



FWC

**தொண்டைமாளாறு வெளிக்கள நிலையம் நடாத்தும்**  
**முன்றாம் தவணைப் பரீட்சை - 2022**  
**Conducted by Field Work Centre, Thondaimanaru**  
**3<sup>rd</sup> Term Examination - 2022**

Grade :- 12 (2022)

Accounting - I

Time: 3 Hours &amp; 10 Minutes

**Instructions:**

- Answer **all** the questions on the question paper itself.
- Write your **Index Number** clearly in the space provided above.
- Select the correct answers for the questions No. 1 – 15 and write its number on the dotted lines given.
- Write short answers for the questions No. 16 – 25 on the dotted lines given.
- Each question carries **four** marks.

Index Number: .....

For Examiner's Use only

For paper I

Q.Nos.	Marks
01 – 15	
16 - 25	
<b>Total</b>	

**01.** Which of the following information is required for government and its agents as a stakeholder?

- (1) Quality product, ability to fulfill warranty
- (2) Employment opportunity, risk on investment, use of local resources
- (3) Risk on investment, ability to provide dividend
- (4) National statistical information, tax evaluation
- (5) Decisions to be taken for recent development and future development (.....)

**02.** Select the answer which contains the correct order of environment variables according to the order of environment.

Environment factors	Environment variables
1. Social and cultural environment	A – Exchange rate
2. Technological environment	B – Accounting standards
3. Technical and professional environment	C – Individual life style
4. Economic and political environment	D – Computer technology

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

• Use the following information to answer the questions 3 – 6.

Chandran started a hardware business, investing Rs. 3000 000 as capital on 01.01.2021 in a building to which monthly rent Rs. 10 000 is payable. The following transactions were carried out during January 2021.

Date	Transactions	Value Rs. '000'
02.01.2021	Purchase of building materials on credit basis (including 8% VAT)	324
04.01.2021	Return of goods due to no relevant quality (excluding 8% VAT)	50
10.01.2021	Sales of goods by cash (including 8% VAT)	351
20.01.2021	Carriage inwards paid	10
30.01.2021	Building rent paid	6

03. Select the answer which contains the correct order of source documents for the transactions undertaken on the dates 2, 4, 10 and 20.

- (1) invoice, debit note, receipt, payment voucher      (2) invoice, credit note, invoice, payment voucher  
 (3) invoice, debit note, payment voucher, invoice      (4) invoice, payment voucher, invoice, debit note  
 (5) invoice, credit note, payment voucher, invoice

04. What is journal entry for the transaction undertaken on 4<sup>th</sup> of January?

	Debit Rs. '000'	Credit Rs. '000'
1. Creditor control account	50	
Return outwards account		50
2. Creditor control account	54	
Return outwards account		54
3. Creditor control account	50	
VAT control account	4	
Return outwards account		54
4. Creditor control account	50	
VAT expense account	4	
Return outwards account		50
VAT control account		4
5. Creditor control account	54	
VAT control account		4
Return outwards account		50

(.....)

05. Gross profit and net profit for the year ended 31.01.2021 are,

	Gross profit Rs. '000'	Net profit Rs. '000'
(1)	65	55
(2)	65	59
(3)	75	55
(4)	75	59
(5)	75	65

06. The value of current liabilities excluding creditors on 31.01.2021 is,

- (1) Rs. 6 000      (2) Rs. 24 000      (3) Rs. 40 000      (4) Rs. 10 000      (5) Rs. 8 000      (.....)

• Use the following information to answer the questions 7 – 8.

Business carries out all its transactions through bank current account. The only one reason for the difference between cash control account and bank statement balance at the end of March 2021 is unrepresented cheque Rs. 30 500. Bank statement balance Rs. 500 000 on 2021 April 30 was not equal to cash control account balance on the same date.

The summary of bank statement for April is given below.

Cheques debited	Rs. 240 000
Cheques credited	Rs. 460 000
Standing order – rent	Rs. 20 000
Bank charge	Rs. 500

The cheques credited in bank statement includes Rs. 60 000 directly deposited by a customer.

