



FWC

## 5<sup>th</sup> 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	
<b>TOTAL</b>	

**01.** Which of the following best describes the main objective of financial accounting?

- (1) Recording the transactions in the accounting books properly
- (2) Evaluating the performance of the business
- (3) Fulfilling legal requirement
- (4) Providing useful information to stakeholders for their decision making
- (5) Managing the resources efficiently

(.....)

**02.** The stakeholders and the reasons for their interest on the business activities are given below.

Reasons	Stakeholders
1. Protecting consumer welfare	A – Investors
2. Achieving organizational objective	B – Employees
3. Ability to cover interest	C – Government
4. Safety for investment	D – Manager
5. Job security	E – Creditors

(1) D, E, A, C, B

(2) A, C, D, E, B

(3) B, A, C, D, E

(4) C, B, E, A, D

(5) C, D, E, A, B

(.....)

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

Babuji started a textile business on 01.01.2022 and he registered the business for VAT. First month business transactions are given below.

		Rs. '000'
01.01.2022	Capital invested	500
02.01.2022	One year rent paid for a building taken at monthly rent Rs. 5 000	60
15.01.2022	Credit purchase of textile with 15% VAT	230
20.01.2022	All purchases of this month sold with 15% VAT	345
25.01.2022	VAT paid	10

03. The order of source documents used to record the transactions from 01.01.2022 to 20.01.2022 is,

- (1) receipt, payment voucher, journal voucher, receipt
- (2) receipt, payment voucher, journal voucher, sales invoice
- (3) receipt, payment voucher, purchase invoice, receipt
- (4) journal voucher, receipt, voucher, journal voucher
- (5) receipt, payment voucher, receipt, payment voucher (.....)

04. Net impact of the transactions on the accounting equation on 31.01.2022 is, (include VAT account balance under liabilities)

	Assets Rs. '000'	Equity Rs. '000'	Liabilities Rs. '000'	
(1)	830	585	245	
(2)	775	540	235	
(3)	830	595	235	
(4)	785	595	290	
(5)	775	595	180	(.....)

05. Gross profit and net profit of the business for January 2022 are,

	Gross profit (Rs. '000')	Net profit (Rs. '000')	
(1)	115	55	
(2)	100	95	
(3)	100	40	
(4)	115	45	
(5)	100	30	(.....)

06. The accounting process of a business is given below.

- A – Preparing journal voucher
- B – Recording in debtor control account
- C – Posting to statement of financial position
- D – Return of cheque received from debtor
- E – Recording in general journal

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

07. Select the correct answer which contains the correct matching of transaction, ledger account, double entry and double effect.

Transaction	Ledger account	Double entry	Double effect	
A – Credit purchase	Creditor	Debit	Increase	
B – Return inwards	Debtor	Credit	Decrease	
C – Interest levied	Debtor	Debit	Increase	
D – Goods drawing	Drawing	Credit	Decrease	
(1) A, B, D	(2) A, D	(3) A, C, B		
(4) B, C	(5) A, B			(.....)

● Use the following information to answer the questions 8 – 10.

The cash control account balance and bank statement balance of Bandula trader were different on 01.04.2022. Only one reason for this different is un-presented cheque Rs. 20 000. Bank statement balance on 01.04.2022 was Rs. 92 000. The information for April 2022 is as follows.

- 05.04.2022 Credit sales Rs. 40 000, the cost of this sales is Rs. 30 000.  
 10.04.2022 Purchase of goods by cheque Rs. 25 000  
 15.04.2022 Salary paid for April 2022 Rs. 12 000  
 20.04.2022 Goods returned by debtor Rs. 8 000, the cost of these goods is Rs. 6 000 (These were sold on 05.04.2022.)  
 28.04.2022 Rs. 18 000 was received from debtor after discount Rs. 2 000

Out of last month un-presented cheques, only Rs. 15 000 was presented at bank in April. The other cheques have not been presented. The cheque received from debtors in this month has not been realized by bank. Bank charge for April and rent for April on standing order payment are Rs. 2 000 and Rs. 3 000 respectively. All receivables regarding April month sales were deposited directly at bank.

08. What is April month adjusted cash control account for April month?

- (1) Rs. 68 000 (2) Rs. 88 000 (3) Rs. 80 000  
 (4) Rs. 60 000 (5) Rs. 62 000 (.....)

