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 கல்விப் பொதுத் தரப்பப் பத்திர (உயர் தர)ப் பரீட்சை - 2020 ஓசஸ்ந்
 General Certificate of Education (Adv. Level) Exam - August 2020

නව නිර්දේශය
 புதிய பாடத்திட்டம்
 New syllabus

கிணுதிருவாய் II
 கணக்கீடு II
 Accounting II

33 E I

පැය තුනයි
 மூன்ற மணித்தியாலங்கள்
 Three Hours

Instructions:

- Answer only Five questions including Question No: 01 & 02
- Start answering each question with a fresh sheet
- Relevant workings should be attached to the answer script

01. The following trial balance of "Sunshine PLC" has been given as at 31/03/2021 after calculation of net profit before tax. The financial statements were authorized by the board of directors on 30/06/2021 and were published on 20/7/2021.

(Rs. 000)

Property, plant and equipment as at 01.04.2020 (carrying value)	3 500	
Trade receivables	300	
Cash and cash equivalents	1150	
Closing stocks as at 31/03/2021(as per physical count)	200	
10% Investments (Investment was made on 01/01/2021)	800	
Lease installment	300	
Provision for income tax (31/03/2020)		30
Trade payables		1030
Stated share capital (Rs. 100 per share)		2500
Retained earnings as at 01/04/2020		450
Revaluation reserve – buildings		150
Dividends paid	160	
Income tax paid	90	
Provision for warranty (31/03/2020)		70
Allowance for expected losses (31/03/2020)		120
Net profit before tax (31/03/2020)		2000
Sales advance		150
	6500	6500

The following factors should be considered in preparing financial statements.

(1) A summary of the drafted income statement is as follows (Rs. 000)

Sales	4000
Cost of sales (1 240)	
Distribution cost (460)	
Administration cost (300)	
	(2 000)
Net profit before tax	2000

(2) Composition of property plant and equipment is given below. (01/04/2020)

Item	Cost / Revalued Amount	Accumulated Depreciation	Carrying Value
Building	2 000	200	1 800
Motor vehicle	1 500	-	1 500
Equipments	500	300	200
	4 000	500	3 500

- ❖ Buildings and equipment are depreciated annually at 10% and 20% respectively on straight-line method.
- ❖ Buildings were revalued again on 31/03/2021 at Rs. 1 300 000 but not yet accounted.

(3) The motor vehicle was acquired on 1/4/2020 with right to use. The direct expenses and initial payment were made and recorded properly. Initial lease liability of Rs. 900 000 was credited to the trade payables account. The lease term period is 4 years and the lease interest is 10%. The useful life time of the motor vehicle is 5 years. The ownership of the asset will be transferred to the company at the end of the lease period. First lease installment paid was debited to lease installment account.

(4) Employee net salary paid of Rs. 260 000 is included in administration expense. EPF and vehicle loan installment of Rs. 10 000 were deducted from gross salary. Company contributes to E.P.F. and E.T.F at the approved rate as follows.

E.P.F. - employee 10% E.T.F. 3%
 employer 15%

The company has not made a provision for EPF and ETF for the entire year.

(5) Goods of which the invoice value was Rs. 100 000 was sent to the dealer on sale or return basis and recorded as sales. The policy of the business is to add 25% profit on cost. But this particular stock was not yet sold.

The net realizable value of the closing stock in the trial balance was Rs. 180 000.

(6) The allowance for expected losses on trade receivables should be 10%.

(7) Rs. 50 000 agreed and paid for the last quarter of 2019/2020 was included in tax paid during the year. Income tax for the year was estimated as 10% of profit before tax.

(9) Company issues sales warranties only for one year, and current year provision should be Rs. 80 000. Rs. 60,000 paid on warranties made during last year was included in distribution expenses.

(10) The company has entered into a contract with customer on 01.03.2021 to sell goods and provide maintenance services during the first 5 months after sales. The total consideration of the contract was Rs. 800 000 and of which, Rs. 650 000 relates to the sale of goods and the balance for the provision of maintenance services. The company sold all goods agreed in the contract on 01.03.2021 and the total consideration of the contract was received in cash. From this total sales Rs.650 000 has been correctly accounted in the sales account and balance has been credited to service advance account.

