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 கல்விப் பொதுத் தரப்பப் பத்திர (உயர் தர)ப் பரீட்சை - 2021 ஓசஸ்ற்
 General Certificate of Education (Adv. Level) Exam - August 2021

නව නිර්දේශය
 புதிய பாடத்திட்டம்
 New syllabus

கிணுமீதர்சாய I
 கணக்கீடு I
 Accounting I

33 E I

One Hour & Thirty Minutes

Instructions:

Just 09 Weeks more

- *Select the correct answer for question No: 1- 20 & write its number on the dotted line given.
- * Write short answers for question No: 21-30 on the dotted line.
- *Answer all questions in Part II

Paper No 36

01. Examples for some of the concepts are given below.

- A - Should select lower of cost or net realizable value in stock valuation.
- B- The cost of sundry equipment purchased had been written off to the income statement even though it can be used for 2 years because of the lower value.
- C – Preparation of the statement of financial position as at 31/12/2021.
- D- Recognizing an asset purchased on a lease in the books of a business.

Which of the following shows the correct order of concepts for above examples.

A	B	C	D
1) Materiality	Prudence	Going concern	Disclosure
2) Realization	Materiality	Periodic	Accrued
3) Prudence	Materiality	Periodic	Substance over form
4) Prudence	Realization	Entity	Consistency
5) Realization	Prudence	Periodic	Materiality

(.....)

02. Hiru started a business of selling ice cream by investing his motor vehicle worth Rs. 100,000 and Rs.50,000 in cash. He was obtained a bank loan of Rs.75,000 and during the year he settled Rs. 30,000 at the end of the year the carrying value of the motor vehicle was Rs. 80,000. Which of the following would be the correct accounting equation of the business.

Assets	=	Liabilities	+	Capital
(1) Rs. 190000	=	45000	+	145000
(2) Rs. 175000	=	45000	+	130000
(3) Rs. 150000	=	75000	+	75000
(4) Rs. 190000	=	75000	+	115000
(5) Rs. 190000	=	40000	+	150000

(.....)

03. Kamal PLC acquired a machine on rent on 01/01/2020. They paid Rs.240,000 on the same date as rent for the year ended 31/12/2020. Rent for the year 2021 was Rs. 360,000 and it was paid on 01/01/2021. The accounting period of this business ends on 31" March. What are the amounts to be transferred to the income statement as rent expense for the year ended 31/03/2021 and pre-paid rent to be shown in the statement of financial position as at 31/03/2021.

Income statement (Rs.)

- (1) Rs. 180000
- (2) Rs. 90000
- (3) Rs. 270000
- (4) Rs. 270000
- (5) Rs. 240000

statement of financial position (Rs.)

- Rs. 90000
 - Rs. 270000
 - Rs. 270000
 - Rs. 90000
 - Rs. 360000
- (.....)

04. The balance of the bank account as at 31/03/2021 and the balance as per the bank statement was not tallied. Balance as per the bank statement was a debit balance of Rs.10,000. Reasons for the difference are as follows,

- a) Cheque issued but not presented Rs.15.000
- b) Cheques deposited but not realized Rs.12,000
- c) Standing order payments Rs.500

What would be the balance as per the bank account of the business as at 31/03/2013.

- (1) Debit balance of Rs. 12500
 - (2) Credit balance of Rs. 12500
 - (3) Debit balance of Rs. 2500
 - (4) Credit balance of Rs. 2500
 - (5) Debit balance of Rs. 7500
- (.....)

05. There is a cafeteria and a retail shop maintaining in a business. Income of the cafeteria was separately shown in the trading account and salaries paid to cafeteria employees was recorded in general salaries account of the business. Later this salary was removed from general salary account and recorded in trading account of the cafeteria. Which of the following concept recommended that.

- (1) Prudence concept
 - (2) Matching concept
 - (3) Accrued concept
 - (4) Entity concept
 - (5) Realization concept
- (.....)

06. Business purchased a machine for Rs. 500,000 and the residual value is Rs. 100,000. The useful life time is 8 years. After 2 years they re-estimated the residual value as Rs.120,000 and the total useful life as 7 years.What would be the depreciation expenses for the 2nd and 3rd year respectively.

