සියලු ම හිමිකම් ඇවිරිණි / முழுப் பதிப்புரிமையுடையது / All Rights Reserved]

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Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
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අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2018 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2018 ஓகஸ்ற்
General Certificate of Education (Adv. Level) Examination, August 2018

21.08.2018 / 0830 – 1030

ගිණුම්කරණය	I
கணக்கீடு	I
Accounting	**I**

33 E I

පැය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

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

Index No. : .....

For Examiner's Use Only

	Signature	Code No.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F.		
Chief		

For paper I	
Q. Nos.	Marks
01 - 30	
31 - 50	
TOTAL	

1. Which of the following statement/s is/are **correct** pertaining to general purpose financial statements prepared by a firm?

A - They provide mainly past financial information of a firm.
B - They are prepared on demand of the external users.
C - They are prepared in compliance with accounting standards and legal requirements.

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

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

The following transactions took place in Nihal's business.

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

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

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

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

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

[*See page two*

4. The source documents used to record transactions with **Upasena** in the books of Nihal's business in the order of their occurrence:
(1) Invoice, Credit Note, Payment Voucher
(2) Invoice, Debit Note, Payment Voucher
(3) Invoice, Debit Note, Journal Voucher
(4) Invoice, Credit Note, Journal Voucher
(5) Invoice, Journal Voucher, Payment Voucher (.....)

5. Which of the following statement/s is/are **correct** in relation to the general ledger?
A - The transactions of an entity are initially recorded in the general ledger.
B - The general ledger is the collection of accounts maintained by an entity based on the double entry system.
C - The transactions of an entity are posted to the general ledger after recording in the prime entry books.
D - Closing entries are passed for all accounts in the general ledger of an entity at the end of the accounting period.
(1) A only (2) B and C only (3) A, B and C only
(4) B, C and D only (5) All A, B, C and D (.....)

6. The equation that represents the profit earned by a business during a financial year:
(1) Year-end equity + Drawings + New capital introduced – Beginning of the year equity
(2) Year-end equity + Drawings – New capital introduced – Beginning of the year equity
(3) Year-end equity – Drawings + New capital introduced – Beginning of the year equity
(4) Year-end equity – Drawings – New capital introduced – Beginning of the year equity
(5) Year-end equity + Drawings + New capital introduced + Beginning of the year equity (.....)

7. Which of the following statement/s is/are **correct** in relation to application of accounting concepts in the preparation of financial statements?
A - Equity is identified as a separate element in financial statements in line with the entity concept.
B - Going concern concept provides the basis for classification of assets and liabilities as current and non-current in the financial statements.
C - Recognition of depreciation for each period in the income statement is in line with the matching concept.
(1) A only (2) A and B only (3) A and C only
(4) B and C only (5) All A, B and C (.....)

8. Which of the following measurement bases can be used to measure the elements of financial statements as per Sri Lanka Accounting Standards?
A - Historical cost B - Fair value
C - Realisable value D - Present value
(1) A and B only (2) A and C only (3) A, B and C only
(4) A, B and D only (5) All A, B, C and D (.....)

9. The qualitative characteristic of accounting information that is **most** protected when leases are classified as finance and operating as per LKAS 17 (Leases):
(1) comparability (2) faithful representation (3) timelines
(4) understandability (5) verifiability (.....)

10. Which of the following are considered as components of financial statements prepared by a welfare society?
A - Accumulated Fund Account
B - Statement of Financial Position
C - Statement of Cash Flows
D - Subscription Account
E - Income and Expenditure Account
(1) A and D only (2) B and C only (3) A, D and E only
(4) B, C and E only (5) A, B and E only (.....)

[See page three

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

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

(i) Cheques of Rs. 180 000 received from debtors during March 2018 have been recorded only in the cash receipts journal and the respective accounts in the debtors' ledger. However this has not been posted to the general ledger.

(ii) Credit sales of Rs. 520 000 has been recorded in the sales journal as Rs. 250 000. However, this has been correctly recorded in the debtors' ledger.

(iii) A bad debt written off amounting to Rs. 50 000 has been correctly recorded in the general ledger. However, this has not been recorded in the respective debtor's account in the debtors' ledger.

(iv) A balance of Rs. 80 000 has been omitted in extracting balances from the debtors' ledger.

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

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

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

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

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

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

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

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

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

The following information relates to Nalinda and Shantha partnership.

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

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

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

The profit of the partnership for the year ending 31.03.2018 was Rs. 500000. During the year, Nalinda and Shantha have drawn cash Rs. 100000 and Rs. 50000 respectively from the partnership. There were no any other cash withdrawals by the partners.

