



Royal College – Colombo 07

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Grade 13 – Final Term Test June 2010

13 වන ශ්‍රේණිය අවසාන වාර පරීක්ෂණය 2010 ජූනි

Time – 1 hour

Accounting I – Part I

- When answering questions 01 to 20 enter a “✓” mark in the most appropriate cage.

01. What is the underline Accounting concept that provides the basis for depreciation of fixed assets of a business entity.

- | | |
|--------------------------|----------------------------|
| <input type="checkbox"/> | 1. Going concern concept |
| <input type="checkbox"/> | 2. Prudence concept |
| <input type="checkbox"/> | 3. Consistency concept |
| <input type="checkbox"/> | 4. Historical cost concept |
| <input type="checkbox"/> | 5. Realization concept |

02. A provisions for doubtful debt of last year became as a bad debt during the current year. which of the following the appropriate journal entry regarding that,

- | | | | | |
|--------------------------|--|-----|-------------------|-----|
| <input type="checkbox"/> | 1. Bad debt a/c | Dr. | Debtors a/c | Cr. |
| <input type="checkbox"/> | 2. Profit and loss a/c | Dr. | Debtors a/c | Cr. |
| <input type="checkbox"/> | 3. Provisions for doubt full debts a/c | Dr. | Debtors a/c | Cr. |
| <input type="checkbox"/> | 4. Provisions for doubt full debts a/c | Dr. | Bad debt a/c | Cr. |
| <input type="checkbox"/> | 5. Provisions for doubt full debts a/c | Dr. | Doubtful debt a/c | Cr. |

03. What is the Accounting concept that provides to identify the part of the purchase of good as cost of sales (an expense) and the remainder as the closing stock (an assets)

- | | |
|--------------------------|------------------------------|
| <input type="checkbox"/> | 1. Realization concept |
| <input type="checkbox"/> | 2. Accrual concept |
| <input type="checkbox"/> | 3. Matching concept |
| <input type="checkbox"/> | 4. prudence concept |
| <input type="checkbox"/> | 5. Accounting entity concept |

04. The Accounting concept that provides the basis for the measurement of stocks at the lower of cost and net realized value, according to S.L.A.S. 05 (five)

- | | |
|--------------------------|------------------------------|
| <input type="checkbox"/> | 1. Prudence concept |
| <input type="checkbox"/> | 2. Periodic concept |
| <input type="checkbox"/> | 3. Going concern concept |
| <input type="checkbox"/> | 4. Matching concept |
| <input type="checkbox"/> | 5. Accounting entity concept |

Using following information answer question no 05 and 06.

Debtors control account balance as at 31/03/2008 - Rs. 435,000

The total of debtors ledger balances as at 31/03/2008 - Rs. 457,000

- a) The sum of sales journal Rs. 65,000 has been recorded in the debtors control account as Rs. 56,000
- b) Bad debt written off of Rs. 15,000 and discounts allowed for Rs. 18,000 have been recorded only in the debtors account.
- c) A cheque received of Rs. 2,500 from a debtor has been dishonored and it has been recorded only in the debtor's account.
- d) Kamal, a debtor of the business has returned goods which are valued at selling price for Rs. 2000, has been recorded in the return outwards journal as Rs. 2,000

05. What is the correct balance of the debtors control account as at 31/03/2008

- 1. Rs. 53,200
- 2. Rs. 53,000
- 3. Rs. 55,000
- 4. Rs. 54,200
- 5. Rs. 57,000



06. Which of the following adjustments are considered when reconcile the debtors ledger with debtors control a/c.

- 1. 'a', 'b' and 'c' only
- 2. only 'c'
- 3. 'b' and 'd' only
- 4. 'b' and 'c' only
- 5. 'a' and 'b' only

07. Kasun, the chief partner of Kasun and Dasun partnership is proposed to his Account and to indicate the present market values of the business assets in the financial statements. He has been neglected;

- 1. Consistency concept
- 2. Accrual concept
- 3. Prudence concept
- 4. Historical cost concept
- 5. Money – measurement concept

08. Following information is extracted from the pay sheet of Lakshman's business.

Gross Salary	-	Rs. 500,000
PAYE Tax	-	Rs. 10,000
EPF contribution of employee	-	Rs. 40,000
EPF contribution of employer	-	Rs. 60,000
Deducted Salary advance	-	Rs. 25,000

What is the net salary and salaries and EPF expense appearing in the profit and loss account for the period are,

	Net Salary (Rs.)	Salary P &L a/c (Rs.)	EPF expense (Rs.)
<input type="checkbox"/> 1.	425,000	500,000	100,000
<input type="checkbox"/> 2.	425,000	500,000	40,000
<input type="checkbox"/> 3.	425,000	500,000	60,000
<input type="checkbox"/> 4.	425,000	460,000	40,000
<input type="checkbox"/> 5.	500,000	400,000	100,000

09. Following details are extracted from Thilaka's business for the year ended 31/03/2009.

	Rs.
Purchase (Gross)	- 750,000
Trade discounts	- 15,000
Carriage inward	- 25,000
Fright charges	- 18,000
stocks as at 31/03/2009	- 18,000

What is the cost of sales of the business.

- 1. Rs. 750,000
- 2. Rs. 780,000
- 3. Rs. 740,000
- 4. Rs. 810,000
- 5. Rs. 800,000

10. Amal did not maintain proper records on his business. Followings are some entries recorded by him in his note book.

	Rs.
Opening stock	52,000
Purchases	450,000
Closing stock	22,000

If Amal maintains 40% Gross profit ratio, what is the gross profit he earned during the period.

