

Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake
 ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක
 Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake
 ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක
 Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake
 ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක ලක්ෂිත රත්නායක
 Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake Lakshitha Rathnayake

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය - 2020 අගෝස්තු
 கல்விப் பொதுத் தரப்பரப் பத்திர (உயர் தர)ப் பரீட்சை - 2020 ஓசஸ்ற்
 General Certificate of Education (Adv. Level) Exam - August 2020

නව නිර්දේශය
 புதிய பாடத்திட்டம்
 New syllabus

கிணக்கு II
 கணக்கீடு II
 Accounting II

33 E I

පැය තුනයි
 மூன்று மணித்தியாலங்கள்
 Three Hours

Instructions:

- Answer only Five questions including Question No: 01 & 02 07 Weeks more
- Start answering each question with a fresh sheet
- Relevant workings should be attached to the answer script

01. The trial balance of Expo PLC as at 31.03.2020 was as follows.

	Debit (Rs. '000)	Credit (Rs. '000)
Sales	-	32 200
Purchases	19 550	-
Staff salaries and wages (net)	2 160	-
Building rent paid	3 600	-
Lease creditor	-	2 580
Property, plant and equipment as at 31.03.2019	28 000	-
Provision for depreciation as at 01.04.2019	-	1950
Income tax paid - 2018/19	240	-
- 2019/20	300	-
Trade receivables	8 000	-
Treasury bills	720	-
Inventories as at 01.04.2019	6 000	-
Trade payables	-	4 000
Stated ordinary share capital as at 01.04.2019	-	15 000
Revaluation reserve – Lands	-	3 700
Revaluation reserve – equipment	-	1 000
Retained earnings as at 01.04.2019	-	2 400
Bank balance	-	240
Bank loan	-	5 000
Provision for income tax as at 01.04.2019	-	200
Allowance for expected losses as at 01.04.2019	-	500
Impairment loss	200	-
	68 770	68770

The following adjustments have to be made before the preparation of financial statements for the year ending 31.03.2020.

(i) The company sells a single product and the information related to the inventories on 31.03.2020 is given below:

- Number of units: 30 000
- Cost per unit: Rs. 140
- Estimated selling price per unit: Rs. 135
- Estimated selling expenses per unit: Rs. 5

The company values its inventories as per Sri Lanka Accounting Standards (LKAS) 02

(ii) Accrued electricity as at 31.03.2020 was Rs. 200 000

(iii) The business activities of the company are conducted in a building obtained under a rent agreement from 01.04.2019. According to the rent agreement, the monthly rent was Rs. 180 000. Total cash payments made on 01.04.2019 to the building owner has been debited to building rent account.

(iv) summary of property, plant and equipment and provision for depreciation shown in the trial balance is given below.

	Cost	Accumulated dep.Rs(000)
Land	15 000	-
Office equipment	4 000	600
Motor vehicles (Lease hold)	6 000	900
Furniture & fittings	3 000	450
Total	28 000	1950

(v) Motor vehicles were acquired on 01.04.2018 under a finance lease for 4 years period for the use of the directors of the company. The ownership of the asset is passed to lessee at the end of lease period. The annual lease installment payable is Rs.1 700 000. The current year lease installment has been paid and debited fully to the lease creditor's account. No other entry has been made in this respect. The lease interest is as follows:-

Year	Interest (Rs.)
2019/2020	360 000
2020/2021	290 000
2021/2022	170 000

(vi) The land has been acquired in 2015 and it was revalued in 2017/2018 at its market value. The same land has been revalued again on 28.02.2020 by a professional valuer at Rs.17 000 000.

(vii) The office equipment has also been revalued on 31.03.2020 at Rs.3 600 000 by a professional valuer

(viii) A dismissed employee (dismissed on 01.01.2020) has filed a legal case against the company. The board of directors has obtained the company lawyer's opinion on 31st March 2020 and it is probable that the company will be liable to pay Rs. 200 000 as compensation as per his opinion.

(ix) Ruwangi PLC is a company registered for Value Added Tax (VAT) and the applicable VAT rate is 15%. The sales and purchases values given in the trial balance include VAT charged and paid by the company.

(x) Property, plant and equipment are depreciated on straight line method at 10% per annum. Depreciation has to be provided for current year.

(xi) Out of the bank loan balance as at 31.03.2020 Rs.600,000 should be settled during the year ended 31.03.2021

(xii) The company's contribution for EPF and ETF has not yet been provided for the entire year. The company contributes for EPF and ETF at 15% and 3% respectively on the gross salary of employees.

