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Instructions:

- * Answer all questions.
- * Select the correct answers for questions No 1–30 and write its number on the dotted line.
- * Write short answers for questions No 31–50 on the dotted lines.
- * Each question carries equal marks.

(1) Which of the following statements best describes the basic objective of financial accounting in a reported entity?

1. It provides information for managers to take decisions.
2. It provides information for interested parties to take decisions.
3. It provides information for audit requirements.
4. It provides information for investors and loan suppliers.
5. It provides special purpose financial information for interested parties.

$$(-)$$

Use the following information to answer question No. 2 & 3.

Sandali retail business was commenced on 01/03/2025.

The following transactions have occurred in the business during the month of March 2025.

No.	Transaction / Event
-----	---------------------

- (1) Sandali invested Rs 700, 000 capital & it includes Rs 250, 000 cost of Office equipment.
- (2) The goods purchased Rs 250 000 on Credit has Sold Rs 400, 000 in cash today itself.
- (3) The March electricity bill was Rs 8,000 and paid only Rs 5,000 in cash.



(4)

Depreciation on property, plant & equipment is 24%.

(2) Which of the following accounting equations represents the net impact of above transactions?

<u>Assets</u>		<u>Liabilities</u>	+	<u>Equity ('000)</u>
1. 1032	=	250	+	- 782
2. 1035	=	-253	+	782
3. 1090	=	253	+	837
4. 1090	=	- 250	+	840
5. 1100	=	250	+	850
(.....)				

(3) Calculate the earned net profit cash balance for the month ended 01/03/2025 & cash balance.

<u>Net profit ('000)</u>	<u>Cash balance ('000)</u>
1. 82	700
2. -90	850
3. 137	845
4. 150	400
5. 837	1090
(.....)	

Use the following information to answer questions No. 4, & 5

Saman sold goods costing Rs 150 ,000 to Kamal subjected to 5% trade discount. Kamal has sent Rs 35, 000 worth of stock as return inwards to the business. Kamal gave a cheque to Saman to settle his due amount.

Bank has informed that the cheque was dishoured later.

(4)What are the source documents used to record above transactions in Saman's business in order of their occurrence?

1. Invoice, General Journal, Payment voucher, Journal voucher
2. Receipt, Credit Note, Payment Voucher
3. Invoice, Debit Note, Receipt, Payment Voucher
4. Receipt, general Journal, payment voucher, Receipt
5. Invoice, Credit Note, Receipt, Journal Voucher

(.....)

(5)What are the prime entry books used to record above transactions in Kamal's book in the order of their occurrence.

1. Sales Journal, Return Inwards Journal, Cash Receipt Journal, General Journal
2. Purchase Journal, Return Outwards Journal, Payment Journal, General Journal
3. Sales Journal, Return Inwards Journal, General Journal, Receipt Journal
4. Purchase Journal, Return Outwards Journal, General Journal, Receipt Journal
5. Sales Journal, Return Inwards Journal, General Journal, Payment Journal

(.....)

(6) Which of the following accounting concepts provides basis identification used in assets in the books of lessee?

1. Compliance
2. Business entity
3. Substance over form
4. Prudence
5. Matching

(.....)

(7) What is the correct statement/s about Realization Concept?

- A. Revenue can be identified when satisfied the performance obligations in the contract.
- B. The annual Revenue can be identified as only on the cash received Revenue during the year.
- C. Unearned service income can be identified as a liability in accordance with this concept.

1. A only
2. A & B only
3. B & C only
4. A & C only
5. All A, B, & C

(.....)

(8) The following is the cash summary of business for the month of January 2025.

<u>Description</u>	<u>('000)</u>
As at 01/01/2025 Cash balance	200
31/01/2025 The total of Cash receipts Journal	2400
31/01/2025 The total of Cash payments Journal	1800

The Summary of bank statement as at 04/02/2025.

<u>Description</u>	<u>('000)</u>
01/01/2025 Balance	200
Realized Cheques	2000
Paid Cheques	1500
Loan installment - As standing order payment	100
Direct remittances by debtors	400

There were no any unrealized cheques or unpresented cheques on 01/01/2025. The standing order payments and direct remittances are recorded in the adjusted cash book after receiving the bank statement. The adjusted cash book balance and unrealized cheques as at 31/01/2025.

	<u>Adjusted Cash (Control) A/C balance</u> '000	<u>Unrealized Cheques</u> '000
1 .	500	300
2.	800	400
3.	800	300
4.	1100	300
5.	1100	400

(.....)



(9) As at 31/03/2025 the balance of debtors control A/c of a business was Rs 800 000, while the total of debtors' list balance as per the debtor Ledger was not balanced. The subsequent investigation revealed the followings.

I. The total receipts from the debtor was Rs.280 000 in the cash receipts Journal was not recorded in general ledger, but recorded only relevant Ledger accounts in the debtor Ledger.

II. The extracting balance of debtor Ledger Rs 80 000 was omitted .

III. Rs 30 000 bad debt write off correctly recorded in the general Ledger, but unable to record relevant debtors A/cs in the debtors Ledger.

IV. Rs 175 000 return inwards was recorded in Return Inwards Journal as Rs 75 000. It is recorded in debtors ledger correctly.

After correcting the above errors, the balance in debtors control A/c and the total of debtors list balance before correction.

	<u>Adjusted Control A/c balance ('000)</u>	<u>Debtors list balance before Correction ('000)</u>
1.	420	370
2.	930	980
3.	980	930
4.	1080	1010
5.	1180	1170
	(.....)	

(10.) Kalana business has sent Rs 160 000 invoice price of goods adding 25% profit on cost on the basis of goods sent sale or return On 20/03/2025. This stock was recorded as sales. The time period is not expired as at 31/03/2025. Out of the stock, 60% was sold as at the year ending. What is the sales income and cost of inventory for the year ending 31/03/2025.