Unrealized cheque on 2021 April 30 is Rs. 40 000 and there is no any unrepresented cheque.

Standing order payment, direct deposit and bank charge are recorded in the accounting books after receiving bank statement.

07. What is cash control account balance on 2021 April 01?

- (1) Rs. 300 500 (2) Rs. 270 500 (3) Rs. 370 000  
(4) Rs. 520 500 (5) Rs. 270 000 (.....)

08. Totals of cash receipt journal and total of cash payment journal for April 2021 are,

Cash receipt journal (Rs. '000')		Cash payment journal (Rs. '000')	
(1)	440 000	209 500	
(2)	270 000	500 500	
(3)	500 500	560 500	
(4)	560 500	230 000	
(5)	500 500	270 000	(.....)

09. Employees' contribution and employer's contribution for EPF are 10% and 15%. Employer contribution for ETF is 3%. Employee salary Rs. 30 000 was paid after deducting employee contribution.

What is total expenses in relation to employees to be disclosed in income statement?

- (1) Rs. 330 000 (2) Rs. 354 000 (3) Rs. 381 000  
(4) Rs. 330 000 (5) Rs. 345 000 (.....)

• Use the following information to answer the questions 10 – 12.

The agreement of Mathu and Mathi partnership is given below.

- Profit and losses should be shared among Mathu and Mathi based on 2:1.
- Each partner is entitled for annual salary Rs. 300 000.
- Annual interest on partners' capital is 10%.

Details of salary paid and capital interest for the year ended 31.03.2021 are given below.

	Mathu Rs. '000'	Mathi Rs. '000'
Salary paid	200	?
Capital interest	30	20

Credit balances of partners current account:

	On 31.03.2021 Rs. '000'	On 31.03.2020 Rs. '000'
Mathu	580	250
Mathi	550	230

10. Profit of the partnership business for the year ended 31.03.2021 is,

- (1) Rs. 300 000 (2) Rs. 950 000 (3) Rs. 850 000  
(4) Rs. 1130 000 (5) Rs. 1010 000 (.....)

11. The value of equity of the partnership business on 31.03.2021 is,

- (1) Rs. 1130 000 (2) Rs. 1330 000 (3) Rs. 980 000  
(4) Rs. 900 000 (5) Rs. 1630 000 (.....)

12. What is salary received by Mathi in cash during the year ended 31.03.2021?

- (1) Rs. 300 000 (2) Rs. 280 000 (3) Rs. 100 000  
(4) Rs. 200 000 (5) Rs. 230 000 (.....)

13. If the value of stationery items purchased is a neglectable cost or relatively less, it can be disclosed as an expense in the income statement without carrying forward to next year.

<b>The concept violated</b>	<b>The concept followed</b>
(1) Accrued	Realization
(2) Matching	Realization
(3) Materiality	Matching
(4) Matching	Materiality
(5) Materiality	Substance over form (.....)

14. There was total number of members of a welfare association on 31.03.2021 is 100. Annual member subscription per member is Rs. 1 500.

Details of member subscription received:

- 2019 / 2020 – Rs. 4 500
- 2020 / 2021 – Rs. 120 000
- 2021 / 2022 – Rs. 15 000

Two members have not paid their subscription for the year 2019 / 2020. The member subscription receivable from these members was written off and the membership of the members have been vacated.

The member subscription income for the year ended 31.03.2021 is,

- (1) Rs. 144 000
- (2) Rs. 150 000
- (3) Rs. 165 000
- (4) Rs. 154 500
- (5) Rs. 147 000 (.....)

15. The following details were extracted from the accounting books of a business.

	<b>As at 31.03.2021 Rs. '000'</b>	<b>As at 31.03.2020 Rs. '000'</b>
Assets	1 700	1 200
Liabilities	900	700

Owner paid Rs. 80 000 for repayment of bank loan installment from his own fund during the year ended 31.03.2021. He took Rs. 100 000 cash for his own need from the business. The profit for the year ended 31.03.2021 and retained profit are,

	<b>Profit for the year Rs. '000'</b>	<b>Retained profit Rs. '000'</b>
(1)	800	700
(2)	500	600
(3)	400	300
(4)	320	220
(5)	480	380 (.....)

