



FWC

4th Term Examination G.C.E. (A/L) – 2022

conducted by Field Work Center, Thondaimanaru

Grade 13 (A/L) 2022

Accounting I

Time: 2 hours

Instructions:

- Answer *all* the questions *on this question paper itself*.
- Write your **Index Number** clearly in the space provided above.
- Select the correct answers for the questions No. 1 – 30 and write its number on the dotted lines given.
- Write short answers for the questions No. 31 – 50 on the dotted lines given.
- Each question carries **two** marks.

Index Number:.....

For examiner's use only

Q.No.	Marks
1 – 30	
31 – 50	
TOTAL	

01. Which of the following is not the criteria used to differentiate financial accounting and management accounting?

- (1) Users of information
- (2) Information used
- (3) Legal requirement
- (4) Reporting period
- (5) Providing information

(.....)

02. The difference between income and expenses for a particular financial year is,

- (1) financial position
- (2) changes in financial position
- (3) changes in cash
- (4) financial result
- (5) changes in equity

(.....)

- **Use the following information to answer the questions 3 – 5.**

The following transactions took place in Cheliyan business.

1. Goods costing Rs. 180 000 were sold to Thooyavan PLC for Rs. 300 000.
2. Sales value of goods returned by Thooyavan PLC Rs. 15 000 has not been recorded in control account of Thooyavan PLC but debited in Cheliyan's account as Rs. 1 500.
3. Rs. 72 000 was received by Cheliyan from Thooyavan PLC after deducting Rs. 8 000. Discount has not been recorded in cash payment journal and payment has been recorded as cash purchase and not recorded in Cheliyan business account.

03. The order of prime entry books for the above transactions in the accounting books of Cheliyan business is,

- (1) sales journal, return outwards journal, cash payment journal
- (2) purchase journal, return outwards journal, cash payments journal
- (3) sales journal, return inwards journal, cash receipts journal
- (4) purchase journal, return outwards journal, general journal
- (5) sales journal, return inwards journal, general journal

(.....)

04. Net balance in assets and equity after the above three transactions of Cheliyan business is,

	Assets (Rs.)	Equity (Rs.)	
(1)	97 000	97 000	
(2)	106 000	106 000	
(3)	113 000	113 000	
(4)	112 000	112 000	
(5)	140 000	114 000	(.....)

05. Creditor control account balance after rectifying errors and creditor list balance before rectifying errors are,

	Rectified creditor control account balance (Rs.)	Creditor list balance before rectifying errors (Rs.)	
(1)	300 000	205 000	
(2)	220 000	219 500	
(3)	213 000	298 500	
(4)	205 000	298 500	
(5)	213 000	219 500	(.....)

06. A business sold inventory at cost Rs. 50 000 for Rs. 80 000 on credit basis. Out these goods, customer returned goods at sales value Rs. 12 000.

The net impact of the above transaction in the accounting equation is,

Assets (Rs.)	=	Liabilities (Rs.)	+	Equity (Rs.)	
(1) + 18 000		-		+ 18 000	
(2) + 25 500		-		+ 25 500	
(3) + 30 000		+ 12 000		+ 18 000	
(4) + 18 000		- 12 000		+ 30 000	
(5) + 68 000		+ 50 000		+ 18 000	(.....)

07. Sudaroli business is registered for VAT. The following information was obtained for March 2022.

- Sales value including VAT 10% is Rs. 176 000.
- Purchase is Rs. 90 000. VAT 10% should be calculated.
- Return outwards including VAT 10% is Rs. 5 500.
- VAT paid in cash is Rs. 3 500.

The balance of VAT to be disclosed in the statement of financial position on 2022 March 31 is,

(1) Liability Rs. 7 500	(2) Assets Rs. 4 000	(3) Liability Rs. 4 000	
(4) Assets Rs. 5 650	(5) Liability Rs. 5 650		(.....)

08. The following information was obtained from the income statement of a retail business for the year ended 31.03.2022.

Details	Rs. '000'
Sales	2 000
Interest earned	250
Profit on sale of motor vehicle	150
Interest expense	300
Operating expense	500
Cost of sales	1 200
Drawing – stock	200

Total income and total expenses to be recognized during the year ended 31.03.2022 are,

	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	(.....)

