



G.C.E. (A/L)
Accounting



Channel NIE®  

Rehearsal Test for G.C.E. Advanced Level Examination

Accounting - I

Time: Two hours

NOTE:

- Answer **all** questions.
- Select the most appropriate answer.

01) Which of the following statement best describes the main objective of accounting in an entity?

- (1) Reporting transactions in order to prepare financial statements.
- (2) Communicating information for the use of managers.
- (3) Providing information to interested parties to take decisions.
- (4) Recording transactions for the preparation of financial statements.
- (5) Preparing financial statements in accordance with Accounting Standards. (.....)

- Use the following information to answer question number 2,3 and 4

A wholesale business was started on 1/1/2021 by Kunkuma. This business is registered for 8% VAT and sells goods at a profit of 25% on cost. (Vat is not relevant to purchases)

<u>Transaction</u>	<u>Value (Rs '000)</u>
1) Cash invested by Kunkuma as capital	600
2) Purchase of goods on credit	264
3) Sold goods on credit	324
4) Return goods to supplier due to defects in some of goods	108
5) Employee salaries paid	100

02) Which of the accounting equation represents the net impact of transactions number 1,3 and 4

	Assets(Rs'000)	=	Equity (Rs '000)	+	Liabilities (Rs '000)	
(1)	576	=	660	+	(84)	
(2)	584	=	668	+	(84)	
(3)	584	=	660	+	(84)	
(4)	824	=	660	+	24	
(5)	824	=	668	+	(108)	(.....)

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- 03) What is the sequential order of source documents needs to record the above transactions 1,2 and 4
- (1) Journal voucher, payment voucher, debit note
 - (2) Journal voucher, invoice, credit note
 - (3) Receipt ,invoice ,debit note
 - (4) Receipt ,invoice, credit note
 - (5) Voucher, invoice, debit note (.....)

- 04) Which of the following is the correct journal entry to record the transaction number 3 above, if this business maintains a debtors control account?

		Debit (Rs'000)	Credit (Rs'000)
(1)	Debtors control account Dr	324	
	Sales account		324
(2)	Debtors Control account Dr	324	
	Sales account		300
	VAT control account		24
(3)	Debtors Control account Dr	300	
	VAT cexpense account Dr	24	
	Sales account		324
(4)	Debtors Control account Dr	300	
	Sales account		300
(5)	Debtors Control account Dr	300	
	VAT cexpense account Dr	24	
	Sales account		300
	VAT control account		24

(.....)

- 05) Sithum started a stationary business on 1/1/2021 by investing Rs 800 000 and followings are transactions occurred during the month of January 2021.

1/1/2021	Credit purchase of stationary worth Rs 80 000 from Sanuka Traders.
11/1/2021	Sold stationary worth Rs 40 000 for Rs 80 000 to Supipi on credit
18/1/2021	Returned stationary of which the selling price is Rs 40 000 by Supipi
25/1/2021	Settled the due amount of Sanuka Traders subjected to a discount of Rs 5 000

Which of the following is the sequential order of prime entry books used to record transactions occurred in Sithum's business from 11/1/2021 to 25/1/2021

- (1) Purchase journal, sales journal, return outwards journal
- (2) Sales journal, return outwards journal, cash payment journal
- (3) Sales journal , return inwards journal, cash receipt journal
- (4) Sales journal , return inwards journal, cash payment journal
- (5) Purchase journal, return outwards journal, cash payment journal

(.....)

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- 06) The petty cash imprest of a particular business was Rs 4 000 and it has been increased by Rs 2 000 from April. The cash in hand of petty cashier at the beginning of March 2021 was Rs. 1 600. The total of petty cash expenses of March and April was Rs 6 000. Petty cash expenses of the month of April was more by 50% compared to month of March.

The amount that should be reimbursed during the month of April,

- (1) Rs 1 600 (2) Rs 2 400 (3) Rs 6 000 (4) Rs 4000 (5) Rs 3 600

(.....)

- 07) There was a bank overdraft of Rs 25 000 in the bank statement as at 31/03/2022 in Madu PLC. But the balance of the cash control account as at that date was not the same. Reasons for the difference are as follows.

- The value of cheques issued and presented during March was Rs 165 000. But Rs 7 500 worth cheques included in that were payments made for cheques issued in month of February and not presented during that month.
- The value of all the cheques issued during the month of March was Rs 175 000
- Cheques amounting to Rs 225 000 were deposited during March and the value of unrealized cheques was Rs 53 000
- The total value standing orders executed during March was Rs 65 000

What are the cash balances as at 31/3/2022 prior to adjustment and after the adjustment.

	Prior to adjustment(Rs)	After the adjustment(Rs)
(1)	33 000	18 000
(2)	75 500	10 500
(3)	33 000	10 500
(4)	25 500	60 500
(5)	(75 500)	60 500

(.....)

- 08) The investment income Rs 6 500 received in cash during year ended 31/3/2022 has been debited to investment income account as Rs 5 600.

Which of the following is the correct journal entry to rectify the above error?

- | | | | | |
|-----|---------------------------|----|--------|--------|
| (1) | Investment income account | Dr | 900 | |
| | Suspense account | Cr | | 900 |
| (2) | Cash account | Dr | 900 | |
| | Investment income account | Cr | | 900 |
| (3) | Suspense account | Dr | 13 000 | |
| | Investment income account | Cr | | 13 000 |
| (4) | Suspense account | Dr | 12 100 | |
| | Investment income account | Cr | | 12 100 |
| (5) | Suspense account | Dr | 900 | |
| | Investment income account | Cr | | 900 |

(.....)

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- 09) Information extreacted from a creditors subsidiary ledger for year ended 31/3/2022 are provided for you.

Name of the supplier	Balance as at 1/4/2021	Credit purchase	Interest on late payments	Cash paid	Balance as at 31/3/2022
A	500	1 200	200	400	1500
B	100	800	-	300	600
C	150	500	50	300	400
	750	2 500	250	1 000	2 500

These totals are not tallying with the balance of the creditors control account as at 31/3/2022. Following errors were found later.

- Credit purchases was recorded in the control account as rs 5 200
- The interest charged on late payments from C was recorded in the wrong side of the control account.
- Cash paid to B was not recorded in the relevant prime entry book but that was properly recorded in B's account.

