MARKING SCHEME- Final Seminar

Question No 01

Sunshine PLC①
Statement of Profit or Loss & Other Comprehensive Income
for the year ended 31.03.2021

Sales(4000+30-100)		① 3 930
Cost of sales(1240-80)		① (1 160)
Gross profit		① **2 770**
Other Income		20
		2 790
Selling and Distribution Expenses	670	
Administration Expenses	694	
Finance Expenses	90	
Other Expenses	170	**(1 624)**
Profit Before Tax		①**1 16**6
Income Tax		①**(** 136.6)
Profit for the year		①**1 029.4**
Other Comprehensive Income		
Revaluation loss on Building		①(150)
Total Comprehensive Income		① **879.4**

Statement of Changes in Equity

Description	**Stated Capital**	**Retained Earnings**	**Revaluation Reserve**	**General Reserve**
B/B/F	2 500	450	150	
Dividends paid①		(160)		
TCI①		1 029.4	(150)	
B/C/D	2 500	1 319.4	-	-

Workings:

Expense Table

Description	**Sales & Distribution**	**Administration**	**Finance**	**Other**
Salary ①		40		
Equipment Depreciation①		100		
Income statement value	460	300		
EPF expense①		45		
Building Depreciation①		200		
ROUA Depreciation①	300			
Lease Interest①			90	
Revaluation loss①				150
ETF expense①		9		
Stock written off①				20
Expected loss on T/R①	(100)			
Warranty expense①	10			
	670	**694**	**90**	**170**

Anuradhapura PLC ①
Statement of Financial Position
as at 31.03.2020 (Rs. '000)

Non-Current Assets		
Property Plant and Equipment ①		1 400
Right of use asset ①		1 200
Investment		800
Current Assets		
Closing Stock ①	260	
Trade receivable ①	180	
Cash and Cash Equivalents	1 150	
Interest receivable ①	20	1 610
		5 010
Equity and Liabilities		
Equity		
Ordinary Shares	2 500	
Revaluation Reserve	-	
General Reserve	-	
Retained Earnings	1 319.4	3 819.4
Non-Current Liabilities		
Lease Liability ①	459	459
Current Liabilities		
Tax payable ①	76.6	
Lease Liability ①	231	
EPF payable ①	75	
ETF payable ①	9	
Vehicle loan installment payable	10	
Provision for warranty ①	80	
Trade payable	130	
Service advance①	120	731.6
		5 010

Note: 01 **Revenue** **Rs. 000**

Sales 4 000
Service income 30

4 030-100 = 3 930

Note: 02 Profit before tax is computed after charging expenses including following

	Rs. 000
Stock written off	20
ROUA Depreciation	300
Lease Interest	90
Allowance for expected loss	(100)

②

Note: 03 **Income Tax**

128.6 + 20 = 148.6

Tax payable = 116.6 – 40
= **76.6**

Note: 04 **Property Plant and Equipment**

Description	Building	Equipment
B/B/F	2 000	500
Additions		
Disposal		
Revaluation	① (300)	
Depreciation on Revaluation	(400)	
B/C/D	1 300	500
<u>Accumulated Depreciation</u>		
B/B/F	200	300
Depreciation for the period	①200	①100
Disposals		
Depreciation on Revaluation	(400)	
B/C/D	-	(400)
N/B/V	1 300	100

Note: 05 Right to use Lease Property

$\frac{1\,500}{5} = \underline{\mathbf{300}}$

NBV = 1 500 - 300

= **<u>1 200</u>**

Lease liability

		ROUA	900
Installment	300	Interest	90
B/C/D	690		
	990		990

CL 300 - 69 = 231

NCL 690 - 231 = 459

Note: 06 Trade Receivable = (300-100-20) = 180

(Total Marks 40)

Question No: 02

(A)

i) Re-order Level = Maximum Consumption x Maximum lead time

= 1 200 x 4

= 4 800 units ②

ii) Minimum Stock level = ROL – (Average consumption x Avg. lead time)

= 4 800 - (800 x 3)

= 2 400 units ②

iii) Maximum Stock Level = EOQ + ROL – (Minimum Consumption x Minimum lead time)

= 3 000 + 4 800 – (400 x 2) ②

= 7 000 units ②

iv) Avg. stock level = $\frac{\text{Min. stock level + Max. stock level}}{2}$

= $\frac{2\,400 + 7\,000}{2}$

= 4 700 units ②

(Total Marks 10)