09. Eelanila business sells goods by adding 25% gross profit on cost. The following information is related to the year ended 31.03.2022.

	Rs. '000'
Inventory on 01.04.2021	400
Inventory on 31.03.2022	360
Goods drawing – cost	30
Sales	5 500
Commission on sales	110

What is the value of purchase on 31.03.2022?

- (1) Rs. 4330 000 (2) Rs. 4390 000 (3) Rs. 4 940 000
 (4) Rs. 4880 000 (5) Rs. 4115 000 (.....)

10. The following information relates to a business.

Bank overdraft as per bank statement on 2022.03.31	Rs. 10 000
Deposited but unrealized cheque on 2022.03.31	Rs. 45 000
Issued but unrepresented cheque on 2022.03.31	Rs. 30 000
Cheque directly deposited by debtors at bank	Rs. 15 000

The cash balance to be disclosed in the statement of financial position as at 2022.03.31 is,

- (1) Rs. 5 000 (2) Rs. (20 000) (3) Rs. 25 000
 (4) Rs. (25 000) (5) Rs. (40 000) (.....)

11. The relevant event to which accrual, periodic and realization concepts are relevant is,

- (1) provision for doubtful debt
 (2) recognition of credit purchase as a purchase for the financial year
 (3) Deducting closing stock to calculate cost of sales
 (4) recognition of credit sales as an income for the financial year
 (5) carrying forward the balances of assets and liabilities accounts at the end of financial year (.....)

12. Which of the following equation shows the calculation of production cost?

- (1) Prime cost + Overhead cost (2) Raw material cost + Factory overhead cost
 (3) Prime cost + Factory overhead cost (4) Raw material cost + Direct wage cost
 (5) Prime cost + Non-production overhead cost (.....)

13. Net salary paid to employees for the year ended 2022 March 31 is Rs. 324 000. This is the amount paid after deducting 10% employees' contribution for EPF. The business contributes 15% for EPF and 3% for ETF on gross salary.

Total expenses related to employees for the year ended 31.03.2022 are,

- (1) Rs. 360 000 (2) Rs. 414 000 (3) Rs. 450 000
 (4) Rs. 424 800 (5) Rs. 366 120 (.....)

Other information:

The credit balances of current accounts:

	31.03.2022 (Rs. '000')	31.03.2021 (Rs. '000')
Mullai	600	250
Marutham	480	200

Salaries paid and goods drawn during the year ended 31.03.2022 are,

	Mullai (Rs. '000')	Marutham (Rs. '000')
Salaries	300	200
Goods drawn	100	120

An interest Rs. 50 000 to be paid to Marutham on the loan provided by him to the partnership business was credited in his current account.

18. The profit of the partnership business for the year ended 31.03.2022 is,
 (1) Rs. 500 000 (2) Rs. 850 000 (3) Rs. 1250 000 (4) Rs. 1300 000 (5) Rs. 1350 000
19. Total profit shared to Marutham for the year ended 31.03.2022 is,
 (1) Rs. 200 000 (2) Rs. 250 000 (3) Rs. 280 000 (4) Rs. 550 000 (5) Rs. 600 000
20. Which of the following are sub characteristics of 'relevance' which is a one of qualitative characteristics of financial statements, in accordance with Financial Reporting Conceptual Framework?
 A – Measurability
 B – Verifiability
 C – Completeness
 D – Predictive
 (1) A, C, D (2) A, B, D (3) A, B, C
 (4) B, C, D (5) A, B, C, D
21. The correct qualitative characteristic and violated accounting concept in relation to disclosure of property, plant and equipment at their fair value in preparing financial statements are,
 (1) relevance, historical cost concept (2) comparability, historical cost
 (3) relevance, prudence concept (4) faithful representation, prudence concept
 (5) faithful representation, going concern concept

● Use the following information to answer the questions 22 – 24.

The following information is related to Pandiyan PLC for the year ended 31.03.2022.

Details	Rs. '000'
Sales	1 500
Gross profit	700
Operating expenses	400
Profit on disposal of delivery van	30
Income tax expense	120
Dividend paid	140
Revaluation surplus – building	200
Revaluation deficit – land	140

There was Rs. 80 000 surplus occurred, when the land was revalued first time during the year ended 31.03.2021. Building was revalued first time on 31.03.2022.

