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Accounting I Term Test- January 2022 Grade12		<table border="1" style="margin: auto;"> <tr> <td style="width: 30px; height: 30px; text-align: center;">33</td> <td style="width: 30px; height: 30px; text-align: center;">E</td> <td style="width: 30px; height: 30px; text-align: center;">I</td> </tr> </table>	33	E	I	පන්තිපිටිය ධර්මපාල විද්‍යාලය - පන්තිපිටිය ධර්මපාල විද්‍යාලය - පන්තිපිටිය ධර්මපාල විද්‍යාලය - පන්තිපිටිය ධර්මපාල විද්‍යාලය
33	E	I				
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All questions are compulsory.

Select the correct answer for questions no: 1-30 and write its number on the dotted line.

Write short answers for question no: 31-50 on the dotted lines.

Each question carries two marks.

01. The statement that best describes the main purpose of accounting is,

- I. Prepares and presents financial accounting information.
- II. Prepares and presents financial information required for owners to make economic decisions.
- III. Prepares and presents financial and non-financial information required for owners to make economic decisions.
- IV. Prepare accounting information for stakeholders to make economic decisions.
- V. Prepares and presents financial and non-financial information to make economic decisions required by the stakeholders.

(.....)

02. Which of the following is not a necessary condition for identifying an economic resource as an asset in a financial statement?

- I. Occurred as a result of a past transaction or event.
- II. Cost or fair value can be accurately measured in cash.
- III. Legal ownership is with the accounting entity.
- IV. Risk and rewards will be borne by the accounting entity.
- V. Possibility of generating future economic benefits.

(.....)

03. The most inaccurate statement/statements of the following is/are,

- A. The financial impact of past transactions and events is taken into account only for financial accounting.

- B. Whenever the cash control account balance increases, the relevant accounting unit becomes profitable.
- C. Information provided by the acting management accountant in charge of management accounting cannot be penalized by law for losses due to an error.

- I. A only
- II. A and B only
- III. B only
- IV. A and c only
- V. B and C only

(.....)

04. General purpose financial statements belong to,

- I. The owners
- II. Book keeping
- III. Cost accounting
- IV. Financial accounting
- V. Management accounting

(.....)

05. The final responsibility of a public limited company for the preparation and submission of financial statements is vested in the owners of a company,

- I. To board of directors
- II. To the chief executive officer
- III. To chief accountant
- IV. To shareholders
- V. To the entire staff

(.....)

Answer questions 6, 7 and 8 using the information given below.

The balances as at 01/01/2021 of Sasini's business were as follows.

- Land and buildings Rs. 500,000
- Stock Rs. 100,000
- Cash Rs. 150,000
- Debtors Rs. 50,000
- Bank Loan Rs. 300,000

➤ Following transactions occurred during the accounting year of 2021.

➤ A stock which costs Rs.50,000 has been sold on credit with a profit margin of 80% on selling price.

- The annual bank loan installment paid is Rs.120,000. Interest per annum is 5%.
- A stock of Rs.100,000 (marked price) have been purchased on credit subject to a 10% trade discount. Of which, 50% has been paid with a 20% cash discount.

06. Net assets of the business as at 01.01.2021.

- I. Rs.800,000
- II. Rs.300,000
- III. Rs.500,000
- IV. Rs.1,300,000
- V. Rs.650,000 (.....)

07. Profit or loss earned by the business in 2021?

- I. Rs.34,000
- II. Rs.44,000
- III. Rs.115,000
- IV. Rs.194,000
- V. Rs.650,000 (.....)

08. What is the final impact on the accounting equation after adjusting the above transactions?

Assets	= Equity	+ Liabilities
(Rs.000')	(Rs.000')	(Rs.000')
I. +774	+534	+240
II. +970	+694	+276
III. +789	+544	+245
IV. +810	+534	+276
V. +934	+694	+240

(.....)

