building shows the annual rental to operate the show room & the stores. This has been rented on 01/10/2015. Also, rates & insurance of Rs 80,000 was accrued for the quarter ending 31/03/2016.

(viii) The contribution for EPF from the employee & the employer are 10% & 15% respectively. Contribution for ETF is 3%. There is neither provision nor a payment has been made relating to EPF & ETF. Employee salaries show the values after deducting the relevant EPF contribution of the employee.

(ix) The interest on the treasury bills have been accrued for the year.

(x) It is decided to write off Rs 80,000 as bad debts from the year end trade receivable balance & to provide 10% provision for doubtful debts, from the balance trade receivable value.

(xi) The income tax for the current year has been estimated as 1/3 rd from the profit before tax. Neither a provision nor a payment has been made in this regard.

(xii) Board of directors has been take following decisions as at 31/03/2016.

- Transfer Rs 500 000 from retained earnings to general reserve
- Pay a dividend of Rs 600 000.

Required :

Published financial statements for **Vihanga** PLC as per LKAS 1 (Presentation of financial statements)

1. Profit or loss and other comprehensive income statement for the year ended 31/03/2016
2. Statement of changes in equity for the year ended 31/03/2016
3. Statement of financial position as at 31/03/2016 **(20 Marks)**

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2. (a). **Olu, Nelum** & **Manel** conducted a partnership business sharing profits 2 : 2 : 1
Statement of financial position as at 31/03/2015 is as follows;

	(Rs 000)	(Rs 000)
Non current Assets		
Property Plant & Equipment	3 800	
Accumulated depreciation	(820)	2 980
Current Assets		
Inventories	250	
Trade Receivables	750	
Provision for doubtful debts	(150)	
Cash	480	1 330
		4 310
Capital Accounts		
Olu	900	
Nelum	700	
Manel	800	2 400
Current Accounts		
Olu	460	
Nelum	400	
Manel	540	1 400
Current Liabilities		
Trade creditors	400	
Accrued office expenses	110	510
		4 310

Additional Information :

01. **Manel** retired from the business on 01/04/2015. It was agreed that the goodwill of the business is Rs 800 000. All adjustments relating to goodwill is to be adjusted through the capital accounts. The amount payable to Manel was agreed to transfer to a loan accounts, to allow an annual interest of 5% for the loan amount.
02. Other partners agreed to continue the partnership of Olu & Nelum under the following agreements;
    (a). Annual remuneration of Rs 120 000 for all partners
    (b). 10% of annual interest on adjusted capital balances
    (c). Share profits equally
03. A summary of cash transactions done for the year ended 31/03/2016 is given below

Receipts	**Rs.000**
Receipts from debtors	5 250
Payments	
Employee salaries	400
Payments to creditors	3 100
Office expenses	600
Distribution expenses (for 15 months starting from 01.04.2015)	900
Drawings - Olu	240
- Nelum	260
Interest on loan paid to manel	75

04. All property plant & equipment are depreciated annually at 10% on straight line basis.

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05. Current Assets & Liabilities as at 31/3/2016

	Rs '000
Inventory	700
Trade Debtors	500
Accrued office expenses	150
Trade creditors	100

06. It is the policy of the partnership to provide 20% provision for doubtful debts annually on the year end balance of trade receivables.

07. All purchase & sales done on credit basis.

Required :

1. Income statement for the year ended 31/03/2016 (Including the distributions)
2. Capital & current accounts of the partners for the year ended 31/03/2016
3. Statement of financial position as at 31/03/2016 **(10 Marks)**

(b). Below given is the primary distribution done for a specific period of **Lalithya Enterprise** which manufacture a special type of a flower pots

Production Departments		Service sections	
Finishing (Rs)	Painting (Rs)	Stores (Rs)	Maintainance (Rs)
505 000	600 000	105 000	70 000

Additional Information :

(1)

	Finishing	Painting	Stores	Maintenance section
Estimated total machine hours	3000	2000	-	-
Maintainance hours	5000	3000	-	-
No. of stores requisition notes	20	30	-	-
No. of Employees	25	15	5	5
No. of machine hours required for producing one unit	1	1/2	-	-

(2) It is revelad later that following items have been omitted from the primary distribution

Employee welfare expenses		100 000
Salaries for supervision	- Finishing	120 000
	Painting	139 000

(3) Direct material cost per unit and direct labour cost per unit are Rs. 400 and Rs. 200 respectively. No other direct cost is incurred.