33. Write the dual effects for each of the following transactions.

Transactions	Dual effects
A – Purchase of goods by cash for Rs. 10 000
B – Goods returned to creditors Rs. 5 000

34. State whether the following transactions would ‘increase’, ‘decrease’ or cause ‘no change’ in the assets, liabilities and equity of a business.

Transactions	Assets	Liabilities	Equity
A – Increase of capital by owners
B – Provision for doubtful debt
C – Loan installment payment including interest
D – Declaration of profit at the end of year

35. State whether the following errors would ‘affect’ or ‘not affect’ the trial balance.

1. Sales invoice Rs. 40 000 has not been recorded in the books.
2. Credit balance of cash account Rs. 15 000 was carried to debit column.
3. Discount allowed Rs. 4 000 was debited in discount received account.
4. Impairment loss of trade receivable Rs. 3 000 was recorded in debtor control account but not recorded in personal account.

36. Mention the accounting concept relevant for the following circumstances.

Circumstances	Accounting concept
A – Disclosure of land at its purchase price, even though their fair value is high.
B – Recognition of depreciation of a machine for the expected useful life time
C – Recognition of cost of files which have five year useful life time
D – Continuous use of first-in-first-out in inventory valuation method

37. State whether the following items would ‘increase (I)’, ‘decrease (D)’ or cause ‘no change (NC)’ in the profit, when they are adjusted in financial statements.

(These items have not been adjusted in the accounting books.)

	(I, D, NC)
A – Accrued interest
B – Accrued interest income
C – Discount received
D – Surplus generated in first time revaluation of land

Use the following information to answer the questions 38 – 39.

Office expenses incurred in a business in March 2022 Rs. 60 000 was recorded in office equipment expense as Rs. 600 000. Office equipment is depreciated at 10% on straight line method annually. Office equipment was depreciated for the particular year.

38. What is net impact of this error on profit for the year ended 31.03.2022?

.....

39. Provide the journal entries to rectify office equipment account and office expenses account.

.....

40. State whether the following transactions would 'increase', 'decrease' or cause 'no change' in the debtor control account balance of a manufacturing business.

Transactions	Increase / Decrease / No change
A – Credit sales of used machine
B – Return inwards of goods sold on credit basis
C – Writing off bad debt during the year
D – Provision for doubtful debt at the end of year

41. The following expenses are related to a garments industry. Classify them into direct and indirect costs.

Expenses	Direct / Indirect
1. Cloth
2. Thread
3. Button
4. Tailor wage

● Use the following information to answer the questions 42 – 44.

Kothai and Pavai are the partners in a partnership business, sharing profit and losses on 5:3 basis. Andal was admitted as a new partner on 01.04.2021. On the same date, Andal brought Rs. 200 000 for her capital contribution. Goodwill of partnership business was evaluated as Rs. 160 000. Goodwill is not maintained as an asset and all adjustments should be made through partners' capital account. New profit and loss sharing ratio between Kothai, Pavai and Andal is 4:3:3. Each partner is entitled for annual salary of Rs. 150 000. The partners' capital and current accounts of Kothai and Pavai on 31.03.2021 is as follows.

	Kothai	Pavai
Capital account	Rs. 300 000	Rs. 250 000
Current account	Rs. 60 000	Rs. 40 000 (credit)

During the year, Kothai, Pavai and Andal withdrew their salary as Rs. 50 000, Rs. 40 000 and Rs. 30 000 in cash. Current account balance of Andal was Rs. 165 000 at the year ended 31.03.2022, after recording profit share and partners' drawing.

42. Provide the journal entry to record the goodwill of partnership on 01.04.2021.

.....

43. What is the profit earned by the partnership business for the year ended 31.03.2022?

.....

44. What is increase in equity during the year ended 31.03.2022?

.....

45. State the relevant classification of accounts for the following accounts of a not-for-profit business.

- 1. Subscription received in advance:
- 2. Accrued subscription:
- 3. Life membership balance:
- 4. Entrance fees:

46. The following transactions took place in Energy food business.

- 15.01.2022 Rs. 100 000 was received in advance for a food delivery order.
- 28.01.2022 Food was delivered for the above order and Rs. 200 000 was received in cash.
- 05.02.2022 The balance of the above order Rs. 50 000 was received.