14. The equity of this partnership as at 31.03.2018:

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

[*See page four*

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

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

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

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

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

	Cost (Rs.)	Date	
(1)	540 000	15.04.2017	
(2)	650 000	15.05.2017	
(3)	650 000	30.06.2017	
(4)	725 000	30.06.2017	
(5)	755 000	15.05.2017	(.....)

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

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

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

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

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

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

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

[*See page five*

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

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

(.....)

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

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

(.....)

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

Cash Account (Rs.)

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

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

(1) Rs. 65 000 (2) Rs. 75 000 (3) Rs. 85 000
(4) Rs. 115 000 (5) Rs. 190 000

(.....)

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

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

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

Date	Description
01.05.2017	A public issue of 20 000 shares at Rs. 15 per share was made. Applications were received for 25 000 shares. Shares were allotted on pro-rata basis.
01.01.2018	Retained earnings were capitalized by issuing one share for every four held as at 01.04.2017 at Rs. 20 per share.

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

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

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

(.....)

[*See page six*

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

A - A building costing of Rs. 1 000 000 was destroyed due to a fire that occurred on 10.04.2018.

B - A debtor who owed Rs. 500 000 was declared bankrupt on 05.05.2018. This debtors balance arose due to a sale of goods on 05.04.2018.

C - A tax estimate of Rs. 400 000 payable for the vehicles imported on 31.03.2018 was informed to the company by the Sri Lanka Customs on 10.05.2018.

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

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

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

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

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

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

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

(.....)

24. Which of the following statements is **false** in relation to accounting ratios of a company? (Assume that other factors affecting each situation remain constant.)

(1) An increase in the income tax rate in the current year does not impact on the interest-cover ratio.

(2) An increase in the debtors turnover ratio compared to the last year indicates the adoption of an effective debt collection strategy in the current year.

(3) An increase in the inventory residence period compared to the last year indicates the adoption of an effective inventory management policy in the current year.

(4) An increase in cash and cash equivalents compared to the last year indicates an increase in the liquidity ratios in the current year.

(5) An increase in the closing stock compared to the last year will not affect the quick assets ratio in the current year.

(.....)

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

A - It is carried out at the discretion of the management.

B - It focuses on the needs of all stakeholders.

C - It is used for planning of future activities.

D - It provides information based on generally accepted accounting principles.

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

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[*See page seven*

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

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

The company works all seven days of the week.

The minimum and maximum inventory levels maintained by this company:

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

(.....)

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

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

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

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

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

(.....)

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

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

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

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

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

(.....)

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

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

(.....)

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

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

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

(.....)

..... × ..... = ... **Marks**

[*See page eight*

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

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

(1) Government (2) Investors (3) Lenders (4) Managers

Information	**Stakeholder (Indicate the No.)**
A - The entity's ability to meet its long-term obligations	.....
B - The profitability of the entity compared to the capital invested	.....
C - The cost of products manufactured by the entity	.....
D - The amount of taxes paid by the entity	.....

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

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

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

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

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

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

Transaction	**Prime Entry Book**
(1)	.....
(2)	.....
(3)	.....
(4)	.....

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

Transaction	**Type of Account**				
	Asset	**Liability**	**Equity**	**Income**	**Expenses**
(1)	.....	.....	.....	.....	.....
(2)	.....	.....	.....	.....	.....
(3)	.....	.....	.....	.....	.....
(4)	.....	.....	.....	.....	.....

[*See page nine*

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

The following information relates to Amal PLC as at 01.04.2017.

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

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

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

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

35. The following as at 31.03.2018:

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

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

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

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

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

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

In relation to recognition of revenue of the above order:

(a) Date of recognition of revenue : .....

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

(c) The most applicable accounting concept : .....

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

	Impact on profit (Indicate as I, D or NC)
A - Accrued electricity	.....
B - Interest income receivable	.....
C - Discounts received from creditors	.....
D - Surplus on revaluation of a land for the first time	.....

[*See page ten*

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

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

Indicate the following of this sports club:

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

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

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

	Rs.	Rs.
5% interest on capital:		
Anura	5 000	
Bimal	20 000	25 000
Profit share:		
Anura	20 000	
Bimal	10 000	30 000

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

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

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

Description	Dr. (Rs.)	Cr. (Rs.)
.....	.....	
.....		.....

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

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

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

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

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

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

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

[*See page eleven*

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

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

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

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

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

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

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

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

The following ratios of the company for year ending 31.03.2018:

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

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

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

Indicate the following:

(a) Budgeted production overheads per unit Rs. .....

(b) Budgeted production cost per unit Rs. .....

(c) Budgeted total overheads per unit Rs. .....

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

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

Indicate the following:

(a) The economic order quantity (EOQ) of this raw material .....

(b) No. of orders to be placed per annum based on the EOQ .....