What are the balances of creditors control account before corections and after corrections?

	Before corrections	After Corrections
(1)	edit 2 500	edit 2 500
(2)	edit 400	edit 5 400
(3)	edit 2 500	edit 5 400
(4)	edit 5 400	edit 2 500
(5)	edit 400	edit 2 500

(.....)

- 10) Which of the following accounting concepts relevant in recognizing leased properties and provisions arosed on constructive obligations, in financial statements.

	Leased properties	Provisions
(1)	Substance over from	Prudence
(2)	Historical cost	Prudence
(3)	Substance over from	Substance over from
(4)	Historical cost	Substance over from
(5)	Prudence concept	Substance over from

(.....)

Use the following information to answer question number 11 and 12.

Information of Rusini (PLC) is given below.

Company has entered in to an insurance agreement on 1/10/2019 and the annual insurance fee is Rs 240 000. This annual fee should be paid on the day on which the company entered in to the insurance agreement. The annual fee of this insurance policy has been increased upto Rs 360 000 from 1/10/2021 due to inflationary situation created in the country.

Part of the business premises was given on rent and monthly rent of 10 months was received in cash. But building rent of two months Rs120 000 for the year ended 31/3/2022 was not received yet.



- 11) Building rent income and insurance expense that should be recognized for the year ended 31/3/2022 would be ,

	<u>Rent Income(Rs)</u>	<u>Insurance Expense (Rs)</u>
(1)	720 000	420 000
(2)	720 000	300 000
(3)	420 000	300 000
(4)	600 000	360 000
(5)	420 000	480 000

(.....)

- 12) What is the net impact on cash balance and equity of this company due to the adjustment of insurance expense and building rent income.

	<u>Equity(Rs'000)</u>	<u>cash (Rs'000)</u>
(1)	Decrease by 420	Decrease by 60
(2)	Increase by 60	Increase by 600
(3)	Decrease by 60	Increase by 420
(4)	Increase by 420	Increase by 240
(5)	Increase by 180	Decrease by 60

(.....)

- 13) Which of the following statements contains the features of an asset.

- A- Results of a past transaction
- B- Should be within the control of the business
- C- Should have future economic benefits
- D- A present economic resource

- (1) All of the above
- (2) A,B and C only
- (3) A,C and D only
- (4) A and C only
- (5) A,B and D only

(.....)

- 14) Assets and liabilities of Arunlu charitable Institute in Maharagama are as follows.

	<u>31/3/2022</u>	<u>31/3/2021</u>
Membership fees receivable	10	30
Membership fees received in advance	70	50
Long term bank loan	700	850
Property ,plant and equipments(at carrying value)	900	1000
Cash and cash equivalents	100	120

The surplus or deficit for the year ended 31/3/2022 and accumulated fund as at 31/3/2022 would be,

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	<u>Surplus or Deficit (Rs)</u>	<u>Accumulated Fund (Rs)</u>
(1)	Surplus 10 000	250 000
(2)	Surplus 40 000	230 000
(3)	Surplus 40 000	190 000
(4)	Deficit 10 000	240 000
(5)	Deficit 40 000	230 000

(.....)

- 15) Balances for the year ended 31/3/2022 in Kumudu (PLC) which is engage in manufacturing and trading goods.

Cost of sales	Rs 500 000
Decrease in WIP	Rs 60 000
Increase in finished goods	Rs 100 000
Production overheads	Rs 240 000

Prime cost and production cost respectively,

	<u>Prime cost (Rs)</u>	<u>Production Cost (Rs)</u>
(1)	200 000	500 000
(2)	300 000	600 000
(3)	300 000	500 000
(4)	360 000	400 000
(5)	400 000	400 000

(.....)

- 16) Information extracted from a stock ledger for the year ended 31/3/2022 is provided for you. stock ledger maintains under the first- in – first –out (FIFO) method,

Date	Description	Unit Cost (Rs)	Value (Rs)
1/2/2022	Balance	100	10 000
10/3/2022	Purchase	150	30 000
25/3/2022	Sales	250	25 000
31/3/2022	Purchases	160	32 000
31/3/2022	Sales	250	75 000

Cost of the stocks as at 31/3/2022 and gross profit for the period,

	<u>Value of the closing stock (Rs)</u>	<u>Gross profit (Rs)</u>
(1)	16 000	56 000
(2)	25 000	44 000
(3)	16 000	44 000
(4)	25 600	56 000
(5)	16 000	25 000

(.....)

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- 17) Some of the balances extracted from statements of financial position as at 31/3/2022 and 31/3/2021 are as follows.

	31/3/2022 (Rs'000)	31/3/2021(Rs'000)
Bank loan	1 000	700
Property, plant and equipment	1 500	1 200

Additional information:

- Bank loan instalment of Rs 150 000 was paid during the year ended 31/3/2022 and also obtained a bank loan.
- An equipment worth Rs 250 000 was sold with a profit of Rs 50 000. Rs 200 000 was received in cash by selling equipments and purchased property plant and equipments worth Rs 500 000 during the year.

What is the value of the bank loan obtained and annual depreciation for the year ended 31/3/2022

	<u>Bank loan (Rs)</u>	<u>Annual Depreciation (Rs)</u>	
(1)	300 000	10 000	
(2)	450 000	10 000	
(3)	450 000	50 000	
(4)	300 000	50 000	
(5)	450 000	15 000	(.....)

- 18) Information relevant to two machines in a business for the year ended 31/3/2022 are as follows.

1. The balance of machinery account as at 1/4/2021 was Rs 1500 000 and the balance of the accumulated depreciation account as at the same date was Rs 520 000.
2. According to the reviews done on 1/4/2021, the useful life time of the machine which was purchased on 1/4/2019 has been increased from 5 years to 8 years. The cost of this machine was Rs 850 000.
3. The useful life of the other machine existed as at 1/4/2021 is 10 years and the residual value Rs 50 000 of this machine have not been change due to the recent review.

Annual depreciation for the year ended 31/3/2022 of the machine which was reviewed and the balance of the accumulated depreciation account as at 31/3/2022.