In relation to the recognition of the revenue for the above order,

- (a) What is the date to be recognized income?
- (b) What is the revenue to be recognized on this date?
- (c) Name the relevant accounting concept.

47. Silva PLC purchased a motor vehicle at fair value Rs. 3900 000 on lease agreement basis from Perera PLC on 2021.04.01.

- Lease period is 5 years.
- First fixed lease installment was paid on 2022.03.31 is Rs. 1000 000.
- The interests included in installments are as follows.

	Rs.
Interest on first lease installment	320 000
Interest in second lease installment	270 000
Third lease installment	200 000

- (a) What is value of non-current liability on 2022.03.31?
.....
- (b) What is value of current liability on 2022.03.31?
.....

● Use the following information to answer the questions 48 – 49.

Profit before tax of Jeffry PLC for the year ended 2022.03.31 was Rs. 720 000. In calculation of this profit, the following related to land revaluation has not been considered.

Land was revalued as second time at deficit Rs. 220 000. When this land was revalued on 2020.03.31, the surplus Rs. 150 000 was reported as revaluation reserve. Current year income tax is 40% of profit before tax.

48. Provide the journal entry for land revaluation on 2022.03.31.

.....
.....
.....

49. Calculate the following for the year ended 2022.03.31.

- (a) Profit for the year:
- (b) Total comprehensive income:

50. State whether the following events would 'increase', 'decrease' or cause 'no change' in equity, retained earnings, assets,

Events	Equity	Retained earnings	Assets
A – Furniture revalued first time at deficit was revalued second time at surplus value lower than deficit value.
B – dividend paid during the year
C – Capitalization of reserve from retained earnings
D – Revaluation of land first time at surplus



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4th Term Examination G.C.E. (A/L) – 2022

conducted by Field Work Center, Thondaimanaru

Grade 13 (A/L) 2022

Accounting II

Time: 3 hours & 10 Min.

Instructions:

- Answer *five* questions *including* question No.1 and 2.
- This paper carries *200* marks.
- Write the answer for each question in *fresh page*.
- Suitable *workings* should be attached.

01. The following trial balance was taken from the books of Star PLC which involves in electric business for the year ended 2022.03.31

Details	Debit (Rs. '000')	Credit (Rs. '000')
Property, plant and equipment	70 000	
Stock on 2021.04.01	2 000	
Purchase	41 500	
Trade receivable	3 100	
Cash and cash equivalents	43 030	
Distribution cost	3 800	
Administrative cost	4 200	
Other expenses	1 500	
Financial expenses	200	
Dividend paid	1 700	
Income tax paid	2 000	
Lease installment paid	1 920	
Accumulated depreciation of property, plant 2021.04.01		17 500
Sales		85 000
Stated capital (ordinary shares)		40 000
Revaluation reserve on 2021.04.01		1 500
General reserve		600
Retained earnings		7 250
12% Bank loan (received on 2021.10.01)		5 000
Trade payable		17 000
Provision for compensation of a court case (2021.04.01)		150
Provision for income tax (2021.04.01)		600
Provision for impairment loss of trade receivable (2021.04.01)		350
	174 950	174 950

Additional information:

The following should be adjusted in the financial statements for the year ended 2022.03.31. directors authorized to publish financial statements on 2022.06.15.

1. The cost of stock on 2022.03.31 is Rs. 3500 000. The net realizable value the stock is Rs. 3650 000.

2. Regarding the case filed by Central Environment Authority against the company, the company has to provide the compensation of Rs. 400 000, in accordance with the verdict provided by the court on 2022.04.25. The trial balance shows the provision already done regarding it.
3. The court provided a judgement on 2022.05.01 that a debtor with Rs. 200 000 on 2022.03.31 is bankrupt. Further, allowance for impairment loss of trade receivable should be Rs. 300 000.
4. All properties of the business were insured for Rs. 1 000 000 on 2022.01.01. All insurance amount paid for the year ending on 2023.01.01 is included in administrative expenses.
5. The company decided to sell goods on warranty basis from this current year. 5% of sales should be made for sales promotion.
6. Details of cost and accumulated depreciation of property, plant and equipment are as follows.