09. What is bank statement balance?

- (1) Rs. 47 000 (2) Rs. 37 000 (3) Rs. 42 000  
 (4) Rs. 55 000 (5) Rs. 50 000 (.....)

10. What are total income and expenses for April?

- | Income (Rs.) | Expenses (Rs.) |         |
|--------------|----------------|---------|
| (1) 40 000   | 49 000         |         |
| (2) 32 000   | 43 000         |         |
| (3) 32 000   | 49 000         |         |
| (4) 32 000   | 41 000         |         |
| (5) 44 000   | 49 000         | (.....) |

11. The errors of Robot PLC in relation to debtors are as follows.

- Discount allowed Rs. 2 100 was recorded in discount column of cash receipt journal as Rs. 1 200.
- Cheque dishonoured Rs. 3 000 was recorded in debtor ledger as Rs. 300.
- Return inwards journal was overstated by Rs. 2 000.

What is net impact on debtor control account and debtor list balance, if the above errors are rectified?

- | Debtor control account | Debtor list balance |         |
|------------------------|---------------------|---------|
| (1) Rs. 2 000 increase | Rs. 1 800 increase  |         |
| (2) Rs. 1 100 increase | Rs. 1 100 decrease  |         |
| (3) Rs. 1 100 increase | Rs. 1 100 increase  |         |
| (4) Rs. 1 100 increase | Rs. 1 800 increase  |         |
| (5) Rs. 3 800 increase | Rs. 2 900 increase  | (.....) |

12. Which of the following statements comply with prudence concept?

- A – Disclosure of inventories at their realizable value than their cost  
 B – Provision for compensation for a customer on a case filed against to the company  
 C – Deduction of closing stock from the goods ready for sales

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

● Use the following information to answer the questions 13 – 14.

Sethu business which was started on 01.04.2021 hired two employees Kabil and Wimal on the same day and pay monthly net salary Rs. 36 000 and Rs. 54 000 respectively. The business and employees contribute for EPF at 15% and 10% respectively. Business contributes at 5% at ETF. Contributions for EPF and ETF are forwarded in the following month.

13. Gross salary and total expenses in relation to employees for the year ended 31.03.2022 are,

	Gross salary (Rs. '000')	Total expenses in relation to employees (Rs. '000')	
(1)	1 200	240	
(2)	1 200	1 440	
(3)	1 200	360	
(4)	1 200	1 560	
(5)	1 180	360	(.....)

14. EPF expense for the year ended 31.03.2022 and employee related accrued expenses on 31.03.2022 are,

	EPF Expense	Employee related accrued expenses on 31.03.2022	
(1)	180 000	54 000	
(2)	300 000	90 000	
(3)	240 000	24 000	
(4)	180 000	30 000	
(5)	120 000	30 000	(.....)

15. The balances related to equity of Shakthi sports club on 01.04.2021 are as follows.

Life subscription	Rs. 1 800
Sports equipment fund	Rs. 2 200
Accumulated fund	Rs. 5 000

Income surplus for the year ended 31.03.2022 is Rs. 3 000. Sports equipment was purchased for Rs. 1 800 using sports equipment fund. The policy of the club is to consider sports equipment fund used as income. Life subscription should be recognized as income over 10 years. Life time members joined the club on 01.04.2020.

What is the value of equity on 31.03.2022?

(1) Rs. 9 000	(2) Rs. 10 000	(3) Rs. 8 000	
(4) Rs. 12 000	(5) Rs. 14 000		(.....)

● Use the following information to answer the questions 16 – 18.

Susil, Bazil and Sisil are the partners in a partnership business sharing profit and losses on the basis of 5:3:2. Bazil retired from the partnership on 01.04.2021 and Susil and Sisil continued the partnership business sharing profit and losses based on 3:2. 10% interest should be allowed on the closing balance of partner capital accounts. Susil and Sisil are entitled for annual salary of Rs. 250 000 and Rs. 300 000 respectively. Susil and Sisil drew Rs. 100 000 and Rs. 50 000 in cash during the year. Year end profit share Rs. 300 000 and Rs. 200 000 were distributed to Susil and Sisil.

Capital and current account balances are given below.