	<u>Annual depreciation(Rs)</u>	<u>Balance of the accumulated depreciation account(Rs)</u>	
(1)	60 000	580 000	
(2)	85 000	665 000	
(3)	145 000	665 000	
(4)	60 000	665 000	
(5)	85 000	605 000	(.....)

- 19) The financial statements prepared for the year ended 31/3/2022 in “Seetha Kandurata PLC” was authorized by the board of directors on 25/9/2022 and it was published. The following events were took place during this period.

- A- A stock worth of rs 30 000 existed as at 31/3/2022 had been stolen on 25/5/2022.
- B- It was informed that a debtor existed as at 31/3/2022 worth Rs 50 000 got bankrupt.
- C- It was identified that on 2/7/2022 the value of investments existed as at 31/3/2022 has been decreased by 20%.
- D- It was identified on 2/7/2022 that a stock worth Rs 65 000 was clamaged due to the floods occurred on 28/2/2022

Which of the above are non adjusting events.

- (1) A and B only
- (2) A,B and C
- (3) A,B,C, and D
- (4) A and C only
- (5) A and **D** only

(.....)

- 20) Warrenty expense recognized in the income statement for the year ended 31/3/2022 was Rs 120 000. The balance of the provision for warrenties as at 1/4/2021 was Rs 150 000. Repair expense incurred during the year in relation to warrenties was Rs 20 000.

What is the amount that should be shown as provision for warenties in statement of financial position as at 31/3/2022?

- (1) Rs 270 000
- (2) Rs 50 000
- (3) Rs 250 000
- (4) Rs 290 000
- (5) Rs 10 000

(.....)

- 21) Information extracted from pay sheet of “Shashi PLC” for the month of March 2022 is given below.

- Employees and employer are contributed 10% and 15% respectively to the Employee Provident Fund based on employee’s gross salary.
- The contribution to the Employee Trust Fund is 5% on employee’s Gross salary.
- Monthly welfare expense of Rs 49 500 has been deducted from the salary.
- Net salary is Rs 382 500 Salary and all deductions will be paid on the 10th day of the following month.

Total labour related cost for the month of March 2022 and the total liability,

	Labour Cost (Rs)	Total Liability (Rs)
(1)	576 000	576 000
(2)	576 000	526 500
(3)	552 000	127 500
(4)	510 000	510 000
(5)	480 000	127 500

(.....)

- Following information was extracted from books of “Balanka PLC” for two consecutive years. Use this information to answer question numner 22 and 23.

	As at 31/3/2022 (Rs ‘000)	As at 31/3/2021 (Rs ‘000)
Stated Ordinary Share Capital	50 000	45 000
Revaluation Reserve	5 000	2 000
Retained Earnings	9 500	7 000



- An interim dividend of Rs 500 000 was paid during the year ended 31/3/2022.
- Company issued 80 000 shares of Rs 50 each at a public offer during the year.
- Capitalized reserves using retained earnings

22) Total comprehensive income and profit for the period

	Total comprehensive Income (Rs 000)	Profit for the period (Rs 000)
(1)	5 500	2 500
(2)	6 500	4 000
(3)	7 000	3 500
(4)	5 500	3 500
(5)	7 000	4 000

(.....)

23) Net increase in total equity and stated share capital.

	Total Equity (Rs)	Stated Share Capital (Rs)
(1)	8 000	4 000
(2)	10 500	5 000
(3)	2 000	1 000
(4)	4 000	1 000
(5)	10 500	4 000

(.....)

24) The loss incurred for the year ended 31/3/2022 in Dinuli Company was Rs 550 000. Following additional information also provided for you.

Loss on revaluation of office equipments	Rs 150 000
Surplus of revaluation of land	Rs 500 000
Stock written off	Rs 15 000
Profit on disposal of motor vehicle	Rs 20 000
Net increase in current assets (Except cash balance)	Rs 450 000
Net increase in current liabilities	Rs 235 000

Interest expense for the period was Rs 15 000 but only Rs 10 000 was paid in cash.

Net cash flow generated from operating activities that should be recognized in the cashflow statement of Dinuli Company.

(1) Rs 640 000	(3) Rs 630 000	(5) Rs 1 140 000
(2) Rs 615 000	(4) Rs 1 130 000	

(.....)

25) It was recognized that the following errors have been made in calculating the profit for the period ended 31/3/2022 in a particular company.

- The interest relevant to the period was overstated by Rs 20 000
- The employer's contribution of EPF Rs 10 000 was completely omitted from books.
- The income tax payment has been overstated by Rs 2 000.

What is the impact on profit for the period and interest coverage ratio due to the correction of above errors?

	Profit	Interest coverage ratio
(1)	Increase	Decrease
(2)	Increase	No change
(3)	No change	Decrease
(4)	Increase	Increase
(5)	Decrease	Decrease

(.....)

26) Which of the following is **not** an assumption relevant to Economic Order Quantity (EOQ)?

- (1) Annual consumption is fixed and known.
- (2) The ordered quantity will not be received at once
- (3) The holding cost of inventory is fixed and known.
- (4) The minimum stock level will remain at zero.
- (5) Cost per unit is fixed.

(.....)

27) Which of the following contains the source documents that can be use to find active time of labour?

- (1) Attendance register, idle time card, job tickets, time recording cards
- (2) Finger print machine, job cost sheet, time sheets, idle time card
- (3) Time sheets, job ticket, job cost sheet, idle time card
- (4) Cards with barcodes, finger print machine, attendance register, time recording cards.
- (5) Time recording cards, time sheet, job ticket, idle time card

(.....)

28) What is the type of cost and base of cost and base of cost classification relevant in deciding the cost of inventory?

	Base	Classification
(1)	Behaviour	Prime cost and overhead cost
(2)	Nature	Fixed cost and variable cost
(3)	Behaviour	Fixed cost and variable cost
(4)	Controllability	Controllable cost uncontrollable cost
(5)	Nature	Direct cost and indirect cost

(.....)

29) Jayanath Company manufactures and sells a single product. Following information are provided for you.

