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**Third Term Examination - 2022**

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**Accounting - I**

**1.12 2022**

**(1).** Purpose financial statements address to

1. General Management of a company. 2. External parties only

3. Only the government 4. Banks and other financial institutions

5. A wide range of user group

**(2).** Over the last years a kind of changes were occurred in every discipline of the country.

Some are given below

* Introduction of QR Code
* Introducing of floating exchange rate
* Hike in rate of emigration

The accounting environmental factors that are directly connected to the above changes are.

1. Technical, Economic, Social 2. Technical, Social, Legal

3. Political, Social, Technological. 4. Technical, Technological, Social

5. Political, Social, Technical

**(3).** On 1.1.2022 Adrian commenced a business investing his personal motor vehicle of cost of Rs 800 000 to provide transporting facilities to foreigners. After that within the first four weeks of the month. Following transactions and events took place.

1. 7.1.22 Received an advance to provide touring facilities on 30th of the month for Rs 300 000.

2. 25.11.22 provided a service for Rs 500 000 for cash. Total fuel expenditure of tour is Rs 300 000. Except to this salaries Rs 40 000 has been paid to the driver.

Source documents that are used to record above all transactions and events from starting point up end of the month.

1. Journal voucher, payment voucher, invoice

2. Receipt, journal voucher, payment voucher

3. Journal voucher, receipt, payment voucher

4. Receipt, payment voucher, invoice

5. Invoice, payment voucher, journal voucher

**(4).** The net change of the equity of this month and cash outflows

Net change. Cash out flow

1. 1140 340

2. 160 640

3. 1140 1140

4. 460 640

5. 160 340

**(5).** Shanith PLC total equity was comprised by Rs 800 000 ordinary share capital and reserves Rs 200 000 as at 1.1.2023.Total liabilities were Rs 400 000.

Following transactions took place during the month of January 2023.

1. Purchased good on credit for 440 000 and the stock was sold for 550 000 for cash. Business is registered for VAT and it is included in purchases and sales

2. Bonus share wee issued to existing share holders for Rs 150 000.

After entering the impact of transaction no 1 the basis accounting equation entire position would be

Assets. Equity. Liability

1. 1990. 1100. 690
2. 1590. 900. 440
3. 1950 . 1100. 850
4. 1990. 900. 440
5. 1940. 1100. 690

**(6).** After entering the impact of both transactions to the accounting equation.

Assets. Equity. Liability

1. 2140 1250. 690
2. 1590. 1150 850
3. 1940. 1100. 490
4. 1950 1100 850
5. 1940. 1150 690

**(7).** Returned inwards, Returned outwards, Drawings, Provision for doubtful debt accounts are connected to,

1. Expense, Income, Expenses, Assets. 2. Income, Expenses, Expenses, Assets

3. Income, Expenses, Equity, Liability 4. Income, Expenses, Expenses, Assets

5. Income, income, equity, asset

**(8).** Pereira PLC has decided to record expenses less than Rs 5 000 under Petty cash payments. The accounting concept that followed by the business in this accounting treatment is

1. Prudence 2. Consistency 3. Historical cost 4. Materiality 5. Entity

**(9).** Silva PLC has made a provision to face unexpected losses on warranty. The accounting concept followed by the business to apply this approach is

1. Substance over form 2. Consistency 3. Prudence 4. Materiality 5. Entity

**(10).** Select the incorrect statement/s regarding accounting concept

A. Non currently assets well be depreciated based on Going Concern concept

B. Purchase expenditure will become to an expenditure after deducting closing stock at the end of the year

C . As per the changes made on Accounting standards accounting policies could be changed

1. A only correct. 2. B only correct.

3. A and B only correct. 4. A and C only correct.

5. A B and C all are correct

**(11)**. The trade purchase details of a business given below.

|  |  |
| --- | --- |
| ………………………………………………………. | Rs 000 |
| Opening creditors balance | 2 000 |
| Cash purchases | 9 000 |
| Credit purchases | 17 000 |
| Cash paid to creditors | 10 500 |
| Received cash discount | 1 500 |
| Carriage inwards | 2 000 |

Paid VAT Rs 2 000 included only in credit purchases. No VAT included in cash purchases. This businesses is “not registered” registered for VAT.