	Capital on 01.04.2021 Rs. '000'	Current account balances on 01.04.2022 Rs. '000'	Current account balances on 31.12.2022 Rs. '000'
Susil	4 000	250 (credit)	1 090 (credit)
Basil	3 000	100 (debit)	-
Sisil	2 000	300 (credit)	930 (credit)

16. What is total value of goodwill of the partnership business?
- (1) Rs. 300 000 (2) Rs. 500 000 (3) Rs. 1000 000  
(4) Rs. 200 000 (5) Rs. 2000 000 (.....)
17. What is net profit of the partnership for the year ended 31.03.2022?
- (1) Rs. 500 000 (2) Rs. 1120 000 (3) Rs. 1070 000  
(4) Rs. 1050 000 (5) Rs. 1620 000 (.....)
18. What is decrease in equity of the partnership for the year ended 31.03.2022?
- (1) Rs. 1580 000 (2) Rs. 1630 000 (3) Rs. 1230 000  
(4) Rs. 1470 000 (5) Rs. 1730 000 (.....)
19. The financial statements of Samanthi PLC for the year ended 31.03.2022 has been authorized by board of directors on 28.05.2022. The events undertaken after 31.03.2022 are as follows.
- A – Goods purchased for Rs. 50 000 on 28.04.2022 were sold for Rs. 46 000 on 19.05.2022.  
B – A machine at value Rs. 400 000 was caught fire and completely damaged on 22.05.2022.  
C – A compensation of Rs. 50 000 should be issued to a customer according to the verdict provided on 25.05.2022 on the case filed on 29.03.2022.  
D – A debtor on 31.03.2022 became bankrupt on 21.05.2022.
- The events which should be adjusted in the statements of financial position for the year ended 31.03.2022, in accordance with LKAS-10 are,
- (1) A, B, C (2) A, C, D (3) A, C  
(4) C, D (5) A, B, C, D (.....)

20. The details related to inventory of Sai PLC for January 2022 are given below.

Date	Units	Purchase cost (Rs.)	Cost of sales (Rs.)	Cost of inventory (Rs.)
03.01.2022	600	7 200	-	?
12.01.2022	400	3 600	-	?
20.01.2022	?	-	A	2 160
31.05.2022	500	7 500	-	B

Find the values for A and B in accordance with LKAS 02, if the company uses weighted average cost method in pricing inventory.

- (1) Rs. 8640, Rs. 7 500 (2) Rs. 8640, Rs. 9660 (3) Rs. 10 800, Rs. 9 660  
(4) Rs. 9 680, Rs. 7 480 (5) Rs. 8640, Rs. 2 160 (.....)
- Use the following information to answer the questions 21 – 22.

Raj PLC is a registered business for VAT. The company purchased a machine for Rs. 575 000 including VAT 15% on 01.04.2018. Life time of machine is 12 years and residual value is Rs. 100 000. Initial cost of the machine on 01.04.2018 are as follows.

Installation cost	Rs. 80 000
Pre-test cost	Rs. 40 000
New power supply connection charge to operate machine	Rs. 80 000

The following costs incurred on 01.04.2021 subsequently.

A new equipment fitting cost for machine	Rs. 120 000
Machin repair expense	Rs. 30 000

After fitting the new equipment, the life time of the machine increased as 10 years since 01.04.2021. The residual value of the machine increased by Rs. 20 000.





● Use the following information to answer the questions 34 – 35.

Total assets and total liabilities of Madhumai business on 01.05.2022 were Rs. 500 000 and Rs. 280 000. Further details for May are as follows.

- Credit purchase for May is Rs. 160 000. Out of it, goods at cost Rs. 10 000 were returned to supplier.
- $\frac{2}{3}$  of net purchase for May was sold for Rs. 200 000 on credit basis. Selling expense on this sale is Rs. 12 000.
- Out of credit sales for May, goods at value Rs. 8 000 were returned. The cost value of this return is Rs. 6 000.
- $\frac{1}{2}$  of credit sales for May was settled by debtors with 5% discount.

34. (a) Calculate total income for May: Rs. ....

(b) Calculate total expense for May: Rs. ....

35. (a) Calculate gross profit for May: Rs. ....

(b) Calculate net profit for May: Rs. ....

(c) Calculate equity on 31.05.2022: Rs. ....

● Use the following information to answer the questions 36 – 37.

The trial balance of Sahana business was not equal on 31.03.2022. The following reasons were found later.

- Sales return Rs. 5 000 was recorded in sales journal.
- Cheque received from debtors and deposited at bank Rs. 20 000 was dishonoured by bank. Entries related to this return of the cheque was recorded in cash control account only.
- Electricity account balance Rs. 3 500 was carried to trial balance as Rs. 5 300.

