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 கல்விப் பொதுத் தரப்பரப் பத்திர (உயர் தர)ப் பரீட்சை - 2021 ஓசஸ்ந்
 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 11 Weeks more

- *Answer all questions in Part II - Relevant workings should be attached to the answer script
- *Relevant workings should be attached with the answer script

Paper No 34

PART II

01. The following trial balance has been extracted from “Browns PLC” for the year ended 31.03.2021.
 It is a 15% VAT registered Company. Financial Statements were authorized for issue by Board of Directors on 20.06.2021.

Description	Dr.(Rs.'000)	Cr.(Rs.'000)
Sales (including VAT)		69 000
Cost of Sales	42 000	
Distribution Cost	5 000	
Administration Cost	4 000	
Finance Cost	2 400	
Other Incomes		1 300
Trade Receivables/Trade Payables	5 000	4 700
Cash and Cash Equivalents	8 900	
Inventory as at 31.03.2021	10 000	
VAT paid for purchases and Expenses	4 800	
Interim Dividend	900	
Property Plant and Equipment at carrying amount as at 01.04.2020	20 000	
Stated ordinary share capital		15 000
Revaluation reserve as at 01.04.2020 (for building)		800
Retained earnings		5 700
10% Bank Loan		6 600
Provision for warranty as at 01.04.2020		600
Provision for income Tax as at 01.04.2020		900
Allowance for expected losses on trade receivable as at 01.04.2020		400
Income Tax paid	2 000	
	105 000	105 000

Additional Information

- a) The composition of the Property Plant and equipment are as follows:-

Description	Cost/revalued amount as at 01.04.2020 (Rs. '000)	Accumulated Depreciation as at 01.04.2020 (Rs.'000)
Land	8 000	-
Building	7 000	3 000
Motor Vehicles	8 000	2 000
Furniture and Fittings	3 000	1 000
	26 000	6 000

- b) Carriage outwards expense of Rs. 100 000 is considered as carriage inwards expenses when calculating cost of sales of the business.

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

- i) Part of the closing stock at a cost of Rs. 4 000 000 were sold for Rs. 3 800 000 by incurring selling expenses of Rs. 50 000 on 05.04.2021
- ii) Building have been revalued for Rs. 3 000 000 on 01.04.2020 and Land have been revalued for the first time for Rs. 8 500 000 on 31.03.2021 by a professional valuer
- iii) The company acquired a motor vehicle on 01.04.2020 under a finance lease for use in the business. Lease period and useful life time of the motor vehicle is 4 years and 5 years respectively. The following information is also available.

Description	Lease Installment (Rs)	Present value of Lease Installment (Rs)	Lease Interest (Rs.)
Down Payment	1 000 000	1 000 000	-
1 st Year	1 000 000	900 000	400 000
2 nd Year	1 000 000	800 000	300 000
3 rd Year	1 000 000	700 000	200 000
4 th Year	1 000 000	600 000	100 000

Initial down payment and installment paid to lease creditors during the year ending 31.03.2021 has been included in finance cost. No other entries have been made in this respect. Depreciation for the Motor Vehicle has to be provided on straight line method. Ownership of the asset may transfer to lessee at the end of the lease period.

- iv) Furniture which was purchased for Rs. 1 200 000 on 01.04.2018 was disposed on 01.10.2020 for Rs. 750 000. Amount received was credited to other income account by mistake. No entry has been made other than recording sales proceeds.
- v) Building, Furniture and Fittings are to be depreciated 10% per annum on cost and Motor Vehicles are to be depreciated 20% on cost on straight line method
- vi) The company sells goods with one year warranty period. The company has paid Rs. 350 000 during the current year for repair expenses of previous year sales. This amount is included in Distribution cost of the current year. It has been reliably estimated that the company has to make a provision of Rs. 500 000 as sales warranty for the current year.
- vii) The employer and employee contribution for EPF are 15% and 10% respectively on gross salary. Contribution for ETF is 3%. Net salary payment of Rs. 900 000 is included in Administration expenses. Other than recording net salary no any other entry has been posted relevant to salaries.
- viii) The policy of the company is to make 10% allowance for expected losses on trade receivables on the year-end balance of trade receivables.
- ix) Current year income tax has been estimated as Rs. 1 500 000. Current year income tax payment includes Rs. 800 000 paid for final income tax liability of previous year.

- x) Board of Directors has been decided to capitalize retained earnings by issuing 100 000 shares at Rs. 50 each and to pay Rs. 500 000 as final dividends. It has been decided to transfer Rs. 300 000 to General reserve from the retained earnings.