- 1. Rs. 288,000
- 2. Rs. 220,000
- 3. Rs. 192,000
- 4. Rs. 320,000
- 5. Rs. 232,000

11. Amal and Kamal are the partners of a partnership. They have agreed to share the profit and losses in the ratio of 2:1. Capital balances of them are Rs. 200,000 and Rs. 100,000 respectively. Kamal joined with them for $\frac{1}{5}$ profit share. What is the capital he should be invested to obtain $\frac{1}{5}$ right of the business.
- | | |
|--------------------------|---------------|
| <input type="checkbox"/> | 1. Rs. 78,000 |
| <input type="checkbox"/> | 2. Rs. 75,000 |
| <input type="checkbox"/> | 3. Rs. 60,000 |
| <input type="checkbox"/> | 4. RS. 80,000 |
| <input type="checkbox"/> | 5. Rs. 50,000 |
12. Ajith & Sajith are running a partnership business. They have agreed to share profit and losses in the ratio of 2:1. They have agreed to admit Lalith as a partner for $\frac{1}{5}$ of profit share. If Lalith obtains his profit share only from Ajith. What is the new profits haring ratio of the business.
- | | |
|--------------------------|--------------|
| <input type="checkbox"/> | 1. 7 : 5 : 2 |
| <input type="checkbox"/> | 2. 2 : 2 : 1 |
| <input type="checkbox"/> | 3. 5 : 3 : 2 |
| <input type="checkbox"/> | 4. 7 : 5 : 3 |
| <input type="checkbox"/> | 5. 7 : 3 : 5 |
13. Cost of loose tool is completely written of to the profit and loss account during the year of purchase even though they can be used for more than one year. What is the Accounting concept complied with this Accounting treatment.
- | | |
|--------------------------|------------------------|
| <input type="checkbox"/> | 1. Matching concept |
| <input type="checkbox"/> | 2. Accrual concept |
| <input type="checkbox"/> | 3. Materiality concept |
| <input type="checkbox"/> | 4. Prudence concept |
| <input type="checkbox"/> | 5. periodic concept |
14. A partnership ends its accounting period on 31st of December. The chief partner of this business made drawings Rs. 4,000 per month in the date of 15th of each month, from 15th of July. Partnership agreement shows 10% interest on drawings. What is the interest amount charged on his drawings at the end of the first year.
- | | |
|--------------------------|------------|
| <input type="checkbox"/> | 1. Rs. 450 |
| <input type="checkbox"/> | 2. Rs. 300 |
| <input type="checkbox"/> | 3. Rs. 600 |
| <input type="checkbox"/> | 4. Rs. 400 |
| <input type="checkbox"/> | 5. Rs. 750 |
15. What is the preliminary book and source document used to recorded return outwards.
- | | |
|--------------------------|--|
| <input type="checkbox"/> | 1. Journal voucher and General ledger |
| <input type="checkbox"/> | 2. Debit note and sales Journal |
| <input type="checkbox"/> | 3. Credit note and return outwards Journal |
| <input type="checkbox"/> | 4. Invoice and return outwards Journal |
| <input type="checkbox"/> | 5. Credit note and purchase Journal |

16. Neptune Company started a factory (product relate to mineral sand) at the Eastern coast, during the year 2009. Company wishes to compute it's operating results after they close up their extractions. What is Accounting concept the company has neglected.

- | | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | 1. Accrual concept |
| <input type="checkbox"/> | 2. Going concern concept |
| <input type="checkbox"/> | 3. Periodic concept |
| <input type="checkbox"/> | 4. Matching concept |
| <input type="checkbox"/> | 5. Realization concept |

17. A company has purchased a machine on 01.01.2005 for Rs. 200,000. The residual value and economic useful life of this machine is Rs. 2,000 and 09 years respectively. Machine is depreciated on straight line method. This machine is revalued for Rs. 100,000 on 01.01.2007 and new residual value was Rs. 2,500. There is no any change in economic useful life of the machine and method of depreciation. If the accounting period of this company ends on 31st of December. What is the depreciation amount credited to the profit and loss account for the year 2007.

- | | |
|--------------------------|---------------|
| <input type="checkbox"/> | 1. Rs. 20,000 |
| <input type="checkbox"/> | 2. Rs. 27,500 |
| <input type="checkbox"/> | 3. Rs. 35,000 |
| <input type="checkbox"/> | 4. Rs. 17,500 |
| <input type="checkbox"/> | 5. Rs. 24,250 |

18. A production company ends it's Accounting year on 31st December in each year. The company purchases 2000kg (1 kg = Rs. 15) of row material per month. Due to increase of price up to Rs. 20/= they purchased 1800 kg per month since of October. The annual production of the company is 9500 units and it consumes 2 kgs to produce a unit of the good. If this firm uses "first in first out" pricing method, what is the value of the closing stock as at 31st December.

- | | |
|--------------------------|---------------|
| <input type="checkbox"/> | 1. Rs. 72,000 |
| <input type="checkbox"/> | 2. Rs. 85,000 |
| <input type="checkbox"/> | 3. Rs. 84,250 |
| <input type="checkbox"/> | 4. Rs. 87,000 |
| <input type="checkbox"/> | 5. Rs. 70,000 |

19. Following transactions were took place in Pradeep's business during the month of January 2009.

- * Cash purchase Rs. 3,000
- * Credit sales Rs. 28,000 & cost of sold items were Rs. 15,000
- * Paid Rs. 3,000 as Salary for employees.
- * Received monthly telephone bill Rs. 200
- * Rates paid Rs. 1,500 for next quarter.
- * Debtors collection Rs. 8,200 and written off bad debts Rs. 300

What is the total expense that credited to the profit and loss account for the month of January 2009.

- | | |
|--|---------------|
| | 1. Rs. 21,000 |
| | 2. Rs. 20,000 |
| | 3. Rs. 18,000 |
| | 4. Rs. 23,000 |
| | 5. Rs. 23,200 |

20. Anil, Basil and Sisil are the partners of a business following conditions are included in their partnership agreement.

- * Interest on capital 10%
- * Monthly salary:

Anil -	Rs. 2000
Basil -	Rs. 1500
Sisil -	Rs. 1500
- * Profit sharing ratio – 3:2:1
- * Minimum annual income for Sisil should be Rs. 25,000. If there any shortage it should be adjusted through the profit sharing ratio of other partners.