- (1) Rs. 50000 Rs. 56000
 - (2) Rs. 50000 Rs. 40000
 - (3) Rs. 62500 Rs. 56000
 - (4) Rs. 62500 Rs. 40000
 - (5) Rs. 50000 Rs. 54285
- (.....)

07. Sulaimans business is not maintaining a complete accounting system. The information taken for the year ended 31.03.2020 are as follows:

Description	Rs.
Stocks as at 01.04.2019	38 000
Total of purchase journal	122 000
Total of purchase column in cash payment journal	144 000
Total of sales column in cash receipt journal	320 000

NOTE :The sales includes a 25% profit on cost. What is the value of closing stocks as at end of the year 31.03.2020?

- (1) Rs. 68 000
 - (2) Rs. 38 000
 - (3) Rs. 58 000
 - (4) Rs.48 000
 - (5) Rs. 56 000
- (.....)

08. Credit balance of Aruna and Karuna Current Accounts of partnership business as at 31.03.2020 are as follows:-

Description	Rs.
Aruna	140 000
Karuna	120 000

It was later discovered that no adjustment was carried out when preparing current account in the year end of 2020.03.31. But profit or loss statement correctly prepared

- Karuna had paid Rs. 25 000 as rent for business from his own money
- Aruna's own income tax was paid Rs. 12 000 from the business.
- The salary of Aruna and Karuna has not been recorded in current account Rs. 40 000 per partner

What is the answer to the correct current account balance of Aruna and Karuna for the year ended in 2019.31.03.2020 after the adjustments were made?

	Aruna (Rs.)	Karuna (Rs.)
(1)	148 000	205 000
(2)	168 000	185 000
(3)	205 000	123 000
(4)	205 000	148 000
(5)	205 000	275 000

(.....)

09. The following information is given for the year ending 31.03.2021 in relation to property, plant & equipment of a company.

Depreciation on property, plant and equipment	Rs.	500 000
Surplus on revaluation of buildings	Rs.	150 000
Loss on sale of motor vehicle	Rs.	50 000

The deficit incurred on the re-valuation of building during the year ending 31.03.2020 was Rs. 80 000. What is the net decrease in the profit and the total comprehensive income of the company for the year ending 31.03.2021 due to these transactions & events.

Net decrease in profit Rs. Net decrease in total comprehensive income Rs.

1	400 000	470 000
2	550 000	470 000
3	550 000	550 000
4	470 000	400 00
5	470 000	550 000

(.....)

10. The following information are related to raw materials "P" used by a manufacturing company

Monthly consumption	-	Units 500
Unit cost	-	Rs. 30
Cost of an order	-	Rs. 40

Holding cost is 10% of the unit cost calculates the times should be ordered during a year, economic order quantity (EOQ) and annual holding cost of this raw material

	EOQ (Units)	Times should be ordered	Annual holding cost
1	280	12	200
2	300	20	600
3	300	40	200
4	400	12	300
5	400	15	600

(.....)

11. Which of the following transaction/need to be identified as adjusting events in accordance with LKAS 10 (events after the reporting period)

- Court has proven debtors as bankrupt
- Court has proven a payment of compensation just after the balance sheet date
- Board of directors proposed dividend for ordinary share holders
- Stock as at balance sheet date was sold after the balance sheet date for less than its cost

All the above transactions occurred before obtaining approvals for financial statements from the Board of Directors.

Which of the above transactions/can be identified as adjusting events in accordance with LKAS NO: 10?

- 1) All A B C D 2) Only A B C 3) Only A B D
4) A and B only 5) Only A C and D

(.....)

12. The following information was relevant for Samayawardena PLC.

	31.03.2021 (Rs. '000)	31.03.2020 (Rs. '000)
Ordinary Share Capital	?	1 000
Revaluation reserve	200	200
General Reserve	200	300
Retained Earnings	470	500

Additional information

- Profit before tax for the year is Rs. 450 000
- Relevant amount of income tax for the year is Rs. 20 000
- Payment of dividend during the year is Rs. 60 000
- Amount transferred to General reserve during the year is Rs. 100 000
- Bonus shares were issued during the year by using retained earnings and general reserve

Value of Bonus share issue was?