Trade payable account balance and total purchases of the month are

Trade payable balance Total purchases cost

1. 5 000 27 500

2. 13 000 26 000

3. 7 000 26 000

4. 7 000 28 000

5. 5 000 28 000

**(12)** . Following cash transactions were occurred in a business within a month. At the beginning of the month business and bank both balances were agreed. All transactions are carried out through the bank account.

* Total of cash receipts journal. 500 000
* Total cash payment journal. 725 000
* bank statement balance 31.4.2022. 100 000 (debit)

The amount of opening bank account balance and unprecedented cheque of the month

1. 100 2. 125 3. 150 4. 100 5. 100

**(13)**. A. Sales journal has been overstated by Rs 10 000

B. Purchase journal has been overstated by Rs 15 000

C. Opening stock has been overstated by Rs 5 000

Out of the above misstating the reasons which affected to decrease the profit of a business is/are

1. A. 2. B. 3. C. B 4. B and C. 5. A and C

**(14).** After correcting above errors the gross profit would be changed by

1. Decrease by 15 000. 2. Increase by 10 000

3. Decrease by.10 000. 4. Increase by Rs 15 000.

5. Increase by Rs 25 000

**(15).** Following errors were detected from an accounting system after drafting the profit for Rs 600 000.

* Purchases journal has been overstated by Rs 50 000.
* Paid insurance Rs 42 000 had been credited to received discount account.
* Paid electricity Rs 30 000 has not been recorded in electricity account.

The suspense account balance before correction of errors and profit after correcting errors would be

Suspense account. Corrected net profit

1. 22 000 478 000

2. 84 000. 478 000

3. 72 000 546 000

4. 114 000 536 000

5. 164 000. 536 000

**(16).** Select the incorrect statement regarding the correcting errors.

1. Trial balance difference will be posted to Suspense account.

2. Even though the trial balance is tallied there may be errors.

3. Dr balance of suspense account can be identified as a current assets in the statement financial position.

4. After correcting errors the suspense account balance would be vanished

5. After calculating the net profit the errors which revealed could be corrected only with the profit and loss account balance.

**(17)**. The gross profit of a business was Rs 300 000 whilst net profit Rs 120 000. After calculations of profits following errors were detected.

* Returned outward Rs 59 000 had been recorded as Rs 95 000 in books
* A motor vehicle of cost of Rs 800 000 had been purchased at the beginning of the year having 10 years life time with Rs 100 000 scrap value. In calculating depreciation the life time of vehicle has been considered as seven years.
* Closing stock has been overstated by Rs 25 000.
* After correcting above errors the adjusted gross profit and net profit would be

Gross profit. Net profit

1. 239 89
2. 361 81
3. 275 89
4. 239 80
5. 361 81

**(18).** Following details were collected from Rithik PLC.

Opening inventory. 200 000

Purchases. 700 000

Closing inventory. 150 000

Profit margin on cost. 25%

Gross profit and sales of the year are

Gross profit Sales

1. 162.5 912.5
2. 150 900
3. 187.5 937.5
4. 150 937.5
5. 187.5 900

To answer questions number 19,20 21 use the following information. Information has been obtained from salary details of a business

|  |  |
| --- | --- |
| Earnings……………………………………………….. |  |
| Basic salary | 6 000 |
| Over time u | 1 500 |
|  | 7 500 |
| Deductions |  |
| Employee provident fund 10% | 600 |
| Salary advance | 500 |
| Employer contribution |  |
| Employee provident fund. 15% | 900 |
| Employee trust fund 3% | 180 |

Monthly salary will be paid at the month and other payable will be paid in 15th of next month.