	<u>Sales Income (Rs)</u>	<u>Cost of Inventory (Rs)</u>
1.	160 000	48 000
2.	96 000	40 000
3.	96 000	51 200
4.	160 000	51 200
5 .	96 000	48 000
	(.....)	

(11) The entire inventory of a company held at 31/03/2025 was destroyed due to fire. The following information is provided for the year ending 31/03/2025.

	('000)
Sales	4800
Sales Commission expenses	600
Purchase	3500
Return outwards	500
Inventory as at 01/04/2024 (cost)	1500

It is the policy of the company to sell goods keeping a mark up of 20% on cost. The insurance company has agreed to pay 80% from the cost of inventory on 31/03/25. What is the value of inventory destroyed as at 31/03/2025 and stock loss expenses for the year ended 31/03/2025.

	Destroyed Stock ('000)	Stock Loss expenses ('000)
1.	500	100
2.	500	400
3.	660	132
4.	1000	200
5.	1000	800
	(.....)	

(12) The following information is given to Pahandi ready made clothes for the year ended 31/03/2025.

	Rs.
Raw material Purchase	160 000
Direct Salary	67 000
Production Overheads cost	85,000
Raw material stock increase	30,000
Work in progress stock increase	15,000
Finished goods decrease	43,000

What is the prime cost and cost of production for year ended 31/03/2025

	<u>Prime cost (Rs.)</u>	<u>Total production cost (Rs.)</u>
1.	182 000	310 000
2.	197 000	267 000
3.	257 000	357 000
4.	182 000	267 000
5.	257 000	400 000
	(.....)	

(13) The following information relates with Methmal businesses

Inventory as at 01/04/2024 Rs. 300 000

Trade payable as at 01/04/2024 Rs. 200 000

Inventory as at 31/03/2025 Rs. 400 000

Trade payable as at 31/03/2025 Rs. 250 000

Paid cash to trade payable to Rs. 1,350,000 during the year ended 31/03/2025.

Cash purchase Rs. 1,100,000

Mark-up price was decided by adding 25% profit on cost.

What is the sales value for the year ended 31/03/2025.

- | | |
|------------------|------------------|
| 1. Rs. 1,250,000 | 4. Rs. 3,000,000 |
| 2. Rs. 2,750,000 | 5. Rs. 1,625,000 |
| 3. Rs. 2,250,000 | (.....) |

(14) The information of Golden Sports Club for the year ending 31/03/2025 is as follows.

	<u>'000</u>
Increment of accumulated fund	500
Total annual expenses of sports club	400
Purchase of sports equipment	200
(Using sports equipment fund)	

What is the earned total income of Sports Club for the year ended 31/03/2025?

- | | | |
|----------------|----------------|-----------------|
| 1. Rs. 100,000 | 3. Rs. 700,000 | 5. Rs. 1100,000 |
| 2. Rs. 500,000 | 4. Rs. 900,000 | (.....) |

(15) Which of the following statement is incorrect about the preparation of the accounts in a Partnership business, out of the followings.

1. Goodwill will be estimated when the Ownership of partnership is changed.
2. Business has not considered interest on loan of partnership business as an expense.
3. The profit or losses are appropriated among the partners in accordance with partnership agreement.
4. When the appropriation of profit or loss of the partnership business drawings will not be deducted.
5. Partners Salaries are entitled if the provisions are made in the partnership agreement.

(.....)

Use the following information to answer questions no. 16, & 17.

The profit or loss sharing ratio between Sindu & Bindu is 3:2 respectively.

On 01/04/2024 Indu has admitted as a partner.

The estimated goodwill of the partnership is adjusted through the partners' capital accounts. Indu brought Rs. 800 000 cash for her capital.

The terms of the partnership agreement are as follows.

New profit and loss sharing ratio among Sindu, Bindu & Indu was agreed as 3:2:1 respectively.

* Bindu is entitled to an annual salary of Rs 720 000.

The following information was given.

	<u>'000</u>		
<u>Account</u>	<u>Sindu</u>	<u>Bindu</u>	<u>Indu</u>
Capital Account			
As at 01/04/2024	1 200	800	-
As at 31/03/2025	1260	840	700
Current Account			
As at 01/04/2024	600	80	-
As at 31/03/2025	880	1 000	120

Additional capital has not provided by Sindu & Bindu during the year. The cost of the goods taken by Sindu & Bindu were Rs. 80 000 & Rs.40 000 from the partnership for the personal use.

(16) What is the estimated goodwill of the partnership business as the admission of Indu on 01/04/2024?

	<u>Goodwill (Rs '000)</u>	<u>Equity (Rs '000)</u>
1.	200	2 500
2.	500	2 800
3.	600	4 800
4.	700	2 000
5.	800	4 800

(.....)

(17) Annual profit of the business & Bindu's profit share of partnership business for the year ending 31/03/2025.

	<u>Annual Profit (Rs '000)</u>	<u>Bindu's Profit Share (Rs '000)</u>
1.	600	240
2.	720	240
3.	720	960
4.	1 440	240
5.	1 440	960

(.....)

(18) The following information relates to Madu Plc for the year ending 31/03/2025.

<u>Description</u>	<u>Amount (Rs '000)</u>
Sales	3 000
Gross Profit	1 125
Machine Disposal profit	150
Operating expenses	337.5
Income tax	37.5
Paid dividends	75
Revaluation deficit of machine	225 (1st time)
Revaluation surplus of land	750 (2 nd time)

land revaluation deficit was Rs 600,000 for the last year. The total comprehensive income and other comprehensive income for the year ending 31/03/2025.

	<u>Total Comprehensive Income</u> '000	<u>Other Comprehensive Income</u> '000
1.	1 425	750
2.	675	150
3.	825	525
4 .	1 425	150
5.	1 650	750

(.....)

(19) In which of the following accounting policy, in accordance with as per LKAS 08 (Accounting Policies, Accounting Estimated changes & Errors)?

A - FIFO method is used when calculating the inventory.

B - Provision for Warranty certificate.

C The capital expenditure may be treated as revenue expenditure if the amount is immaterial.