(xiii) A 10% Allowance is made for expected losses on the year-end balance of trade receivables

(xiv) It has been estimated that the income tax expense for the year ended 31.03.2020 is ¼ of the profit before tax.

(xv) The company has decided to transfer Rs.1 000 000 from retained earnings to the general reserve on 31.03.2020 and on this day, directors have proposed a dividend of Rs.300 000 to the ordinary shareholders of the company.

Required:

The following financial statements (including notes) of Expo PLC for publication as per **LKAS 01** (Presentation of Financial Statements)

(i) Statement of Profit or Loss and other comprehensive income for the year ended 31.03.2020

(ii) Statement of changes in equity for the year ended 31.03.2020

(iii) Statement of Financial Position as at 31.03.2020

(40 Marks)

02. (A) The information relevant to the inventory item 'DMI' traded by Suranga PLC for the month of January 2020 is given below.

Date	Description	Quantity (Units)	Unit Cost (Rs.)
January 01	Opening balance	500	20
January 05	Purchases	300	24
January 12	Sales	400	?
January 15	Purchases	300	25
January 25	Sales	300	?
January 31	Purchases	200	26

Required:

- (1) Cost of inventory of 'DMI' as at 31.01.2020 based on First-in-First-Out (FIFO) method.
- (2) Cost of sales for January 2020 base on First-in-First-Out (FIFO) method.
- (3) Cost of sales for January 2020 based on Weighted Average Cost method.

(10 Marks)

(B) Dinesh company manufactures two types of products "A" and "B". The company has factory consisting of two production departments, namely; Assembly and Finishing and a service department namely; Stores. All these departments are located in the same premises Further, the company has an Administrative Department and it is located in a separate building. The budgeted overheads for the next financial year at the activity level of 5 000 units are given below.

Description	Total (Rs.'000)	Factory (Rs.'000)	Administrative Department (Rs.'000)
Indirect wages	750	700	50
Production managers' salary	900	900	-
Rent of buildings	?	960	?
Machinery depreciation	800	800	-
Office equipment depreciation	30	-	30
Electricity charges	400	?	?
Other production overheads	290	290	-

Additional information:

(i) Overhead appointment bases are as follows:

Description	Assembly	Finishing	Stores
Floor area (sq.Meters)	24 000	16 000	8 000
Kilowatt hours	2 000	1 000	500
No. of employees	20	12	3
Cost of machine (Rs.)	3 000 000	2 000 000	-

(ii) The factory employs three production managers, two at the Assembly Department and other manager at the Finishing Department. Each of them is paid a monthly salary of Rs. 25 000.

(iii) The company pays a monthly rent of Rs. 10 000 for the building where the Administrative Department is located and its annual usage of electricity is 500 kilowatt hours.

(iv) The other production overheads of Assembly, Finishing and Stores are Rs. 190 000, Rs. 70 000 and Rs. 30 000 respectively.

(v) Total overheads of the Stores are re-apportioned equally between the two production departments.

(vi) Overheads of production departments are absorbed based on machine hours. The annual estimated machine hours for Assembly and Finishing departments are 50 000 and 60 000 respectively.

(viii) The following information relates to the two products "A" and "B" manufactured by the company.

	A	B
Actual machine hours to produce one unit:		
Assembly Department (Hours)	02	04
Finishing Department (Hours)	03	02
Prime cost per unit (Rs.)	225	310
Profit margin on selling price	25%	20%

Required:

- (1) The Overhead Analysis Sheet clearly the bases of appointment
- (2) Overhead absorption rates of Assembly and Finishing Departments
- (3) Total administrative overheads
- (4) Production cost per unit of product "A"
- (5) Selling price per unit of product "B"

(30 Marks)
(Total 40 Marks)

03. (A) Assets and Liabilities account balances of Niranjana's business on 01.03.2020 are as follows:

Description	Dr. (Rs. '000)	Cr. (Rs.'000)
Non-current Assets		25 000
Current Assets		
Inventory	6 000	
Trade receivables	5 000	
Bank & Petty Cash	8 000	19 000
Total Assets		44 000
Current liabilities		
Creditors		3 500