Required :

1. Statement of overhead analysis
2. Calculate the total cost per unit assuming that the costs are absorbed based on **machinery hours** for production departments.
3. Calculate the total cost per unit assuming that the overhead cost is absorbed on the basis of 75% of prime cost.

(10 Marks)
(20 Total Marks)

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3. (a) Following are the extracts of the statement of financial position of the **"Miyuru"** Enterprise on 01/01/2016

	Rs'000
Land	1 400
Motor Vehicles	1 000
Furniture & Fittings	500
Inventory	165
Trade receivables	135
Cash balance	550
12% Bank loan	100
Trade payables	450

Following transactions are occurred in the month of January.

1. Purchase of goods for Rs 65 000
2. Goods costing Rs 80 000 was sold for Rs 115 000 & received Rs 75 000 in cash where the balance is on credit.
3. Payment of building rent for Rs 20 000 for the month of January.
4. Rs 100 000 was received from a trade debtor where a discount of 5% is given.
5. **Miyuru** Used funds of the business to settle his personal electricity bill of Rs 5 000
6. Bank loan settled is Rs.6 000 and Interest included in it is Rs 1 000

Required :

1. Records the impact of the above given transaction to the business for the month ending 31/01/2016 using the given Accounting equation.

Transaction No. and Balance	Assets				Liabilities		Equity
	(Property plant & Equipment)	Trade Receivables	Inventory	Cash	Trade payables	Bank Loan	
B/F Balance							

2. Calculate net profit of the business using net assets.

(05 Marks)

(b) Below information relates to the salaries of the employees for the month of March 2016 of **Sherin PLC.**

(i) The employer and the employee contributions on the basic salary of the employee is 10% & 15% respectively. Employers ETF contribution is 3%.

(ii) During the month of March loan installments of Rs. 80 000. Festival advances of Rs. 500 000 and 300 000 salary advances has been deducted from the employee salaries.

(iii) The payment of employee salaries, wages and other expenses are made on 10th of the next month

(iv) The composition of the salaries & wages are as follows :

Earning Item	Total (Rs'000)	Production employees (Rs'000)	Production supervision	Other services of non-production
Basic salary	2 800	1 500	300	1 000
Incentive allowance	300	250	50	-
Bonus based company profit	470	150	20	300
Travelling allowance	260	100	10	150
Overtime allowance	50	50	-	-
Gross salary	3 880	2 050	380	1 450

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Required :

1. A pay sheet showing the total values of each item based on the above information.
2. Show the **direct wages, salaries relating to production overheads** and **total labour cost** separately relating to employees.

(05 Marks)
(15 Total Marks)

4. (a). Following information relates to the **Siril's trading** business for the month of March 2016.

- Balances as at 1st March in the creditors ledger

	Rs
Amith	20 000
Charith	30 000
Janith	24 000
Sumith	16 000
	90 000

- Summary of the primary journals prepared for the month of March

Purchase journal

Supplier	Value (Rs)
Amith	75 000
Charith	60 000
Janith	37 500
	172 500

Purchase Return Journal

Supplier	Value (Rs)
Amith	5 000
	5 000

Cash Disbursement/Payment Journal

Description	Amount	Purchase	Creditors	Other payment
Purchases	40 000	40 000		
Amith	20 000		20 000	
Charith	10 000		10 000	
Purchases	30 000	30 000		
Paid Building Rent	25 000			25 000
Sumith	10 000		10 000	
Janith	30 000		30 000	
Amith	15 000		15 000	
Paid interest	8 000			8 000
Lalith	20 000		20 000	
	208 000	70 000	105 000	33 000

- A Payment of Rs. 20 000 made to Lalith for purchasing a computer on credit has been recognized as payment to creditors.

Required :

For the month of march 2016,

1. List of balances for the debtors ledger and the creditors ledger.
2. Creditors control (including the corrections made) & Purchase account in the general ledger.

(10 Marks)

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(b) The property plant & equipment at cost & the accumulated depreciation as at 01/04/2015 of the Sadun's business are given below.