D - Impairment Loss.

- | | |
|--------|--------|
| 1) A&C | 4) C&D |
| 2) B&D | 5) B&C |
| 3) A&B | |

(.....)

(20) In which of the following situation/s a provision is recognized in the Statement of Financial Position of a company as per LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets)?

A - Company has obtained a bank loan keeping Company's land as a guarantee. This land treated as contingent Assets.

B – A provision should be used only to cover the expenses for which the provision was made.

C – Unable to estimate the value of obligation clearly .Unrecognized current obligation is identified as contingent liability.

- | | |
|---------------|---------------|
| 1. A only | 4. A & C only |
| 2. B & C only | 5. All A,B,C |
| 3. A & B only | (.....) |



(21) Company imported a machine on 01/10/2024. Company is not registered for VAT.

The following costs were also incurred by the Company in this respect.

<u>Description</u>	<u>Amount (Rs.)</u>
The mark up price of the machine	2 000 000
Paid VAT	400 000
Cost of transporting	80 000
Site preparation Cost	20 000
Installation Cost	50 000
Cost of the initial test run	100 000
Professional fees	30 000

* 10% trade discount deducted from the purchase price when purchased the machine.

* Government has offered Rs 300 000 subsidies to promote local business.

* Annual machine depreciation rate is 10%.

What is the carrying value of machine as at 31/03/2025?

1. Rs. 1872
2. Rs. 1962
3. Rs. 1976
4. Rs. 2080
5. Rs. 2261

(.....)

(22) Which of the following statement/s is/are correct as per LKAS 2 - Inventories?

A. Abnormal wastage is included in cost of inventory.

B. The value of inventory can be identified at any date by continuous stock method.

C. The best Stock issuing method is the WAC (Weighted Average Cost) in an inflationary economy.

1. A only
2. B only
3. B & C
4. A & B only
5. B & C only

(.....)



Use the following information to answer questions no. (23) & (24).

The following information has been extracted from the books of Company:

<u>Description</u>	<u>Amount ('000)</u>
Income tax expenses for the year	1 600
Interest expenses for the year	2 400
Long term loan	24 000

Debt-equity ratio and Equity on return ratios are 60% & 20% respectively.

(23) Calculate the Equity, and profit of above company as at 31/03/2025.

- 1) 14 400 ,2 480 4) 40 000, 8 000
2) 14 400, 8 000 5) 400 000, 800 000
3) 40 000 ,8 000

(.....)

(24) What is the interest coverage ratio for the year ended 31/03/2025?

- 1) 2 Times 4) 5 times
2) 3 Times 5) 6 times
3) 4 Times (.....)

(25) The following transactions have been occurred in Nilupul Plc during the year.

- A. Purchased a machine for Rs 3 500 000 on cash.
B. Annual Motor vehicle depreciation Rs 350 000.
C. Sales proceeds on disposing furniture Rs 250 000.
D. Profit on disposal of furniture Rs 35 000.
E. Investing Rs 200 000 in a fixed deposit.

The amount of net cash inflow/outflow from investing activities for the year ending as per LKAS 07 - Statement of Cash Flows (Rs '000).

- 1) A, B & C 4) A,C & E
2) A, B & D 5) A,D & E
3) A, B & E (.....)



(26) The relevant documents with the following stages of the purchasing procedure in a manufacturing company.

- A. Issuing required material for the production from the store by the production Department.
- B. Requesting from the purchasing Department to purchase material to the store.
- C. Asking the Supplier to supply the material by the purchasing department.

- 1. Purchase requisition note, Material requisition note, Purchase order
- 2. Material requisition note, Material requisition application, Purchase order
- 3. Material requisition note, Purchase requisition note, Purchase order
- 4. Purchase requisition note, Material requisition application, Purchase order
- 5. Material requisition note, Purchase order, Purchase requisition note (-----)

(27) The following information has been extracted from the company.

<u>Description</u>	<u>Amount (Rs)</u>
Office building rent	10 000
Raw material purchase	150 000
Sales Manager Salary	24 000
Factory insurance	2 000
Factory building rent	20 000
Raw material carriage inwards	15 000
Manager Salary	20 000
Factory electricity	24 000
Return inwards	12 000

What is the total production overhead cost?

- 1. Rs 265 000 4. Rs.46 000
- 2. Rs 250 000 5. Rs.30 000
- 3. Rs 100 000

(.....)



(28) The Cost per unit is calculated at the 5000 units of activity level is as follows.

	<u>Cost Per Unit (Rs.)</u>
Direct raw material cost	20.00
Direct labour cost	30.00
Production overhead cost	<u>40.00</u>
	<u>90.00</u>

Overhead absorption rate based on machine hours.

Actual machine hours 1000 during the period. Budgeted no. of machine hours were 2000.

What is the overhead absorption rate?

- | | |
|----------------------------|----------------------------|
| 1. Rs 50 per machine hour | 4. Rs 100 per machine hour |
| 2. Rs 200 per machine hour | 5. Rs 100 per labour hour |
| 3. Rs 40 per labour hour | (.....) |

(29) Which of the following statements are correct in relation to cost-volume-profit analysis?

A - At break-even point, total fixed cost is equal to the total contribution.

B - When increasing sales volume, Margin of Safety will be decreased.

C - When increasing unit selling price, break-even point will be increased.

D - When decreasing variable cost, contribution sales ratio will be decreased.

- | | |
|------------------|------------------|
| 1. A & D only | 4. B, C & D only |
| 2. B & C only | 5. A, B, C, & D |
| 3. A, B & C only | (.....) |

(30) Malaka Plc is considering to purchase a new machine to commence a manufacturing business. The expected useful life of the machine is 5 years. The estimated costs and benefits of this project are given below.

	<u>(Rs. '000)</u>
Purchase price of the new machine	2 500
Installation cost of the machine	500
Residual value of the machine at the end of the project	300

The working capital of the business Rs.200,000 will be increased up to Rs.250,000 due to new project. and it can be recovered fully in the last year of the project.