36. Which side of the trial balance would be lower and by how much due to the above errors?

.....

37. What is the impact of the above errors on the equity due to the above errors?

.....

38. State whether the following statements related to accounting concepts are true or false.

Statements	True / False
A – Trade receivable and trade payable are classified as assets and liabilities respectively in accordance with accrual concept.	.....
B – Non-current assets are depreciated based on going concern concept.	.....
C – Time value of money would be equal in all time period as per money measurement concept.	.....
D – Other comprehensive income is disclosed separately in income statement in accordance with disclosure concept.	.....

39. State whether the following statements in relation to production cost are true or false.

Statements	True / False
A – It is obtained by adding prime cost with overhead cost.	.....
B – It is obtained by adding prime cost with conversion cost.	.....
C – It is obtained by adding raw material consumed with conversion cost.	.....
D – It is obtained by adding closing stock with cost of sales and by subtracting opening stock.	.....



40. Write the impacts of the following transactions undertaken in a sports club on the followings given below as 'increase', 'decrease' and 'no change'.

Transactions	Equity	Accumulated fund	Assets
1. Cash received for sports equipment fund	.....	.....	.....
2. Purchase of sports equipment using sports equipment fund	.....	.....	.....
3. Recognition of member subscription for the current year	.....	.....	.....

41. Mallikai, Mullai and Roja are the partners in a partnership business sharing profit and losses 2:2:1 basis. 10% annual interest is allowed on partners' capital account balances. Roja retired from the partnership business on 01.04.2022. Mallikai and Mullai shared profit and losses equally. The partners' capital account balances on 01.04.2021 were Rs. 320 000, Rs. 280 000 and Rs. 150 000. Interests on capital for Mallikai and Mullai for the year ended 31.03.2022 are Rs. 30 000 and Rs. 26 000.  
What is total goodwill of the partnership?  
.....

42. State whether the following statements related to partnership are true or false.

Statements	True / False
A – Profitability of the partnership would change, when a partner is admitted or retired.	.....
B – Interest to be paid on partner's loan would reduce equity of partnership.	.....
C - Capital interest taken by partners would reduce the equity of partnership.	.....
D – Equity of partnership business would reduce due to goodwill adjustment of new partner admission.	.....

43. State whether the following are changes in estimate or changes in policy in accordance with LKAS-8.

Events	Changes in estimates / Changes in policy
A – Changes in depreciation method	.....
B – Changes in inventory evaluation method	.....
C – Changes in allowance for expected loss	.....
D – Changes in assets from cost model to revaluation model	.....

44. The information related to a product of Sumangali PLC is as follows.

Economic order quantity	800 units
Ordering cost per order	Rs. 50
Holding cost per unit	Rs. 1.00

- (a) Calculate annual demand for inventory? .....
- (b) Calculate the total cost at the economic order quantity level as given below.  
Ordering cost: Rs. .... Holding cost: Rs. ....

45. Define the following as per new accounting framework.

- (a) What is economic resource?  
.....  
.....

(b) What are main criteria used to measure accounting elements.

1. ....
2. ....

46. State whether the following statements are true or false in relation to accounting ratio.

Statements	True / False
A – Increase in stock holding period shows the efficiency of the business.	.....
B – If earnings per share is high, investment can be got back within a short period.	.....
C – When the current ratio is 2:1, purchase of goods for Rs. 20 000 on credit basis would increase current ratio.	.....
D – When the debtor ratio is high, there is good relationship between business and customers.	.....

● Use the following information to answer the questions 47 – 48.

The information of Tokyo PLC for the year ended 31.03.2022 is given below.

	Rs.
Profit the year	68 000
Tax for the year 2021 / 2022	32 000
Depreciation for the year	12 000
Interest paid	8 000
Decrease in stock	15 000
Long term loan received	150 000
Dividend paid	40 000
Cash and cash equivalents on 01.04.2021	158 000
Cash and cash equivalents on 31.03.2022	215 000
Tax liabilities on 31.03.2022	12 000

47. Calculate net cash flow from operating activities.

.....

48. Calculate net cash flow from investment activities.

.....

49. Shiyano PLC produces a single product. Total cost for 1 200 nits is Rs. 44 000. When production units increased to 2 000 units, total production cost increased as Rs. 60 000. Calculate the following.