B)

1) Total Issues - 400x200 = 80 000
100x250 = 25 000
300x320 = 96 000
1300x320 = 416 000
617 000
Return (25 000)
592 000 **(05 marks)**

2) **Closing stock** - 400x320 = 128 000
100x250 = 25 000
153 000 **(03 marks)**

3) Closing stock Dr 100 000
Stock written off Dr 53 000
Cost of sales Cr 153 000 **(02 marks)**

(Total Marks 10)

(C)

Production Overhead Analysis Sheet **(Rs,000)**

Cost Item	**Basis**	**Amount**	**Production Department**		**Service**
			Assembly	Finishing	Stores
Indirect Material	Direct	① 190	140	30	20
Indirect Salary -store	Direct	① 50	-	-	50
Building rent - store	Direct	① 80	-	-	80
Indirect Salary-Factory	No of employee(5:3)	① 160	100	60	-
Building rent - Factory	Floor area (3:2)	① 100	60	40	-
Machine Depreciation	Cost of machinery (5:3)	① 160	100	60	-
		740	400	190	150
Re-apportion					
Store	(2:1)	②	100	50	(150)
		740	**500**	**240**	**0**

Overhead Absorption Rate (Assembly)= 500 000
20 000MH (4x2000)+(4x3000)
= 25 per Machine hour ②

Overhead Absorption Rate (Finishing)= 240 000
10 000 (2x2000)+(2x3000)
= 24 per Labour hour ②

Production Cost Per Unit	**X**		**Y**	
Direct Material	300	} ①	340	} ①
Direct Labour -	160		200	

Production Overheads

	A			**B**	
Assembly (25x4)	100	①	(25x4)	100	①
Finishing (24 x2)	48	①	(24x2)	48	①
	608	①		688	①

(Total Marks 20)

Question No: 03

1) **(Rs,000)**

Transaction	**Property, Plant and Equipment**	**Stocks**	**Trade Receivables/other Receivable**	**Cash**	**Capital**	**Retained earnings**	**Liabilities**
B/B/F	800	400	300	200	850	400	450
1) ②		+400		-160			+240
2) ②		-200	+250			+50	
3) ②	+120			-120			
4) ②		+50	-62.5			-12.5	
5) ②		-300		+375		+75	
6) ②				-100		-100	
7) ②				-108		+12	-120
8) ②				-50		-10	-40
9) ②		-32	+41.6			+9.6	
10) ②		-20	+16			-4	

2) Adjusted Cash Control Account **(Rs,000)**

①	B/B/F	37	Insurance	10	①
①	Debtors	60			
			Bank charges	30	①
			B/C/D	57	①
		97		97	

3) Bank reconciliation Statement **(Rs,000)**

Balance as per adjusted cash control		①57
(+) Unpresented cheques	①148	148
(-) Unrealized cheques	① (140)	(140)
Balance as per bank statement		①65

4) **Statement of Profit or Loss** **(Rs. '000)**

Sales		604.1	①
(-) Cost of Sales		(482)	①
Gross Profit		122.1	①
(+) Other Income			
Discount received	12①	12	
		134.1	
(-) Other Expenses			
Bank charges	30①		
Loan Interest	10①		
Insurance	10①		
Salary and electricity	100①		
Stock damage	4①	(154)	
Net Profit		(19.9)	②

(Total Marks 40)

Question 04

A) 3) Cash Control (Rs,000)

b/b/f	500		
membership fee①	328		
Life membership①	600	Other payments ①	1 820
Other Receipts ①	3 400	b/c/d	3 008
	4 828		4 828

Subscription A/c.

b/b/f	30	b/b/f	10
		Cash	328
I & E	300		
b/c/d.	08	b/c/d.	-
	338		338

Creditors

		b/b/f	700
Cash	640		
		Purchases	440
b/c/d.	500		
	1 140		1 140

Debtors

b/b/f	170	Cash	1 500
Sales	1 580		
		b/c/d.	250
	1 750		1 750

Accrued Electricity

Cash	70	B/B/F	100
		P&L	70
B/C/D	100		
	170		170

1) Income & Expenditure (Rs,000)

Income		
Subscription Income①	300	
Net income musical show①	300	
Life membership①	40	
Cash Donation①	100	
Canteen profit①	1 650	2 390
Expenses		
Building depreciation①	60	
Electricity①	70	
Payment for assistant	60	
Decoration exp.	50	(240)
Surplus①		2 150