09. The following are statements made by several individuals.

- A. Income on exports at the end of this year was higher than the income on exports at the beginning of the year due to the devaluations of exchange rates.
- B. As our business is a public limited company, the annual general meeting should be held within 3 months at the end of each year.
- C. Many people in our area have changed their religion. As a result, the "X" bank in the province, which was not so profitable in the past, has received higher interest income.

What are the identifiable accounting environmental factors for the above statements respectively?

- I. Economic environment, Technical environment, Religious environment.
- II. Economic and political environment, Legal environment, Social and cultural environment

- III. Political environment, Legal environment, Cultural environment
- IV. Economic and political environment, Professional environment, Social and cultural environment.
- V. Economic and political environment, Technical and professional environment, Social and cultural environment.

(.....)

10. Which of the following statement/s is/are the most accurate statement/s?

- A. There is always a cash flow for revenue
- B. The increase in net assets sometimes does not represent a profit.
- C. Trade discounts do not cause a profit or loss for a business.

- I. A and B only
- II. B and C only
- III. A and C only
- IV. A only
- V. B only

(.....)

11. Select the answer which correctly categorized the accounts.

- I. Drawings account- Equity, Provision for depreciation account- assets, Provision for impairment losses- assets
- II. Drawings account – expenses, Provision for depreciation account – expenses, Provision for impairment losses- expenses
- III. Drawings account- equity, Provision for depreciation – expenses, Provision for impairment losses- expenses
- IV. Drawings account- expenses, Provision for depreciation – assets, Provision for impairment losses – assets.
- V. Drawings account – Capital, Provision for depreciation- assets, Provision for impairment losses – assets.

(.....)

12. What is the correct double entry to record recovery of impairment losses,

- I. Impairment loss account – Dr, Provision for impairment losses account – Cr
- II. Debtors control account – Dr, Provision for impairment losses account – Cr
- III. Cash control account – Dr, Provision for impairment losses account - Cr
- IV. Cash control account – Dr, Provision for impairment losses account- Cr
- V. Provision for impairment losses account – Dr, Debtors control account – Cr

(.....)

Answer question numbers 13, 14,15 and 16 by using below given information.

Nimanthi's business purchased a stock of Rs. 500,000 on credit from Dasun's business subjected to a 20% trade discount. 1/5 of this stock has been returned. Subsequently, Nimathi paid 5/8 of the total amount at a discount of 10% and Nimanthi defaulted on the balance.

13. The purchase value that Nimanthi should identify in the purchases journal,

- I. Rs.500,000
- II. Rs.450,000
- III. Rs.320,000
- IV. Rs.420,000
- V. Rs.400,000

(.....)

14. What are the relevant source documents respectively, to record the above transactions in the point of view of Dasun's business?

- I. Invoice, Debit note, Receipt, Payment voucher
- II. Invoice, Credit note, Payment voucher
- III. Receipt, Debit note, Invoice
- IV. Invoice, Debit note, Receipt, Journal voucher
- V. Invoice, Debit note, Payment voucher, Journal voucher

(.....)

15. How much would be the total advantage to Nilanthi from the above transactions?

- I. Rs. 240,000
- II. Rs.120,000
- III. Rs.200,000
- IV. Rs.140,000
- V. Rs.320,000

(.....)

16. Impairment loss to be identified by Dasun's business,

- I. Rs.120,000
- II. Rs.220,000
- III. Rs.240,000
- IV. Rs. 20,000
- V. Rs.320,000

(.....)

Answer question no: 17 and 18 by using below given information.

- The balance of the cash control account was Rs.100,000 as at 01.01.2022 and the remaining balance with the petty cashier was Rs.1,000 as at the same date.
- At the end of January 2022, the balance of the cash control has increased by Rs. 400,000 and the balance remaining with the petty cashier has increased by Rs.1,000.
- During the month, cheques of Rs. 80,000 were issued through the petty cash payments journal, out of which a cheque of Rs. 9,000 was issued at the beginning of January for petty cash reimbursement.
- All cash receipts to the business are reported through the cash receipts journal.