The payback period of the project is 2 years and 6 months.

The initial cash outflow and the annual net cash flow at the final year of the project respectively.

<u>Initial Cash Outflow (Rs '000)</u>		<u>Cash inflow of the final year (Rs '000)</u>
1.	3000	1200
2.	3050	1300
3.	3250	1300
4.	3050	1220
5.	3250	1220
(.....)		

Write short answers for questions no. 31-50 on the dotted lines.

(31) State whether the following statements are true (T) or false (F).

A) Share holders of a public limited company are the internal party.

B) Following accounting standards are compulsory when preparing the financial statements of a reporting entity.

C) In financial accounting only use historical information.

D) Increasing VAT up to 18% is the variable factor in the legal environment.

(32) Indicate the prime entry book, and source document used to record each of the following transactions of a motor vehicle trading company.

<u>Transactions</u>	<u>Prime Entry Book</u>	<u>Source Documents</u>
(A) Rs 6 Million worth of motor vehicle was purchased on cash for the purpose of resale.		
(B) Rs 2 Million worth of motor vehicle purchased on credit to be used in business usage.		
(C) Sold Rs 8 Million worth of motor vehicle on cash.		

(D) Annual Depreciation on
 business motor vehicle
 was Rs 50 000.

(33) State the appropriate classification for the following accounts in General Ledger in a business.

<u>Account</u>	<u>Classification</u>
(1) Drawings	
(2) Provision for Employee Compensation	
(3) Accumulated Depreciation on PP&E	
(4) Return outwards	

(34) State the element of financial statements relating to each of the following in accordance with Lanka Accounting Standards.(LKAS01)

(A) Capitalizing retained earnings	
(B) Proposed dividend of Stated Capital	
(C) Impairment loss on trade receivable	
(D) Payable income tax	

(35) State the accounting concept that is most applicable in each of the following situations of a business.

- (A) Concepts explains that provision for impairment loss on trade receivable.
- (B) The example of deviation from Concept is the method of value inventory change from FIFO to WAC
- (C) PP&E depreciation based on Concept.
- (D) Employee's abilities & talents are not recorded in the statement of financial position in accordance with
- (A).....
- (B).....
- (C).....
- (D).....



(36) The profit shown in the draft financial statement of Amaramal PLC for the year ending 31/03/2025 was Rs 386 000. The following errors were revealed after the investigation.

- * Company purchased some goods after deducting 10% trade discount on its mark up price Rs.240, 000. But the business accounted above stock as mark-up price.
- * Rs.85 000 Insurance expense was debited to insurance expense a/c as Rs 8 500.
- * Rs 60 000 machine repair expense was debited to Machine A/c (Machine Depreciation rate is 10%).
- * Rs 12 000 return inwards was credited to return outwards a/c.

i. Calculate the net profit for the year ended 31/03/2025.

ii. What is the balance of Suspense A/c before correcting the above errors? (debit/Credit)

(37) The number of members of Siyane Sports Club is 246. Annual subscription fee per member is Rs 1750.

	<u>As at 31/03/2025 (Rs)</u>	<u>As at 31/03/2024 (Rs)</u>
Membership fee received in advance	42 000	21 000
Membership fee receivable	66 500	84 000

i. Calculate the membership fee income for the year ending 31/03/2025.

ii. What is the cash received membership fee for the year ending 31/03/2025?

(38) Daham & Pathum were partners of a business sharing profits and losses in the ratio of 2:1. On 01/04/2024, Sithum was admitted to the business as a partner he contributed Rs 300 000 in cash as capital & 1/4 of sharing profit or loss.

The goodwill of the partnership was estimated as Rs 120 000 and all adjustments in this regard should be made through partners' capital accounts.

What is the double entry for goodwill?

.....

.....

(39) Wenura and Binura carried out a partnership sharing profits and losses equally. The following information was extracted from the books of partnership.

	<u>'000</u>	
Current A/c balance	31/03/2025	01/04/2024
Wenura	1 500	1 000
Binura	900	600

Wenura is entitled Rs.300 000 annual salary.

Wenura & Binura has taken Rs 200 000 & Rs 100 000 cash from the partner.

i) Partnership profit for the year ending 31/03/2025

.....

.....

.....

(ii) profit share of Venura & Binura for the year ended 31/03/2025

Venura Rs.

Binura Rs.

(40) A Company has acquired a machine paying Rs 100 000 advance on 28/03/2025. Supplier has informed to the company about actual price of machine on 05/04/2025. Its invoice price is Rs 550 000. Board of directors has approved the financial statement on 28/06/2025.

I. state whether the above transaction an adjusting event or a non-adjusting event as per LKAS 10 (Events after the Reporting Period).

.....

II. If the above transaction is adjusting event write the double entry.

.....

.....



(41) A company issued ordinary shares at Rs 100 per share to collect full amount of money on 01/01/2025

	<u>No.of applied shares</u>	<u>Shares allotment ratio</u>
Existing shareholders	50 000	1 : 1
Employees	100 000	2 : 1
Local persons	150 000	3 : 1

- i. The employee Namal received 8000 shares. Calculate the returned money to Namal & relevant double entry?

.....

- ii. Journal entry relevant for share allotment.

.....

(42) The following information has been extracted from the books of Chethana Plc for the year ended 31/03/2025. '000

Profit for the year	870
Profit on the disposal of	
motor vehicle	60
Annual Depreciation	180
Working capital changes (+)	35
Net cash flows on investment	(780)
Net cash flow from financial	120
Paid tax during the year	20

- (i) Net cash generated from operating Activities.....

- (ii) Net increment of cash & cash equivalents for the year.....

43) The company has entered into a contract with a customer to provide machine Rs 20 00000 on 28/12/2024. And providing 06 months service on Rs.500,000 monthly basis.

On 01/01/2025, machine has provided to the customer. The company received Rs 20 000 000 as total consideration.

i. Revenue recognized for the year ending 31/03/2025.in accordance with SLFRS 15

ii. Unearned revenue at 31/03/2025.