16. Ramesh, Umesh and Rajesh are the partners in a partnership business. Umesh retired from the partnership business on 01.04.2020. On the same date, after goodwill adjustment, his capital account balance was Rs. 300 000 after goodwill adjustment and current account balance was Rs. 50 000. Interest for the loan provided by retired partner has not been mentioned in the partners' agreement interest for the year ended 31.03.2021 and loan interest has not been paid.

(a) Write the journal entries for the loan interest of Umesh for the year ended 31.03.2021. (narration not required)

.....  
 .....

(b) Write the name of the act and the relevant section of the act to determine this interest.

.....  
 .....

- Use the following information to answer the questions 17 – 18.

The reconciliation statement prepared on 31.03.2021 before adjusting control account and ledger account is given below.

	Rs. '000'
Total of debtor ledger balances	6 000
A Error in discount column of cash receipt journal	(100)
B Bad debt not recorded in personal account	(500)
Debtor control account balance	5 400

Return inwards Rs. 2000 000 was recorded in relevant journal as Rs. 200 000.

17. What is adjusted debtor control account balance on 31.03.2021?

.....

18. (a) What is increase or decrease in the profit after adjusting profit?

.....

- (b) Provide the journal entry to rectify the error A. (narration not required)

.....

.....

19. A petty cashier was appointed in Pallavan business on 01.01.2021 under the instructions that petty cash reimbursement will be increased by Rs. 500, due to increase in petty expenses and prevailing inflation. The totals of petty cash payment journal for March are given below.

Stationery	Rs. 1 450
Postal	Rs. 600
Refreshment	Rs. 1 400
Cleaning	Rs. 750

Petty cash balance on March 31 is Rs. 800.

- (a) Calculate the amount paid in advance to petty cashier on 01.01.2021.

.....

- (b) Write the journal entry to record petty cash reimbursement on 2021 April 01. (narration not required)

.....

.....

20. Write the relevant accounting concepts for the following accounting activities.

Accounting activities	Accounting concepts
A – Provision for doubtful debt for a trade receivable	.....
B – Life insurance premium of a partner paid from partnership business fund was debited in partners' current account.	.....
C – Goods sent on 'sale or return' basis were not considered as sales revenue.	.....
D – Calculation of depreciation of similar property, plant and equipment using same method	.....

21. The details for the year ended 31.03.2021 of a manufacturing business which was started on 01.04.2021 are given below.

	Rs. '000'
Prime cost	800
Total production cost	1 200
Non-production overhead cost	90
Work-in-progress on 31.03.2021 (on production cost)	120

2 400 units were produced and except 400 units, all other units were sold for Rs. 600 each.

Calculate the following for the year ended 31.03.2021.

- (a) Production overhead: .....
- (b) Net profit: .....

22. State the relevant classification of account for the following accounts maintained in general ledger of a business.

Accounts	Classification
A – Accumulated depreciation account of property, plant and equipment	.....
B – Return outwards account	.....
C – Employee salary advance account	.....
D – Fixed deposit account	.....

23. State the following statements are true (T) or false (F) in relation to adjustment entries of a business.

Statements	True / False
A – Goods damaged, purchased for resale should be disclosed as a loss in income statement under other expenses.	.....
B – The right of the goods forwarded on 'sale or return' basis but not sold within the time given belongs to the business.	.....
C – Provision for doubtful debt for some selected debtors who face financial crises is known as special provision for doubtful debt.	.....
D – Prime entry for the cheque received from debtors and dishonoured is recorded in general journal.	.....

24. Suthakar business registered for VAT recorded invoice price Rs. 960 000 as sales value in the accounting books without considering trade discount 10%. VAT also was calculated based on that invoice price. VAT is 8%.

Provide the journal entry to rectify the above error in the accounting books of Suthakar business. (narration not required)

.....

.....

.....