- (a) Variable cost per unit: Rs. ....
- (b) Fixed cost per unit in 2 000 units production level: Rs. ....

50. Classify the costs based on the following basis.

- (a) Based on stock evaluation:
 

.....

.....
- (b) Based on cost behaviour:
 

.....

.....



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**5<sup>th</sup> Term Examination G.C.E. (A/L) – 2022**  
**conducted by Field Work Center, Thondaimanaru**

Grade 13 (A/L) 2022

**Accounting II**

Time: 3 hours &amp; 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.
- 200 marks will be provided for this paper.

01. The trial balance of Romeo PLC for the year ended 31.03.2022 is given below.

Details	Debit (Rs. '000')	Credit (Rs. '000')
Stated ordinary share capital each at Rs. 15		30 000
General reserve		15 000
Retained earnings on 01.04.2021		10 500
Sales		35 000
Cost of sales	18 000	
Stock on 31.03.2022	290	
Administrative expenses	4 800	
Distribution cost	3 200	
Right of use of property	3 000	
Provision for sales warranty on 01.04.2021		110
Income tax provision for last quarter year on 01.04.2021		130
Income tax paid	510	
Accrued administrative expenses		20
Trade receivable	500	
Trade payable		400
Allowance for expected loss of trade receivable on 01.04.2021		35
Land revaluation surplus on 01.04.2021		1 200
Land	30 000	
Bank loan		4 000
Building	20 000	
Financial cost	160	
Motor vehicle	22 000	
Accumulated depreciation on 31.03.2022 – Building		4 200
Accumulated depreciation on 31.03.2022 – Motor vehicle		3 800
Other income		200
Other expenses	180	
Cash and cash equivalents	3 955	
	<b>106 595</b>	<b>106 595</b>

Additional information:

1. Details of stock on 31.03.2022 are as follows.

Type of stock	Cost Rs. '000'	Net realizable value Rs. '000'
MX	105	95
MP	75	80
MR	110	105
<b>Total</b>	<b>290</b>	<b>280</b>

Inventories are evaluated unit wise and calculated based on their cost values.

2. Administrative expense includes net salary Rs. 450 000 paid to employees. Employees and employer contributions for EPF are 10% and 15% respectively. Employer contribution for ETF is 5%. However, the contributions for EPF and ETF have not been accounted for and not paid.
3. Property, plant and equipment should be depreciated as follows.
- |               |       |
|---------------|-------|
| Building      | -5%   |
| Motor vehicle | - 10% |
4. Motor vehicle is used to distribute goods and other properties are used for administrative purpose. Current year depreciation for all properties (except right of use of property) have been calculated on the beginning balance on (01.04.2021) straight line method and accounted for properly.
5. Land and building were revalued as Rs. 28 000 000 and Rs. 20 000 000 respectively on 31.03.2022. These revaluations have not been accounted for.
6. Building was extended with value Rs. 3000 000 on 01.10.2021. This was properly recorded in the accounting books. A motor vehicle which has accumulated depreciation Rs. 1800 000 on 31.03.2021 and carrying value Rs. 3200 000 on the same date was disposed for Rs. 3000 000 on 01.10.2021. This sale value was debited in cash control account and credited in motor vehicle account. No any other entry has been recorded regarding this disposal.
7. Allowance for expected loss of trade receivable should be 10% of trade receivable on 31.03.2022.
8. Rs. 150 000 was paid for last quarter year of the financial year 2020 / 2021. Income tax of last quarter year of the financial year 2021 / 2022 has been estimated as Rs. 180 000.
9. Goods are sold on one-year warranty basis. Rs. 120 000 paid for previous year sales warranty is included in the distribution cost. Rs. 150 000 should be provisioned for the current year sales warranty.
10. Rs. 300 000 should be transferred to general reserve. Retained earnings were capitalized at each Rs. 15 by issuing one share for every one share held at the end of financial year.
11. The company purchased an equipment on 4 year right of use of property basis on 01.04.2021. Dawn payment Rs. 2000 000 was paid immediately and annual fixed installment Rs. 1000 000 should be paid at the end of each financial year. Dawn payment and annual installment for the current year were transferred to right of use of property account and no any other entries have been accounted for. Depreciation is made based on the lease period. Lease interest is 10%. Discounting rates for four years are as follows.