Variable cost per unit	Rs 225
Profit volume ratio	25%
Total contribution at break even	Rs 75 000
Sales income at present	Rs 420 000
Number of units at the break even and the margin of safety income,	

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	Break even Units (in units)	Margin of Safety (Rs)
(1)	1 000	300 000
(2)	1 400	420 000
(3)	1 000	420 000
(4)	1 400	120 000
(5)	1 000	120 000

30) Which of the following statement/s is/are correct in relation to Investment Appraisal techniques?

- A- Total income and total expenses are considered in calculating Accounting Rate of Return (ARR)
- B- All cash inflows and cash outflows are considered in payback period (PBP) method.
- C- In Net Present Value (NPV) method, the attention pays on total cash flow.
- D- It is not recommended that the Net Present Value (NPV) method as a sound investment appraisal technique.

- (1) A,B and D only
- (2) A,B and C only
- (3) A and C only
- (4) A and D only
- (5) All of the above

(.....)

31) State whether the following statements which relates to accounting of an entity are true or false?

- (1) According to the conceptual framework the elements of financial statements can only be measure at historical cost base and current value. ()
- (2) Information contained in financial statements are use only by the external parties. ()
- (3) The trial balance is considered as a set of financial statements. ()
- (4) Human resource accounting has been identified as a new trend in accounting in order to overcome limitations in money measurement concept. ()

32) The accounting equatin as at 31/03/2022 after adjustment of transactions occurred in a business is given below.

$$\begin{array}{rclclcl}
 \text{Assets} & = & \text{Capital} & + & \text{Retained Earnings} & + & \text{Liabilities} \\
 (\text{Rs'000}) & & (\text{Rs'000}) & & (\text{Rs'000}) & & (\text{Rs'000}) \\
 1\ 500 & = & 1\ 000 & + & 300 & + & 200
 \end{array}$$

Following errors were occurred in calculating the above accounting equation.

- Business creditor worth Rs 30 000 was settled by the owner during the year, subjected to 10% discount.No entry was passed in this regard.
- A credit sale of Rs 230 000 inclusive of 15% VAT has been accounted without considering VAT on sales.

What are the values of the following items after correction of above errors?

- (1) Liabilities Rs:
- (2) Capital Rs:
- (3) Retained Earnings Rs:

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- 33) Name the accounting concepts relevant in recording the following given transactions
- (1) Recording Property plant and equipments at it's cost in books
 - (2) Deducting goods drawings when calculating cost of sales
 - (3) Recognizing provision for warrenties as a current liability
 - (4) Identifying retained earnings as a part of the equity

- 34) Information extracted from a trial balance prepared for the month ended 31/03/2022 is given below (Subjected to 15% VAT)

Sales	Rs 345 000
Purchases	Rs 172 500
VAT paid	Rs 12 500
Balance in VAT control account as at 01/03/2022	Rs 15 000(Debit)

Additional Information

- All purchases and sales are subjected to VAT
- Return inwards for the month was Rs14 000(VAT should be calculate)
- (i) The VAT amount that should be recognized as at 31/03/2022
- (ii) State whether the above VAT should be recognized as an asset or liability in statement of Financial position as at 31/03/2022

- 35) Following information is given in relation to a manufacturing entity for the year ended 31/03/2022

	(Rs '000)
Direct labour	150
Opening raw material stock	250
Raw material purchases	1 500
Crriage inwads	70
Fixed overhead cost	500
Variable overhead cost	300

Additional Information

- Required 2 hours to produce one unit and Rs 100 is paid for a direct labour hour.
- Raw material stock as at 31/03/2022 was Rs 180 000
- The value of raw material stock stolen was Rs 20 000
- The total number of units produced during the period was 1000 units.
- 20% of each overhead cost is relevant to administration.
- (i) Calculate the production cost for the year ended 31/03/2022
- (ii) Calculate the prime cost per unit
- (iii) Calculate variable cost per unit

- 36) Following information is provided for you for the year ended 31/03/2022

Credit Sales	?.....
Cash received from debtors	Rs 170 000
Discount allowed	15%
Net decrease in debtors during the year	Rs 20 000

- (i) Calculate the value of discount allowed.
- (ii) Calculate the sales for the period.

- 37) Shrama Surakum Lanka Foundation is a non profit organization; Information as at 1/4/2021 is given below.

Accumulated fund	Rs 500 000
Life membership fees(started on 1/4/2020)	Rs 240 000
Building fund- Training center (started on1/4/2020)	Rs 120 000

Additional Information

- Other income for the period was Rs 120 000 and operational expenses was Rs 80 000
- The life membership fee is build up for 10 years
- The construction of the training center was completed on 01/03/2022.

(i) Calculate the surplus or deficit for the year ended 31/03/2022

(ii) Calculate the total equity as at 31/3/2022

- 38) Anura was retired on 1/4/2021 from the partnership carried out by Aruna, Bawantha and Carder sharing profits and losses in the ratio of 2:2:1 .Information related to that is given below. Remaining partners agreed to carry out the partnership sharing profits and losses equally,

(i) Capital account balance as at 1/4/2021	-Aruna	Rs 200 000
	-Bawantha	Rs 500 000
	-Carder	Rs 300 000
(ii) Current account balances as at 1/4/2021	-Aruna	Rs 20 000
	-Bawantha	(Rs 10 000)
	-Carder	(Rs 5 000)

(iii) Total equity of Anura was transferred to a loan account on the same day subjected to a 10% interest

Loan interest for the year ended 31/3/2022 was Rs 32 000

- (a) The goodwill of the business estimated on the day on which Anura was retired.
- (b) Capital account balance of Aruna as at 31/3/2022
- (c) Capital account balance of Bawantha as at 31/3/2022

- 39) Proposals were presented by Milindu(PLC) on 1/1/2022 to sell five machines to Pala (PLC) under the following conditions .

Selling price of a machine	Rs 250 000
Fixing Cost	Rs 50 000
Service charges for two years	Rs 100 000
(Service period starts from the date on which the machine is fixed)	

Fixing of machines should be done by the business but obtaining the two years service period is not compulsory. A trade discount of 20% is entitled if all requirements are fulfilled at the same time .The proposal for all the requirements was signed on 1/1/2022. Handed over all five machines and received the total considerations of Rs 1 280 000 But 1/2/2022 and only three machines were fixed as at 31/3/2022

Calculate the followings for the year ended 31/3/2022,

- (i) The total revenue should be recognized.
- (ii) The unearned revenue that should be recognized as at that date.