Required:

1. Profit or Loss and other comprehensive Income statement for the year ended 31.03.2021 of Browns PLC
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)

02. Asela, Binara and Chanaka carrying out a partnership business and following current accounts are prepared for the year ended 31.03.2021 according to their agreement

Current Account							
	A	B	C		A	B	C
Drawings	200	200	100	B/B/F	200	150	100
B/C/D	1 120	766	664	10% Interest on Capital	500	300	200
				Salaries	360	360	360
				Profit Shares	260	156	104
	1 320	966	764		1 320	966	764

On 31.03.2021 Chanaka retired from the partnership and Asela and Binara agreed to continue the partnership by sharing profit and losses in the ratio of 3:2. On that date the goodwill of the partnership was agreed at Rs. 1 800 000 and decided to adjust through partners capital accounts. Business did not make any adjustment in this regard.

Following transactions and events are not considered when business calculating net profit.

- i. Stock drawings of Rs. 150 000 Rs. 100 000 and Rs. 50 000 respectively
- ii. Salary paid to each partners Rs. 100 000 (total Rs.300 000) has been debited to the salaries account
- iii. Interest has not been adjusted on loan provided by Binara Rs. 1 000 000
- iv. Stock sent on sales or return basis of Rs. 170 000 recorded as sales erroneously. Cost of this stock is Rs. 100 000. This stock has not yet been sold and returnable period has not been expired.
- v. Rent expense Rs.30 000 was paid by Asela has not been accounted.

Required:

1. Profit Correction Statement
2. Profit & Loss appropriation Account
3. Partners Capital and Current Accounts
4. Loan Account of Chanaka

(20 Marks)

03. Following information is extracted from a manufacturing business

- Raw Material purchases Rs. 2 200 000
- Increase in raw material inventory Rs. 200 000
- Increase in finished goods inventory Rs. 100 000
- Decrease in work in progress Rs. 100 000
- Cost of raw material 1 Kg is Rs. 400 (fixed price)
- 1 kg of raw material is required to produce one unit of product
- Direct labour cost per unit is 50% of raw material cost (1kg)
- Other direct cost per unit is Rs. 100
- Production overhead cost Rs. 1 400 000
- Non-production overhead cost Rs. 600 000

- Gross profit is 20% on cost

Calculate

1. Direct material cost
2. Number of production units
3. Prime Cost
4. Total production cost
5. Selling price per unit

(10 Marks)

04. Following information is extracted from Energizer Sport Club for the year ended 31.03.2019. GYM is carrying out by the Club. Club has 40 members as at 01.04.2018 and subscription per member is Rs. 1 000 per annum. During the accounting period 10 Members out of founder members became life members by paying Rs. 10 000 at once. 10 another new members were joined to the club and they paid 2 years subscriptions at once. During the year subscription received in cash Rs. 51 000 including previous year arrears for 5 members (Excluding life membership fees)

Body building equipment worth of Rs. 200 000 with a 5 years useful life was received as adonation on 01.04.2018. It should be depreciated on the straight line method.

This donation is recognized within the income equally over a 5 year period starting from the current year.

During the year paid following expenses in cash

Electricity	Rs.	20 000
Maintenance	Rs.	10 000
Salaries	Rs.	25 000

GYM Provides service to outsiders as well and during the year earned Rs. 60 000 income from it.

Required:

1. Income Statement for the year ending 31.03.2019
2. Extraction of Statement of financial position as at 31.03.2019 for the followings:
 - a. Subscription in arrears
 - b. Special donation

(10 Marks)

05. The following information relates to PPE of Govinda PLC as at 31.03.2020

Asset	Cost/Fair value as at 31.03.2020 (Rs. '000)	Accumulated Depreciation as at 31.03.2020 (Rs. '000)	Useful life time
Land	6 000	-	-
Buildings	5 000	2 000	20
Motor Vehicles	5 000	500	8

Following Transactions took place during the year ending 31.03.2021 in relates to these assets

Date	Transaction
01/04/2020	- Buildings were renovated by incurring Rs. 1 000 000. As a result the remaining useful life of the building was increase by 08 years.
01/10/2020	- Revalued the land for Rs. 7 000 000. The company has recorded a deficit of Rs. 500 000 for land for the year ending 31.03.2019 and it has recognized as expense.
01.01.2021	- Purchsed a new motor vehicles for Rs. 4 000 000. The expected useful life of the new vehicle is 5 years and residual value is Rs. 500 000

Required:

1. Calculate the annual depreciation for Property Plant and Equipment
2. Journal entry for revaluation of land
3. What is the net impact on the equity due to above changes

(10 Marks)