Year	Discounting rate
2020 / 2021	0.9
2019 / 2020	0.8
2018 / 2019	0.7
2017 / 2018	0.6

**Required,**

The following financial statements in accordance with LKAS-1

1. Profit or Loss and Other Comprehensive Income Statement for the year ended 31.03.2022
2. Statement of Changes in Equity for the year ended 31.03.2022
3. Statement of Financial Position as at 31.03.2022

**(40 marks)**

02. (a) The company which produces Product MX uses two special types of raw material M and X. 4 units in material M and 5 units in material X are required to produce one unit of product MX. Monthly production of product MX is between 200 units to 300 units. Annual demand of product MX is 4 000 units. Ordering cost per unit is Rs. 50. Annual holding cost per unit is Rs. 10.

Other information related to the raw material are given below.

Raw material	M	Y
Re-order quantity (Rs.)	50 000	?
Maximum inventory level (units)	?	12 000
Re-order period (monthly): Maximum	8	6
Average	6	4
Unit cost for raw material (Rs.)	10	5

**Required,**

Calculate the following inventory levels for the above two raw materials.

1. Re-order level for the two materials
  2. Minimum inventory levels for the two materials
  3. Maximum inventory level for raw material M
  4. Re-order quantity for raw material X
  5. Average inventory level for raw material M
  6. Economic order quantity for finished goods MX
  7. Total annual ordering cost for product MX
  8. Total annual holding cost for product MX (20 marks)
- (b) Two permanent lecturers and one visiting lecturer are working in a professional cause institution. Permanent lecturers are paid monthly basic salary Rs. 120 000 and visiting lecturer is paid a basic salary Rs. 2 000 per hour. Every lecturer should work 40 hours monthly. Other details for May 2022 are as follows.

	Working hours	Travelling allowance (Rs.)	No. of answer scripts corrected
Permanent lecturers:			
Mr.S.Seeralan	44	12 000	60
Mr.M.Ragavan	50	15 000	40
Visiting lecturers:			
Mr.S.Thesigan	52	10 000	80

Additional information:

1. Employees and employer contribute 10% and 15% of basic salary respectively for EPF.
2. Rs. 250 is paid for each answer script correction.
3. 10% should be deducted from basic salary of Seeralan and Ragavan as housing loan installments.
4. Each employee is paid their salary at the end of each month.
5. over time payment is 1½ folds of basic wage rate per hour.

**Required,**

1. May month pay roll
  2. Relevant journal entries (20 marks)
- (Total 40 marks)**

03. Varuna is a sole proprietor. His draft income statement for the month ended 31.07.2022 showed net profit Rs. 124 000. Cash control account balance on 31.07.2022 was Rs. 120 000. In calculating these values, the following transactions were missed or recorded incorrectly.

1. Goods costing Rs. 25 000 were sold for Rs. 30 000 to settle an advance amount received previous month Rs. 30 000. The remaining balance is to be received.
2. Goods costing Rs. 30 000 only were purchased for Rs. 40 000 paid in advance in previous month.
3. A machine purchased for Rs. 40 000 on 01.07.2022 was recorded in purchase journal. Payment on this purchase will be settled in two years. Machine is depreciated at 12% on cost.
4. Rs. 15 000 payable to creditor was set off against Rs. 20 000 receivable from the same person and the balance was written off as bad debt.
5. Goods worth of Rs. 5 000 were donated to a children home.
6. Rs. 20 000 was directly deposited by debtors at bank.
7. Bank charge Rs. 2 000, standing order insurance Rs. 10 000 (including own life insurance premium Rs. 4 000 of Varuna) were in bank statement.
8. Rent paid Rs. 12 000 in July for July, August and September 2022 was recorded as rent paid in advance.
9. Cheque received from debtors and deposited at bank Rs. 12 000 in July has not been credited by bank up to July 31 and Cheque issued to creditor Rs. 8 000 has not been presented by bank up to July 31. However, these have been recorded correctly in the accounting books.
10. Allowance for expected loss of trade receivable was 10% of debtors balance calculated above.

**Required,**

1. Record the above rectifications in the following accounting equation.

PPE	Inventory	Trade receivable	Other receivable	Cash	Trade payable	Other payable	Long term loan	Equity

2. Adjusted net profit for July 2022
3. Adjusted cash control account for July 2022
4. Bank reconciliation statement for July 2022

**(Total 40 marks)**

04. (a) Paran, Tharan and Karan are the partners in a partnership business sharing profit and losses on 5:3:2 basis. 10% interest is allowed on the partners' opening capital account balance. Annual salary for partners is Rs. 40 000, Rs. 30 000 and Rs. 20 000 respectively.