Transactions took place in March are

Transaction No	Date	Transaction (Rs.)
1	03.02	To settle Rs. 800 000 debtors received Rs.780 000 in cash subjected to discounts
2	03.05	Paid salaries Rs. 25 000
3	03.07	Paid to creditors Rs. 720 000 , discount received Rs. 30 000
4	03.10	Cash drawing Rs. 200 000
5	03.18	Depreciation for March on noncurrent assets Rs. 70 000
6	03.20	Cash purchase Rs. 280 000 and credit purchase Rs. 300 000
7	03.22	Returned Rs. 20 000 worth of goods purchased on credit basis
8	03.25	Inventory worth Rs. 450 000 was sold for Rs. 800 000 on credit and 100 000 goods were sold for Rs. 120 000 on cash
9	03.30	Paid Rs. 15 000 electricity bill and Rs. 12 000 telephone bill for March in cash
10	03.31	Paid Petty cash expenses for March 9 000

Required:

Record the above transactions under the below given equation with values showing (+) sign or (-) sign.

Transaction	Date	Non - current Assets	Assets			Current Liabilities	Equity
			Inventory	Trade Receivables	Cash + Petty Cash		

- I. Calculate profit or loss using net assets basis for March
 II. Prepare the Statement of Financial Position as at 31.03.2020 **(20 Marks)**
- (B)** Samanmal Traders cash control account balance on 31.03.2020 amounted to Rs. 28 000 and did not agree with the bank statement balance as at that date. Subsequently following errors and omissions were found out.
- A cheque issued on 18th March Rs.8 650 was recorded in cash payment journal as Rs.6 850
 - Standing orders payment made by the bank Rs.8 500 and Rs.750 bank charges were not recorded in cash payment journal
 - Out of the total cheques issued in March two cheques amounting to Rs.2 800 and Rs.2 350 were not presented for payments
 - Two cheques from the deposited cheques for Rs.8 500 and Rs.5 200 had not been realized yet.
 - Rs.8 100 investment income collected by the bank has not recorded in business cash control account.
 - A deposited cheque of Rs.15 500 was dishonored but not entered in the cash control account
 - Two cheques issued in February in amounting to Rs.2 850 and Rs.3 500 were not presented for payments in February. But as per the bank statement for march Rs.2 850 cheque was presented for payment

Required:

- Adjust the cash control account
- Prepare the bank reconciliation statement based on adjusted cash balance

(10 Marks)

(C) Extracted account balances of Neranjan's business on 01.03.2020 are as follows:

Trade receivables	Rs.	360 000
Trade Payables	Rs.	250 000
VAT Payables	Rs.	30 000

Transactions took place in March 2020

Date	Transaction
03.02	Credit purchases from Sudath Rs.450 000
03.08	Credit purchases from Palitha, list price Rs.68 000 and trade discount received Rs. 5 000
03.12	Credit sales to Ruwan Rs. 36 000
03.14	Sold Rs. 75 000 list price goods to Chamal and deducted trade discount Rs. 3 000
03.21	Credit purchases from Ajith Rs. 54 000

Required:

Prepare following journals and ledger account for the month ended 31.03.2018

- Purchases journal
- Sales journal
- VAT Control Account
- Trade Receivables Account
- Trade payables Account

(10 Marks)
(Total 40 Marks)

04. (A) Akasha, Anupa and Janith were in a partnership sharing profit and losses equally and Janith retired from the partnership on 31/03/2021. At the retirement his equity was transferred to a loan account. Interest payable 5% on it.

On the same day (31/03/2021) Keshi was admitted as a partner. Keshi invested Rs.200,000 cash and Rs.500,000 furniture to the business however only cash is accounted in the books. Monthly Rs.50 000 should be paid to Anupa, the accountant of the partnership as salaries. Salary of Anupa for the last six months is accrued. Here only first six month salary is accounted for.

Goodwill of the business on 31/03/2021 was estimated as Rs.600,000 and goodwill account is not maintained.

Conditions of the old and new partnerships are as follows.