17. Total cash receipts in January 2022,

- I. Rs. 480,000
- II. Rs.489,000
- III. Rs.500,000
- IV. Rs.580,000
- V. Rs.589,000

(.....)

18. How much would be the petty cash imprest and the petty cash expenses during the month of January 2022 respectively,

- I. Rs. 9,000 and Rs.7,000
- II. Rs.8,000 and Rs.10,000
- III. Rs.11,000 and Rs.9,000
- IV. Rs.9,000 and Rs. 7,000
- V. Rs.10,000 and Rs.8,000

(.....)

Use following information to answer question numbers 19 and 20.

You are given following information of Oshadhi's business.

- The balance as per the bank statement as at 31/01/2022 is Rs.240,000 (Favorable)
- The following information is extracted from the bank statement for the month of January 2022. However, these facts have not been recorded in the cash control account of the business.
- Bank charges Rs.5,000
- Standing order payment for insurance premium – Rs.10,000
- Letter of credit fee charged by the bank – Rs. 5,000

- Dividend income deposited to the bank by a subsidiary is Rs.100,000.
- Out of Rs.80,000 worth of cheques issued by the business in January 2022, cheques worth Rs.50,000 have not been presented for payment by the end of January.
- Cash and cheques received during the month of January 2022 is Rs. 400,000. Although cash and cheques were banked daily, a cheque of Rs. 30,000 has not been realized by the end of January.
- In January 2022, the bank has erroneously debited a cheque of Rs. 30,000 to the bank account.

19. The balance of the cash control account as at 01.01.2022 would be,

- I. Rs. 250,000 – Bank overdraft
- II. Rs.150,000 – Favorable balance
- III. Rs. 150,000- Bank overdraft
- IV. Rs.190,000- Bank overdraft
- V. Rs. 250,000- Favorable balance (.....)

20. The balance of the cash control account as at 31.01.2022 to be shown under current assets in the statement financial position.

- I. Rs.250,000- Bank overdraft
- II. Rs.150,000- Favorable balance
- III. Rs.150,000- Bank overdraft
- IV. Rs.190,000- Bank overdraft
- V. Rs. 250,000- Favorable balance (.....)

21. The petty cash imprest of Suneth's business is Rs.5,000 and all payments less than Rs. 1,000 are made through the petty cash payments journal. Petty cash imprest will be reimbursed when required.

The main cashier has been issued a cheque of Rs.4,500 on 2nd of January 2022 for petty cash reimbursement.

During the month of January 2022, the following petty cash expenses were incurred.

- Stationary Rs.750
- Stamp duty Rs.250
- Refreshment expenses Rs.1,500
- Transportation Rs. 3,200
- Miscellaneous expenses Rs.800

The balance remaining with the petty cashier as at 31.01.2022,

- I. Rs.1,500
- II. Rs.5,000

- III. Rs.3,500
- IV. Rs.500
- V. Rs.4,500 (.....)

Answer question no: 22,23 and 24 by using below given information.

The trial balance of Sanduni's business as at 31.12.2021 did not tally. The difference is settled by a suspense account and the financial statements are prepared.

- Accordingly, the gross profit and the net profit calculated respectively, is Rs.1, 200,000 and Rs.800, 000. However, a subsequent audit revealed the following.
- The sales journal has been under-summed by Rs. 100,000.
- Discount column of the cash receipts journal has been under-casted by Rs.5,000.
- Goods in transit of Rs.20,000 has been missed when counting the closing stock.
- Rs. 15,000 of rent received has been recorded as rent paid.

22. The gross profit and the net profit after adjusting the above information respectively,

- I. Rs. 1,345,000 and Rs. 945,000
- II. Rs. 1,280,000 and 930,000
- III. Rs.1,280,000 and Rs.945,000
- IV. Rs.1,320,000 and Rs.945,000
- V. Rs.1,320,000 and Rs.930,000 (.....)