Other information:

- * Opening capital accounts balances :

Anil -	Rs. 200,000
Basil -	Rs. 150,000
Sisil -	Rs. 100,000
- * Net profit earned by the business was Rs. 75,000.
- * According to above details the profit or loss portion of each partner,

	Anil	Basil	Sisil	(Rs.)
	1. 16,200	10,800	3,000	
	2. (16,200)	(10,800)	3,000	
	3. (15,000)	(10,000)	(5,000)	
	4. (16,200)	(10,800)	3,000	
	5. 16,200	(10,800)	3,000	

● Provide short and specific answers from question number 21 to 30.

21. Invoiced price of a trade stock purchased by a Company was Rs. 230,000 with VAT (15%). If it is a VAT registered company, What is the journal entries used to record this transaction.

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.....
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22. State two transactions which are caused to change the capital balance of partners?

- 1.
- 2.

23. State two events of revaluation of assets and liabilities of a partnership?

- 1.
- 2.

24. What is the importance of 42nd statement in partnership ordinance of 1890?

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.....
.....

25. What are the objectives of preparing manufacturing accounts?

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.....
.....

26. State two sources which influence to develop the Accounting principals in Sri Lanka?

- 1.
- 2.

27. Nuwan decided to get retired from their partnership which agreed to share profits and losses in the ratio of 3:2:1 among Jagath, Kasun and Nuwan respectively. Nuwan's ownership for the business was Rs. 150,000. He carried out 50% of his ownership at his retirement, and the remainder was acquired by Jagath and Kasun by paying cash in the ratio of 3:2. Provide journal entries regarding this transaction.

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.....
.....

28. a) What is the basic requirement of preparing a Bank reconciliation statement?
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.....
.....
.....

b) There are numerous reason to differ the bank balance with cash book balance. How those reasons are categorized under the main three headings?

- 1.
- 2.
- 3.

29. State two differences between intangible assets & fictitious assets.
1.
2.

30. What is the Accounting standard which provides the basis to classify the assets as non-current assets and current assets.
.....
.....
.....
.....

● Provide suitable answers to the blanks from question number 31 to 35.

- 31. When debtors ledger is maintain under _____ balancing method, the debtors control account is required to be maintain in the _____ ledger.
- 32. The profit arised on revaluation account is _____ to _____ account.
- 33. The net profit earned by a partnership is divided among partners through the _____ account.
- 34. Provisions for doubtful debt is complied with _____ concept and _____ concept.
- 35. If an expenditure which arised as a revenue expenditure, spreads over the next few accounting period it is called _____

● If the statement true put “✓” mark and if it is false put “X” mark in the cage given from question 36 to 40.

36. When the goodwill shows it's real value in the books, a new partner should pay that amount to existing partners, according to their profit sharing ratio.
37. Provisions for doubtful debts is complied with matching concept.
38. Fraud protection ordinance of 1840 has stated that the retired partners are entitled for 5% interest or a profit share, if the existing partners fail to settle the ownership of retired partner in cash on his retirement.
39. Bank statement balance Rs. 14,200 deposited not realized cheques Rs. 5,200 issued but not presented cheques Rs. 2,600. According to that Bank balance of the cash book is Rs. 12,600
40. It is a must required to revalue the assets and liabilities of a partnership when partners admit of or leave.





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Time – 02 hours

Accounting I – Part II

- Answer five questions only including question no. (1)
- Begin each answer on a fresh sheet of paper
- Relevant workings should be attached to the answer script.

(01) Mohan and Gayan were carrying out a business by sharing profits and losses in the ratio of 3:2. Following conditions were included in their partnership agreement.

- Partners are entitled to receive 6% annual interest on capital balances appearing at the beginning of the year.
- Annual salaries of Rs. 18,000 and Rs. 15,000 are paid to Mohan and Gayan respectively.
- 10% interest is charged on annual drawings.
- Accounting period is ended on 31st of December.

Mohan and Gayan invited Lakmal who was the manager of the business to join as a partner of the business with effect from 01.09.2009. They made following agreements on the admission of Lakmal.

1. Assets are revalued as follows.

- * Freehold properties Rs. 200,000
- * Motor vehicle Rs. 30,000
- * Furniture & equipment Rs. 15,000

(Revaluation expenses of Rs. 7,000 has paid by Mohan on his personal cash)

2. Good will was to be revalued at Rs. 50,000. But partners agreed to record it as Rs. 20,000 in the books of accounts.

3. Lakmal is entitled for $\frac{1}{5}$ share of profit and Gayan and Mohan promised Lakmal for Rs. 60,000 net income per annum. If there is any shortage, it should be adjusted by Gayan & Mohan according to their profit sharing ratio.

4. There is no change regarding interest on capital and drawings.

5. Annual salaries should be adjusted in the new partnership as follows.

- Mohan - Rs. 24,000
- Gayan - Rs. 18,000
- Lakmal - Rs. 12,000

Given below is the trial balance of this partnership before adjustments.

Name of the Account	Credit (Rs.)	Debit (Rs.)
Capital a/c (01/01/09)		
Mohan		100,000
Gayan		60,000
Cash brought by Lakmal		46,000
Current Accounts (01/01/09)		
Mohan		4,000
Gayan		6,000
Drawings		
Mohan (1/5/9)	24,000	
Gayan (1/10/9)	18,000	
Lakmal (1/10/9)	18,000	
Purchases	285,000	
Sales		490,000
Stocks (9/1/1)	15,000	
Freehold properties (at cost)	150,000	
Motor vehicle (at cost)	60,000	
Furniture & equipment (at cost)	30,000	
Debtors	80,000	
Provisions for doubtful debt (1/1/9)		1,000
Cash and Bank balance	81,000	
Operating expenses	30,000	
Creditors		54,000
Provisions for depreciations:		
Freehold properties		10,000
Motor vehicle		15,000
Furniture and equipment		5,000
	791,000	791,000

Additional information:

1. Physical stock as at 31.12.2009 was Rs. 20,000.
2. Mr. Supun, a customer of the business has sent Rs. 20,000 worth of goods under the sale or return basis on 1.11.2009. This is recorded as credit purchase and has sold in cash for Rs. 30,000. The sales proceed has recorded in the cash book and sales account. No entry has been made in the books regarding 20% sales commission on this sales.
3. Goods in transit for Rs. 10,000 has accounted as purchase.
4. Provisions for doubtful debts on 01.09.2009 was Rs. 2,000 and as at 31.12.2009 it was Rs. 3,500.