	Old agreement (A:A:J)	New agreement (A. A. K)
Profit and losses	Equally	3:2:1
Interest on capital	10%	5%

Trial balance as at 31/03/2021 is as follows. (Rs.000)

Property plant and equipment	3500	
Accumulated depreciation on 01/04/2020		800
Capital account balance		
- Akasha		850
- Anupa		940
- Janith		400
- Keshi		200
Sales		3500
Cost of sales	1020	
Trade receivables and trade payables	650	400
Administration expenses	500	
Distribution expenses	400	
Other expenses	200	
5% loan given by Akash		500
Current account balance		
- Akash	100	
- Anupa	200	
- Janith		300
Fixed deposit(12%)	600	
Accountant's salary (Six months)	300	
Drawings		
- Askash	100	
- Anupa	80	
Cash	240	
	7890	7890

Additional information,

- All property plant and equipment except land should be depreciated 10% on cost on straight line method. Cost of the land is Rs. 500,000.
- Allowances for expected losses on trade receivables in 10%.
- Accrued advertising expense as at 31/03/2021 is Rs. 20,000. Advertising expense paid is included in the distribution expenses.
- Discount column total of cash receipt journal is Rs. 20,000 and Discount column total of cash payment journal is Rs. 150,000 have not been accounted.
- Loan interest should be paid.

- vi. Anupa has withdrawn Rs. 20,000 goods for personal use and this has not yet been accounted in the books.

Required,

1. Profit and loss statement for the year ended 31/03/2021 including appropriation account.
2. Current and capital accounts of partners.
3. Loan account of Janith.

(20 Marks)

(B) “Ahinsa” woman society has provided following information for the year ended 31/03/2021

I.	2020/03/31	2021/03/31
Membership fee arrears (no. of members)	08	07
Membership fee in advance (no. of members)	12	09
Membership fee received in cash	Rs. 1500,000	
Annual membership fee	Rs. 4000	
II. Other assets and liabilities of the society are as follows. (Rs.000)		
	2020/03/31	2021/03/31
Property plant and equipment (carrying value)	500	300
Bank balance	1300	?
Accrued operational expenses	100	150

III. Society started a project to distribute medical equipments. Income and expense of this project are as follows.

	Rs. 000
Expenses for providing items	500,000
Donations from members	75,000
Donations from the outsiders	100,000
Expenses of packing	25,000
Refreshment expenses of the project day	5000

- IV. A property with a carrying value of Rs. 160,000 was sold for Rs.125,000.
- V. A tuition class is conducted in a property belongs to the society and its annual rent is Rs. 500,000. Rent receivable at the beginning was Rs.50,000 and at the end Rs.75,000.
- VI. Cash donation received to the society was Rs.300,000
- VII. Office expense of Rs.50,000, Rs. 5000 for newspapers and Rs. 250,000 for operational expenses were paid during the year.

Required,

1. Receipt and payment account for the year ended 31/03/2021
2. Income and expenditure account for the year ended 31/03/2021

(20 Marks)

(Total 40 Marks)

- 05. A)** Wasana manufactures produces unique type of ornamental vases and sell in the market. There are few special machines used to manufacture these vases. Machine operators, production employees are directly engage in production and design makers are there in the production process. They are paid on the number of units they produced. Following information is extracted from the trial balance prepared at the end of the year.

Inventory as at 01.01.2020	
- Raw Material	20 000
- WIP	30 000
- Finished goods(100 units)	21 000
Raw Material purchases	458 000
Carriage inwards of raw material	10 000
Return outwards of raw material	8 000
Salaries (Factory employees)	395 000
Fuel expenses	130 000
Machinery depreciation	10 000
Insurance	12 000
Water and Electricity	53 200
Factory maintenance	25 000
Rent and rates	396 000
Other direct expenses	25 000
Sales	?

Additional Information

- Inventory as at 31.12.2020
 Raw material 48 000
 WIP 12 000
 Finished goods(comprise items produced during current year) 15 000
- 80% of fuel is for factory and balance is for vehicle used for distribution activities.
- Half of the insurance expenses is for the next year and water and electricity bills for December amounting Rs.6 800 was not paid and not adjusted yet.
- Expense analysis

	Factory	Showroom
Insurance	1/2	1/2
Water and electricity	2/3	1/3
Rent & Rates	1/2	1/2

- Salary expense analysis is given below;
 - Machine operators 158 000/=
 - Other direct labour 55 000/=
 - Design makers 122 000/=
 - Security & cleaning 60 000/=
 - 395 000/=

Required:

- Calculate prime cost and total production cost by preparing a manufacturing account.
- Cost of a vase if total production during the year is 5 000 vases
- Calculate selling price of one vase if 20% profit is added on cost
- Total number of units sold during the year and gross profit

(20 Marks)

(B) Senior Students in Jayawardene pura University organized a trip to climb Hantana Mountain for new comers entered for the 2019/2020 academic year. Following income and expenses are estimated for the trip