23. The balance of the suspense account identified in the trial balance,

- I. Rs. 105,000 (Dr Balance)
- II. Rs. 125,000 (Cr Balance)
- III. Rs. 125,000 (Dr Balance)
- IV. Rs. 30,000 (Dr Balance)
- V. Rs. 30,000 (Cr Balance)

24. The most accurate double entry to record the goods in transit,

Dr	Cr
I. Stock acc	Trading acc/Income statement
II. Stock acc	Income statement
III. Trading acc/ Income statement	Stock acc
IV. Stock acc	Purchases acc
V. Cost of sales	Stock

(.....)

25. Discount received of Rs.5,000 has been debited to the discount received account as Rs.500. The double entry to correct this error would be,

Dr	Cr
I. Discount allowed Acc Rs.5,000	Discount received Acc Rs.5,00 Suspense Acc Rs.4,500
II. Discount allowed Acc Rs. 5,000	Discount received Rs.5,000
III. Discount received Acc Rs.4,500	Suspense Acc Rs. 4,500
IV. Suspense Acc Rs.5,000	Discount allowed Acc Rs.500 Discount received Acc Rs.4,500
V. Suspense Acc Rs. 5,000	Discount allowed Acc Rs.4,500 Discount received Acc Rs. 500

(.....)

Using below given information answer question no: 26 and 27.

The debit balance of the debtors control account of Basil's business is Rs. 25,000 as at 31.03.2021.

The following errors were revealed later.

The total of the return inwards journal has been under summed by Rs. 5,000.

- A debtor balance of Rs.2,000 has been set off against a creditor balance. This has not been recorded in the subsidiary ledger.
- A debit balance of Rs. 3,000 has not been taken to the debtors list of balances.
- Direct remittance of Rs. 3,000 from a debtor has not been recorded in the debtors control account.

26. How much would be the balance that should be recorded in the statement of financial position as at 31/03/2021.?

- I. Rs.28,000
- II. Rs.12,000
- III. Rs.20,000
- IV. Rs.23,000
- V. Rs.17,000

(.....)

27. How much would be the total of the debtors' list of balances as at 31/03/2021?

- I. Rs.27,000
- II. Rs.19,000
- III. Rs.16,000

- IV. Rs.18,000
- V. Rs.23,000

(.....)

28. You are given following information relevant to a particular accounting year of a business.

- Sales - Rs.1,000,000.
- closing stock – Rs.2,000,000
- Opening stock – Rs. 100,000
- Gross profit margin is 20% on sales.

Purchases value for the year based on above information,

- I. Rs.500,000
- II. Rs.600,000
- III. Rs.800,000
- IV. Rs.200,000
- V. Rs.400,000

(.....)

29. 40% of the stock purchased for Rs.500,000 in Dasun's business was destroyed and the insurance company had agreed to pay a compensation of 80%. 50% of the undestroyed stock is sold at a profit of 30% on cost. Considering all the above, the profit earned by the business is,

- I. Rs.45,000
- II. Rs.5,000
- III. Rs.40,000
- IV. Rs.90,000
- V. Rs.15,000

(.....)

30. You are given following information of a business.

	Balance as at 01/01/2021	Balance as at 31/12/2021
Electricity expenses	5,000 (Pre-paid)	6,000 (Accrued)
Rent income	3,000 (Received in advance)	4,000 (Receivable)

Rs. 30,000 has been paid for electricity expenses during the year. Rs. 50,000 has been identified as rent income in the income statement.

Electricity expense to be presented in the income statement and the rent income received in cash respectively,

- I. Rs.45,000
- II. Rs.5,000
- III. Rs.40,000
- IV. Rs.90,000
- V. Rs.15,000

(.....)

31. State two new trends in accounting.

1.....