	Cost (Rs'000)	Accumulated Depreciation (Rs'000)
Building	6 500	3 250
Motor Vehicle	4 800	2 200
Machine	3 000	1 500
Furniture and Fittings	1 000	400

* Building has been renovated by incurring a cost of Rs 1 250 000 on 01/04/2015. As a result of the renovation the useful life of the asset has been increased from 20 years to 25 years. No scrap value is estimated.
* The motor vehicle of the business is revalued for Rs 3 800 000 on 01/04/2015.
* Old machine of the business has been sold for Rs 1 000 000 on 01/04/2015.
* The scrap value of the furniture and fittings have been estimated as Rs 200 000 & Rs 50 000 respectively. The estimated useful life of the assets are estimated as 20 years and 9 years respectively.
* On 01/10/2015 office equipment have been purchased for Rs 500 000

Required :

1. Annual depreciation for building, furniture and fittings and office equipment for the year ended 31/03/2016.
2. Profit/Loss on revaluation of motor vehicles.
3. Machinery disposal account.

(05 Marks)
(15 Total Marks)

5. (a) The profit or loss and other comprehensive Income statement for the year ended 31/3/2016 of **Surya PLC** is given below.

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Profit or loss & other comprehensive Income Statement

	Rs'000
Sales	8 500
Cost of Sales	(5 300)
Gross profit	3 200
Other Income	100
	3 300
Distribution expenses	(2 300)
Administration expenses	(550)
Financial expenses	(70)
Profit before tax	380
Income Tax	(220)
Profit for the period	160

Summarized Statements of Financial Positions as at 31/03/2015 and 31/03/2016 are as Follows ;

	31/03/2016	31/03/2015
	Rs'000	Rs'000
Property plant & Equipment (Net book Value)	3 800	4 000
Inventory	600	350
Trade debtors	430	540
Prepaid Operational Expenses	30	65
Three Months Treasury Bills	80	100
Bank	20	–
Cash	70	85
	5030	5140
Stated capital-ordinary shares	3 600	3 300
Retained Earnings	250	150
Bank loan	700	900
Trade creditors	150	180
Accrued Income tax	110	80
Accrued operational Expenses	220	150
Bank Overdraft	-	380
	5030	5140

Additional Information :

1. A Machine with a net book value of Rs 800 000 was sold on 31/3/2016 and the profit earned is included in the other income in the income statement.
2. Depreciation for the year ended 31/3/2016 is Rs 280 000.
3. An interim dividend has been paid by the company to its shareholders with in the year.
4. 60% Of total sales is on cash basis while all the purchases are done on a credit basis.
5. The bank loan installment settled with in the year is Rs470 000 out of which Rs. 70 000 is loan interest. The financial cost shows this loan interest.

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Required :

1. Cash flow statement **using the direct method** as per LKAS 07 **(10 Marks)**

(b) **Chirathma** is a sole trader. Below given is the statement of financial position prepared by an account assistant of the business.

Statements of Financial Positions as at 31/12/2015

	Rs	Rs
Property plant & equipment		600 000
Inventories	240 000	
Trade debtors	110 000	
Bank & cash in hand	280 000	
Suspense Account	100 000	
		730 000
		1 330 000
Capital	800 000	
Net Profit	300 000	
		1 100 000
Trade Creditors		230 000
		1 330 000

Following errors were later revealed.

1. Discount given of Rs 3 500 were recorded in the ledger as Rs 5 300
2. Cash sales of Rs 20 000 has been recorded twice in the sales account.
3. Payments made for creditors of Rs 65 000 and salaries of Rs 15 000 has been correctly recorded in the cash disbursement journal and cash control account. But they nave not recorded in the relevant other ledger accounts.

Required :

1. Journal entries to correct the errors and a statement to correct the net profit.
2. Statement of financial position after making the adjustments for errors on 31/12/2015

(05 Marks)
(15 Total Marks)

6. (a) A commerce society of a school is planning to organize a musical show using its students who are good at signing in order to generate funds to the commerce day. The expected income and cost information are given below ;

	Rs
Price of a ticket	100
Refreshments and other expense cost per student	30
Ticket printing cost	2 000
Stationery Expense	1 000
Auditorium Rent	10 000
Advertising Expense	2 000
Expense for audio equipment	20 000

Required :

1. No. of tickets to be sold to achieve a level that generate neither a loss nor a profit
2. No of tickets to sell to make a profit of Rs. 35 000
3. Profit earned for selling 750 tickets
4. How much should charge as price per ticket for earning profit of Rs. 37 000 when selling 800 tickets. **(05 Marks)**