Details	Cost / revalued amount on 2021.04.01 (Rs. '000')	Accumulated depreciation on 2021.04.01 (Rs. '000')
Land	20 000	-
Building	25 000	10 000
Office equipment	10 000	3 000
Motor vehicle	15 000	4 500
	70 000	17 500

- The details of property, plant and equipment purchased and disposed during the year are as follows.
 - o A building was purchased for Rs. 15 000 000 on 2021.10.01.
 - o An equipment at cost Rs. 2 000 000 and at carrying value Rs. 1 600 000 was disposed for Rs. 1650 000. Any entry has been made regarding it.
 - Land was revalued second time as Rs. 18 000 000 on 2021.04.01. The revaluation reserve shows the surplus generated at first time revaluation.
 - Building, office equipment and motor vehicle are depreciated at 20% on straight line method annually.
7. The company purchased a machine for 4 years based on right of use of property basis. The value of machine on 2021.04.01 is Rs. 4 000 000 and its useful life time is 5 years. Dawn payment Rs. 960 000 was paid on 2021.04.01 and first annual installment Rs. 960 000 was paid on 2022.03.31. Lease obligation at the initial time is Rs. 3040 000. The lease interests for the years ended on 2022.03.31 and on 2023.03.31 are Rs. 304 000 and Rs. 238 000 respectively. Dawn payment and first lease installment were recorded in lease installment account. Any other entry has not been recorded.
 8. Income tax paid includes Rs. 500 000 paid for last year and income tax for the year ended 2022.03.31 has been estimated as Rs. 2 300 000.
 9. Administrative expenses include director salary Rs. 500 000 and auditing fees Rs. 300 000. Further, bank loan interest is accrued.
 10. The directors decided on 31.03.2022 to transfer Rs. 800 000 to general reserve and to provide final dividend Rs. 1 200 000.

Required,

Prepare the following financial statements of Star PLC for the publication purpose (including notes) in accordance with LKAS-1 (Reporting financial statements)

1. Profit or Loss and Other Comprehensive Income Statement for the year ended 2022.03.31
2. Statement of Changes in Equity on 2022.03.31
3. Statement of Financial Position as at 2022.03.31

(40 marks)

02. (a) The following details on 01.04.2021 are related to the partnership business of Murugan, Kumaran and Velan

Assets	Rs. '000'
Property, plant and equipment	12 000
12% Investment	7 000
Inventory	700
Trade receivable	600
Cash and cash equivalents	500
	<u><u>20 800</u></u>
 Equity and liabilities	
Equity – Murugan	6 500
Kumaran	5 000
Velan	2 800
20% Bank loan	6 000
Trade payables	500
	<u><u>20 800</u></u>

Additional information:

- The partnership agreement between Murugan, Kumaran and Velan is as follows.
 - Profit and loss sharing ratio is 2:2:1.
 - Each partner is entitled to monthly salary Rs. 20 000.
 - 10% interest should be provided for opening balances of capital.
 - 12% interest should be provided to partners' loans.
- The partners' capital account balances on 2021.04.01 included in partners' equity are as follows.

	Rs. '000'
Murugan	5 000
Kumaran	4 000
Velan	3 000

- The summary of transactions of partnership business for the year ended 2022.03.31 is as follows.

	Rs. '000'
Sales (70% credit basis)	10 000
Purchase (60% credit basis)	4 000
Received from debtors	7 100
Paid to creditors	2 300
Operating expenses	1 200
Property, plant and equipment depreciation	300
Drawing (each partner Rs. 50 000)	150

- Value of inventory on 2022.03.31 is Rs. 800 000.
- Operating expenses include Rs. 50 000 paid for personal income tax of Murugan.
- Kumaran invested his own motor vehicle on 2021.10.01 in the business. Its cost and residual value are Rs. 2200 000 and Rs. 200 000 respectively. Its useful life time is 5 years. Motor vehicle is depreciated on straight line method. Any entry has not been recorded in the accounting books.
- Loan Rs. 500 000 provided by Velan on 2022.01.01 has not been recorded in any accounting books.
- Interest on investment should be received. Bank loan interest is to be paid.
- Velan retired from partnership business on 2022.03.31. The goodwill of partnership business was estimated as Rs. 2 000 0000 on the same date. Murugan and Kumaran agreed to share profit and

losses equally. 50% of total amount payable to Velan on the retirement date was settled in cash and remaining balance 50% was transferred to a loan account.