Required

1. Statement of Profit and Loss and Other Comprehensive income for the year ended as at 31.03.201.
2. Statement of Financial Position as at 31.03.2021.
3. Statement of Changes in Equity for the year ending 31.03.2021.
4. Notes for the year ended on 31.03.2021.

(Total 40 Marks)

02. (A) Information related to materials of a manufacturing organization for the year ended 31/3/2021 is given below.

Maximum consumption per day	1 200 units.
Average consumption per day	800 units
Minimum lead time	2 days
Maximum lead time	4 days
Economic order quantity	3 000 units

Calculate the followings.

- | | |
|-------------------------|-------------------------|
| (1) Re-order level | (3) Maximum stock level |
| (2) Minimum stock level | (4) Average stock level |

(10 Marks)

(B) Following information was extracted from the Stores of Senarath PLC for the month of March 2021.

Balance as at 01/03/2021 -400 units at Rs. 200 each
100 units at Rs. 250 each
05/03/2021 Purchase 1000 units at Rs. 320 each
16/03/2021 Purchase 1000 units at Rs. 320 each

Issues

06/3/2021 800 units
28/3/2021 1300 units
30/3/2021 Returned ~~from~~ the stores 100 units (Issue price Rs. 250 - 05/03/2021)
to

Required for the month of March 2021.

- Cost of issues based on First-in-First-Out (FIFO) method.
- The cost of the closing stock as at 31/3/2021 based on First-in-First-Out (FIFO) method.
- Expected selling price of a unit in the closing stock is Rs. 400. But on 04/04/2021 this stock was sold at an expected selling price of 50% lesser than the earlier price due to closer of the expiry date. Write the journal entry to record the closing stock.

(10 Marks)

C). Nimsara PLC is a manufacturing organization which has two production departments namely Assembly and Finishing in the factory. Also, business maintains a store in a separated building. This business produces two types of products namely "X" and "Y" and they go through both production departments.

	(Rs.000)
Indirect material -Assembly	140
Finishing	30
Stores	20
Indirect salaries - Factory	160
Stores	50
Building rent - Factory	100
Stores	80
Machinery depreciation	160
Non production overhead	500

Other Information

1.

Description	Assembly	Finishing	Stores	Total
Cost of Machinery (Rs.)	250 000	150 000	-	400 000
Floor area (m^2)	120	80	160	360
Number of employees	50	30	25	105
Number of requisition notes	30	15	-	45

2. Information related to both products are given below.

	x	y
Direct material cost per unit (Rs.)	300	340
Direct labour cost per unit (Rs.)	160	200
Estimated machine hours per unit	4	4
Estimate labour hours per unit	1.5	3
Estimated number of units produced	2 000	3 000

3. Overhead cost of assembly department and finishing department should be absorbed based on machine hours and labour hours respectively.

Required.

- 1) Production Overhead cost analysis sheet
- 2) Overhead absorption rates of each production department.
- 3) Production cost of product x and y
- 4) Total cost of product X.

(Total 20 Marks)

03. Balance of assets and liabilities as at 01/04/2021 in "Surath's business" are given below.

(Rs.000)

Property plant and equipment(cost Rs.1 000 000)	800
Inventory	400
Trade receivables	300
Cash	200
	1 700
Capital	850
Retained earnings	400
Liabilities	450
	1 700

Following transactions took place during the month of April 2021.

- 1) Purchase of goods worth Rs. 400 000 and settled 40% of it on the same day by paying cash.
- 2) Credit sale of goods costing Rs. 200 000 by keeping a profit of 20% on selling price.
- 3) Purchase of furniture worth Rs. 120 000 on cash.
- 4) Return of 1/4th stock which was related to the transaction **number 02**.
- 5) Cash sale of goods costing Rs. 300 000 by keeping a profit of 20% on selling price.
- 6) Electricity and salary paid during the month of April 2021 were Rs. 20 000 and 80 000 respectively.
- 7) Cash paid Rs. 108 000 to creditors subjected to 10% discount.
- 8) Bank loan installment paid during the month was Rs.50 000 and interest included in that was Rs.10 000.
- 9) Goods of which invoice value is Rs. 104 000 have been sent on sale or return basis on 23/4/2021. Invoice value was decided by adding 30% to the cost. 40% of these stocks were sold as at 30/04/2021 and balance were remained with the dealer. No entry has been made in this regard.