2.....

32. The accounting concept which is relevant to record the actual cost of a transaction in the books of accounts is

33. The accounting concept which provides the basis for classifying assets and liabilities as current and non- current is

34. “X” Ltd. Purchased a motor vehicle which costs Rs. 500,000 on 01.04.2020. the residual value as at 01.04.2020 is Rs. 100,000 and the estimated useful life is 5 years.

a.) How much would be the depreciation for the year ended 31.03.2022?

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.....

b) How much would be the net value of the motor vehicle as at 31.03.2022.

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.....

35. The following information relevant to a Sandaruwan’s manufacturing business.

- Purchases of raw material - Rs. 200,000
- Royalty to be paid per unit of production – Rs.50
- Wages paid to produce one unit – Rs.100
- Electricity expenses – Rs.40,000 (2/8 of this is for showroom)
- Supervisor’s salary Rs.50,000
- Opening stocks –
 - Raw material - Rs.50,000
 - Work-in-progress -Rs.20,000
 - Finished goods – Rs.40,000
- Closing stocks –
 - Raw material – Rs.40,000
 - Work-in-progress – Rs.30,000

- Finished goods- Rs.20,000
- Selling expenses Rs. 60,000
- Production units produced during the year – 1000

a) Prime cost for the year

.....

b) Production cost per unit.

.....

State whether the following statements are “True” (T) or “False” (F).

36. The concept of realization states that income should be identified when it is received in cash. (.....)
37. The assets that do not have a legal ownership with the entity cannot be stated in financial statements because the concept of substance over form interferes with it. (.....)
38. Human resources are not represented in traditional accounts because they follow the concept of money measurement. (.....)
39. In a business that maintains control accounts, the double entries in the general ledger and the subsidiary ledgers are always completed. (.....)
40. Even if the trial balance of a business is always balanced, it cannot be concluded that the accounting is done correctly. (.....)

Use following information to answer question numbers 41,42,43 and 44.

You are given following information regarding employee salaries. (January 2022)

- Basic salary Rs.500,000.
- Bonus Rs.100,000
- Monthly fuel allowance Rs. 5,000
- Contributions to employee provident fund (EPF) – (Based on basic salary)

Employee - 10%

Employer - 15%

- Contributions to employee trust fund (ETF) (Based on basic salary)

Employer – 5%

- Deductions from salary

Trade union charges – Rs.2,000

Bank loan installments – Rs. 13,000

Insurance Premium – Rs.2,000

- Salary of a particular month will be paid on the 5th day of the following month.

41. Calculate the value to be identified as employee salary expense for January 2022.

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42. How much would be the employee provident fund (EPF) expense for the month of January 2022?

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43. Calculate the employee related total expenses for the month of January 2022.

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44. Indicate two items and related values to be listed under current liabilities as at 31/01/2022.

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45. The invoiced purchased price of a business is Rs.440,000 and the invoiced sales price is Rs.565,000. Suppliers are paid 10% VAT on purchases. Customers are charged 15% VAT on sales.

If Rs.40,000 has been paid in cash for VAT during the period, what is the value of VAT payable at the end of the year?

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- 46.** A business has commenced on 01.01.2021 and sales during the year is Rs.800,000. Of which 40% is credit sales. However, during the year buyers have paid only 50% of this.

Total credit sales during 2022 is Rs.200,000. During the year 2022, debtors have paid only 80% of this.

From the year the business was commenced a 10% provision is made for impairment losses.

Calculate the value to be identified as impairment loss in the income statement for the year of 2022.

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- 47.** Why depreciation is not provided for land?

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.....

- 48.** State the two fundamental qualitative characteristics of accounting information.

1.
2.
3.

- 49.** What is the accounting concept which provides the basis for calculate the gross profit after adjusting the closing stock?

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50. What are the 5 main financial statements included in the set of financial statements.

1.....

2.....

3.....

4.....

5.....