5. Fixed assets are depreciated on straight line method under the following rates.
 Freehold properties 6%
 Motor Vehicle 10%
 Furniture & Fittings 10%
6. It showed a 50% growth in sales during 2nd four moths when considering 1st eight months.
7. The expenses and income should be allocated as follows.
 Gross profit - Sales basis
 Operational expenses & income - time basis
 The expenses and incomes which are not specially mentioned should be identified according to the relevant periods.

Required,

- i. Trading profit and loss account for the year ending 31.12.2009
- ii. Partners current accounts and capital accounts.
- iii. Revaluation account
- iv. Balance sheet as at 31.12.2009

(20 Marks)

(02) Given below is the Assets, Liabilities and Equity of the Jayalal's business.

	Rs.		Rs.
<input type="checkbox"/> Land and Building	250,000	<input type="checkbox"/> Motor Vehicle	100,000
<input type="checkbox"/> Furniture & equipment	50,000	<input type="checkbox"/> Stock	60,000
<input type="checkbox"/> Provisions for depreciations (01.01.09)		<input type="checkbox"/> Debtors	45,000
Land & Building	20,000	<input type="checkbox"/> Provisions for doubtful debts (01.01.09)	4,000
Motor Vehicle	30,000		
Furniture and equipment	10,000		
<input type="checkbox"/> Cash & Bank balance	68,000	<input type="checkbox"/> Equity?.....

Following transactions has been occurred during the year 2009.

1. Obtained Rs. 40,000 worth of goods from Kasun and sold them to Mal on credit at the selling price of Rs. 75,000.
2. Cash sales was Rs. 45,000. The cost of these goods was Rs. 20,000.
3. Purchased a Motor vehicle for Rs. 20,000 on 01.07.2007 by financing a bank loan.
4. Operational expenses incurred during the year was Rs. 18,000. Rs. 3,000 of them was accruals.

5. Paid Rs. 24,000 for marketing promotion campaign in the 1st quarter of the year 2008.
6. Debtor who had 50,000 liability, paid Rs. 45,000/- the remainder is considered as discount allowed.
7. Paid 58,000/- for a creditor who was entitled with Rs. 60,000/- credit balance, remainder is considered as discount received.
8. Provisions for doubtful debt should be adjusted at 10% from the debtors balance.
9. Owner invested Rs. 100,000 as additional capital and the drawing of his was Rs. 60,000/- during the year.
10. Fixed assets are depreciated on straight line method at 5% per annum.
(Land and building account included Rs. 200,000/- value of the land)

Required,

- i. Find out the capital invested by Jayalal classifying opening balances as assets & liabilities.
- ii. Record opening balances and transactions took place during the year under the balance sheet equation using the format given below.

Description	Assets	=	Liabilities	+	Capital
Opening balance :	=	+
Transaction: (i)
(ii)
(iii)
(iv)
.					
.					
.					
(x)

- iii. Using net assets method compute the profit or loss of the year.

(10 Marks)

(03) Ravi Bandu an approved company for manufacturing school equipment. The company produces metal cupboards using a special metal sheet. Following information is related to transactions took place for the month ended 31.01.2008

	Rs.
Raw material purchasing (metal sheet 400m)-----	144,000
Purchase of sheet cutter -----	125,000
Electricity (factory) -----	294,000
Supervisor's Salary-----	20,000
Technician's Salary-----	200,000
Loos tool purchasing -----	10,000
Nails and other indirect materials -----	35,000
Paint-----	12,000
Locks and other fitting -----	100,000
Machine operator's salary-----	125,000
Factory rent -----	18,000
Damage raw material (100m) -----	6,000
Factory rates and insurance-----	4,000
Quality control expenses-----	6,000
Transport expenses (finished goods) -----	6,000
Advertising expenses-----	5,000

Additional information:

1. It consumes 8m of metal sheet for one cupboard (unit of production)
2. Machine operator and Technician are paid Rs. 500 and Rs. 800 respectively as salaries for one unit of cupboard.
3. The useful economic life of the sheet cutter is 5 years. The estimated residual value after economic useful life is Rs. 5,000. It is depreciated annually on straight line method.
4. Following stocks were appeared as at 31/01/08.
 Finished goods - 20 units (cupboards)
 Working progress - 30 units (cupboards)
5. Working progress is valued as follows.
 Metal sheets 8m
 Technician's Salary Rs. 800/-
 Machine operator's Salary Rs. 500/-

Required;

- i. Cost of material consumed
- ii. Prime cost
- iii. Total production cost
- iv. Production cost per unit
- v. Makeup price of a cupboard with 20% profit margin on production cost.

(10 Marks)

(04) Jayakodi is a retailer. A sudden fire occurred on 01.10.2009, damaged a considerable portion of his stocks and he could able to rescue Rs. 18,000 worth of goods. Although he continued his business and prepared following trial balance as at 31.12.2009.

Description	Debit	Credit
Capital		257,000
Cash & bank balance	20,000	
Fixed assets	300,000	
Operational expenses	60,000	
Purchase	465,000	
Sales		600,000
Replacement expenses of rescued stock	7,000	
Stocks as at 01.01.2009	35,000	
Sales proceeds for selling $\frac{4}{5}$ of rescued stock		30,000
	887,000	887,000

Additional information:

1. Company policy is keeping of $33\frac{1}{3}\%$ of gross profit ratio on selling price. (It does not apply with rescued stock). But $\frac{1}{4}$ of total sales had done by keeping 20% gross profit ration on cost.
2. Insurance receivable for damage stock was Rs. 12,000
3. Closing stock as at 31.12.2009 has estimated as Rs. 25,000.

Required;

- i. Damage stock account
- ii. Rescued stock account
- iii. Profit & loss account

(10 Marks)

(05) Following information is related with plant and machineries of Janaka Company as at 01.01.2008.