- 40) A machine of which fair value is Rs 350 000 was obtained on 1/4/2021 by Prabath (PLC) under a lease agreement for four years. Annual lease installment is Rs. 150 000 and the first installment has been paid on 31/3/2022. A direct expense of Rs.50 000 was incurred at the time of entering in to the agreement but no entry was passed in this regard. Lease interest for the year 2021/2022 Rs.60 000 and for the year 2022/2023 Rs.70 000.
- Find the current and non current liability of lease creditor.
 - Name the accounting concept that gives basis for recognition of lease creditor as current and non current liability.

- 41) The information extracted from the statement of financial position “Dasun PLC” is given below.

	Rs. ‘000
Stated ordinary share capital (100 000 shares)	4 500
General Reserve	2 000

On 1/10/2021 company made a right issue of shares of which consideration is Rs.60 each for every five ordinary shares. All the share holders are eligible for this and company capitalized shares equals to $\frac{1}{4}$ th of shares existed as at 1/10/2021 at a consideration of Rs.50 each.

Calculate the stated ordinary share capital and the general reserve that should be recognized in the statement of financial position of as at 31/3/2022.

- 42) Property plant and equipments worth Rs. 400 000 in Nuwan (PLC) were revalued on 1/4/2021 for the first time at a surplus of Rs.50 000. The company depreciate it’s property plant and equipments annually at 10% on straight line method and recognized the revalued amounts in their books.

What is the net impact on profit for the period and total comprehensive income?

- 43) The net increase of property plant and equipments during the year was Rs. 150 000 and annual depreciation was Rs.30 000. A machinery worth Rs.120 000 of which accumulated depreciation is Rs.20 000 was sold at a profit of Rs.25 000. (All purchases and sales were made on cash)
- The value of property purchased during the year?
 - Cash received on the disposal of property?

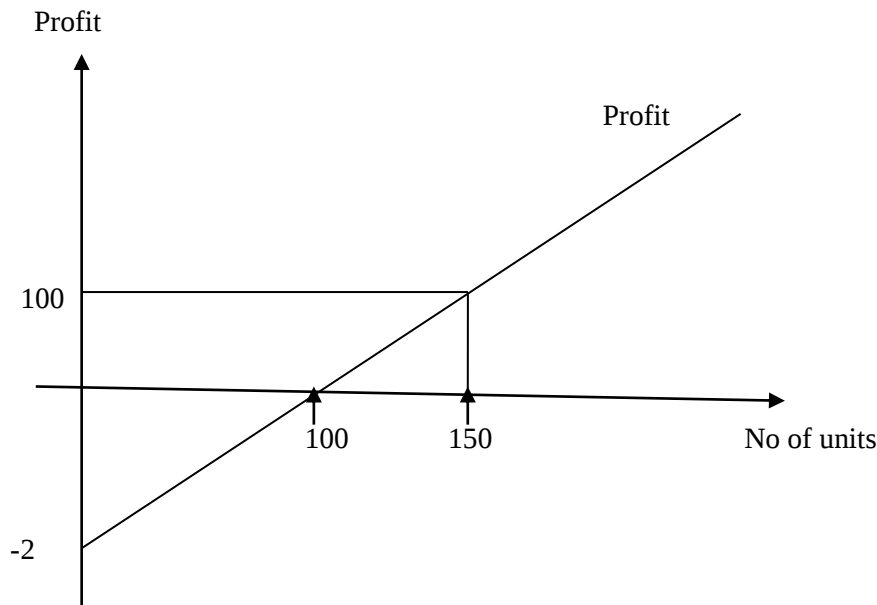
- 44) The closing inventory of Kavindu’s business as at 31/3/2022 was Rs.20 000. It was revealed that a settlement of a creditor worth Rs.5 000 has been omitted from books after calculation of the following ratios.

Current ratio 3:1

Quick ratio 2:1

- Current assets as at 31/3/2022 prior to correction
- The impact on the following ratios after correction of the above omission.
(decrease/increase or no change)
 - Current ratio
 - Quick ratio

45)



- (i) The total contribution at 150 units?
- (ii) The expected profit that can be earned if 220 units are able to sell.

46) “ product A” which purchase by a particular seller has an annual demand of 300 000 units. Ordering cost is Rs.60 per order and holding cost is 10% of cost per unit. Cost per unit is Rs.40.

- (1) Calculate the Economic Order Quantity (EOQ)?
- (2) Calculate the optimum number of orders?

47) Rs.300 per hour is paid for person who engages in making the doe in the bakery industry and paid Rs.400 for each over time hour. The standard number of hours to be worked is 8 hours and 5 days should be worked per week. Doe maker worked 50 hours during the first week of January 2022.

Calculate the followings,

- (1) Total salary of the baker for the first week of January 2022?
- (2) Direct labour cost included in the baker’s salary.

48) The following information related to a particular product manufactures in a company.

	Cost per unit (Rs)
Total cost	400
Direct cost	90
Non production overhead	150

All direct costs are variable costs 30 of production overhead cost and 10 of non production overhead cost and 10 of non production overhead are variable costs.

- (i) Production cost per unit (Rs)
- (ii) Total variable cost per unit (Rs).....

- 49) Lion's Club agreed to give the sponsorship for Covi-19 awareness programme organized by a social welfare society. It will cost Rs. 3 000 per participant and society has to incur this. And Lion's club has promised to pay the welfare society Rs.4 000 for each person participating in this programme.

Estimate costs are as follows.

Lecturer fee	Rs.25 000
Rent of the hall	Rs.60 000
Cost of leaflets	Rs.10 000
Refreshments for lecturer	Rs. 5 000

Calculate the followings

- (1) Contribution per participant?
 - (2) Total fixed cost of the awareness programme?
 - (3) The number of persons should participate to cover the total cost?
- 50) A company expects to commence a new project and it's considering alternative projects. Net Present Value (NPV) and payback period of alternative projects are as follows.

Project	NPV(Rs)	Payback period
K	200 000	3 years and 8 months
L	178 000	3 years and 6 months
M	(25 000)	4 years and 2 months
N	0	5 years

- (1) Which project should be accept based on NPV method?
- (2) Which project should be accept based on payback period method?