(44) In accordance with SLFRS 15 Revenue, Name the identification Criteria

(45) State as a result of following transaction, The Quick Assets Ratio - increase?, decrease?

A - Credit sales of available stock of a business

B -pre paid rent expenses

C – paid short term loan using cash in hand

D - Cash sales of available stock of a business

(46) Complete the following sentences - using Conceptual Framework of financial reporting.

A) The two qualitative characteristics of general purpose financial statements are

B) The two methods can be used in measuring the elements of financial statements are



(47) Use the following information to answer the question.

The following information relates with the material 'P'

	Units
Maximum consumption per week	1900
Average consumption per week	1800
Re-order Quantity	8000
Maximum order time	05 weeks
Minimum order time	03 weeks

(i) Calculate the Re-order Quantity (no. of units)

(ii) Average stock Level (no. of units)

Use the following information to answer question no.48 & no.49

Company produces single inventory, selling price per unit Rs.100

The following information relates with the two activity levels

No. of units produced	Total cost (Rs)
5000	300,000
10000	550,000

(48) Calculate the variable cost per unit and contribution per unit?

(i) Variable cost per unit

(ii) Contribution per unit



(49) calculate the followings

- i. Total Fixed Cost
- ii. BEP in units
- iii. Estimated profit when business sales 1250 units.

(50) A Company is considering to purchase a machine for a cost of Rs 6000, 000. The useful life time and residual value of this machine are estimated as 5 years and Rs 500, 000 respectively. Company is doing Feasibility Study to purchase machine and paid Rs 200, 000. Project report costs Rs 50, 000. The expected annual net Cash inflow from this machine is Rs.1400,000.

Identify the following for this machine

- i. Sunk cost Rs.
- ii. Accounting rate of return (based on average investment).



ගිණුම්කරණය II
Accounting II

33	S	II
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පැය තුනයි

Three Hours

- ❖ Answer five questions only including questions one and two.
- ❖ Begin each answer on a fresh sheet of paper.
- ❖ Relevant workings should be attached to the answer script.
- ❖ This question paper carries 200 marks.

The Summarized trial balance of Ahinsa PLC as at 31/03/2025 is given below.

<u>Description</u>	<u>Dr.(Rs.'000)</u>	<u>Cr.(Rs.'000)</u>
Property Plant & Equipment	54 450	-
carrying Amount		
Sales	-	92 400
Cost of Sales	59 200	-
Inventory	5 475	-
10% investment	5 400	-
Trade Receivables	4 036	
Trade Payables	-	9 845
Three months treasury bills	385	-
Cash & cash equivalents	500	-
Machinery – cost	1 050	-
Stated capital - ordinary shares	-	33 000



General Reserve	-	660
Revaluation Reserve	-	1 100
Retained earning	-	9 020
Interim dividends	205	-
Administrative expenses	8 624	-
Distribution expenses	6 688	-
Finance expenses	2 750	-
Other expenses	990	-
Provision for warranty	-	594
Paid income tax	836	-
Provision for income tax as at 01/04/2024	-	275
Paid deposit	1 530	-
10% bank loan	-	4 400
Other Income	<u> </u>	<u>825</u>
	<u>152 119</u>	<u>152 119</u>

Additional information

Before preparing the financial statements for the year ending 31/03/2025, the following information should be taken into consideration.

(1)The closing inventory as at 05/04/2025 was realized by Rs. 150,000 less than its cost value. The net realizable value of the inventory has been considered in the computation of the cost of sales.

(2)The details of Property plant and equipment are as follows.

Description	Cost/Reval.value as at 01/04/2024	Accumulated depr. as at 01/04/2024	Deprec. Rate
Land	30 000	-	-
Buildings	25 000	7 920	5%
Motor vehicle	<u>11 000</u>	<u>3 630</u>	20%
	<u>66 000</u>	<u>11 550</u>	



(3) The building of the business was revalued for Rs. 15 000 000 on 01/04/2024. Revaluation reserve shown in the trial balance consists for the previous year building revaluation surplus.

The company had revalued its land for the first time on 31/03/2025 for Rs. 29 500 000 its fair value.

(4) A Motor Vehicle was sold on 01/04/2024 for Rs. 660,000 and it was purchased on 01/07/2022 for Rs. 880 000. The cash received by selling this motor vehicle has been debited to cash Account and credited to motor vehicle Account.

(5) The company purchased a machine on 01/10/2024 for Rs. 1,050,000 and it has been shown in the trial balance. The following expenses were included in its cost.

Purchase price	Rs. 900,000
Installation cost	Rs. 100,000
Initial testing cost	Rs. 50,000

The initial testing cost consisted of the professional fee of Rs. 20 000 and the raw material cost of goods manufactured. The goods produced during the initial testing have been sold for Rs. 10 000 and included in Other income account. Machinery depreciation rate is 15%.

(6) The company entered into a lease agreement on 01/04/2024 to obtain the right of use of equipment for a period of four years. Useful life time is five years.

The ownership of this equipment is transferred to the company at the end of the lease term. According to the lease agreement Rs. 1,350,000 was paid as the down payment.

Business has incurred Rs. 180,000 as carriage inwards and installation expenses. All the expenses were debited in the paid deposit account. The lease installment was Rs. 1,260,000. The current year lease installment was not paid as at 31/03.

The following is the 10% discounting factor.

Year	1	2	3	4
Discounting factor	0.9	0.8	0.7	0.6

(7) The company sells goods with one year warranty and the provision for warranty as at 31/03 was estimated as Rs. 927 000. During the year ending 31/03, Rs. 208,000 was spent on repairing the goods under the warranty and it is accounted correctly. The provision of warranty for expired certificate was Rs. 42,000.

(8) Payable director's remuneration was Rs. 800,000 and prepaid insurance was Rs. 80,000.

The investment income is receivable and loan interest Expense is payable.