Machine	Date of purchased	Cost (Rs.)	Residual value (Rs.)	Useful economic life (years)
P	08.01.2002	120,000	20,000	05
Q	05.04.2003	180,000	30,000	06
R	01.04.2004	250,000	40,000	07
S	02.08.2005	300,000	20,000	08

Motor vehicles are depreciated on cost. The company policy is not to provide depreciation on machines in the year of purchase and provide full years depreciation in the year of disposal. Following transactions took place during the year ended 31.12.2008

1. Machine [Q] was fully repaired incurring Rs. 50,000 on 01.01.2008. It is expected that the useful life of the machine will increase by 4 years due to this repair and estimated residual value was RS. 7,500.
2. The company reconsidered about the useful economic life of the machine [R] and it is decided that the useful economic life of the machine will be increased by 5 years from the date of purchased. There was no change in residual value. The changes of the depreciation regarding above should be adjusted in depreciation account of 2008.
3. Machine [S] was revalued as Rs. 22,000 on 01.07.2008. Residual value is not available after the revaluation. But the useful economic life is the same.

Required;

- i. Compute annual depreciation amounts of each machine separately.
- ii. Assuming that the company maintains a single account for all machines you are required to prepare following accounts.
 - a. Machine account
 - b. Provisions for depreciation account
 - c. Depreciation account

(10 Marks)

(06) (a) The bank column in the cash book of Rasika Company showed on overdraft of Rs. 20,000 on 31/01/2010 subsequent examinations revealed the followings.

1. A cheque of Rs. 2,500 issued to purchase office equipment has presented to the bank on 08.02.2008
2. The bank statement has sent on 10.02.2010 by the bank. Bank charges of Rs. 200 and interest on overdraft of Rs. 3,800 appeared on it.
3. A cheque of Rs. 2,500 issued to Ajith on 23.01.2010 has not recorded in the cash book. The bank has paid the amount for this cheque.
4. A collection of cheques received from customers amounting Rs. 7,200 was deposited in the bank on 18.01.2010. A cheque worth of Rs. 2,200 has realized on 05.02.2010 of them and a cheque worth of Rs. 750/- in that collection has recorded mistakenly in the debit side of the cash book.
5. Issued a cheque to a supplier worth of Rs. 4,500 on 22.01.2010. This cheque has been recorded in the correct side as Rs. 4,050. the bank statement shows the realization date of this cheque as 24.01.2010.
6. A bill of exchange worth of Rs. 3,000 has been discounted at Rs. 2,750 from the bank. It has been dishonored at the due date. (28.01.2010) the bank has charged Rs. 3,050 from the bank account of the company for that damage.

Required;

- i. Adjusted cash book as at 31.01.2010
- ii. Bank reconciliation statement using adjusted cash balance as at 31.01.2010

(6 Marks)

(b) Given below is the extraction of receipt and payments account as at 31.12.2009 prepared by the treasure of the "Brilliant Star" sports clubs.

Receipts :	Rs.	Rs.
B/B/F	21,000	
Income from canteen	35,000	
Income from musical show	30,000	
Subscriptions	14,200	
Subscription of life time member	30,00	130,200
Payments:		
Playground development	40,000	
Food and beverages	15,000	
Allowance for coach	12,000	
Operating expenses	28,200	(95,200)
		<u>35,000</u>

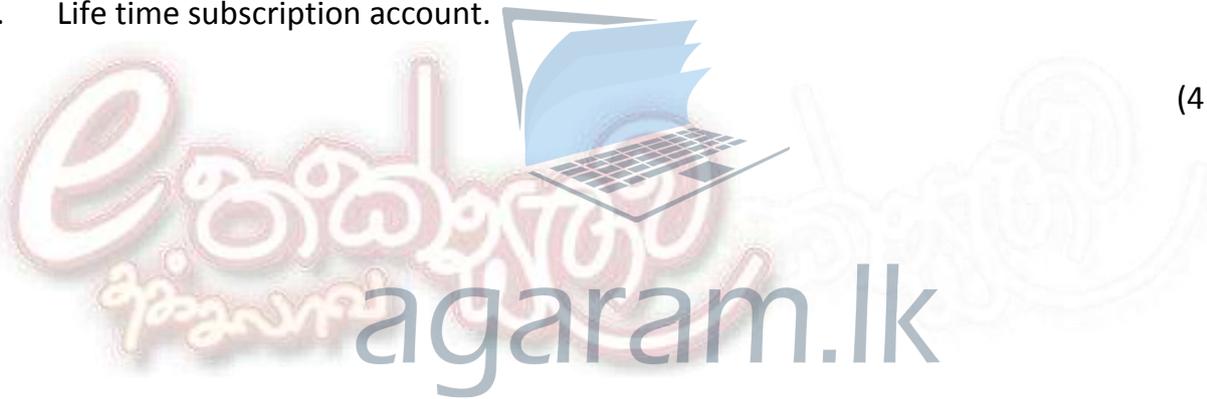
Following are the activities and other additional information about the sports club.

1. The sports club is running a canteen for the use of the members of the club.
2. Annual subscription and lifetime subscription are Rs. 500 and Rs. 3,000 respectively. There are 50 members in the sports club and 10 of them are life time members.
3. Life time accounting method is started from this year. The policy of the sports club is writing off this membership during 10 years.
4. Subscription received during the year includes Rs. 2,500 of arrears for the year 2008 and Rs. 1,500 prepaids for the year 2010.

Required;

- i. Subscription account for the year 2009.
- ii. Life time subscription account.

(4 Marks)





Royal College – Colombo 07

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Grade 13 – Final Term Test June 2010

13 වන ශ්‍රේණිය අවසාන වාර පරීක්ෂණය 2010 ජූනි

Time – 1 hour

Accounting II – Part I

- When answering questions 01 to 20 enter a “✓” mark in the most appropriate cage.