Required,

1. Income statement of partnership business for the year ended 2022.03.31 (including appropriation)
2. Partners' capital account, current account and Velan loan account for the year ended 2022.03.31
3. The following account balances on 2022.03.31:
 - Trade receivable
 - Trade payable
 - Other receivable
 - Other payable

(20 marks)

(b) The trial balance prepared by Thileepan business on 2022.03.31 was not equal. The different amount was carried to suspense account. Profit for the year was Rs. 650 000 in accordance with draft financial statements. The following information was revealed in the investigation made later.

1. Total of sales journal Rs. 450 000 was recorded in sales account as Rs. 540 000.
2. Rs. 14 000 was written off from debtors as bad debt. It has not been recorded in general ledger.
3. Office equipment purchased for Rs. 60 000 on 2021.10.01 was debited office expense account. The business depreciates all property, plant and equipment at 10% on cost per annum.
4. Bank loan interest paid Rs. 10 000 was credited in interest income account.
5. Rs. 40 000 received in advance for sales was credited in sales account.
6. Motor vehicle account balance Rs. 400 000 was carried to trial balance as Rs. 40 000.
7. A purchase invoice Rs. 25 000 was missed completely from accounting books.
8. Total of discount column of cash payment journal Rs. 30 000 was debited in discount received account and credited in creditor control account.
9. The net realizable value of inventory on 2022.03.31 was lower than its cost by Rs. 35 000. However, in profit calculation, the cost value of inventory was considered.

Required,

1. Journal entries to rectify the above errors
2. Correct profit for the year 2022.03.31
3. Write the correct accounting concepts related to the errors (ii), (iii), (v) and (ix)

(20 marks)

(Total 40 marks)

03. Mr. Healthy started a pharmacy business on 01.04.2021. the following transactions were carried during April 2021.

1. Owner deposited Rs. 600 000 in a current account to start the business and he brought a blood testing machine at value Rs. 800 000 as a part his capital.
2. Medicines at cost Rs. 200 000 were purchased on credit basis.
3. Medicines at cost Rs. 40 000 were returned to supplier due low quality.
4. Medicines at cost Rs. 60 000 were sold for Rs. 100 000 on credit basis.
5. A customer returned medicines sold for Rs. 10 000. Cost value of these medicines is Rs. 6 000.
6. Rs. 160 000 payable to medicine supplier was settled with 5% discount.
7. Medicines at cost Rs. 3 000 were donated to a base health center.
8. A cheque of Rs. 9 000 was received from a debtor after discount allowed Rs. 1 000.
9. Electricity payable for April month is Rs. 7 000.
10. Monthly maintenance expense of blood testing machine Rs. 5 000 was paid.

11. During this month, 500 blood testing was made. Charge per one blood testing is Rs. 70 and value of material used for a blood testing is Rs. 40. All these transactions were done in cash.
12. The depreciation of blood testing machine for April month is Rs. 15 000.

The following information was obtained from the bank statement received on 05.05.2021. In calculating cash balance on 30.04.2021, the following information has not been considered.

1. The cheque issued for blood testing machine Rs. 5 000 has not been presented for payment at bank.
2. Bank charge for April is Rs. 1 000.
3. Monthly school fees of owner's daughter Rs. 5 000 was paid on standing order basis.
4. Rs. 20 000 was deposited by a customer directly at bank.

Required,

1. Show the impacts of the above transactions 1 – 12 in the following accounting equation (with values). Mention “-“ to indicate decrease and “+” to indicate increase. (Use the following format to answer this question.)

Transactions No.	Assets				Liabilities		Equity
	Equipment	Inventory	Trade receivable	Cash	Trade payables	Accrued expense	
1.							
2.							

2. Calculate adjusted cash balance on 30.04.2021.
3. Prepare bank reconciliation statement for April 2021
4. Prepare income statement for the month ended 30.04.2021. (Total 40 marks)

04. (a) The following balances were extracted from the accounting books of Super Man business which purchases and sells sports equipment.

Balances on 2021.04.01	Rs. '000'
Cash	2 500
Trade receivable	800
VAT receivable	250
Rent income receivable	120

Cash receipts and credit transactions for 2021 April are as follows.