- * Fee charged – Rs. 2 500 per person
- * Food cost Rs. 200 per person
- * Security coat Rs. 150 per person
- * A water bottle Rs. 50 per person
- * A T shirt Rs. 450 per person
- * Stationery and other Rs. 150 per person
- * 4 buses required and Rs. 25 000 per each bus
- * Entertainment and other expenses Rs. 50 000
- * There are 200 new comers will be participated for this trip

Required:

- (1) Contribution per participant
- (2) Breakeven point in number of students and amount (Rs.)
- (3) Margin of safety
- (4) The profit assuming that 200 participants will attend the trip
- (5) Draw a rough sketch of a break even chart and mark the above calculated items
- (6) Some students do not like to participate this trip as they are new comers, Calculate the impact on the profit calculated in (4) above, if only 80 students attend the trip.

(20 Marks)

(Total 40 Marks)

06. (A) Summary of statements of financial position of "Browns PLC" as at 31/03/2021 and 31/03/2020 are as follows.

Description	as at 31/3/2021	as at 31/03/2020
Property, plant and Equipment (at carrying value)	42,000	40,000
Stocks	6,250	5,600
Trade receivable	3,600	8,450
Salary advance	400	-
Cash	4,550	3,200
	<u>56,300</u>	<u>57,250</u>
Stated capital - Ordinary shares	39,500	36,000
Revaluation reserve - Land	-	2,000
Retained earnings	3,700	1,600
Lease creditors	13,000	15,000
Trade payables	320	2,450
Provision for income tax	280	200
	<u>56,800</u>	<u>57,250</u>

Additional information for the year ended 31/03/2021

1) Retained earnings A/C (Rs,000)

Dividends	300	1/4/2020 Balance	1,600
Capital	1,000	Profit for the year	3,400
31/03/2021 B/C/D	<u>3,700</u>		
	<u>5,000</u>		<u>5,000</u>

- There were 4,000,000 ordinary shares as at 01/04/2020 and dividends were paid on that.

2) On 01/01/2021 company made a right issue of 250,000 shares at Rs.10/= each. Full consideration was received by the company.

- 3) All lease installments are equal. The annual lease installment of Rs.2,750,000 was paid for 2020/2021 and the interest of Rs.750,000 was included in that. Lease interest for the year 2021/2022 is Rs.650,000.
- 4) Depreciation and income tax expense for the year were Rs.1,500,000 and Rs.1,000,000 respectively.
- 5) Details of disposal of motor vehicle on 01/10/2020 as follows.
 Date of purchase 01/04/2018
 Cost of the vehicle Rs. 3,000,000
 Loss on disposal Rs. 400,000
- 6) Vehicles are depreciated at 10% annually. On 01/10/2020 a new vehicle was purchased.
- 7) Recorded a revaluation deficit of Rs.2 200 000 at the second time revaluation of lands made on 31/03/2021

Required

Prepare the cash flow statement of " Browns PLC " for the year ended 31/03/2021 according to LKAS -07 (Cash flow statements).

(20 Marks)

(B) Following information of " Browns PLC" also provided in relation to the year ended 31/03/2021.

	Rs.'000
Sales (60.25% is credit sales)	40,000
Cost of sales	16,000

Required

Calculated the following accounting ratios for the year ended 31/03/2021

- i. Gross profit ratio
- ii. Debtors turnover ratio
- iii. Current ratio
- iv. Debtors collection period (Assuming 360 days per year)
- v. Debt to equity ratio

(10 Marks)

C) Nugegoda nursing home (Pvt) limited is considering alternatives to purchase a new laboratory machine. Management committee of the company estimated the following information.

	Rs'000
Cost of the machine	3,000
Fixing cost	400
Getting electricity supply	600
Useful life time 5 years	

Additional information

- i. Company should enter into a service contract to obtain annual service at a cost of Rs.500,000 for the first year and Rs.400,000 each for the rest of the years.
- ii. It was estimated that Rs.800,000 can be save annually from the operational cost with the use of this particular machine.
- iii. Working capital requirement of this new machine is Rs.200,000 and that can be fully recovered at the end of the project.
- iv. the required rate of return of the project is 10%

Year	1	2	3	4	5
DCF @10%	0.91	0.83	0.75	0.68	0.62

Required

1. Show the cash inflow and cash outflows of the project and net present value of the project.
2. Recommendation to acquire the machine or not based on the net present value.

(10 Marks)

(Total 40 Marks)