Tharan retired from partnership business on 31.03.2022 and Paran and Karan continued the partnership business sharing profit and losses on 3:2 basis. 50% of the loan payable to Tharan was paid in cash immediately and the remaining balance was transferred to a loan account.

The partners' current account prepared by an account trainee of the partnership on 31.03.2022 is given below.

Details	Paran	Tharan	Karan	Details	Paran	Tharan	Karan
Balance			5 000	Balance	15 000	25 000	
Goodwill	60 000		40 000	Goodwill	50 000	30 000	20 000
Drawing	10 000	5 000	3 000	Capital interest	50 000	40 000	30 000
c/d	105 000	152 000	42 000	Partner salary	40 000	30 000	20 000
				Loan interest	-	12 000	-
				Profit	20 000	20 000	20 000
	<b>175 000</b>	<b>157 000</b>	<b>90 000</b>		<b>175 000</b>	<b>157 000</b>	<b>90 000</b>

The following errors were found from the accounts prepared by the account trainee.

1. Goodwill was incorrectly adjusted in partners' current account.
2. Profit was equally shared among partners.
3. Interest on loan was not mentioned in the agreement. But 15% interest has been provided.
4. All partners drew goods. However, these drawings were recorded as cash drawing.
5. Current account of Tharan was carried forward without posting to capital account.
6. Personal life insurance premium of Paran Rs. 12 000 paid by partnership was recorded as expense of partnership.
7. Rs. 8 000 paid by Karan to repair motor vehicle of the partnership from his private fund was not recorded in the accounting books of the partnership.

**Required,**

- |                              |  |
|------------------------------|--|
| 1. Profit adjusted statement | 2. Profit and loss appropriation statement |
| 3. Partners' current account | 4. Partners' capital account               |
- (22 marks)

(b) The following details are related to Kabilan business for the January 2022.

Date	Purchase		Issue (units)	Balance (units)
	Units	Unit cost		
01.01.2022				400
05.01.2022	250	20		650
08.01.2022	350	40		1 000
12.01.2022			800	200
18.01.2022	300	30		500
25.01.2022			300	200

The balances on 01.01.2022 include 250 units purchased on 25.12.2021 each at Rs. 12 and 150 units purchased on 28.12.2021 each at Rs. 20.

**Required,**

1. Cost of inventory on 31.01.2022 in first in first out method
  2. Cost of inventory on 31.01.2022 in weighted average cost method
  3. Cost of sales for January in first in first out method
  4. Cost of sales for January in weighted average cost method
  5. Calculate gross profit in each method, if each unit is sold for Rs. 80.
- (18 marks)

**(Total 40 marks)**

05. (a) The balances of Delta PLC on 31.03.2022 and 31.03.2021 are as follows.

	31.03.2022 (Rs. '000')		31.03.2021 (Rs. '000')	
Property, plant and equipment (cost / revalued)	24 000		25 000	
Accumulated depreciation	<u>(2 600)</u>	21 400	<u>(3 000)</u>	22 000
Stock		4 800		3 200
Trade receivable		2 400		3 100
Cash		4 400		3 700
		<u><b>33 000</b></u>		<u><b>32 000</b></u>
Stated capital (Rs. 10 each)		21 000		20 000
Retained earnings		7 000		6 000
Revaluation reserve		-		1 000
General reserve		2 000		1 400
Bank loan		2 000		2 500
Accrued administrative expense		300		200
Accrued interest		100		-
Accrued tax		200		400
Trade payable		400		500
		<u><b>33 000</b></u>		<u><b>32 000</b></u>

Additional information:

- Income tax estimated for the year ended 31.03.2022 is Rs. 400 000. Tax provision for previous year was agreed and paid fully during the current year. There is no any excess provision or deficit provision in previous year tax.
- During the current year, land was undervalued by Rs. 1500 000. This land was revalued at surplus Rs. 1000 000 in previous year.
- A machine was disposed at profit Rs. 400 000. The carrying value of the machine on the date of disposal is Rs. 1000 000. Current year depreciation of property, plant and equipment is Rs. 500 000. A motor vehicle was purchased during the year.
- At the end of the current year, 20 000 shares were capitalized each at Rs. 10 by using retained earnings.
- Dividend paid during the year is Rs. 200 000.
- Bank loan interest for the year is Rs. 200 000 but Rs. 100 000 is accrued on 31.03.2022.
- The shares issued during the current year are not entitled for dividend for current year.