Date	Source document no.	Transactions
08.04.	0112	Sports equipment was sold for Rs. 600 000 to Sukan on credit basis.
11.04.	0093	Three month rent income Rs. 360 000 (including opening receivable)
12.04.	0094	Sports equipment was sold for Rs. 800 000 in cash.
18.04.	0098	Sports equipment was sold Rs. 400 000 to Mala on credit basis.
22.04.	0095	Rs. 100 000 was received from a debtor written off in 2021 January.
25.04.	0096	Sukan settled half of his outstanding balance.
28.04.	0097	Mala returned $\frac{1}{4}$ of goods sold and settled her all outstanding.

Additional information:

1. The business is registered for VAT. 15% VAT is charged on all purchases and sales. However, the above transactions do not include VAT.
2. 10% discount is allowed on the settlements of debtors.
3. The summary of cash payment journal for the month ended 2021.04.30 is as follows.

	Rs. '000'
Cash purchase (excluding VAT)	400
Paid to trade payable	360
VAT paid	40
Operating expenses paid	150
Interim dividend paid	60
Discount received	45

Required,

1. Record the above transactions in the following prime entry books.
 - (a) Cash receipts journal
 - (b) Sales journal
 2. The following accounts in general ledger:
 - (a) Cash control account
 - (b) Trade receivable account
 - (c) VAT account
 - (d) Rent income account

(20 marks)
- (b) 1. Bank reconciliation statement of Abraham business for the year ended 2022.02.28 is as follows.

	Rs. '000'
Cash control account balance	200
(+) Unpresented cheque: Cheque No. 1001	100
Cheque No. 1008	50
	350
(-) Unrealized cheque: Cheque No. 200	(20)
Bank statement balance	330

2. The information extracted from cash receipts journal and cash payments journal for 2022 March is as follows.

	Cheque No.	Rs. '000'
Receipts		
Received from trade receivable	150	220
Sales	-	250
Payments		
Paid to trade creditors	1015	150
Purchases	1016	170

3. Bank statement for March 2022 is given below.

Date	Details	Debit	Credit	Balance
01.03.	Balance			330
05.03.	Cheque 1001	100		230
10.03.	Cash deposit		200	430
20.03.	Bank charge	50		380
21.03.	Dividend – direct deposit		120	500
25.03.	Direct deposit of trade receivable		100	600
28.03.	Cheque – 1015	150		450

4. Details of other prime entry books extracted from 2022 March are given below.
 - Total of sales journal is Rs. 400 000.
 - Total of impairment loss of trade receivable is Rs. 50 000 (general journal)
5. Trade receivable on 2022.03.01 is Rs. 70 000.
6. The errors which took place during March 2022 are as follows.
 - Sales journal was understated by Rs. 50 000.
 - Credit note Rs. 10 000 has not been recorded in the accounting books.
 - Cash sales Rs. 200 000 was recorded in the accounting books as Rs. 250 000.

Required,

1. Adjusted cash control account for March 2022
2. Bank reconciliation statement for March 2022
3. Adjusted debtors control account for March 2022 (20 marks)

(Total 40 marks)

05. (a) Viththakan started a sole proprietorship business to provide management consultancy services. The summary of cash transactions undertaken by the business during first year ended 2022.03.31 is as follows.

	Rs. '000'
Capital contribution by Viththakan	330
Consultancy service income received	850
Bank loan received	900
Paid to stationery suppliers	450
Loan repayment	180
Furniture purchase	1 000
Operating expenses paid	330

Additional information:

1. Operating expenses paid include the following.

	Rs. '000'
Office expenses	45
Salary	50
Advertising	55
Rent	180
	<u>330</u>

2. Office expense accrued at the end of financial year is Rs. 10 000.
3. Rent was paid from 01.04.2021 to 30.09.2022.
4. Consultancy service income earned during the year is Rs. 1 000 000.
5. Stationery purchase and stationery used during the year are Rs. 550 000 and Rs. 480 000 respectively.
6. Bank loan can be settled in 6 equal installments Rs. 180 000 (including interest Rs. 30 000) from 31.03.2022 annually.
7. Furniture purchased on 01.04.2021 should be depreciated in 5 years on cost.

Required,

1. Income statement for the year ended 31.03.2022
2. Statement of financial position as at 31.03.2022 (15 marks)

(b) The information of Kathiravan packing cover manufacturing business for 2021 is as follows.