10) On 25/04/2021 a stock worth of Rs. 20 000 was got damaged. Insurance company was agreed to pay 80% of this damage as insurance claim.

Additional Information.

1) Value of unpresented cheques as at 31/03/2021 was Rs. 10 000 and the value of un realized cheques was Rs.15 000.

2) Information contained in the bank statement prepared for the month of April 2021 are as follows.

Cheques realized during the month	Rs.250 000
Cheques presented for payments during the month	Rs.400 000
Bank charges	Rs. 30 000
Direct remittance from debtors	Rs. 60 000
Payments made on standing orders for insurance	Rs. 10 000

Unpresented cheques and unrealized cheques of March 2021 have been presented and realized during the month of April 2021.

Required.

(1) Record the opening balances and transactions number 1 to 10 using the following given accounting equation.

Transaction	Property, Plant and Equipment	Stocks	Trade Receivables/other Receivable	Cash	Capital	Retained earnings	Liabilities

(2) Adjusted Cash control account as at 30/04/2021.

(3) Bank reconciliation statement as at 30/04/2021.

(4) Income statement for the month ended 30/04/2021.(After considering additional information)

(Total Marks 40)

04. A) Given below are data extracted from the books of Udhahiru Welfare Society.

(i) Number of members on 01/4/2020 was 150. Annual membership fee is Rs. 2 000. 20 members joined the society on that day paying Rs. 30 000 each as life time members. It is identifies as an income over a period of 15 years.

(ii) Assets and liabilities as at 01/04/2020 and 31/3/2021

(Rs. 000)

	01/04/2020	31/3/2021
Membership fees receivable	30	-
Membership fee received in advance	10	08
Cash balance	50	?
Canteen stock	100	150
Society building	300	240
Debtors of canteen	170	250
Creditors of canteen	700	500
Accrued electricity and telephone	100	100

(iii)

Receipts during the year (Rs.000)		(Payments (Rs.000))	
Donations	600	Electricity and telephone	70
Membership fee	?	Musical show expenses	500
Restaurant debtors	1 500	Payment for the assistants	60
Cash sales	500	Payment to creditor	640
Income from the musical show	800	Restaurant expenses	40
		Constructions	460
		Decoration expenses	50

(iv)Rs. 500 000 out of donation was for construction of the library and by the end of the year the constructions completed by incurring Rs.460 000.

Required

- (i) Income statement of the Udahiru welfare society.
- (ii) Income statement of the canteen
- (iii)Cash Control account (summarized)
- (iv)Total equity as at 31/3/2021 (show the composition in detail)

(Total 20 Marks)

B. Information of "Anarkali business" for the month of May 2021 is given below.

(Rs. 000)

Balances as at 01/05/2021	
Inventory	500
Trade receivables	1 800
Trade payables	300
Cash control (Debit)	300

Transactions occurred during the month of May 2021.

Date	Source	Transaction	Rs.000
01/05/2021	Voucher – 637	Purchase	1 500
02/05/2021	Receipt 1035	Sales	2 200
04/05/2021	Invoice 390	Purchase - Asitha	200
08/05/2021	Invoice 391	Purchase - Sena	800
10/05/2021	Voucher 638	Salary (net)	90
12/05/2021	Receipt 2321	Sales advance	60
15/05/2021	Invoice 832	Sales - Nadeera	600
18/05/2021	Voucher 639	Rent	80
20/05/2021	Voucher 640	Loan installment	70
21/05/2021	Voucher 641	VAT of Payment	50
24/05/2021	Voucher 642	Paid to creditor - Asitha	140
26/05/2021	Voucher 643	Paid to creditor - Sena	150
30/05/2021	Voucher 644	Advertising	10
31/05/2021	Invoice 429	Sales – Jenny	300

Additional Information

- (1) Credit purchase from Asitha Rs.200 000 has been recorded in his account as Rs.220 000.
- (2) Goods of which invoice value of Rs. 50 000 were sent back to Sena on 27/05/2021. But this has not been recorded in the books.