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G.C.E. (A/L) Accounting



Rehearsal Test for G.C.E. Advanced Level Examination

Accounting - II

Time: Three hours

NOTE:

- Answer **five** questions only including the first and second questions.

1. The summerized trial balance of “Laknaka” Public Company Ltd, as at 31.03.2022 is given below.

(Rs:000)

Description	Dr	Cr
Property, Plant & Equipment (at cost)	13 000	
Leasing expenses	1 000	
Trade receivables/trade payable	4 500	3 200
Loan interest -paid	200	
Purchases	3 500	
Donations	300	
Tax paid	900	
Administrative expenses	3 000	
Distribution expenses	1 200	
Dividends paid	700	
10% investments	5 000	
Treasury bills-(acquired as at 01.04.2021)	2 000	
Inventory	920	
Cash	454	
Discount allowed/discount received	830	134
Sales		19 620
Provisions for warrantees as at 01.04.2021		400
Land revaluation reserve		800
Cumulative depreciations for property, plant & equipment(01.04.2021)		2 800
Allowance for impairment loss (01.04.2021)		250
125% Bank loan		2 000
Provision for tax as at 01.04.2021		400
Sales advance		400
Investment income		200
Ordinary share capital declared		5 700
Retained earnings		1 600
	37 504	37 504



Additional information;

- 1) Cost of remaining stocks as at 31.03.2022 is Rs.500 000 and its net realizable value has been estimated to be Rs.550 00. This stock was sold for Rs.560 000 incurring Rs.80 000 as sales expenses on 15.05.2022 prior to financial statements being approved by the directors.
- 2) Administrative expenses in trial balance contains following items.(Rs'000)

Audit fees	250
Leasing installment	800
Repairing expenses on warranties	100
Advertising	120
- 3) A computer machine of which the carrying Rs.600 000 was sold on 01.10.2021 with a profit of Rs.20 000.No other entry has been made except crediting the cash received in computer machine account. This property has been purchased on 01.10.2019
- 4) A provision of Rs.320 000 for warranties on sales should be allocated for the current year. Repairing expenses of Rs. 100 000 incurred as warranty expenses is contained in administrative expenses.
- 5) Following details are in connection with property plant and equipment of the company (Rs.'000)

Particulars	Cost/Revalued amount	Cumulative depreciation 01.04.2021	Rate of depreciations
Land	5 000	-	-
Buildings	4 000	1 200	5%
Computer	3 000	1 400	20%
Machines	1 000	200	10%
	13 000	2 800	

Cost of the machine bought on 01.10.2021 for Rs.200 000 is also included in above mentioned machine cost.

- 6) The land was revalued again at the end of the year as Rs.4 000 000.The building owned by the company has been revalued as Rs.2 800 000 as at 31.03.2022 for the first time. No entry has been made related to this transaction.
- 7) A delivery vehicle was acquired on lease on 01.04.2021.Details in connection with that transaction are as follows,

	(Rs '000)
Present value of lease payment	2500
Initial deposit/down payment	800
Registration fee	200
Useful life time	7 years
No any scrap value	

Annual leasing installment is Rs.800 000 and leasing period is 5 years. The interests for the first and second years are Rs.500 000 and Rs.400 000 respectively. Down payment for leasing and registration fees recorded in trial balance as leasing expenses. No entry has been made. Leasing installment for the year has been paid.

- 8) A proposal was submitted for selling goods on 28.02.2022 under following conditions.

Amount of sales of goods	Rs 600 000
--------------------------	------------



Supply of services for one year Rs 200 000

The proposal was approved on 31.03.2022 and 50% of those goods have been sent to the customer. In accordance with the agreement a service period of one year has been allowed since the date of goods being handed over. An amount of Rs.400 000 has been given by customer when the goods were received, and it has been mentioned as a sales advance.

- 9) A magistrate judgment was declared that Rs.200 000 debtor included in trade receivables at the end of the year as bankrupted on 02.05.2022. Rs 50 000 debtors out of those has been already recognized under provision for impairment loss should be adjusted as 10% on the remaining balance of the debtors.
- 10) Income tax for the year should be considered as 20% of the profit before tax. Amount of tax paid given in trial balance also contains Rs.450 000, that was the agreed tax amount for the last year.
- 11) The board of directors has brought forward the following proposals at the end of the year.
 - Opening a general reserve, transferring Rs.500 000 to the general reserve from retained earnings.
 - Capitalizing of reserves using Rs.300 000 from the retained earnings.
 - Declaring a final dividend of Rs.10/= per share for ordinary shareholders.

You are required to prepare following financial statements for publishing in accordance with the standard LKAS 01. (Presentation of financial statements)

(Including notes)

- (1) Profit/Loss and other comprehensive income statement for the year ended 31.03.2022
- (2) Statement of changes in equity for the year ended 31.03.2022
- (3) Statement of financial position as at 31.03.2022

(Total marks 40)

2. (a) Sunray public company ltd uses the raw material 'X' to produce a product called AB. Weekly production of this commodity varies from 200 to 400 and 10 kg of 'X' is needed to produce 1 unit of the product AB.

Lead time (weeks)	minimum 4
	Maximum 6
Maximum stock level	30 000 units

Required

- (1) Re-order level for raw material 'X'
- (2) Re-order quantity for raw material 'X'
- (3) Average stock level for raw material 'X' (10 marks)

- (b) Employee salary related details in January 2022 of the business of Vindi are as follows,

Administrative officer -	Ohasi	170 000
Development officer -	Nisini	127 500
Management assistant -	Kiruli	85 000

Additional information;

- 1) The above employees have been paid with their salaries in January, after deducting 10% of the gross salary for contribution to Employee Provident Fund (EPF) and 5% of the gross salary as the monthly premium for contribution to employee insurance.