[*See page twelve*

49. A company produces a single product and sells at Rs. 60 per unit. If the company sells 16 000 units, the loss per unit is Rs. 10 and if it sells 40 000 units, the profit per unit is Rs. 8.

Indicate the following:

(a) Total fixed cost Rs. .....

(b) Contribution per unit Rs. .....

(c) Break-even point Units .....

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

Indicate the following for the proposed project:

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

(b) Expected annual net profit Rs. .....

Marks

* * *

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සියලු ම හිමිකම් ඇවිරිණි/முழுப் பதிப்புரிமையுடையது/All Rights Reserved]

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
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අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2018 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2018 ஓகஸ்ற்
General Certificate of Education (Adv. Level) Examination, August 2018

ගිණුම්කරණය கணக்கீடு **Accounting**	**II** **II** **II**	**33 E II**	**27.08.2018 / 0830 – 1140**

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

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

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

Instructions:

* *Answer **six** questions only, including questions **one** and **two**.*
* *Begin each answer on a **fresh sheet** of paper.*
* *Relevant workings should be attached to the answer script.*

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

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

Additional Information:

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

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

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

[*See page two*

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

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

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

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

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

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

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

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

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

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

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

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

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

Required :

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

(1) Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2018

(2) Statement of Changes in Equity for the year ending 31.03.2018

(3) Statement of Financial Position as at 31.03.2018

(Total 20 marks)

[*See page three*

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

	Rs.'000
Inventory :	
Raw material	600
Work-in-progress (valued at production cost)	800
Finished goods	1 200
Capital Accounts :	
Amal	10 000
Bimal	6 000
Chamal	4 000
Current Accounts :	
Amal	1 200
Bimal	1 000
Chamal	600
Loan Account – Amal	4 000

Additional information :

(i) The terms of the partnership agreement are as follows :

- Amal, Bimal and Chamal share profits and losses in the ratio of 5:3:2 respectively.
- Partners are entitled to an annual interest of 10% on the opening capital balances.
- Partners are entitled to an annual interest of 12% for the loans provided.

(ii) The following information is provided for the year ending 31.03.2018.

	Rs.'000
Raw material purchases	1 400
Direct wages	700
Administrative and distribution expenses	2 350
Finance expenses	350
Sales	9 700
Production overheads	300

(iii) Inventory as at 31.03.2018 :

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

(iv) Interest on Amal's loan has not been paid and no entry has been made in the books in this regard.

(v) Chamal is paid a monthly salary of Rs. 10 000 for serving as the manager of the factory. The salaries paid to Chamal for a 10 month period has been included in production overheads. Salaries for the balance period have been neither paid nor accounted for.

(vi) The depreciation for the current year is Rs. 1 400 000 and it has been accounted for under administrative and distribution expenses. This amount has to be equally distributed between the factory and the administration office.

(vii) Bimal retired from the partnership with effect from 31.03.2018 due to ill-health. On this date, his share of goodwill was estimated and accounted for as Rs. 2 100 000. Of the amount due to him, Rs. 3 000 000 was paid for his medical treatment at the time of retirement and the balance was transferred to a loan account. Amal and Chamal decided to continue the partnership by sharing profits and losses in the ratio of 5 : 2 respectively.

Required :

(1) Income Statement of Amal, Bimal and Chamal partnership for the year ending 31.03.2018 (including appropriations to partners)

(2) Capital and Current Accounts of Partners for the year ending 31.03.2018

(3) Bimal's Loan Account

(10 marks)

[*See page four*

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

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

Description	**Factory (Rs.)**	**Store (Rs.)**	**Total (Rs.)**
Rent	180 000	50 000	230 000
Indirect wages	?	?	400 000
Electricity charges	120 000	30 000	150 000
Machinery insurance	90 000	20 000	110 000
Rates for buildings	90 000	30 000	120 000
Charges for security services	?	?	360 000

Description	**Processing**	**Bottling**	**Store**
Number of indirect employees	10	15	15
Floor area (square meters)	12 000	18 000	8 000
Production machinery cost (Rs.)	400 000	200 000	–
Cooling machine cost (Rs.)	–	–	250 000
Machine hours for the period	100 000	65 000	–
Number of security personnel	2	2	8
Total kilowatt hours for the period	3 000	2 000	1 000

Additional information:

(i) Production machinery and the cooling machine are depreciated annually at 10% and 8% respectively on straight-line method.

(ii) The total overheads of the Store is re-apportioned between **Processing** and **Bottling** divisions on the basis of cost of production machinery.

(iii) Overheads of the production divisions are absorbed based on machine hours.

(iv) The following information relates to a bottle of Mango Drink.

Description		**Per one bottle**
Actual time spent:	Processing Division	12 minutes
	Bottling Division	6 minutes
Direct costs:	Raw material	Rs. 6.40
	Labour	Rs. 5.00
Non-production variable overheads		Rs. 4.00

(v) Non-production fixed overheads is Rs. 300 000.

