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අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය - 2021 අගෝස්තු  
 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

கிணுமீதர்ணாய I  
 கணக்கீடு I  
 Accounting I

33 E I

One Hour & Thirty Minutes

**Instructions:**

**Just 08 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 38**

01. The draft Statement of Changes in Equity for the year ending 31.03.2021 and the draft Statement of Financial Position as at 31.03.2021 of Kanishka PLC were as follows:

**Statement of Changes in Equity for the year ending 31.03.2021 (Rs. '000)**

Description	Ordinary Shares	Revaluation reserve	General Reserve	Retained Earnings	Total
Balance 04.01.2020	4 000	1 000	800	450	6 250
Capitalization of reserves	800	(600)	(200)	-	-
Transfer to general reserves	-	-	200	(200)	-
Total comprehensive income	-	400	-	580	980
Dividends: Ordinary shares	-	-	-	(180)	(180)
Balance 31.03.2021	4 800	800	800	650	7 050

**Statement of Financial Position as at 31.03.2021 (Rs. '000)**

<b>Non-Current Assets</b>			
Property Plant and Equipment (Note)			6 240
15% Fixed deposits			1 200
<b>Current Assets</b>			
Inventory		175	
Debtors	300		
Provision for doubtful debts	(15)	285	
Lease installment account		125	
Cash and cash equivalents		1 125	1 710
<b>Total Assets</b>			<b>9 150</b>
<b>Equity</b>			
Stated capital ordinary shares		4 800	4 800
<b>Reserves</b>			
Revaluation reserve		800	
General Reserve		800	
Retained Earnings		650	2 250
<b>Non-Current Liabilities</b>			
12% long term loan			1 000
<b>Current Liabilities</b>			
Creditors		400	
Share issue		450	
Income tax payable		65	
Bank Overdraft		185	1 100
<b>Equity and Total Liabilities</b>			<b>9 150</b>

**NOTE: Property Plant and Equipment****(Rs. '000)**

Assets	Cost/Revalued Amount	Accumulated Depreciation	Carrying Amount
Land	4 400	-	4 400
Administration Building	1 600	600	1 000
Furniture & Office equipment	1 800	960	840
	<b>7 800</b>	<b>1 560</b>	<b>6 240</b>

It was revealed in the audit that the following transactions and events have not been taken into consideration in preparing the financial statements for the year ending 31.03.2021

- (i) Income tax provision made on 31.03.2020 by the company was Rs. 65 000. Estimated income tax for the current year is Rs. 410 000. The income tax paid during the year inclusive of Rs. 75 000 agreed for the year ending 31.03.2020 with the Department of Inland Revenue was Rs. 285 000.
- (ii) On 01.04.2020 land and buildings were revalued to Rs. 4 400 000 and Rs. 2 000 000 respectively. Only the lands revalued amount has been adjusted in the financial statements. Further, buildings had been revalued 4 years ago and the resulting revaluation loss of Rs. 200 000 had been written off against the income. The revaluation of buildings during the year has not been accounted. The buildings are depreciated annually at 20% on cost on straight line basis.
- (iii) On 01.04.2020 a machine with a fair value of Rs. 400 000 has been purchased on lease basis. There is no down payment and the lease liability should be settled in 4 equal annual installments of Rs. 125 000 each. Annual lease interest payments are as follows:

Year	Interest (Rs.)
2020/2021	40 000
2021/2022	30 000
2022/2023	20 000
2023/2024	10 000

The first installment was paid on 31.03.2021. This amount has been recorded in a lease installment account. No other entries have been made in this respect. Machinery should be depreciated at 15% per annum on cost.

- (iv) It is confirmed that a debtor with a balance of Rs. 40 000 as at 31.03.2021 had become bankrupt on 20.04.2021. It is the policy of the company to provide 5% for doubtful debts based on the year end debtors balance.
- (v) The company has issued ordinary shares on 28.02.2021. Cash received less of share issue expenses of Rs. 50 000 has been credited to the share issue account. No other entries have been made in this respect.
- (vi) Net realizable value of inventory as at 31.03.2021 was Rs. 160 000
- (vii) Rs. 100 000 worth of inventory has been kept as a security for the bank overdraft

**Additional Information:**

- (a) Only the following income and expenses have been considered in drafting the financial statements for the year ending 31.03.2021

	Rs. '000
Building depreciation	- 320
Office equipment depreciation	- 280
Loan interest	- 100
Interest income	- 150
Director's fees	- 210
Income Tax	- 285
Other distribution expenses	- 300
Other administration expenses	- 450

**Required:**

1. A statement of correction of Profit for the year ending 31.03.2021
2. Statement of Financial Position as at 31.03.2021
3. Statement of Changes in Equity for the year ending 31.03.2021
4. Two disclosures for inventory as per LKAS 2

**(40 Marks)**

**02)** The following information related to Sadun's business as at 30.06.2021, which has not followed the double entry system to record transactions

1. Assets and Liabilities	2020.06.30 (Rs.)	2021.06.30 (Rs.)
Cash	- 80 000	35 000
Inventory	- 35 000	48 000
Trade debtors	- ?	50 000
Trade creditors	- 30 000	14 000
Property, Plant and Equipment (Cost)	- 150 000	?

2. Some of the transactions occurred during the year ending 30.06.2021 are as follows

	Rs.
Cash received from trade debtors	- 223 000
Discounts allowed	- 7 000
Wages paid	- 19 000
Other operating expenses	- 18 000
Cash drawings	- 5 000
Cash paid to creditors	- 280 000
Discount received	- 4 000

**Additional Information:**

- (i) Both cash and credit sales have been made at a 20% profit margin on sales. There are no cash receipts except cash sales and receipts from debtors.
- (ii) Wages of Rs.8 000 for the month of June 2021 have not been paid
- (iii) It has been decided to provide 5% of the year end balance of debtors as doubtful debts and to depreciate Property, Plant and Equipment on cost 10% per annum for the year ending 30.06.2021.

**Required:**

1. Income Statement for the year ending 30.06.2021
2. Statement of Financial Position as at 30.06.2021

**(20 Marks)**

**03)** Gihan (Pvt) Limited considers the two investment projects given below. The economic useful life of the two machines is estimated as 4 years. Only one of these machines should be selected

Description	Machine "A" (Rs.)	Machine "B" (Rs.)
Initial investment	250 000	250 000
Year 1 Profit	85 000	65 000
Year 2 Profit	50 000	45 000
Year 3 Profit	75 000	60 000
Year 4 Profit/Loss	(32 000)	22 000
The scrap value at the end of the year 4	50 000	50 000

The required rate of return of Gihan (Pvt) Limited is 15%

Discounting factors at 15%

Time/Year	1	2	3	4
Discount Factor	0.87	0.76	0.66	0.57

**Required:**

- 1) Accounting rate of return (Based on average investment)
- 2) Payback period
- 3) Net present value
- 4) Recommend the investment option to be selected under each method.

**(20 Marks)**