- (3) Total of the purchase journal has been undercasted by Rs.100 000
- (4) Delivered goods worth Rs. 50 000 on 12/05/2021 for the sales advance (receipt 2321). Balance was agreed to be delivered on 20/06/2021.

Required

- (1) Cash payment journal for the month of May 2021.
- (2) Purchase Journal
- (3) Sales Journal
- (4) Creditors control account before rectifying errors.
- (5) Adjusted creditors control account
- (6) Creditors Reconciliation statement
- (7) Prepare the following accounts.
 - a. Sales account
 - b. Purchase account
 - c. Cash control account
 - d. Sales advance account

(Total 20 Marks)

05. A) The income statement for the year ended 31/03/2021 of the partnership carries out by Achini Bhagya and Chamari was prepared and the drafted net profit was Rs.930 000.

The following errors were identified in later examinations.

- 1) The closing stock as at 31/03/2020 was overstated by Rs. 50 000.
- 2) Partners' salary Rs. 30 000 paid to Achini and Rs. 20 000 paid to Chamari were recorded as administration expenses.
- 3) The doubtful debts deducted from the profit at the end of the year was Rs. 7 000. It is the policy of the business to make a 10% allowance on final debtor balance as doubtful debts. A bad debt of Rs. 20 000 has been completely omitted from the accounting records. (this has not been considered when calculating doubtful debts)
- 4) Additional capital invested by Bhagya Rs. 200 000 on 1/10/2020 and Rs. 100 000 invested by Chamari on 01/01/2021 have not been recorded in books.
- 5) Following goods drawings done by partners were not recorded in accounts.
 Achini - Rs. 10 000
 Chamari - Rs. 20 000
- 6) Capital and current account balances of partners as at 01/04/2020 are given below **(Rs.000)**

	Capital	Current
Achini	400	180
Bhagya	300	100
Chamari	200	80

Conditions in the partnership agreement are as follows.

- 10% interest on capital balances.
- Monthly salary of partners are as follows.

Achini - Rs. 10 000
 Bhagya- Rs. 12 000
 Chamari- Rs. 10 000
- Profit sharing ratio between Achini, Bhagya and Chamari is 3:2:1 respectively.
- Total goodwill should be adjusted through partner's capital account.
- Achini was retired on 31/03/2021 from the partnership. Total amount payable to Achini should be transfer to a loan account and she is entitled to a 10% annual interest on that loan. Goodwill share of Achini as at 31/03/2021 was estimated as Rs.60 000. The new profit sharing ratio is 1:1.

Required

- 1) Statement of profit correction and appropriation account for the year ended 31/03/2021.
- 2) Capital accounts and current accounts for the year ended 31/03/2021.
- 3) Loan account of Achini

(Total 20 Marks)

B. Maneesha Transport Service is planning to commence a new airport pick or drop service.

Following given information is related to that.

- 1) Required 04 vehicles of which the cost is Rs. 400 000 each and useful life time of a vehicle is 8 years. Annual insurance expense and service charges per vehicle is Rs. 60 000 and Rs. 40 000 respectively.
- 2) Buiness expects to charge a price of Rs. 80 per kilometer
- 3) The number of kilometers that can be run using one fuel liter is 8km. Cost of one liter of fuel is fixed at Rs. 160.
- 4) Monthly salary of a driver is Rs. 15 000. Also, will be paid an allowance of Rs.30 per every kilometer driven by a driver. Four drivers will be occupied.
- 5) Expected monthly mileage to be run is estimated as 15,000km.

Required

- 1) Calculate the annual fixed cost of the project.
- 2) Calculate the mileage to be run for a year to be continued the transport service with neither profit nor loss.
- 3) Calculate the margin of safety.(Annual)
- 4) Calculate the expected profit if the annual mileage is 100 000km.
- 5) Calculate the number of kilometers to be run to earn a profit of Rs. 2 100 000.
- 6) Calculate the number of kilometers to be run to earn the above profit if the cost of fuel increases up to Rs. 192 per litre and drivers allowance increases up to Rs. 36 per 1 km in future.