- 1) Rs. 130 000 2) Rs. 300 000 3) Rs. 565 000
4) Rs. 480 000 5) Rs. 500 000

(.....)

13. Which of the following statements is best described the meaning of “Cost unit”

1. Place where a product is produced.
2. It is a quantitative measurement which is used to measure cost of a product or a service
3. it is a cost elements of product or a service
4. The amount incurred for purchased of a product
5. That is some activity relevant for costing

(.....)

14. Following salary information was extracted from pay roll of Rajitha PLC. This information relevant for the month of May 2021.

	(Rs. 000)
Basic Salary	4,800
Overtime	300
EPF Contribution	
Employer 15%	720
Employee 10%	480
ETF Contribution of employer	144
Deductions	
Housing Loan	270
Welfare Contribution	150

Net salary payment to employees for the month of may 2021 was?

- 1) Rs. 3,960,000 2) Rs. 3,816,000 3) Rs. 4,680,000
4) Rs. 4,200,000 5) Rs. 3,480,000

(.....)

15. Following summarized income statement details of Viduranga PLC relevant for the year ended 31.03.2021.

Description	Rs. 000
Gross Profit	450
Expenses (including Depreciation of Rs. 40,000 and disposal loss of Furniture Rs. 20,000)	180
Income tax expense	70
Profit for the year	200

Following accounts balances were increased for the year ended 31.03.2019.

Description	Rs. 000
Stock	100
Trade receivables	180
Trade Payables	150

Income tax paid during the year was Rs. 60,000

The amount of net cash flow generated from/used in operating activities was?

- 1) Rs. 120,000 2) Rs.140,000 3) Rs. 180,000
4) Rs. 80,000 5) Rs. 70,000

(.....)

16. Bhari PLC has the following balance at the end of the financial year 2020/2021

	Rs. '000
Cash in hand	- 1 200
Cash at bank	- 16 000
Bank overdraft	- 8,000
Deposit, available at 2 month's notice	- 7 000
Deposit, available at 6 month's notice	- 5 000

What is the amount of cash and cash equivalents to be shown in the cash flow statement for the year ended 31.03.2021 ?

- (1) Rs. 9 200 000 (2) Rs. 12 200 000 (3) Rs. 16 200 000
(4) Rs. 17 200 000 (5) Rs. 21 200 000

(.....)

17. The gross profit ratio of Aishwarya PLC for the year ended 31.03.2020 was 25% on sales. This has increased up to 30% for the year ended 31.03.2021.

What could have been a reason for the increase in gross profit ratio of the company?

- (1) An increase in the cost of purchases during the year ended 31.03.2021
(2) An increase in the volume of sales during the year ended 31.03.2021
(3) An increase in the trade discount allowed on sales during the year ended 31.03.2021
(4) An over valuation of inventories as at 31.03.2021
(5) An under valuation of inventories as at 31.03.2021

(.....)

18. Anushka Limited provides following information

Current liabilities as at 31.03.2021.....	Rs. 4 000 000
Acid test ratio	1.5:1
Current ratio	2.25:1

What is the value of inventories of the company as at 31.03.2021?

- (1) Rs. 3 000 000 (2) Rs. 4 000 000 (3) Rs. 9 000 000
(4) Rs. 6 000 000 (5) Rs. 15 000 000

(.....)

19. Break even point was changed from 5 000 units to 8 000 units when the selling price of a unit was changed and other factors are constant. Fixed cost is Rs. 200 000 the change in unit selling price is:

- (1) Decreased by Rs. 10
(2) Increased by Rs. 2
(3) Decreased by Rs. 15
(4) Increased by Rs. 18
(5) Decreased by Rs. 20

(.....)

20. Which of the following statements are correct in relation to investment appraisal?

- (A) Depreciation is considered in the estimation of cash flows
(B) The scrap value of the initial investment is recovered at the end of the investment
(C) The carrying value of the existing assets is identified as a cash outflow
(1) (A) only (2) (B) only (3) (A) and (B) only
(4) (A) and (C) only (5) All (A) (B) and (C)

(.....)