- | | |
|----------------------------|------------|
| EPF payable Account | Rs.112 500 |
| ETF payable Account | Rs. 10 000 |
| Employee insurance premium | |
| Payable Account | RS.22 500 |



- Production overhead is absorbed on machine hour basis. The annual estimated machine hours in production department 1 and production department 2 are 10 000 and 5 000 respectively.
- Estimated details for unit cost are as follows;

Details	Umbrellas	Hand bags
Prime cost Rs:	800	2 000
Machine hours		
Production 1	2	3
Production 2	1	2
Profit margin of sales	25%	20%

You are required;

- (1) Overhead Cost Analysis statement with the basis of apportionment.
- (2) Re apportion of overhead in service department using an appropriate basis.
- (3) Overhead cost absorption ratios for each production department.
- (4) Selling price of an umbrella, if 25% of profit margin on sales is maintained. (20 marks)

3. A sole trade business named as “Senuri Agro” was initiated on 01.04.2022 for selling Agro chemical materials.

- (i) The business was initiated with a capital investment of a building that costs Rs.500 000 and Rs.300 000 deposit in a bank current account.
- (ii) A stock of fertilizers that costs Rs.200 000 was purchased paying half of the bill in cash and leaving the rest on credit.
- (iii) A stock that costs Rs.30 000 has been sold in cash with a markup per 20%
- (iv) Some equipment s that costs Rs.60 000 for storing the fertilizers, were invested in the business by the owner of the business.
- (v) In order to settle trade payables (Rs.50 000) a stock that costs Rs.20 000 was returned out and balance was paid by the owner personally.
- (vi) A stock that costs Rs.20 000 was returned out to the supplier for being expired.
- (vii) A stock that costs Rs.25 000 has been sold for Rs. 30 000 on credit basis and a portion of this stock costs Rs.5 000 was returned out for miss matching with the order.
- (viii) Monthly electricity bill of the building Rs.5 000 is payable. Monthly depreciation of the building is Rs.2 000.
- (ix) The cost of the fertilizer taken by the owner for his gardening is Rs.6 000.
- (x) Due amount for suppliers was settled subject to 10% discount.

Following details have not been considered in calculating trade receivables of the business as at 30.04.2022.

- Direct remittance of Rs.5 000 received in accordance with the bank statement.
- A debtor of Rs. 3 000 has been identified as bad debts.

Required

- (1) Show the influence of the transactions from (i) to (x) to the accounting equation with relevant amount.

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	Property Plant & Equipment	Stock	Trade receivable	Cash	=	Trade payable	Other payables	Capital	Retained earnings
i									

- (2) Calculate the adjusted trade receivables balance for the month of April 2022
- (3) Calculate the profit/loss for the month of April 2020 on the basis of net assets.

(40 marks)

4. (a) Avidu (pvt) company ltd, located in Kalutara district is involved in selling eggs. This company has been registered for Value Added Tax (VAT). Following balances have been extracted from the ledger as at 01.01.2022.

Account	Balance Rs. '000
Cash	400
Trade debtors	200
Trade creditotrs	300
VAT Control(Cr)	50

Cash received on 20.01.2022 to settle the above mentioned debtor balance .Further,the above mentioned payable creditor balance and VAT balance were paid by the company on 31.01.2022.

Following details are related to January 2022

Sales and Trade Debtors

Eggs are sold on credit to the whole sellers by the company under credit period of 30 days. If the total amount is paid within 15 days ,10% discount is allowed on the sales value excluding VAT Details extracted from the sales journal for the month ended 31.01.2022 are as follows,

Debtor	Sales Rs '000	VAT 8% Rs '000
Amila	800	64
Bandara	600	48
Crishan	400	32
Total	<u>1 800</u>	<u>144</u>

Amila has paid his total bill while Bandara paid half of the bill within 15 days. Krishan has paid only Rs.200 000 within the due period.

This company makes cash sales for retailers and the amount of cash sales for the month is Rs.216 000 including 8% of VAT.

Purchase and Trade Creditors

Company purchases eggs in lots from Fernando & Sons on credit basis while all other purchases are made in cash. Amount of credit purchases from Fernando & Sons excluding VAT is Rs.500 000. In order to settle Rs.400 000 to Fernando & Sons, paid in cash subject to

10% discount Cash purchases made from other suppliers is Rs. 300 000. VAT is irrelevant with these purchases.

Expenses and Additional Income

Operational expenses paid in the month is Rs.150 000. An amount of Rs. 50 000 has been received from whole sellers for transporting the eggs.

VAT is irrelevant for operational expense and other income.

You are required to **prepare**,

(1) Cash Receipt and Payment Journals

(2) Following ledger accounts

- Cash control account
- Debtors control account
- Creditors control account
- VAT control account

(20 marks)

(b) Agreed conditions of the partnership of Kasuni and Luthara are as follows,

- Sharing profits and losses equally.
- Paying a monthly salary of Rs. 15 000 for each and every partner.
- Every partner is entitled to receive a capital interest of 10% annually.
- 8% interest should be adjust for the loans provided to the partnership by partners and loans provided to the partners by the partnership.
- All the adjustments related to goodwill should be adjusted in partners' capital accounts.

The summerized trial balance of Kasuni and Luthara partnership as at 31.03.2022 is given below.

Name of the Account	Rs'000	Rs'000
Property Plant & Equipments	3 500	
Sales		4 000
Cost of sales	2 000	
Operational expenses	800	
Employee loan 8% Senuri		1 000
Capital Accounts - Kasuni		1 200
Luthara		1 500
Current Accounts - Kasuni	200	
Luthara		300
Loan provided to Kasuni	800	
Cash	200	
Drawings - Kasuni	200	
Luthara	300	
	8 000	8 000

Additional Information;

- (i) Luthara stays in a part of the building owned by the business, a monthly rent of Rs 20000 should be paid to the business. No any entry with regard to this transaction has been made in books.
- (ii) Interest for Senuri's and Kasuni's loan has not been adjusted.

- (iii) Kasuni has personally paid Rs.300 000 for electricity bill of the business. This amount has not yet been reimbursed to Kasuni and not entered in the books.
- (iv) No any entry has been made for drawings of Luthara made in goods that costs Rs.100 000.
- (v) Senuri, who had been working as an employee of the business joined the partnership on 31.03.2022. She agreed to consider the loan provided by her to the business as her share capital and to bring another Rs .200 000 for her share of goodwill to the business.
- (vi) Ratio of profit and loss of the new partnership is as 5:3:2 among Kasuni, Luthara and Senuri respectively.