(9) Income tax paid shown in the trial balance consists of Rs. 605,000 paid for the previous year last quarter and tax paid for the first three quarters of the current year based on self assessment. The final quarter income tax liability for the year ending 31/03 was estimated as Rs. 385,000.

(10) The following proposals were taken by a Board of directors for the year ended 31/03/2025.

* Transfer Rs. 1,320,000 to the general Reserve from retained earnings.

* Proposed Rs. 2 per ordinary share as dividend.

(11) The stated ordinary share capital as at 01/04/2024 consists at Rs.10 per share issued. The Company has issued Rs.2000 000 right issue on 01/01/2025. It has been made in this respect in the books of accounts.

Required

The following financial statements (including notes) of Ahinsa PLC for the publication purpose as per LKAS 1 - Presentation of financial statements.

1.Statement of profit or Loss and other comprehensive income for the year ending 31/03/2025.

2.Statement of financial Position as at 31/03/2025.

3.Statement of changes in equity for the year ending 31/03/2025

(Total -40 Marks)

❖ Question no.2

Sakura Educational Institute conducts lectures for advance level commerce students. Three permanent teachers and three temporary teachers serve in this institute. Each teacher has to conduct a minimum of 30 hours of teaching per month, but Ranidu has taught only 25 hours within a month.

The remuneration for teachers are as follows

* Monthly fixed payment for permanent teacher Rs. 160,000

* Fee for per hour for temporary teacher Rs. 2,400

* Fee for extra session (per hour) Rs. 1,000

* Paper marking charge per answer script Rs. 240

(2) The details of teaching hours for extra session and marked answer scripts for the month of March 2025 are as follows:

<u>Description</u>	<u>Permanent</u>			<u>Temporary</u>		
	Navin	Piyal	Namal	Aruna	Kumudu	Ranidu
No.of hours conducting for extra session	20	10	-	10	2	-
No. of marked answer scripts	200	200	150	100	100	100

(3) The employer and employee contribution to Employee Provident Fund (EPF) are 15% and 10% respectively. The employer contribution to Employee Trust Fund (ETF) is 3%. All permanent teachers and temporary teachers are considered in the calculation of EPF and ETF.(E.P.F & E.T.F are calculated based on Employee total earnings except paper marking Charges)

(4)The deductions from the salary for the month for welfare society by Rs. 1,500 for permanent teacher and Rs. 1,000 for temporary teacher.

(5) The details of salary advance for the month of February and March are as follows:

<u>Name</u>	<u>February</u>	<u>March</u>
Namal	40,000	30,000
Ranidu	25,000	25,000

* Every month's salary advance is paid on the 20th day and deductions will be done of the following month.

(6) Employee related expenses of the company is paid on the 10th day of the following month is the business policy of the company.

Required

- I. Payroll for the month of March
- II. Salaries and Wages A/c, Salaries Control A/c
- III. Salary Advance A/c
- IV. Calculate the total labour cost incurred for the employees in the business for the month of March 2025.

2. The following information has been extracted from the hand bags manufacturing & selling business.

The company uses two production cost centres and the Service cost centre - Stores to produce above product.

The budgeted information for the first three months are given below.

* The numbers of hand bags expected to be produced 3,000.

* Estimated Cost

➤ Direct material cost:	Rs. 1,200,000
➤ Production employee salary:	Rs. 600,000
➤ In direct Employee salary - Production Department I:	Rs. 62,000
Production Department II:	Rs. 120,000
➤ Store keeper salary:	Rs. 44,000
➤ Electricity expenses:	Rs. 140,000
➤ Factory building Depreciation (for the year 2025):	Rs. 240,000

*Employee welfare expenses : Rs. 60,000

*Store rent expenses (for 3 months) : Rs. 24,000

*Building maintenance expenses including the store: Rs. 60,000

*Machinery depreciation (For three months): Rs. 40,000

While business has rented out store building and conducts its factory in their own building.

Additional information

	<u>Production Department I</u>	<u>Production Department II</u>	<u>Store Department</u>
▪ Floor Area (Square meters)	40	60	20
▪ Used electricity (kilowatt hours)	300	600	100
▪ No of employees	20	32	08
▪ Machinery cost (Rs.'000)	200	300	-
▪ Presented material Requisition Note	06	04	-
▪ machinery hours	4000	1 500	
▪ labour hours	2250	12 000	

Non production overhead

* Sales Commission (For one bag) - Rs. 80

* Distribution & administration expenses

(three months) - Rs 300,000

Production cost absorption rate

— Production Dept. 1 – on machine hours

Production Dept. 2 – on direct labour hours

<u>Spending time for producing a bag</u>	Actual	budgeted
Production department I -Machine hours	02	03
production Department ii-Direct Labour hours	04	05

Selling price per bag is 20% profit on Selling Price.

Required

1. The Overhead Analysis Sheet.
2. The Overheads absorption rate.
3. Selling price per bag.
4. If business sold 1000 bags
calculate the net profit for first three months.

(25 Marks)

❖ **Question No.03**

(i) Gunathilaka Enterprise is carrying out a service business engaging electrical appliances repair service. This firm is registered for Value Added Tax (VAT). The transactions carried out during the month of March 2025 of the business are presented below in the form of an accounting equation.

Business paid VAT for each purchase of spare parts and received VAT for providing each service. VAT rate is 18%.

	Assets				Liabilities				Equity
Balance trans. No.	Office Equip.	Spare parts inventory	Trade Recei.	Cash	Bank loan	Payable Electri.	Trade Payables	Payable VAT	Equity
Bala. As at 01/03/2025	250	150	30	80	100	10	40	20	340
1	+100				+100				
2		-40		+59				+9	+10
3		+100		-60			+58	-18	
4				-25		-10			-15
5				-48			-50		+2
6		-90	+127	+50				+27	+60
7			-157	+150					-7
8		-20							-20

Additional Information

1. All cash transactions of the business are carried through a bank current account .The bank statement balance on this date did not agree with the cash account balance as at 31/03/2025.

The Subsequent investigation revealed that this difference has resulted due to the following reasons.