	Rs.
Inventory on 2021.01.01: Cloth	7 800
Work-in-progress	1 100
Finished packing covers	20 000
Cloth purchase	180 500
Cloth returned to suppliers	2 000
Machine operators wage	60 000
Factory employees' salary	8 000
Patron right	10 500
Factory electricity	8 000
Factory insurance	6 000
Machine depreciation	18 000
Inventory on 2021.12.31: Cloth	9 700
Work-in-progress	3 200
Finished packing covers	?

Additional information:

There were 8 000 packing covers as inventory on 2021.01.01. During the year, 95 000 packing covers were produced. Totally, 85 000 packing covers were sold.

Required,

1. Statement of manufacturing cost for the period ending 2021.12.31
2. Calculate manufacturing cost per packing cover.
3. Calculate the value of inventory at the end of the year. (15 marks)

(c) Petty cash balance of Ilamaran business on 2022 February 28 was Rs. 680. The details of petty cash payment analysis for February and March 2022.

The totals of expenses analysis columns:

	2022 March (Rs.)	2022 February (Rs.)
Postal expenses	750	620
Stationery expense	700	780
Transport expenses	600	500
Miscellaneous expenses	350	400
Other payments	1 800	1 020

- Other payments in March 2022 include owner's drawing Rs. 1 000 and telephone charge Rs. 800.
- Reimbursement was made on 2022.03.01 in accordance with increase in imprest amount by Rs. 500 in 2022 March.
- Except petty cash account and ledger accounts related to petty cash voucher, all other balances in general ledger on 31.03.2022 are as follows.

	Rs.
Cash control account balance	39 000
Debtor control account balance	63 000
Creditor control account balance	37 000
Bank loan	60 000
Purchase	51 000
Sales	133 000

Furniture and equipment	140 000
Capital	67 500

Required,

1. Provide the journal entry for reimbursement of petty cash on 2022 March 01.
2. Prepare petty cash account and ledger accounts for March 2022
3. Prepare trial balance on 2022 March 31.

(10 marks)

(Total 40 marks)

06. (a) The balances of Malaimagal PLC extracted from the books on 01.04.2021 are given below.

	Rs. '000'
Land	1 800
Building (cost)	2 200
Delivery van	1 300
Accumulated depreciation – Building	400
- Delivery van	500
Stated capital (each share Rs. 20)	8 000
Retained earnings	3 000
Land revaluation reserve	500
General reserve	2 000

The following transactions and events took place during the year ended 31.03.2022.

1. 2021 May Land was revalued as Rs. 1 300 000.
2. 2021 October A new delivery van was purchased for Rs. 500 000 on 2021.10.01 from Singer Company on credit basis.
3. 2021 December An interim dividend Rs. 1 000 000 was paid.
4. 2021 December The company invited the public to purchase 25 000 shares each at Rs. 20. The company received applications for 30 000 shares but additional applications were rejected and issued shares were allotted.
5. 2022 January A delivery van was disposed for Rs. 320 000 on 01.01.2022. This van was purchased for Rs. 400 000 on 2018.07.01.
6. 2022 January 10 000 ordinary shares were issued on right issue basis each at Rs. 20 and the money received properly and shares were allotted.
7. 2022 January Retained earnings were capitalized by issuing 5 000 shares each at Rs. 15.
8. 2022 March Rs. 250 000 was transferred to general reserve.
9. 31.03.2022 Building was revalued as Rs. 1 800 000.

Additional information:

All non-current assets are depreciated at 10% on cost. The profit for the year ending 31.03.2022 is Rs. 2 400 000. Depreciation, other comprehensive income and result of machine disposal were included in income statement.

Required,

1. Statement of changes in equity for the year ended 31.03.2022
2. Statement of changes in property, plant and equipment for the year ended 31.03.2022
3. The following for the year ended 31.03.2022:
 - (a) Delivery van account
 - (b) Delivery van disposal account
 - (c) Stated ordinary share capital
4. Journal entry to transactions (04) and (05).

(30 marks)

(b) Fill in the blanks.

No.	Opening net assets	Drawings	Closing net assets	Additional capital	Profit / Loss
1	60 000	10 000	98 000	Nil	A
2	100 000	18 000	B	20 000	40 000
3	160 000	20 000	250 000	C	80 000
4	D	20 000	240 000	70 000	40 000
5	175 000	E	200 000	60 000	(10 000)

(10 marks)

(Total 40 marks)

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