**(19).** Total salary expenditure of the month of the month of is

1. 7480 2. 7500 3. 8580 4. 9000 5. 1080

**(20).** Net salary paid to the employees for the month of March is

1. 7500 2. 6 400 3. 6 900 4. 5 500 5. 6 000

**(21).** The liability, regarding salary by the end of the month would be

1. 1 500 2. 600 3. 808 4. 1080 5. 1 680

**(22).** Vijaya sport club members ownership was as follows as at 1.4.2022.

|  |  |
| --- | --- |
| Accumulated.fund…................................ | 300 000 |
| Building development fund | 1 200 000 |
| Sports development fund | 600 000 |
| Life membership fee fund | 950 000 |
| Total Equity | 3050 000 |

Society was commenced on 1.4.2020 with 100 general members and 10 life members. General membership fee is Rs 5 000 per annum and life membership fee is Rs 100 000. There were no any arrears or paid in advance in last year. For the year ending 31.03.2022 club has reported Rs 100 000 surplus. For the year ending 31.12.2023 how much would be the total operational expenditure of the society

1. 550 2. 250 3. 450 4. 1 350 5. 350

**(23).** Following transactions events took place during the year ending 31.3.2023.

* All members have paid properly without any arrears or an advance.
* Building development fund was completely utilized for building construction.
* Total expenses of the year was Rs 350 000

As at 31.3.2023 the Accumulated fund would be

1. 600 2. 550 3. 1 750 4. 1 500 5 350

**(24)**. Nilwala sports club was commenced on 1.1.2020 with annual subscription was Rs 5 000. During the year ending 31.12.2021 following Amounts were received for the subscription.

2020 – 60 000 2021 – 440 000 2022 - 50 000

There were 15 members in arrears for the year ending 31.12.2020. Out of them five members have not paid subscription for the year 2021 also. Executive members decided to cancel their membership.

As at 1.1.2021 subscription received in advance was Rs 35 000 and 8 members have not paid only for this year. The amount of subscription to be transferred to the Income statement is

1. 530 2. 550 3. 655 4. 580 5. 605

**(25)**. A business has produced 100 wooden cupboards during the year ending 31 3.2023. Production cost of a cupboard was Rs 12 000. Over heads of the business were as follows.

• Manufacturing overhead. 300 000

• Non Manufacturing overhead. 200 000

Rs. 2500 was paid to carpenters to produce one cupboard. The materials cost per unit and if all items were sold with a 50% of profit on cost the profit of the business were materials cost per unit. Profit of the business

1. 6 500. 400 000

2 5 500. 700 000

3. 6 500. 150 000

4. 5 500. 400 000

5. 5 500. 400 000

Saman has not maintained a proper books of accounts. As at 1.1.2022 there were following values

|  |  |
| --- | --- |
| Non current liabilities | Rs 60 000 |
| Non current assets | Rs 200 000 |
| Current liabilities | Rs 150 000 |
| Current assets | Rs 200 000 |

During the year following changes were occurred

* Total assets were increased by Rs 180 000
* Currently liabilities were increased by Rs 100 000

There were no non current liabilities at the end of the year. Including interest paid amount to settle non current liability was Rs 100 000.

**(26).** How much would be the profit of the year.

1. 210. 2. 140. 3. 330. 4. 430. 5. 190

**(27)**. Pawan and Ruwan and Sudath were in a partnership sharing profit and loss in the ratio of 3: 2:1. Sudaths equity position at the beginning of the year and at the end were as follows.

Current account Capital account

1.1.2022 500 00 500 000

31.12.2023 80 000 550 000 (after adjusting goodwill)

Except to the profit and loss ratio there were no any conditions regarding appropriations in partnership agreement.