- * The issued cheque Rs 10,000 for the payment of Gunathilaka's daughter University fee(Gunathilaka obtained only above cash within the month)
 - * Standing order payments for telephone Rs 2000
 - * Direct remittances from the customer for the receipt of providing repair service Rs.30,000
 - * The paid Rs 10,000 for VAT was not recorded in the cash book but this cheque was not presented in the bank as at 31/03/2025.
3. The depreciation rate is 24% for equipment on cost (These assets were available from the beginning of the month)
- * The payable rates Rs 5,000 to the 'Pradesiya Sabha' for the month of March 2025.

Required

1. Write the transactions (with values) denoted by the amounts given in number 1 to 8 above.
2. Calculate Net Profit or Loss for the month of March 2025 based on net assets.
3. State the balances in Spare Parts Inventory, VAT & Cash balance as at 31/03/2025. (28Marks)

(ii) The following information relates to Golden Welfare Society for the year ending 31/03/2025.

- * Society had 150 members for the year 2024/2025.
- * The annual subscription per member is Rs 5000.
- * The Welfare Society received a donation of 300,000 for the year ended 31/03/2025 to purchase equipment. From this donation, Rs 250,000 was paid on 01/01/2025 for the purchase of equipment.

(iii) The extracted balances are as follows('000)

<u>Account</u>	<u>31/03/2025</u>	<u>01/04/2024</u>
PP&E (carrying amount)	2500	1900
Cash balance	?	180
Membership fee received in advance	72	48
Membership fee receivable	42	36

(iv) Cash payments during the year:

- * Purchase of Property, Plant & Equipment Rs.650,000
- * Paid employee salary Rs. 175,000
- * 15% fixed deposit investment(On 01/04/2024) Rs. 250,000
- * Paid electricity expenses Rs. 48,000
- * Telephone expenses Rs. 18,000

V. fixed deposit interest is receivable.

VI. Accrued expenses as at 31/03/2025.

- * Electricity expenses 6,000
- * Employee salary 25,000

Required

1. Accumulated fund as at 01/04/2024
2. Income Statement for the year ended 31/03/2025.
3. Receipts and Payment A/C for the year ended 31/03/2025.
4. Statement of Financial Position as at 31/03/2025. (12 Marks)



❖ **Question No.04**

Amal, Kamal, and Wimal are partners of a trading business. The terms of the partnership agreement are as follows.

- * The profit or loss sharing ratio among Amal, Kamal, and Wimal is 3:2:1 respectively.
- * Kamal and Wimal are entitled to monthly salary of Rs 10,000 and Rs 15,000 respectively.
- * Each partner is entitled to a 10% interest per annum on the opening capital balance.

The trial balance of the partnership as at 31/03/2025 is given below.

	<u>Dr (Rs)</u>	<u>Cr (Rs)</u>
Sales		19,000
Return inwards	2,000	
Inventory (as at 01/04/2024)	700	
Purchases	8,000	
Property, Plant & Equipment (cost)	11,000	
Property, Plant & Equipment (accumulated depreciation at 01/04/2024) }		2,500
Cash balance	5,000	
Salary	6,000	
Wimal's Loan		500
Operating expenses	900	
Pre-paid electricity expenses	20	
Current A/c (As at 01/04/2024 – Amal)		80
-Kamal	20	
-wimal		60
Capital A/C as at 01/04/2024 Amal		5000
Kamal		4000
Wimal		2500
	<u>33640</u>	<u>33640</u>



Additional Information

1. During the year, partners have drawn six months' salary in cash. It is included in the salary in the trial balance.
2. Wimal was provided a loan to the partnership business on 01/04/2024. Interest on the loan provided by Wimal for the, current year neither has been paid nor accounted.
3. On 31/03/2025, Wimal retired from the Partnership. A motor vehicle of the business was transferred to Wimal on 31/03/2025, with the consent of other partners, at its carrying amount of Rs 2,000,000. The balance amount payable to Wimal was transferred to a 6% loan account.
Amal and Kamal have donated personally Rs 10,000 worth of inventory of business to Wimal, sharing two partners equally. Amal and Kamal agreed to continue the partnership by sharing profits or losses in the ratio 3:2 respectively.
4. P P & E should be depreciated 10% .
5. The goodwill of the partnership was estimated Rs. 600,000 as at 31/03/2025 and it has to be adjusted in the capital accounts of partners.
6. Inventory as at 31/03/2025 was Rs 650,000.
7. On 30/09/2024 Amal brought Rs.1,000,000 capital . It was recorded correctly. But no any transaction recorded in the capital A/C & current A/C during the year.

Required

1. Income Statement of the Partnership for the year ending 31/03/2025. (Including the appropriation to Partners)
2. Capital Accounts and Current Accounts of partners for the year ending 31/03/2025.
3. Wimal's Loan A/c.

(30 Marks)

II. The following information was extracted from the financial statements of Lesan PLC.

	(Rs.'000)
As at 31/03/2025	
* Inventory	2200
* Trade Receivables	2,800
* Stated Capital-	
* Ordinary Share Capital (shares 300,000)	6,000
For the year ending 31/03/2025	
	'000
* Sales	18,000
* Gross profit	6,400
* Operating expenses	2,400
* Interest expenses	400
* Annual Income tax expenses	900
* Paid interim dividends for ordinary share capital	600

Additional Information

1. All sales are made on a credit basis.
2. Inventory as at 01/04/2024 Rs 1,800,000
3. Trade receivables as at 01/04/2024 Rs.3200,000

Required

The following ratios for the year ending 31/03/2025.

- I . Net profit ratio
 - II .Stock turn over ratio
 - III .Debtors turn over ratio
 - Iv .Earning per share
 - V .Earning per dividend
- (10Marks)

❖ Question No.5

(I) Sahan PIC conducts a wholesale business. This company purchases goods only on credit basis and sells goods on both credit basis and cash basis. This company is registered for Value Added Tax(VAT)

The following information relates to the month of December 2024.