WRITE SHORT ANSWERS ON THE DOTTED LINES FOR THE QUESTION NO 21 TO 30

21. State the impact on assets, liability and equity due to the following transactions of a business:

	Transaction	Assets	Liabilities	Equity
1	Paid accrued electricity			
2	Charged bank overdraft interest at the position of bank overdraft			
3	Capitalization of retained profit			
4	Reimbursement of petty cash imprest			

22. Accrued expenses as at beginning of the year and at the end of year were Rs. 8,000 and Rs. 6,000 respectively. Pre-paid expenses at the beginning and at the end of the year were Rs. 500 and Rs. 1,500 respectively. Cash paid during the year was Rs. 30,000. The profit calculated based on cash basis was Rs. 82,000. Calculate the profit based on accrual basis.

.....

23. Savini Limited has provided the following information for the year ended 31.03.2020

Rs. '000

Profit for the year	620
Income tax expense	80
Motor vehicle disposal loss	100
Bad debts written off	20
Interest expenses	50
Depreciation of property, plant and equipment	300
Decrease in inventories and debtors	60
Increase in creditors	40
Income tax paid	70
Interest paid	30

What is the value of net cash from operating activities during the year ended 31.03.2020?

Rs.

• Use the following information to answer questions No. **24 and 25.**

A business entity provided following information

- (i) The total of purchases journal has been over cast by Rs.20,000
- (ii) Discount received Rs.13,000 has been recorded in creditors personal account as Rs.31,000
- (iii) Purchase returns of Rs. 30,000 has not been recorded in the return outwards journal
- (iv) Rs.30,000 interest charged by suppliers has been recorded in the control account as Rs. 3,000
- (v) The balance of adjusted creditors control account as at 31.03.2020 was Rs. 1,120,000

24. What was the creditors control account balance as at 31.03.2020 before making adjustments?
Rs.....

25. What was the total of creditors balance as at 31.03.2020 as it appeared in the creditor ledger?
Rs.....

26. Following information relates to Sandini's business

Allocated overheads - Department X	- 560,000
Department Y	- 430,000
Canteen	- 80,000

The following error was revealed in subsequent investigation.

- Electricity bill Rs.100,000 of the factory has been distributed among all departments based on no of employees

Item	X	Y	canteen
No of employees	50	30	20
Kilowatt hours	1600	1600	800
Direct labour hours	6000	2000	

- The total overhead costs of the canteen are to be re-apportioned between the production department X and Y using no of employees.
- Business use Direct labour hours to absorb overheads.

What is the overhead absorption rate for X department ?

27. State two advantages of net present value used in capital investment evaluation method.

-
-

Use following information to answer questions No: 28 & 29

Following information relevant for the year ended 31.03.2020 of Sathsamudura PLC a, which engaged in producing a single product.

Direct Materials cost (3 kg of Raw materials)	Rs. 48 per unit
Direct Labour cost (2 hours)	Rs. 60 per unit
Variable overhead cost	Rs. 32 per unit
Selling price per unit	Rs. 160
Annual fixed overhead cost	Rs. 360,000
Estimated sales	12,000 unit

Following changes occurred for the year ended 31.03.2021

- Increase unit raw material usage by 25%
- Increase labour cost rate per hour by Rs.2.00
- Increase the selling price by 20%

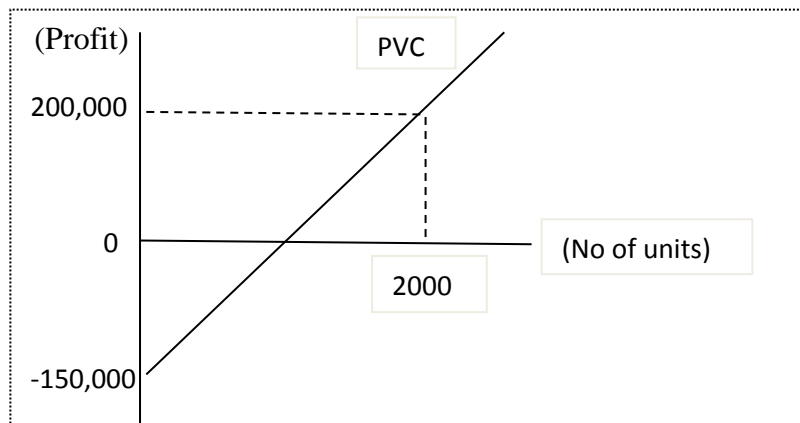
28. State the following for the year ended 31.03.2020