**Required,**

Cash flow statement for the year ended 31.03.2022 in accordance with LKAS 7 (28 marks)

(b) Calculate the following accounting ratios for the year ended 31.03.2022 using the information given above.

- |                                 |                             |            |
|---------------------------------|-----------------------------|------------|
| 1. Return of equity ratio       | 2. Interest coverage ratio  |            |
| 3. Debt-equity ratio            | 4. Earnings per share ratio |            |
| 5. Return on total assets ratio | 6. Debt ratio               | (12 marks) |

**(Total 40 marks)**



06. (a) The details of Keerthi PLC for May 2022 are given below.

The balances on 01.05.2022:

	<b>Rs.</b>
Cash control account	120 000
Motor vehicle	300 000
Stock	50 000
Debtor control account	60 000
Creditor control account	40 000
Bank loan	75 000
Payable VAT	5 000

- 03.05.2022 Sales of goods by cheque Rs. 69 000, including VAT 15%
- 05.05.2022 Purchase of goods by cheque Rs. 46 000, including VAT 15%
- 07.05.2022 Rent paid by cheque Rs. 12 000
- 14.05.2022 Sales of goods to Miller Rs. 23 000, including VAT 15%
- 16.05.2022  $\frac{2}{3}$  of debtor balance on 01.05.2022 was collected after 10% discount.
- 18.05.2022 Purchase of goods from Ramanan Rs. 11 500, including VAT 15%
- 20.05.2022  $\frac{1}{4}$  of creditor balance on 01.05.2022 was settled with 10% discount.
- 25.05.2022 Sales of goods to Theepan with VAT 15%
- 26.05.2022 Purchase of goods from Theesan with VAT 15%
- 27.05.2022 Bank loan repayment Rs. 15 000 including interest Rs. 3 000
- 28.05.2022 Rent received Rs. 10 000
- 29.05.2022 All the amount to be received from Miller was received after 10% discount on the value excluding VAT.
- 30.05.2022 VAT paid in cheque Rs. 3 000
- 31.05.2022 All amount to be paid to Ramanan was paid after deducting 20% discount on the value excluding VAT.

**Required,**

- The following ledger accounts for May
    - Cash receipt journal
    - Cash payment journal
    - Sales journal
    - Purchase journal
  - The following ledger accounts in general ledger
    - Sales account
    - Purchase account
    - Debtor control account
    - Creditor control account
    - Cash control account
    - VAT control account
- (25 marks)

(b) There are 100 members in the Thiyagi Sports Club, paying annual subscription Rs. 500 and 20 life members. The information for the year ended 31.03.2022 is as follows.

<b>Cash received</b>	<b>Rs.</b>	<b>Cash payments</b>	<b>Rs.</b>
Subscription received 2020 / 2021	2 500	Electricity	6 000
2021 / 2022	40 000	Stationery expense	3 000
2022 / 2023	5 000	Sports meet expenses	2 000
Sports equipment fund	50 000	Sports equipment purchase	80 000
Entrance fees	4 000	Newspaper purchase	6 000
Old newspaper sales	2 000	Balls and jersey	5 000

## Additional information:

1. As at 01.04.2021,
 

Cash balance	Rs. 75 000
Sports equipment	Rs. 100 000
Life subscription	Rs. 34 000
Subscription in advance	Rs. 2 000
Sports equipment fund	Rs. 75 000
2. Life subscription fees account balance will be written off over 10-year period. Life members joined the club on 01.04.2018.
3. Out of electricity paid, Rs. 1 000 was paid for previous year and Rs. 2 000 was paid for next year.
4. Sports equipment on 31.03.2022 is Rs. 172 000.
5. 5 members quitted the club without paying the subscription for 2020 / 2021. Their subscription receivable was written off and their membership also revoked.
6. Sports equipment purchased during the current year was purchased using sports equipment fund. The policy of the club is to consider the sports equipment fund used as income.

**Required,**

1. Income and expenditure statement for the year ended 31.03.2022
  2. Subscription account for the year ended 31.03.2022 (15 marks)
- (Total 40 marks)**



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