25. The information extracted from the books of Dilan business is given below.

	As at 31.03.2021	As at 31.03.2020
	Rs. '000'	Rs. '000'
Trade receivable	60 000	70 000
Increase / decrease in allowance for doubtful debt	(1 000)	2 000

The balance of doubtful debt on 01.04.2019 is Rs. 3 000.

Rs. 4 000 should be written off as bad debt during the year ended 31.03.2021.

(a) What is the expense of bad and doubtful debt for the year ended 31.03.2021?

.....

(b) What is balance of trade receivable on 31.03.2021?

.....



agaram.lk

## Part II

**Instructions:**

- Answer **five** questions **including** question number **1** and **2**.
- Commence each question in a fresh page.
- Relevant workings should be attached with answer script.
- This paper carries 200 marks.

**01.** In Ram and Raheem partnership business which produces and purchases goods and sells, Robert was admitted as a new partner in 2020 April 01. Raheem retired from partnership business on 2021 March 31. Without recording any entries regarding these admission and retirement of partners, cash brought by Robert and cash paid to Raheem were recorded in the separate accounts.

Ram and Raheem shared profit and losses based on 2:1 before admission of Robert. Goodwill of partnership business at the time of admission of Robert and retirement of Raheem was evaluated as Rs. 120 000 and Rs. 220 000 respectively. All adjustments regarding goodwill should be made through partners' capital accounts.

Agreement of partnership business of Ram, Raheem and Robert is given below.

1. Ram, Raheem and Robert share profit and losses on 2:2:1 basis.
2. Each partner is entitled for annual interest 10% for capital account balance after goodwill adjustment.
3. Ram, Raheem and Robert are entitled for annual salary Rs. 14 000, Rs. 12 000 and Rs. 11 000 respectively.

After retirement of Raheem, Ram and Robert agreed to share profit and losses equally. The amount payable to Raheem should be transferred to a loan account.

The trial balance on 2021 March 31 is given below.

Details	Debit Rs. '000'	Credit Rs. '000'
Capital account: Ram		158
Raheem		138
Cash brought by Robert		134
Cash paid to Raheem	100	
Current account: Ram		12
Raheem	8	
Production cost	200	
Inventory on 31 March 2021: Raw material	30	
Work in progress	17	
Inventory on 01 April 2020 (produced and purchased)	50	
Plant and machinery and accumulated depreciation on 2020 April 01	300	50
Motor vehicle and accumulated depreciation on 2020 April 01	200	60
Administrative employee salary	10	
Purchase of goods	120	
Sales		820
Cash	417	
8% Bank loan		150
Trade receivable and payable	40	30
Rent	60	
	<b>1 552</b>	<b>1 552</b>



**Additional information:**

1. Cost of inventory on 2021 March 31 (produced and purchased) is Rs. 40 000 and net realizable value is Rs. 30 000.
2. Motor vehicle is used to distribute goods and plant and machinery are used in production activities.
3.  $\frac{4}{6}$  of rent is for factory.
4. Accrued administrative employee salary on 2021 March 31 is Rs. 18 000.
5. Non-current assets should be depreciated on 10% on cost.

**Required,**

1. Income statement of partnership business for the year ended 2021 March 31 (including appropriation)
2. Partners' capital accounts and partners' current account for the year ended 2021 March 31
3. Statement of financial position as at 2021 March 31

**02.** The balances of Nalayini textile business on 2021.04.01 are given below.

	Rs. '000'
Property, plant and equipment	800
Inventory of textile	900
Trade receivable	400
Bank balance	600
6% Bank loan	600
Paid in advance to a supplier	100
Trade payable	70
Accrued salary	50
Rent in advance	2

The transactions undertaken during April month are given below.