2) Statement of Profit or Loss - Canteen (Rs. '000)

Sales		2 080	①
(-) Cost of Sales			
Opening stock	100		
Purchases	440		①
(-) Closing stock	(150)	(390)	
Gross Profit		1 690	①
(-) Other Expenses			
Restaurant expenses	40①	(40)	
Net Profit		1 650	①

4) Total Equity

Opening Acc. Fund	290 ①
(+) Surplus	2 150
Life membership fund	560 ①
Building fund	500①
	3 500 ①

(Total Marks 20)

B) 1) Cash Payments journal

Date	Description	Discount received (Rs.)	Total Value (Rs.)	Analysis				
				VAT	purchases	Creditors	Exp.	Other
01/05	Purchases ①		1 500		1 500			
10/05	Salary ①		90				90	
18/05	Rent		80				80	
20/05	Loan①		70					70
21/05	Vat ①		50					50
24/05	Asitha①		140			140		
26/05	Sena		150			150		
30/05	Advertising		10				10	
	Total	**-**	**2 090**		**1 500**	**290**	**180**	**120**

2) Purchase Journal (Rs,000)

Date	Invoice No	Description	Amount
3/2		Asitha	200
3/8		Sena	800
			①**1 000**

3) Sales Journal (Rs,000)

Date	Invoice No	Description	Net
3/12		Nadeera	600
3/14		Jenny	300
			①**900**

4) Creditors control (before)

Cash①	290	B/B/F	300
B/C/D①	910	Purchases①	900
	1 200		1 200

5) Adjusted creditors control

Purchase return①	50	B/B/F	910
B/C/D	960	Purchases①	100
	1 010		1 010

6) Creditors reconciliation Statement **(Rs,000)**

Balance as per adjusted creditors control		①960
(+) Purchases – Asitha	①20	
Purchase return	①50	70
(-)		
Balance as per creditors list		①1 030

7)

Purchase Account ①

Cash	1 500		
Purchases	900	P&L	2 400
	2 400		2 400

Sales account ①

P &L	3 150	Cash	2 200
		Debtors	900
		Sales advance	50
	3 150		3 150

Cash Control Account ①

B/B/F	300	Expenses	180
Sales	2 200	Purchases	1 500
other	60	Creditor	290
		Other	120
		B/C/D	470
	2 560		2 560

Sales in advance ①

Sales	50	Cash	60
B/C/D	10		
	60		60

(Total Marks 20)

Question No: 05 (A)

(A)

A,B and C Partnership
Profit correction and Appropriation account
for the year ended 31.03.2021

Drafted profit		930	①
(+) Partners salary①	50		
Over provision ①	2		
Goods drawings①	30		
Opening stock①	50	132	
		1 062	
(-) Bad debts ①	20	(20)	
Net profit		1 042	①
Salary			
(-) A	120	①	
B	144		
C	120	(384)	
		658	
Interest on Capital			
(-)A	40		
B	40	①	
C	22.5	(102.5)	
		555.5	
Profit shares			
(-)A	278		
B	185	①	
C	92.5	(555.5)	
		0	

Current Account **(Rs. '000)**

	A	B	C		A	B	C	
				B/B/F	180	100	80	
Goods drawings①	10		20	Salary ①	120	144	120	①
Salary paid ①	30		20	Interest on Capital①	40	40	22.5	①
Current	578							
B/C/D①	-	469	275	Profit Shares①	278	185	92.5	①
	618	**469**	**315**		**618**	**469**	**315**	

Capital Account **(Rs. '000)**

	A	B	C		A	B	C
Goodwill①		60	60	B/B/F	400	300	200
Loan –A	1038			Cash		200	
				Cash			100
				Goodwill①	60	40	20
				Current a/c	578		
B/C/D①	-	480	260				
	1038	**540**	**320**		**1038**	**540**	**320**

Loan Account – A **(Rs. '000)**

	Capital 1038 ①

(Total Marks 20)