01. Cash flow of the company will be increased.

- | | |
|--------------------------|--|
| <input type="checkbox"/> | 1. Forfeited of arrears share |
| <input type="checkbox"/> | 2. No declaration of dividends to ordinary share holders |
| <input type="checkbox"/> | 3. Due to right issue |
| <input type="checkbox"/> | 4. Purchased of debentures |
| <input type="checkbox"/> | 5. Due to bonus share issue |

02. Right issue means,

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Capitalization of undistributed profit |
| <input type="checkbox"/> | 2. Shares purchased by existing share holders |
| <input type="checkbox"/> | 3. The shares issued to existing share holders on behalf of their dividends |
| <input type="checkbox"/> | 4. Share given to company employees |
| <input type="checkbox"/> | 5. The shares that can be purchased by any person. |

03. The remaining balance of fictitious assets should be recorded to,

- | | |
|--------------------------|------------------------------------|
| <input type="checkbox"/> | 1. Cash flow statement |
| <input type="checkbox"/> | 2. Write off to I/S |
| <input type="checkbox"/> | 3. Notes to F/S |
| <input type="checkbox"/> | 4. deduction from company reserves |
| <input type="checkbox"/> | 5. Profit appropriator A/C |

04. Stated capital means.

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Cash received from total issued share |
| <input type="checkbox"/> | 2. Cash received from issued ordinary shares |
| <input type="checkbox"/> | 3. Cash received & receivable in related to issued shares |
| <input type="checkbox"/> | 4. Total share capital less directors share capital |
| <input type="checkbox"/> | 5. Share capital stated in company memorandum of articles |

05. As per section 86 of new company act share holder means.

1. Person who has obtained one or more shares & his or her name should be included in share register.
2. A person who applied for shares
3. A person who has purchased shares and his name will be entered in to share register in due course.

- | | |
|--------------------------|--------------------------------|
| <input type="checkbox"/> | 1. Answer 01 only |
| <input type="checkbox"/> | 2. Answer 01 & 02 |
| <input type="checkbox"/> | 3. Answer 01 & 03 |
| <input type="checkbox"/> | 4. Only 3 rd answer |
| <input type="checkbox"/> | 5. All answers |

06. Cash & cash equivalants means.

- | | |
|--------------------------|--|
| <input type="checkbox"/> | 1. Cash in hand + Cash at bank |
| <input type="checkbox"/> | 2. Highly liquid short term investments |
| <input type="checkbox"/> | 3. only cash balance |
| <input type="checkbox"/> | 4. Call deposit & short term investment |
| <input type="checkbox"/> | 5. Cash balance + short term investments |

07. Cost center means

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Warehouse that finished goods stored |
| <input type="checkbox"/> | 2. Place where cost is collected to attributed to per unit cost |
| <input type="checkbox"/> | 3. Factory where goods manufactured |
| <input type="checkbox"/> | 4. Place where cost is accounted by managements |
| <input type="checkbox"/> | 5. A factory where specified product manufactured |

For question 8 and 9

ROL 12000

Minimum consumption 1000 , Minimum lead time 2 months

Re orderly period 4 months, E.O.Q. 8000

08. Maximum consumption of the factors.

- | | |
|--------------------------|-----------------|
| <input type="checkbox"/> | 1. 4,000 units |
| <input type="checkbox"/> | 2. 6,000 units |
| <input type="checkbox"/> | 3. 3,000 units |
| <input type="checkbox"/> | 4. 12,000 units |
| <input type="checkbox"/> | 5. 1,000 units |

09. Maximum stock level is,

- | | |
|--------------------------|-----------------|
| <input type="checkbox"/> | 1. 24,000 units |
| <input type="checkbox"/> | 2. 18,000 units |
| <input type="checkbox"/> | 3. 2,000 units |
| <input type="checkbox"/> | 4. 16,000 units |
| <input type="checkbox"/> | 5. 32,000 units |

For question 10 and 11

Amal working for a company. He will receive bonus based on Rowan method.

Time consumed for a job = 8 hours
Time allowed for a job = 10 hours
Hourly rate = 200/-

10. Calculate Amal's bonus?

- 1. Rs. 400/=
- 2. Rs. 360/=
- 3. Rs. 480/=
- 4. Rs. 320/=
- 5. Rs. 300/=

11. Amal total income amounted

- 1. Rs. 1,920/=
- 2. Rs. 1,960/=
- 3. Rs. 2,080/=
- 4. Rs. 1,900/=
- 5. Rs. 2,000/=



For question 12 and 13

The following details related to Namal Ltd.,

Description	Total	Departments		
		A	B	C
Square meters	800	400	300	100
Cost of matching	100,000/-	30,000/-	50,000/-	20,000/-
Employees	200	50	100	50

Other information

Rent & rates = 16,000/-
Factor expense = 40,000/-

12. The rent & ratio distributed to A, B, C, department is,

- 1. 4800, 8000, 3200
- 2. 4000, 8000, 4000
- 3. 8000, 6000, 2000
- 4. 3200, 8000, 4800
- 5. 10000, 4000, 2000

13. Factory administrator expense for A, B, C department is,

- | | |
|--------------------------|------------------------|
| <input type="checkbox"/> | 1. 20000, 15000, 5000 |
| <input type="checkbox"/> | 2. 10000, 20000, 10000 |
| <input type="checkbox"/> | 3. 12000, 20000, 8000 |
| <input type="checkbox"/> | 4. 8000, 24000, 8000 |
| <input type="checkbox"/> | 5. 12000, 16000, 12000 |

14. The correct statement is,

1. Primary cost = Material + Labour cost + overheads
2. Overheads = Indirect material + Indirect labour + Indirect other cost
3. Total cost = Primary cost + overheads
4. Total cost = Direct material + Direct labour + Over head

- | | |
|--------------------------|--------------------|
| <input type="checkbox"/> | 1. 1, 2, 3 |
| <input type="checkbox"/> | 2. 1, 3, 4 |
| <input type="checkbox"/> | 3. 2, 3, 4 |
| <input type="checkbox"/> | 4. 2, 3 |
| <input type="checkbox"/> | 5. all the answers |

Following details related to 15 & 16

Present selling price Rs. 200/=

Per unit variable cost Rs. 80/=

Number of unit sold Rs. 400/=

Total fixed cost Rs. 18,000/=



15. Total contribution

- | | |
|--------------------------|-----------------|
| <input type="checkbox"/> | 1. Rs. 50,000/= |
| <input type="checkbox"/> | 2. Rs. 16,000/= |
| <input type="checkbox"/> | 3. Rs. 14,000/= |
| <input type="checkbox"/> | 4. Rs. 30,000/= |
| <input type="checkbox"/> | 5. Rs. 48,000/= |