Calculated Profit for the year and goodwill for the retirement are

Profit. Goodwill

1. 30 000. 50 000

2. 130 000. 550 000

3. 180 000. 600 000

4. 130 000. 350 000

5. 180 000. 300 000

**(28).** Sudath agreed retain a 50% of his equity as a loan and to withdraw the balance in cash. The amount of cash paid to Sudath at his retirement and the amount of interest to be paid to Sudath for the year ending 31.3.2023 would be

Paid cash Interest

1. 630 000. 31 500

2. 315 500 16 750

3. 315 000. 61 500

4. 600 000. 31 500

5. 630 000 63 000

**(29).** Select the incorrect statement regarding with the shares issues of a business

1. When a right issue is made business cash flows will increase

2. Through a bonus shares issues business equity is not changed

3. A right issue will result to the increase the number of ordinary share holders.

4. The main intention of a company to make a right issue or bonus issue is to protect existing share holders ownership of the company.

5. Reserves will be utilized in issuing bonus

**(30).** Trevon PLC profit related details for the year ending 31.3.2022 are given below. (Rs 000)

Sales 1200

Cost of sales 570

Operational expenses. 270

A land of a cost of Rs 5000 000 was revalued for Rs 470 000. It had been revalued with a revaluation excess of Rs 200 000 before 2 years. There is no any record regarding this revaluation. Estimated income tax for the year is Rs 40 000.

The profit for the year and total comprehensive profit of the year would be

Profit for the year. Total comprehensive income

1. 300 – 80

2. 320. 220

3. 220. - 200

4. 320. – 200

5. 260. 220

**(31)**. State weather following statement are true or false.

1. The first step accounting is preparing source documents. (…..)

2. Management accounts targets only to fulfill information needs of managers. (..…)

3. Introducing new standards results to change existing accounting treatments.

(.….)

4. Sri Lanka institute of chartered accountants annually changes all accounting standards

(…..)

**(32)**. Mention weather it results to increase the creditors control account,

1. Issuing three credit notes to buyers which were in same value per Rs 100 000.

(…..)

2. Returning goods to creditors for Rs 50 000. (…..)

3. Understanding of the debit balance of a creditor in creditors control account (…..)

4. Cancellation of received discounts by the creditor. (…..)

**(33)**. Write at least three components of following accounting environment.

1. Economic environment:-

2. Technical and professional environment

3. Social and cultural environment

Write relevant source documents and prime entry book for the following of a pharmacy.

Source document Prime entry book

Purchases of medicines on credit

1. Obtaining a bank loan
2. Obtaining a motor vehicle on a lease basis
3. Retuning a stock to the supplier

**(34**). (A). Petty cash imprest of a business is Rs 50 000 for a month. On 1.12 2022 Petty cash petty cash balance was Rs 6 500. At this date main cashier decided to increase the existing imprest by 50%. If this month Petty expenses were increased by 40% than the last month calculate the Petty cash balance at the end of the month.

(B) Write the relevant journals entry to record Petty cash expenditure of the year.

**(35**). Received sales advance Rs 60 000 has been recorded as sales. Write required Journal entries to correct the error.

**(36).** Mihiri traders provides following information to you.

1.4.2021 Debtors control account balance. 60 000

Cash received from debtors. 425 000

Credit sales. 600 000

Returned inwards. 14 000

Received cash for written off bad debt in last year. 12 000

Doubtful debt accounts balance as at 1.4.2021. 6 000

Calculate the debtors control account balance as at 31.4.2022

…………………………………………………………………………………………………………………………………………….

**(37**) Mention the relevant accounting concept that are followed in recording following transactions.

|  |  |
| --- | --- |
| Transactions………………………………………………………………………. |  |
| Recording depreciation of non current assets |  |
| Identifying goods in transit as a part of closing stock |  |
| Writing off of an inventory from cost to NRV |  |
| Preparing a manufacturing account for each accounting year |  |

**(38)** Identify the violated concept in following occasions.

|  |  |
| --- | --- |
| Transactions………………………………………………………………………. |  |
| Revaluation of assets |  |
| Depreciating tools which holds small cost |  |
| Identifying a leased mother vehicle as a business own asset |  |
| Overstating of closing stock |  |

**(39)** Over all details of business expenditure are given below.

|  |  |  |
| --- | --- | --- |
|  | Prepayments | Accrued expenses |
| 1.4.2021 | 6 500 | 2 500 |
| 31.3.2022 | 12 000 | 7 500 |

Recognized expenditure of the year to the profit and loss Statement Rs 100 000.