(vi) Profit margin is 20% on the selling price of each product.

Required :

(1) The Overhead Analysis Sheet showing clearly the bases of apportionment (including re-apportionment of Service Division overheads)

(2) Overhead absorption rates for two divisions – Processing and Bottling

(3) Cost of production per bottle of Mango Drink

(4) Budgeted selling price per bottle of Mango Drink ***(10 marks)***

(Total 20 marks)

[*See page five*

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

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

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

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

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

Required :

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

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

(2) Cash Receipts Journal for the month ending 31.01.2018

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

(Total 15 marks)

[*See page six*

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

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

Additional Information:

(i) Salaries of all employees for March 2018 have been paid after deducting the following:

Contribution to Employee Provident Fund (EPF)	8% of gross salary
Employee Welfare Fund (EWF) – monthly contribution	2% of gross salary

(ii) The company contributes 12% and 3% of the gross salary to EPF and Employee Trust Fund (ETF) respectively.

(iii) The company remits cash to EPF, ETF and EWF of each month on the 10th day of the following month.

(iv) Carrying amounts of assets and liabilities as at 01.03.2018:

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

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

Required:

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

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

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

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

(4) Following assets and liabilities as at 31.03.2018:

(i) Inventory of books (ii) Trade Receivables
(iii) Trade Payables (iv) Other Payables
(v) Prepaid Expenses

(Total 15 marks)

[*See page seven*

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

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

Discounting factors at 10%:

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

Required :

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

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

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

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

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

Additional Information :

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

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

(iii) The cash receipts during the year :

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

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

(v) The annual get together of the association was held in the new building on 31.12.2017. The expenses incurred in this respect were Rs. 550 000, which was paid on 10.01.2018.

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

Required:

With respect to the Old Boys Association:

(1) Cash Account for the year ending 31.12.2017

(2) Income Statement for the year ending 31.12.2017

(3) Equity as at 31.12.2017 (Use a format similar to the one given below)

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

(10 marks)

(Total 15 marks)

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

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

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Additional Information :

(i) The profit before tax and after tax for the year ending 31.03.2018 were Rs. 6 000 000 and Rs. 4 500 000 respectively.

(ii) Total interest expense on long-term loan for the year ending 31.03.2018 was Rs. 600 000. The accrued interest in this respect was Rs. 400 000 and it has been erroneously added to the long-term loan balance as at 31.03.2018.

(iii) Depreciation expenses for the year ending 31.03.2018 was Rs. 1 250 000. During the year ending 31.03.2018, a new motor vehicle was purchased for cash and the land was revalued for the first time resulting a surplus. There were no other additions or disposals of property, plant and equipment during the year.

(iv) The company made a public issue of shares during the year and paid an interim dividend for ordinary shareholders on 01.01.2018.

(v) Long-term loan is payable from 31.03.2020.

Required :

(1) Statement of Cash Flows for the year ending 31.03.2018 as per LKAS 7 (Statement of Cash Flows). (Use the indirect method to calculate cash flows from operating activities.) ***(10 marks)***

(2) Following ratios for the current year :

(i) Current ratio
(ii) Quick assets ratio
(iii) Return on equity ratio
(iv) Debt-equity ratio
(v) Interest cover ratio ***(05 marks)***

(Total 15 marks)

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

Annual production and sales ..... 1 200 units

Rs. per unit:

Selling price	1 200
Direct material	160
Direct labour (paid on unit basis)	180
Variable production overheads	100
Variable non-production overheads	200

Annual fixed production overheads ..... Rs. 132 000

Annual fixed non-production overheads ..... Rs. 180 000

Required :

(1) Variable cost per unit
(2) Production cost per unit
(3) Profit per unit
(4) Total cost at the activity level 1 500 units ***(05 marks)***

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

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

Income:

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

Expenses:

Payment for lecturers:			
- Lecture fees	Rs.	2 000	per hour
- Assignment marking fees.....	Rs.	600	per student per subject
- Project report evaluation fees ...	Rs.	10 000	per report
Study material cost	Rs.	500	per student per subject
Programme manager's salary	Rs.	45 000	per month
Rent for the building	Rs.	40 000	per month
Operating expenses	Rs.	70 000	for the six-month period
Examination expenses	Rs.	400	per student per subject

Required :

(1) Contribution per student

(2) Total fixed cost of the programme

(3) The number of students to be enrolled to cover the total cost of the programme

(4) The number of students to be enrolled to the programme to earn a profit of Rs. 200 000

(5) The minimum programme fee to be charged from a student if the expected profit and the number of students to be enrolled are Rs. 350 000 and 30 respectively

(10 marks)

(Total 15 marks)

* * *

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