(1) information relating to the trade debtors and trade creditors of the company for the month of December 2024 extracted from the debtors and creditors subsidiary ledgers is as follows.

<u>Description</u>	<u>Trade Receivables</u>		<u>(Rs.'000)</u>
	<u>Dinuka</u>	<u>Vinuka</u>	<u>Janaka</u>
01/12/2024 Balance	200	100	300
Sales (including 18% VAT)	708	826	1180
Cash receipts	700	900	1000
Discount allowed	-	50	100

<u>Description</u>	<u>Trade payables</u>			<u>(Rs.'000)</u>
	<u>Mala</u>	<u>Kamala</u>	<u>Nimala</u>	
Balance as at 01/12/2024	160	120	200	
Purchase - including 18% VAT	1180	1416	708	
Cash Payment	1000	1200	500	
Discount received	50	60	-	

II. The balances of assets and liabilities of the company

	<u>01/12/2024 (Rs)</u>	<u>31/12/2024 (Rs)</u>
PP&E - carrying amount	2 200	2 620
Trade Debtors	600	?
Trade Creditors	480	?
Cash	300	?
VAT Control A/C - Cr	200	?
Accrued Expenses	80	120

III. The control account balances of trade debtors and trade creditors as at 01/12/2024 agreed with the totals of their respective subsidiary ledger account balances on this date.

(iv) Other transactions occurred during the month of December 2024.

1. Operating expenses incurred for the month were Rs 700,000 including depreciation expenses Rs 180,000.



2. office equipment has been purchased for cash during the month. (ignore VAT).
 3. Cash sales were Rs 1,770,000 (including 18% VAT).

Required

I. The following prime entry books for the month of December 2024.

- I. Cash receipts Journal
- II. Cash payments Journal
- III. Sales Journal
- IV. Purchase Journal

II. The following Ledger accounts for the month of December 2024.

- I. Cash A/c
- II. Debtors Control A/c
- III. Creditors Control A/c
- IV. VAT Control A/c

(20 Marks)

(II) The sports club decided to organize a drama festival to raise funds for the society. The expected number of spectators are 500.

The expected costs of the drama festival are as follows:

	Rs.
Price per ticket	2,500
Hall rent	80,000
Cost of hiring the sound and lighting	120,000
For drama team	300,000
Food and beverages cost for drama team	30,000
Cost of printing ticket	20,000
Cost of Advertising	40,000
Cost of a food pack per spectator	400
Cost of a water bottle per spectator	100

Additional Information

1. 50% of hall rent is provided by sports society fund.
2. Person has agreed to sponsor the Rs 30,000 for hiring the sound and lighting.

Required

1. Total fixed cost of the drama festival.
2. Contribution per spectator



- 3.The expected number of Spectators to participate in the drama festival to cover the total cost.
- 4.The number of spectators to participate to obtain a surplus of Rs. 400,000.
- 5.The number of spectators to cover the total cost of the drama festival if there were 20 chief guests are enjoying the drama without purchasing ticket.
- 6 If 300 spectators will enjoy the drama , what is the selling price of ticket to earn Rs.230,000 surplus.
- 20 Marks

❖ **Question No.6**

(i)The following information has been extracted from the statement of financial position of Renuka PLC as at 31/03/2025 and 31/03/2024

	<u>As at 31/03/2025</u>	<u>As at 31/03/2024</u>
PP&E - Carrying amount	43,600	39,100
Inventory	11,250	9,600
Trade Receivables	14,100	16,800
Cash & cash equivalents	<u>4,600</u>	<u>2,100</u>
	<u>73,550</u>	<u>67,600</u>
Stated capital - Ordinary shares	36,000	29,000
Revaluation Reserve	4,000	3,000
Retained earnings	9,300	6,800
Lease creditor	14,300	18,300
Trade payables	6,600	7,200
Provision of Income tax	1,700	1,600
Bank overdraft	<u>1,650</u>	<u>1,700</u>
	<u>73,550</u>	<u>67,600</u>

Additional Information

- The company sold a motor vehicle for cash with a profit of Rs 500,000 on 01/10/2024. This motor vehicle was purchased Rs.4,000,000 on 01/04/2022. The depreciation is 20% on the cost method. During the current year, The company has purchased machinery on cash
- The company has also paid an interim dividend of Rs 1,600,000 during the current year. Capitalized Rs.3,000,000 retained earnings. Company issued new shares for cash consideration.
- The depreciation of motor vehicle is Rs 1800,000 and Income tax Rs 1,200,000.
- The company has revalued land with profit for the first time. There were no any asset revaluation during the current year.

Required to

1. Statement of Cash Flow of Renuka PLC for the year ending 31/03/2025 as per LKAS on statement of cash flows.

(25 Marks)

(ii) Company is considering acquisition of a new machine replacing the old machine. The useful life time of the machine is five years. The company has provided the following estimated cash flow in relation to the new machine

'000

Old machine

Expected selling price 3000
Expected selling expenses 500

New Machine

Purchase price 18,000
Carriage inwards & installation expenses 1000
The need of new working capital 400
(it will be received at the final year)
Scrap value 2000

Expected income & expenses of the project is as follows.

Year	1	2	3	4	5
Sales unit	10,000	9,000	10,000	9,000	9,000
Selling price per Unit (Rs.)	1,000	1,000	1,050	1,050	1,000
Indirect cost Including '000 Depreciation	6,000	5,500	6,000	7,000	6,500
Direct operating cost (Rs.'000)	3,000	2,400	2,500	3,000	2,300

Machine has depreciated on cost.

The expected profit on investment is 10%.

Discount factors at 10%

Year	1	2	3	4	5
Discount Factor	0.91	0.83	0.75	0.68	0.62

Required

1. The schedule of cash inflows and cash outflows of the project. (stating cash flows separately).
 2. Pay back period.(years)
 3. Net present value (NPV)
 4. Based on the NPV method, recommendation whether to purchase the machine.
- (15 Marks)