16. B.E.P. sales quantity

- | | |
|--------------------------|--------------|
| <input type="checkbox"/> | 1. 90 units |
| <input type="checkbox"/> | 2. 150 units |
| <input type="checkbox"/> | 3. 225 units |
| <input type="checkbox"/> | 4. 45 units |
| <input type="checkbox"/> | 5. 144 units |

17. Investment decision as per given information is,

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Actuations of NCA, or instation of NCA. |
| <input type="checkbox"/> | 2. Start up business or reservation of business |
| <input type="checkbox"/> | 3. Acquition of NCA, renovation of business |
| <input type="checkbox"/> | 4. installation of NCA or renovation of factory |
| <input type="checkbox"/> | 5. Acquition of NCA, no depreciations provided in the year of purchase. |

18. The ratio which will not consider as activity ratio is,

- 1. Stock turn over rate
- 2. Debtors turn over period
- 3. Debt collection period
- 4. Total asset turn over ration
- 5. R.O.C.E.

19. Acid – test rations mean

- 1. The ratio of total asset convert to cash
- 2. Liquid Assets less current liabilities
- 3. Conversion of cash equaling to cash
- 4. Conversion of purchase in to sale.
- 5. The ration between carried

20. Pay back period means,

- 1. Repayment period of borrowed money
- 2. Time taken to recover the internal investing
- 3. Net cash flow less settlement of outside liabilities
- 4. internal capital play total interested attributable to initial capital
- 5. Repayment time of P.V. of 50% of initial capacity

21- 25 fill in the blanks.

- 21. If company signed a contract with another investors, to buy the shares when those were not subscribed by other investor define as
- 22. C.V.P. analysis, if current sales increased above B.E.P. define as
- 23. As per SLAS 05/ IAS 02 the cost components of stock consist with,
- 24. liabilities should ones be disclosed in the F/S as a notes to F/S.
- 25. As per SLAS 10 can be followed when preparing F/S.

26 – 30 state True & False.

- 26. Bonus share issue is another way of distribution to share holders. ()
- 27. Proposed dividend deprest by notes to F/S. ()
- 28. The cost when is not varied with time period define as variable. ()
- 29. Test run for investment appraisal is cash out for the project. ()
- 30. Revalue amount means exchange value of the asset between knowledge willing parties at arms length transaction. ()

31 – 40 Provide short answers.

- 31. The main requirement need at to allocate overheads to particular department is,
.....
.....
- 32. List down for items available in bin – card.
.....
.....
- 33. What’s the main purpose of preparing changes in equality statement?
.....
.....
- 34. List down different stock control methods using by business entities.
.....
.....
- 35. Explain pay sheet?
.....
.....
- 36. What is the SLAS 3 stand for?
.....
.....
- 37. Explain contingent assets as per standard?
.....
.....

38. Main purpose of cash flow statement is to?

.....
.....

39. List down features of current liabilities.

.....
.....

40. Explain two reasons why the new company act incorporate Sri Lanka.

.....
.....



Royal College Colombo 07

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Grade 13 – Final Term Test June 2010

13 වන ශ්‍රේණිය අවසාන වාර පරීක්ෂණය 2010 ජූනි

Time : 02 Hours

Accounting II – Part II

Instructions: -**Including first questions answer another four questions.**

- 1) The following trial balance extracted from vasan for the year ended 31.03.2010

	Dr	Cr
Stock 01.04.09		
Raw material	80	
Work in progress	60	
Finished goods	150	
Direct labour	250	
Sales		6200
Return inwards	200	
Purchase (R/M)	1800	
Return outwards		200
Rent & rates	40	
Electricity	70	
Office Salaries	180	
Debtor / Creditors	600	500
Bad Debts	40	
01.04.09 Provision of Doubtful Debts		80
Audit Fees	100	
Administration Charges	280	
Carriage inwards	170	
Deben tax interest	50	
Traffic	90	
Infirm Dividends		
Ordinary shares	180	
Preference shares	90	
Land & Building	3000	
Machinery & Equipment	1800	

Motor Vehicle	1600	
01.04.09 Provision for Depredate		
Building		100
Machine		460
Motor vehicle		400
Listed investment (at Cost)	100	
non listed investment (at cost)	180	
10% Debates		800
Primary Expense	80	
Cash Bank	1688	
General Reserve		300
Retained Profit		20
Other income		50
Vat (in put)	120	
Vat (out put)		170
01.04.09 O/S (Ordinary Share)		2000
01.04.09 P/S (Prefer ace Share)		1000
Application & Allotment		770
Tax Paid	120	
2008/2009 Provision for tax		40
<u>Dividend Received</u>		
Listed		10
Non listed		18
	<u>13118</u>	<u>13118</u>

Additional Information

1. 31.03.2010 Stock Value

Raw Material	Rs. 170, 000
WIP	Rs. 280, 000
Finished Goods	Rs. 120,000

At the year end 31.03.10. 100,000 worth of finished goods, having market value of 75,000/= at the tome of sales 5000/= expenses should be incurred.

2. Accrual rent & rates at year end 20,000/= and prepaid electricity 10,000/=
3. Rent and rates and Electricity should be distributed to factory and office in 2:1
4. During the year Amal became bankrupt, Receivable from Amal 20,000/= already Provided for Doubtful debts. During the year 40,000 worth of debtors has written off as bad debts. Provision for doubtful debt should be 5%

5. **Depreciates rates as follows.**

Building	5%
Machine	10%
Motor Vehicle	10%

6. Land revalued to Rs. 1000,000 depreciation of the building should be share between. the office and factory in equal ratio.
7. At the start of the year company had 200,000 ordinary share and 100,000 preference shares. Company issued 25,000 ordinary shares at 20/= each and 15000 preference shares at 18/= The total cash received transferred to shares application allotment account No dividends entitle currant year issue shares.
8. Intern Dividend 10 %
9. Company has signed on agreement to constructor factory worth of 1000,000.
10. Tax paid during the year include 20,000 paid to 2008/20009. current year tax liability amounted to 400,000/=
11. Directors proposals
- Write off primary
 - Preference dividend 3% for each share.
 - Ordinary dividends 2% for each share.
 - To transfer 80,000 to general reserve A/C.