1. Textile at cost Rs. 80 000 was donated to elders' home.
2. Textile at cost Rs. 300 000 was sold for Rs. 200 000 in cash due to outdated.
3. As there is packing defects in textiles at value Rs. 200 000, they were re-packed at expense Rs. 20 000 and sold for Rs. 200 000.
4. Textile was purchased for Rs. 150 000. Except the amount paid in advance to supplier given above, the balance was settled regarding this purchase.
5. Rs. 85 000 was received from a debtor who is owing to pay Rs. 100 000 and the balance was written off as bad debt.
6. salary is paid one-month arrears basis. Previous month salary was paid this month. This month salary is Rs. 60 000.
7. Furniture was purchased for Rs. 200 000 on credit basis. Rs. 20 000 was paid to bring and fit the furniture.
8. Textile costing Rs. 300 000 was sold for Rs. 500 000.
9. Monthly bank loan installment Rs. 103 000 was paid. It includes interest Rs. 3 000.

**Required,**

Record the above transactions in the following accounting equation with values. Use '+' to indicate 'increase' and '-' to indicate 'decrease'.

	Assets				Liabilities			
	Property, plant and equipment	Inventory	Trade receivable	Prepaid	Cash	Trade payable and other payable	Long term loans	Equity
Opening balance								
1.								
2.								
Closing balance								

03. Solomon PLC is a registered business for VAT. The following information was taken from the debtor and creditor ledger for the month ended 31.03.2021.

- Debtor ledger on 31.03.2021

Rs. '000'

Details	Seran	Solan	Pandiyan	Total
Opening balance	200	100	(50)	250
Sales (including 8% VAT)	270	378	432	1 080
Cash received	(300)	(95)	(300)	(695)
Discount allowed	(20)	(5)	(20)	(45)
	<b>150</b>	<b>378</b>	<b>62</b>	<b>590</b>

- Creditor ledger on 31.03.2021

Rs. '000'

Details	Seran	Solan	Pandiyan	Total
Opening balance	80	120	60	260
Purchase (including 8% VAT)	162	216	432	810
Cash paid	(79)	-	(485)	(564)
Discount received	(1)	-	(13)	(14)
Return outwards (including 8% VAT)	-	(27)	(54)	(81)
	<b>162</b>	<b>309</b>	<b>(60)</b>	<b>411</b>

Totals of debtor list balance and creditor list balance on 01.03.2021 were equal to related control account balances on the same date. However, these list balances are not equal to related control accounts on 31.03.2021. The subsequent investigations revealed the following errors and omissions.

- Value of goods returned by Seran Rs. 81 000 (including VAT 8%) has not been recorded in return inwards journal.
- Cash paid to Asokan is Rs. 97 000. It has been correctly recorded in cash payment journal but recorded in personal account as Rs. 79 000.
- Total of discount column of cash payment journal has been overstated by Rs. 10 000.
- Sales to Pandiyan Rs. 108 000 (including VAT 8%) has not been recorded in personal account of Pandiyan.

5. Goods returned to Asokan Rs. 270 000 (including VAT) has not been recorded in journal.
6. Cash received from Solan and paid to Aselan Rs. 64 000 has been recorded in payment journal but not recorded in personal account of Aselan. Any entry has not been recorded regarding cash received.

Other cash receipt:

Sales by cash is Rs. 594 000 (including VAT 8%)

**Required,**

Prepare the following for March 2021.

1. Cash receipt journal (Add omission entries)
  2. Debtor control account before adjustments
  3. Creditor control account before adjustments
  4. Adjusted debtor control account
  5. Adjusted creditor control account
  6. Sales journal
- 04.** Athavan conducts a retail business. He did not maintain a proper accounting system. The following balances, incomplete cash payment journal and bank statement for the period are given below.

	As at 31.03.2021	As at 28.02.2021
Inventory	16 800	8 600
Trade receivable	4 300	3 900
Trade payable	8 900	7 400
Rent in advance	420	300
Accrued electricity	160	210
Bank balance	?	2 660

All purchases and sales are made on credit. Cheques received from debtors are deposited at bank immediately. All cash receipts except taken for personal use are deposited. He is unable to calculate the cash taken by him for his personal use. However, he has taken goods at cost Rs. 600 for his private use during the period.

As there are no any other receipts except receipts from debtors, he has not prepared cash receipt journal.