You are required to prepare,

- (1) Income statement for the year ended 31.03.2022 (including profit & loss appropriation account)
- (2) Capital accounts and current accounts of the partners for the year ended 31.03.2022

(20 marks)

5. (a) Concise statements of financial position of Sithangi public company Ltd as at 31.03.2022 and 31.03.2021 are given below.

Particulars	31.03.2022 (Rs.'000)	31.03.2021 (Rs.'000)
Property Plant & Equipment(carrying value)	35 000	33 000
Fixed deposits		
Stocks	5 000	-
Trade receivables	8 200	6 500
Expenses paid in advance	9 500	12 400
Fixed deposit interest receivable	1 400	1 200
Cash and cash equivalents	300	-
Total Assets	<u>2 400</u>	<u>1 800</u>
	<u>61 800</u>	<u>54 900</u>
Stated capital -ordinary shares		
Revaluation reserve	30 000	25 000
Retained earnings	5 000	3 000
Bank loan	5 300	2 400
Trade payable	13 000	14 000
Accrued interest	5 900	8 100
Provisions for income tax	1 200	800
Total equity & liabilities	<u>1 400</u>	<u>1 600</u>
	<u>61 800</u>	<u>54 900</u>

Additional information

- 1) All the purchases and sales are made on credit basis.
- 2) Property Plant & equipment have been revalued during the year and the cost of motor vehicle purchased is Rs.1 200 000
- 3) An office equipment costs Rs. 300 000 has been sold with a profit of Rs.20 000 during the year. Cumulative depreciations of this equipment as at the date of selling was Rs.30 000.
- 4) A bank loan has been received during the year and the bank loan installment paid is Rs.200 000 interest.
- 5) Investment in Fixed deposit has made on 01.07.2021 at 10% rate of interest.
- 6) Taxes paid is Rs.1 500 000

You are required **to prepare,**

Cash flow statement of Sithangi Public Company Ltd for the year ended 31.03.2022 in accordance with the standard of cash flow statements.(As operational activities presented on indirect method) (10 marks)

- (b) Number of members enrolled in Ranmuthu sports club by the date 31.03.2020 is 150.

Receipt & payment account for the year ended 31.03.2021 and the assets and liabilities as at 31.03.2020 are as follows.

Receipt & Payment Account

Balance b/f	150 000	Pavilion rent	80 000
Subscription	200 000	Sports equipment	30 000
Donations	10 000	Other expenses	40 000
Sales of scrap materials	15 000	Fixed deposits	100 000
		Balance c/d	125 000
	<u>375 000</u>		<u>375 000</u>
Balance b/f	125 000		

Assets and liabilities as at 31.03.2020

Item	Amount Rs
Land and building(cost)	500 000
Sports equipment	200 000
Subscription receivable	10 000
Subscription received in advance	5 000
Cash in hand	125 000
Pavilion rent payable	12 000
Prepaid other expenses	7 000

Following information are also provided.

- Building depreciations for the year Rs 8 000
- Subscription received in advance and receivable as at 31.03.2021 are Rs.20 000 and Rs.40 000 respectively.
- Accrued rent for pavilion as at 31.03.2021 was Rs.5 000 and pre-paid other expenses to date was Rs.4 000.
- Sports equipment's are annually depreciated at 5%

You are required to prepare,

- Subscription account for the year ended 31.03.2021
- Income statement for the year ended 31.03.2021

(10 marks)
(Total marks 20)

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6. (a) Following details for the year ended 31.03.2022
(b) related to the Prabuddha public company Ltd are provided to you.

Sales (on credit)	Rs.4 500 000
Gross profit ratio	30%
Opening stock	20 000
Net increase of assets during the year	140 000
Other income	550 000
20% of the total sales income excluding the interest is for operational expenses	
Tax for the period	30 000
Long term loan(10% bank loan)	1 000 000
Number of days worked	240

20% of the credit sales for the period is identified as average debtors.

You are required to,

Compute the appropriate ratio to make decisions under each situation mentioned below.

- (1) To assess the efficiency in stock usage
- (2) Debt collection period
- (3) Interest coverage ability (10 marks)

- (c) Sadeel Company (pvt) Ltd is planning to purchase a new machine with the purpose of uplifting the efficiency in production .Following details are given below.

- (i) Unless the new machine is bought, the old machine can be sold for Rs.500 000
- (ii) Particulars related to new machine.

Cost	Rs. 3 800 000
Effective life time	5 years
Scrap Value	Rs 800 000

- (iii) Annual cost of maintenance for the first and second years is per Rs 500 000 and, it will be per Rs.100 000, from the third year.
- (iv) Annual Fixed cost including depreciations is Rs.750 000
- (v) Saving labour cost annually, due to purchasing of new machine is Rs.950 000
- (vi) Discount factor on 12% expected rate of return.

Year	1	2	3	4	5
Discount factor	0.89	0.79	0.71	0.64	0.57

You are required to find,

- (1) Cash inflows and cash out flows for each year
- (2) Payback period
- (3) Net present value and the recommendation. (10 marks)

- (d) Methsadi Company Ltd is a company involved in manufacturing and selling the school items. The welfare society of the company is planning a five hours workshop in order to negotiate regarding the current issue faced by the country that the price hikes of consumer items including house hold bills and to propose possible solutions. Internal employees in the company as well as

outsiders can take part in this workshop. A fee of Rs 2 000 is charged from each participants. Following estimate of expenses also has been provided.

- Lecture fee- per 2 500 hourly (2 lecturers)
- Printing cost of brochures containing instructions Rs. 200 per one
- Rent for the premises per Rs.4 000 hourly
- Loud speaker rent Rs 14 000
- Entertaining expenses per head Rs 500
- An amount of Rs 20 000 is granted by the welfare society for recovering these expenses
- Maximum 100 participants can be facilitate

You are required to answer the following questions.

- (1) How many participants should be present to recover the total cost
- (2) What is the profit, if 65 participants are present?
- (3) What is the profit, if 26 participants out of those 65 are employees in the company from whom only the cost of brochures is charged?
- (4) If only 40 persons take part with the request of reducing the charge of Rs.2 000 how much should be charged per head to recover the total cost?

(10 marks)

(Total marks 20)

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