Required

- Income statement for you the year ended 31.03.2010
- Balance sheet as at 31.03.2010
- Changers in equality for the year ended 31.03.2010

(20 Marks)

- 2) The following information extracted for Ecsath PLC for the year ended.
31.03.2010

		Rs. 000/=
Sales		600
Cost of sales		<u>(240)</u>
Gross profits		360
Distributes Expenses	90	
Administrative Expenses	54	
Debenture Interest	30	
Depreciation Machinery	60	
Income Tax	45	
Disposal loss	<u>24</u>	<u>303</u>
Profit C/F		<u><u>57</u></u>

Additional Information.

1. During the year company issued 30,000 shares at 60/= per shares subjected to last call 15/=
2. Purchased machinery worth of 360,000 of paid 240,000/= by cash.
3. Machinery worth of 150,000/= disposed when it has been deprecate for 36,000/=
4. Tax paid during the year 33,000/=
5. 01.03.09 company issued 300,000/= worth of debentures subjects 10% interest and 60,000 interest for debentures on accrual at the year end.
6. Brake up of company current asset & current liability.

	01 st /04/09	31/03/10
Stock	154	100
Debtors	110	146
Creditors	105	155

7. Cash and bank balance at 31.03.2009 amount to 450.000/=

Prepare cash flow based on indirect method.

(10 Marks)

- 3) a. Hiru plc issued a prospectus to issue 25,000 shares at 25/= per shares on 01/03.2010

On applicator	15/=
Call	<u>10/=</u>
	<u><u>25/=</u></u>

Company received 30,000 applicants and excess applicants returned and allotted shares on 01st April 4000 shares holder default call money. Company decided to charge 10% an arrears call and 30th June 2010 Company has paid arrears money with interest.

Prepare journal entry to record above transaction.

- b. Madu Limited consist with stated capital of 1800,000 balance sheet extracted at 31.03.2010 as follows.

	(Rs. 000)
O/S stated capital (40,000shares)	1200
General Reserve	430
Retained Profit	2000

B.O.D. decided to issue bones shares for each two shares, value of Company ordinary share 30/= prepare journal entries to record bones shares issue.

(10 Marks)

4) The following information related to Prathiba Limited for the year ended 31.03.2010

		Rs.
		000/=
Sales		300.000
C.O.S.		<u>(90.000)</u>
Gross Profit		210.000
Distributions Expenses	20.000	
Admin Expenses	20.000	
Other Expenses	<u>10.000</u>	<u>50.000</u>
Operating Profit		160.000
Debenture Interest		<u>20.000</u>
P.B.T		140.000
Tax		<u>30.000</u>
Refined Profit		<u><u>11.000</u></u>

Additional Information's

Stated Capital	Ordinary share	500.000
	Preference share	200.000
10 % Debentures		200.000
General Reserve		130.000
Current Asset (Debtors 60,000)		120.000
Liquid Asset		90.000
Currant Liabilities		30.000
Total Asset		1000.000
Opening Stock		20.000
Closing Stock		16.000

Market price of shares 9/=. Company issued 10,000 P/S & entitle for Rs. 2/= dividing per P/S. Market price of ordinary share Rs. 10/=

Calculate

- | | |
|----------------------------|-----------------------------|
| 1. G/P | 6. Acid test radio |
| 2. R.O.C.E. | 7. P/E ratio |
| 3. Asset Turners rates | 8. Debt equity ratio |
| 4. Interest covering ratio | 9. Stock turn over |
| 5. Return for share | 10. Debt collection period. |

(10 Marks)

5) a. **Overhead Analyses**

		(Rs.000)
Product Dep.	A	150,000
	B	100,000
	C	75,000
Service Dep.	D	50,000
Factory Rent		50,000
Maintenance machinery		90,000
Power		60,000
Deprecate Machine		30,000
Welfare Expenses		30,000

Service Department supply services to production department in following manner.

Department A	50 %
Department B	30 %
Department C	20 %

Additional Information

<u>Department</u>	A	B	C	D
Square meters	2000	3000	4000	1000
Value of machinery Rs.	100,000	200,000	300,000	150000
Machinery horse power	800	600	400	200
Number Employs	80	60	40	20

Prepare overhead analysis sheet?

b. Ever gee produce two perfumes called X & Y. Cost unit of each perfumes consist with 12 bottles. Estimated overheads for 2009 for X & Y amounted to 12,000/= Budget production X 2000 dozens. Y 800 dozens.

X		Y	
Raw Materials	Rs. 60.00	Raw Materials	Rs. 30.00
Wages (40% per hour x 5 hours)	Rs. 20.000	Wages (20% per hour x 25 hours)	Rs. <u>500.00</u>
	<u>260.000</u>		<u>530.000</u>
(Product X needs 5 hours, which consist with two machine hours and three labor hours).		(Product Y needs 25 hours, which consist with ten machine hours & fifteen labour hours)	

Calculates OAR using machine hours & labor hours . (10 Marks)

6) a) Jaliya decided to invested Rs. 100,000/= either in project P or Q.

Expected cash flows.

Year	Project P	Project Q
1	15,000	20,000
2	20,000	30,000
3	30,000	50,000
4	35,000	70,000
5	40,000	100,000

Based on above information what should be the investor's decision?

b. Initial investment for project Rs. 80,000 subjected to 12% C.O.C. calculate the NPV of the project?

Year	NCF	DF
0	(80)	1
1	30	0.89
2	20	0.79
3	50	0.71
4	40	0.63

c. The given information related to project "A"

	Rs.
F/C	140,000
VC per unit	7%
SP per unit	35%
Expected sale quantity	350,000

Calculate

1. B.E.P. (Units)
2. C/S Ratio
3. Margin of safety.
4. Expected Profit

(10 Marks)