- Contribution per unit (Rs.)
- Break-even point (unit)

29. State the following for the year ended 31.03.2021

- Margin of safety in units
- Expected profit in rupees

30. Following profit volume curve is extracted from Sithara PLC.



Above business is engaged in producing single product. Unit variable cost of product is Rs. 3,000.

Calculate the followings.

- i) Total contribution at 2000 units
- ii) Total sales income at 2000 units of production.....

PART II

01. The following trial balance has been extracted from Milan PLC for the year ended 31.03.2021. It is a 15% VAT registered company. Financial statements were authorized for issue on 01.06.2021.

	Rs. 000	Rs. 000
Inventory as at 01.04.2020	300	
Administration expenses	800	
Distribution expenses	500	
Other expenses	300	
Finance expenses	50	
Sales		11,500
Purchases	4600	
Property, plant and Equipment	5,000	
Accumulated for depreciation of PPE (as at 01.04.2020)		1000
Trade receivables	850	
Allowance for expected losses on trade receivables as at 01.04.2020		65
Provision for income tax on 01.04.2020		400
Income Tax paid	900	
Trade payables		195
Ordinary share capital		6,000
Retained earnings as at 01.04.2020		800
Revaluation reserve of Land		200
Paid VAT	230	
Lease instalment	250	
Cash	6,380	
	20,160	20,160

Additional Information

Before preparation of the financial statements for the year ending 31.03.2021 adjustments for the following have to be made.

- 1) The cost of the closing stock as at 31.03.2021 was Rs. 350,000 and this stock has been sold for Rs. 375,000 by incurring Rs. 40,000 as selling expenses on 10.04.2021
- 2) A building was acquired on rent on 01.07.2020 by paying annual rent of Rs. 180,000 and it is included in Administrative expenses.
- 3) The Composition of the Property, plant and equipment are as follows.

	Cost/Revalued amount as at 31.03.2021(Rs.000)	Accumulated depreciation as at 01.04.2020 Rs.000)
Land	2,000	-
Building	2,000	800
Furniture and Fittings	1,000	200
	5,000	1,000

- 4) Land has been revalued for Rs. 1,750,000 on 01.04.2020 and Furniture and fitting have been revalued for Rs. 1,200,000 on 31.03.2021 by professional valuer.
- 5) Right to use of Lease asset (Motor vehicle) was acquired on 01.04.2020. The lease period is 4 years. Present value of minimum lease payment is Rs. 750,000. Payment of first installment had been paid and debited to lease installment account. No any other entry has been passed in relevant to that

The following information is also available.

Useful life of the asset	5 years
Lease interest 1st year	Rs. 100,000
2nd year	Rs. 75,000
3rd year	Rs. 50,000
4th year	Rs. 25,000

Depreciation has to be provided on straight line method.

- 6) The policy of the company is to make 10% allowance for expected losses on the year end balance of trade receivables.
- 7) Building and Furniture and Fittings are to be depreciated 10% per annum on cost on straight line method
- 8) Current year income tax has been estimated as Rs.750,000. Current year income tax payment includes Rs 350,000 paid for final income tax liability of previous year.
- 9) On 31.03.2021 Board of Directors has been decided to capitalize reserve by issuing 20,000 shares at Rs 20 each using retained earnings and to pay Rs. 200,000 as final dividends.
- 10) It has been decided to transfer Rs 100,000 to General reserve from the retained earnings

Required:

The following financial statements (including notes) of Milan PLC for publication purpose

- (1) Statement of profit or loss and other comprehensive income for the year ending 31.03.2021
- (2) Statement of changes in equity for the year ending 31.03.2021
- (3) Statement of financial position as at 31.03.2021

(40 Marks)