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(b) The sole trader business conduct by **Lahiru** use the bank account (using cheques) to do all its payments other than the **petty cash expenses**. All the cash receipts are banked on the same date. Details regarding the bank transactions are given below;

(1) Transactions occurred in the **month** of March 2016:

Receipts		(Rs'000)	Payments	(Rs'000)
Cash sales		560	Cash Purchases	420
Sale of office equipment		200	Payments to creditors - Sanath	300
Receipts from debtors	- Amal	320	Payments for expenses	240
Cash sales		60	Payments to creditors - Ravi	40
Receipts from debtors	- Kamal	150	Purchases	200

(2) Summary of the bank statement for the Month of March 2016.

	(Rs'000)
Cheques not realized	1 000
Payments made for the cheques issued	700
Direct deposit of debtors	100
Bank charges	20
Insurance Installment paid under Standing order	15
Deposited returned Cheques	90

(3) The bank balance of the business as at 01.03.2016 was Rs.10 000 and the balance of the bank statement as at the same date was agreed with bank balance of the business.

(4) Discount given to the trade debtors was Rs. 4 000 discount received from the trade creditors are Rs.3 000.

Required :

(1) Using the information given in (1), prepare the bank receipt and payment journal for the month of March 2016.

(2) Prepare adjusted bank account as at 31/03/2016 and bank reconciliation Statement.

(10 Marks)

(15 Total Marks)

7. (A) A company is planning to purchase a sophisticated machinery and to dispose its existing machine. The estimated cost of the new machinery as follows ;

	Rs'000
Purchase cost	2 500
Installation cost	200
Site preparation cost	300
Transportation cost of the machinery	100

You have provided with the following information :

1. Old machine can be sold for Rs 600 000. The net book value of the old machine is Rs 500 000.
2. As a result of purchasing the new machinery, the working capital requirement will increase from Rs 100 000 to Rs 250 000. The incremental change will be realized in the fourth year.
3. The estimated useful life of the new machinery and old machinery's' future expected useful life is four years. The scrap value of the new machine is Rs. 200 000 where as the scarp value of the old machinery is regarded as nil.
4. The estimated annual **operational** cash flows for the next four years are given below.

Year	Cash receipts Rs'000		Cash payments Rs'000	
	Old Machine	New Machine	Old Machine	New Machine
1	800	1 800	400	600
2	900	2 300	500	800
3	900	2 400	600	1 100
4	800	2 200	550	1 300

5. The discounting cumulative factors (DCFs) at the required rate of 10% is given below :

Year	1	2	3	4
Discounting factor	0.9	0.8	0.7	0.6

Required :

1. The initial net cash flow of the project (showing the relevant items separately).
2. Annual net cash flows from the first year.
3. Net Present Value of the new machinery.

(05 Marks)

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(A) **Maheshika Womans Association** provides loans for self employed members and for disaster management Situations.

In order to raise the funds of the association in addition to the membership fees, the association conducts a fabric bag manufacturing business with the help of its members. The members who are contributing their labor are in order to pay reasonable remuneration.

Some of the selected information of the association are given below :

1. **Cash receipts**

	Rs
Membership fees	300 000
Receipt of interest on loan	80 000
General donation	200 000

2. **Cash Payments**

	Rs
Purchase of raw materials	350 000
Production on overhead cost of the sewing centre	113 100
Administration cost	300 000
Expenses of selling bags	50 000
Donation for disaster situations	250 000

3. **Assets and Liabilities**

	2016.03.31 (Rs)	2015.04.01 (Rs)
Sewing Machines (Net Book Value)	450 000	500 000
Raw Materials	41 000	43 000
Membership fees received in advance	15 000	20 000
Membership fees Receivable	30 000	10 000

4. Finished bags of 200 were in the stock at 01.04.2015. the cost of production per unit is Rs 300. The stock of finished bag inventory is 400 as at 31.03.2016.
5. Total bags produced for the year is 2020 units.
6. An employee is paid Rs 50 per unit of finished bag. Payment for employees are yet to be made for the current year.
7. 1/3 of operational cost are relating to sewing centre
8. Selling price of a bag is Rs 450.

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Required :

Prepare the followings for the year ended 31st March 2016 :

1. Manufacturing account for the Sewing centre
2. Income Statement for the sewing Centre
3. Income and Expenditure account of the women Association

(10 Marks)
(Total Marks 15)

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