**Cash payment journal for March 2021**

Date	Details	Value	Analytical columns		
			Creditors	Expense	Other payments
04.03.2021	Rent – 11071	5 040	-	5 040	-
07.03.2021	Electricity charge – 11072	1 390	-	1 390	-
14.03.2021	Salary – 11073	1 200	-	1 200	-
20.03.2021	Creditors – 11074	51 800	51 800	-	-
26.03.2021	Creditors – 11075	51 500	51 500	-	-
	Drawing	?			?
			<b>103 300</b>	<b>7 630</b>	

**Bank statement for March 2021**

Date	Details	Debit	Credit	Balance
01.03.2021	Balance			2 660
03.03.2021	Cheque 18176		50 000	52 660
05.03.2021	Cheque 11071	5 040		47 620
09.03.2021	Cheque 11072	1 390		46 230
12.03.2021	Cash deposit		5 000	51 230
15.03.2021	Bank charge	2 000		49 230
17.03.2021	Cheque 19132		40 000	89 230
20.03.2021	Cash deposit		27 600	116 830
24.03.2021	Cheque 11074	51 800		65 030
27.03.2021	Cheque book charge	330		64 700

There is no unrealized cheque during the year. Selling price is determined by adding  $33\frac{1}{3}\%$  profit with cost.

**Required,**

1. Creditor control account
2. Profit or loss statement for March 2021
3. Cash control account for March 2021 (before adjustment)
4. Adjusted cash control account
5. Bank reconciliation statement
6. The value of equity on 31.03.2021 (20 marks)

**05.** Profit for the year ended 31.03.2021 in accordance with draft income statement of Athithya business is Rs. 400 000. The following have not been considered in preparing draft financial statements.

1. The cost value of inventory on 31.03.2021 is Rs. 40 000 and net realizable value is Rs. 38 000. The cost value of inventory was disclosed in its cost value.
2. Rent Rs. 30 000 paid for 15 months starting from 01.10.2020 was considered as rent expense in the income statement.
3. Sales income received in advance Rs. 50 000 was credited in sales account.
4. Two punchers purchased for Rs. 100 each were debited in office equipment account.
5. Electricity charge paid Rs. 5 000 for owner's own house was recorded in cash payment journal in expense column.
6. As the prices of motor vehicles increase due to import ban, the motor vehicle at value Rs. 500 000 was not depreciated.
7. The business depreciates property, plant and equipment at 10% on cost.
8. Machine repair expense Rs. 20 000 incurred on 01.01.2021 was debited in machine account.

**Required,**

1. Journal entries to rectify the errors
2. State the accounting concepts violated in the above each situation.

06. The following details were extracted from Bharathi Sports Club.

	As at 31.03.2021	As at 31.03.2020
	Rs. '000'	Rs. '000'
Accumulated fund	?	1 456
Life membership	?	450
Cash	?	2 834
Sports equipment fund	?	360
Building fund	?	900
Accrued member subscription	?	12
Sports equipment	495	320

Cash receipts for the year: **Rs. '000'**

Subscription – 2019 / 2020	6
Subscription 2020 / 2021	300
Subscription 2021 / 2022	18
Life membership	300
Track field jersey sales	150
	<u>774</u>

Cash payments:

	Rs. '000'
Paid for building map	20
Paid for building contractor up to now	400
Sports equipment purchase	180
Refreshment expenses	12
Track field jersey	120
	<u>732</u>

Additional information:

- Life membership was started on 01.04.2019. A member should pay Rs. 50 000, when he joins in this membership system. This amount should be recognized in 10 years equally. 10 members were in the period during the period 2019 / 2020.
- Annual membership per member is Rs. 6 000. Except life members, there are 60 members. Member subscription in arrears is carried forward for 12 months.
- The amount paid to purchase non-current assets was obtained from the particular fund. Donations received should be recognized as income based on their utility.
- The club purchased 300 track field jerseys each at Rs. 400. Rs. Further, 100 per jersey should be paid to Devi printers for printing name and logo in the jerseys. 250 jerseys were sold to members each at Rs. 600.

**Required,**

- Income statement for track field jersey
- Income statement for the year ended 31.03.2021
- Statement of financial position as at 31.03.2021