Calculate the expenses paid in cash.

………………………………………………………………………………………………………………………………………….

**(40).** There were 100 members in a society. Out of them 15 members are life members. Monthly subscription per member is Rs 250. To obtain life membership 60 months general membership fees should be paid at once. 10% of life membership will be transferred to the Income statement annually. All life members have paid subscription properly. Total expenses of the year was Rs 200 000. Calculate,

1. Subscription income of the year :-

2. Surplus of the year :-

**(41**). Write two differences between profit and surplus and right issue and bonus share issue

|  |  |
| --- | --- |
| Profit | Surplus |
|  |  |
|  |  |
| Right issue | Bonus shares issue |
|  |  |
|  |  |

**(42**). Sales of a business during the year ending 31.3.2023 were as follows

Rs 600 000 ( profit margin on cost is 20%)

Rs 600 000 ( profit margins on sales price is 20%)

Calculate the cost of sales of the year.--------------------------------------------------------------------------

----------------------------------------------------

**(43).** Following expenses under suitable cost category of a leather shoe production business

|  |  |  |
| --- | --- | --- |
| Cost item | Prime cost | Production overheads cost |
| Leather cost |  |  |
| Wages |  |  |
| Factory insurance |  |  |
| Shoe polish |  |  |

**(44).** A manufacturing businesses produces a specific type of Male blazer to foreign markets. During the year ending 31. 3.2022 hundred cabinet’s have been produced. Production cost details are as follows.

Timber cost per unit. Rs 30 000

Salaries paid to a laborer per day. Rs 2 000

Production overheads. Rs 500 000

Non production overheads. Rs 400 000

To produce one unit three labors will be joining over three days. Calculate the production cost per unit.

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**(45).** (A). Mention the basic characteristics of a partnership.

(B). Mention the special occasions that goodwill is to be recorded in a partnership.

**(46)**. (A). Write two similarities between Accumulated fund and ordinary share capital.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

B). Write the double entry to record down payment of a right to use of asset.

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**(47).** Sandun and Nuwan are parents who shared profit and loss in the ratio of 3: 2. Ruwan was admitted as a new partner receiving an equal portion of profit. He brought Rs 10 000 for his capital.

(A). What be the total goodwill of the business

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(B). How did they allocate it among the old partners brought by Ruwan for his goodwill portion.

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**(48)**. Amara Sama and Mala were in a partnership sharing profit and loss in the ratio of 2:2:1. The equity position of the partnership as at 1.4.2021 are as follows.

|  |  |  |
| --- | --- | --- |
|  | Capital account | Current account |
| Amara | 500 000 | 40 000 |
| Sama | 400 000 | 20 000 |
| Mala | 350 000 | 20 000 Dr |

Mala decided to retire from the partnership on 31.3.2022. For the retirement, goodwill was calculated for Rs 200 000. There were no conditions regarding interest on capital and salaries of the partnership. Calculated net profit for the year ending 31.03 2022 was Rs 250 000.

What would be the equity of retired partner as at 31.3.2022 after adjusting goodwill and profit. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**(49).** After retirement of Mala the other partners decided to carry on the business under the ratio of 2:2. After recording above all what would be the following balances of the other partners.

(A). Sama’s capital account\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(B). Amara’s current account \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**(50)**. Ama PLC entered into a lease agreement with a leasing company on 1.4 2022. Certain details regarding the lease will be given below.

|  |  |
| --- | --- |
| Annual lease premium | Rs 1 500 |
| Lease interest for the first year | Rs. 600 |
| Lease interest for the second year | Rs 500 |
| Lease liability account balance at 31.3.2023 | Rs 4 100 |

(A). Calculate the lease liability balances as at 1.2.2022.----------------------------------------------------

(B). Calculate the current lease liability as at 31.3. 2023----------------------------------------------------