(B) i TFC

SP = 80
AVC = 50
C.P.U = 30

Depreciation - 200 000(50000x4)
Insurance and maintenance - 400 000(100 000x4)
Salary - 720 000 (180 000x4)
1 320 000 ②
======

ii. BEP Qty = $\frac{\text{TFC}}{\text{CPU}}$

②44 000km = $\frac{1\ 320\ 000}{30}$

iii. MOS(Q) = Expected Qty - BEP Qty
② 136 000Km = 180 000 - 44000

MOS(Rs) = MOS(Q) x S.P
② Rs.10 880 000 = 136 000 x 80

vi. 100 000Km = $\frac{\text{TFC + Expected profit}}{\text{CPU}}$

100 000Km = $\frac{1\ 320\ 000 + \text{Profit}}{30}$

Profit = 1 680 000 ④

v. Required Qty. = $\frac{\text{TFC + Expected profit}}{\text{CPU}}$

114 000Km ④ = $\frac{1\ 320\ 000 + 2\ 100\ 000}{30}$

vi. Required Qty. = $\frac{\text{TFC + Expected profit}}{\text{CPU}}$

171 000Km ④ $= \frac{1\ 320\ 000 + 2\ 100\ 000}{(80-60)}$

(Total Marks 20)

Question No: 06

(A)

Dunhinda PLC ①

Cash Flow Statement for the year ended 31.03.2021

Operating activities		
Profit Before Tax (5750+150)		②5 900
Adjustments		
(+) depreciation ①	200	
Interest ①	500	
	700	
(-) Investment income ①	(150)	550
Profit Before Working Capital adjustments		6 450
Working Capital Adjustments		
Increase in stocks ①	(500)	
Increase in T/R ①	(1500)	
Decrease in T/P ①	(350)	
Increase in Vat payable ①	60	(1 590)
Cash flow from operating Activities		4 860
(-) Interest paid ①	(500)	
(-) Tax paid	(-)	(500)
NCF from operating activities		①4 360
Investing activities		
PPE acquired ①	(8 000)	
Purchase of investment ①	(1 000)	
Interest income ①	50	
NCF from Investing activities		(8 950)
Financing Activities		
Bank Loan obtained ①	400	
Dividend Paid ①	(350)	
Share Issue ①	6 000	
NCF from Financing activities		6 050
Net change in cash and cash equivalent ①		1 460
(+) Opening Cash & Cash Equivalents		-
Closing Cash & Cash Equivalents ①		1 460

Interest Receivable

B/B/F	-	Cash	50
I/S	150	B/C/D	100
	150		150

Tax Payable

Cash	-	B/B/F	-
B/C/D	150	I/S	150
	150		150

R/E

		B/B/F	-
Dividends	350		
B/C/D	5 400	PAT	5 750
	5 750		5 750

Profit before tax = Profit for the year + Income tax
5 900 = 5 750 + 150

PPE(NBV)

B/B/F	-	Disposal	-
Cash	8 000		
R/Gain	600	Depreciation	200
		B/C/D	8 400
	8 600		8 600

(Total 20 Marks)

B) (i) GP Ratio = $\frac{\text{Gross profit}}{\text{Sales}}$ x 100

= $\frac{15\ 000}{20\ 000}$ x 100

= 75% ②

ii) Stock turnover = $\frac{\text{Cost of Sales}}{\text{Avg. Stock}}$

= $\frac{32\ 000}{800}$

= 40 times ②

iii) Debt to Equity Ratio = $\frac{\text{Debt}}{\text{Equity}}$

= $\frac{3000}{12\ 000}$

= 0.25:1 ②

(iv) GP Ratio = $\frac{\text{Net profit}}{\text{Sales}}$ x 100

= $\frac{900}{20\ 000}$ x 100

= 4.5% ②

(v) Earning per share = $\frac{900}{300}$ = Rs.3/= per share ②

(Total 10 Marks)

C)

			Year		
	0	1	2	3	4
<u>Cash Inflow</u>					
Disposal value of existing machine①	300				
Residual value①					200
Working Capital recovery①					100
Increase in cash inflows ①		700	800	700	800
<u>Cash Outflow</u>					
Cost of Purchase	(1 800)				
Transport cost ①	(100)				
Fixing cost	(300)				
Increase in cash outflows		(100)	(150)	(200)	(100)
Working Capital①	(100)				
Net Cash flow	(2 000)	600	650	500	1 000
DF	1	0.9	0.8	0.7	0.6
PV	(2 000)	540	520	350	600
NPV①	+ 10				

NPV method - This investment is Financially Feasible①

Pay back period = 3 years and 03 months ① - This investment can not be accepted under payback period method. (Target payback period 03 years) ①

(Total 10 Marks)