(Total 20 Marks)

06. A) "Dunhinda PLC" has been provided the following information as at 31/03/2021. Business was commenced it's operations on 01/04/2020.

Profit or loss and other comprehensive income statement for the year ended 31/03/2021 **(Rs.000)**

Sales	17 000
- Cost of sales	(8 000)
Gross profit	9 000
Investment income	150
- Operational expenses	(3 400)
Net profit	5 750
Revaluation Surplus	600
Total comprehensive income	6 350

Statement of Financial Position as at 31/03/2021 **(Rs.000)**

Property plant and equipment (Carrying value)		8 400
20% Investment (1/7/2020)		1 000
		9 400
<u>Current Assets</u>		
Stocks (Net realizable value)	500	
Trade receivable	2 500	
Investment income receivable	100	
Cash	500	2 600
		13 000
<u>Equity</u>		
Stated capital - Ordinary shares	6 000	
Retained Earnings	5 400	
Revaluation reserve	600	12 000
<u>Non-Current Liabilities</u>		
Bank Loan (year 2, 3, 4)		4 00
<u>Current Liabilities</u>		
Income Tax payable	100 200	
Trade payables	400 300	
VAT payable	60	
Bank overdraft	40	600
		13 000

Additional Information

- (1) Following items are included in operational expenses **(Rs.000)**

Bank loan interest	500
Impairment loss	60
Income tax expense	150
Depreciation for the period	200
Discount allowed	140
Stock written down value	120

- (2) Property plant and equipments were revalued on 31/03/2021 for the first time and recorded a surplus of Rs. 600 000.
- (3) Interim dividends for shareholders were paid during the year.

Required.

Prepare cashflow statement of Dunhinda PLC for the year ended 31/3/2021 according to LKAS - 07 (Based on **indirect method**.)

(Total 20 Marks)

B. Information of financial statements of "Udaya PLC" and Jenny PLC" are given below.

(Rs.000)

	Udaya PLC		Jenny PLC	
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
Property, plant and equipment	2 500	4 000	3 600	2 000
Inventory	600	800	600	1 000
10% Bank loan	1 000	-	3 000	2 500
Capital	15 000	15 000	9 000	7 000
Retained earnings	2 500	1 600	3 000	2 000
No. of shares (000)	300	300	200	1 000

For the year ended 31/03/2021

(Rs.000)

	Udaya PLC	Jenny PLC
Sales	20 000	40 000
Cost of sales	5 000	32 000
Income tax expenses	400	500

Required

- Gross profit ratio of Udaya PLC for the year 2020/2021.
- Stock turnover ratio of Jenny PLC for the year 2019/2020.
- Debt to equity ratio of Jenny PLC as at 31/03/2021.
- Net profit ratio of Udaya PLC for the year 2020/2021.
- Earning per share of Udaya PLC as at 31/3/2021.

(10 Marks)

C. Dinuka PLC is considering an option of purchasing a machine with new technology to replace an existing machine. Estimated cost of the new machine is as follows.

Rs.000

Cost of purchase	1 800
Fixing cost	300
Transport cost	100

Additional Information

- Existing working capital Rs. 250 000 will be increase up to Rs. 350 000 with the purchase of new machine. Additional working capital will be realized at the end of the project.
- Disposal value of the existing machine is Rs.300 000 and scrap value of the new machine is Rs.200 000.
- The useful life time of the new machine is 4 years and target payback period 3 years.
- Expected cashflows of both machines are as follows. (Rs.000)

Year	Cash inflows		Cash outflows	
	New machine	Old machine	New machine	Old machine
1	1 200	500	300	200
2	1 400	600	400	250
3	2 100	1 400	650	450
4	2 000	1 200	500	400

5. Discounting factors at the expected rate of return 10% are given below.

Year	1	2	3	4
DCF @ 10%	0.9	0.8	0.7	0.6

Required.

1) Values and the decision whether to purchase new machine or not under each of the technique given below.

1. Payback period method. (PBP)
2. Net present value (NPV)

(10 Marks)