AL/2024/33/E-I

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இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2024
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2024
General Certificate of Education (Adv. Level) Examination, 2024

ගිණුම්කරණය I
கணக்கீடு I
Accounting I

33 E I

පැය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

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.*
- *Write your **Index Number** in the space provided above.*
- ***Use of non-programmable calculators is allowed.***

Index No. : .....

For Examiner's Use Only

	Signature	Code No.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F.		
Chief		

For paper I	
Q. Nos.	**Marks**
01 - 30	
31 - 50	
TOTAL	

1. Which of the following statements **best describes** the primary purpose of financial accounting in a firm?

(1) Reports past financial information of the firm to satisfy the statutory requirements.
(2) Records the transactions of the firm to prepare the general-purpose financial statements.
(3) Provides the specific financial information about the firm for the investors and lenders.
(4) Prepares the general-purpose financial statements of the firm based on the accounting standards.
(5) Provides the information for the decision making of the external stakeholders of the firm.

(.....)

2. A firm is unable to continue its operations for the foreseeable future. Which of the following accounting concepts are **not relevant** in the preparation of financial statements of this firm?

(1) Business Entity and Accruals
(2) Business Entity and Money Measurement
(3) Going Concern and Historical Cost
(4) Substance over form and Realisation
(5) Prudence and Realisation (.....)

3. Which of the following statement/s is/are **correct** as to the application of business entity concept?

A - All transactions of a business are recorded from the perspective of the business.
B - This concept provides the basis for the identification of the reporting entity.
C - The owners' investment in a business is presented as a claim to the resources of the business.

(1) A only.
(2) A and B only.
(3) A and C only.
(4) B and C only.
(5) All A, B and C. (.....)

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● **Use the following information to answer questions no. 4, 5, 6 and 7.**

Chandra retail business was commenced on 01.01.2024. This business is registered for Value Added Tax (VAT). The following transactions have occurred in the business during the month of January 2024.

No.	Transaction
1	Sold goods costing Rs. 240 000 to Amal for Rs. 354 000 on credit (Inclusive of Rs. 54 000 VAT).
2	Received a cheque from Amal to settle the total due amount after allowing a cash discount of Rs. 30 000.
3	Sold goods costing Rs. 320 000 for Rs. 472 000 for cash (Inclusive of Rs. 72 000 VAT).
4	Sold goods costing Rs. 400 000 to Bimal for Rs. 590 000 on credit (Inclusive of Rs. 90 000 VAT).
5	Returned goods sold to Bimal for Rs. 118 000 (Inclusive of Rs. 18 000 VAT). The cost of these goods was Rs. 80 000.

4. Which of the following accounting equations reflects the **net impact** of transactions no. **1** and **2**?

	Assets (Rs.'000)	=	Liabilities (Rs.'000)	+	Equity (Rs.'000)	
(1)	+84		+54		+30	
(2)	+84		–		+84	
(3)	+114		+54		+60	
(4)	+114		–		+114	
(5)	+144		+54		+ 90	(.....)

5. The source documents used to record the transactions no. **3**, **4** and **5** in the books of Chandra business in the order of their occurrence:

(1) Receipt, Invoice, Debit Note
(2) Receipt, Invoice, Credit Note
(3) Deposit Slip, Invoice, Debit Note
(4) Deposit Slip, Invoice, Credit Note
(5) Receipt, Invoice, Journal Voucher (.....)

6. What is the **correct** double entry to post the total of the Sales Journal of Chandra business for the month of January 2024 to its General Ledger?

	Description	Dr. (Rs.'000)	Cr. (Rs.'000)	
(1)	Debtors control account	800		
	VAT control account	144		
	Sales account		944	
(2)	Debtors control account	826		
	VAT control account		126	
	Sales account		700	
(3)	Debtors control account	944		
	VAT control account		144	
	Sales account		800	
(4)	Cash account	472		
	Debtors control account	826		
	VAT control account		198	
	Sales account		1 100	
(5)	Cash account	472		
	Debtors control account	944		
	VAT control account		216	
	Sales account		1 200	(.....)

7. VAT control account balance (Ignore VAT on purchases) and the debtors control account balance as at 31.01.2024 of Chandra business:

	VAT Control Account Balance (Rs.'000)	Debtors Control Account - Debit Balance (Rs.'000)	
(1)	Dr. 198	430	
(2)	Cr. 126	472	
(3)	Cr. 144	502	
(4)	Cr. 198	472	
(5)	Cr. 216	502	(.....)

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8. The net profit as per the draft financial statements of a company for the year ending 31.03.2024 was Rs. 5 000 000. The following errors were revealed after preparing these draft financial statements.

- The total of the sales journal Rs. 8 500 000 had been posted to the general ledger as Rs. 5 800 000.
- Sales commission payable Rs. 450 000 had been debited to the sales account and credited to the sales commission payable account.
- A bank loan instalment of Rs. 850 000 had been paid and it had been debited to the bank loan account and credited to the cash account. However, the interest of Rs.150 000 included in this instalment had not been recognized as an expense.

The net profit of the company after above errors are rectified (Rs.'000):

(1) 2 450 (2) 7 100 (3) 7 550 (4) 7 700 (5) 8 000 (.....)

9. During the year ending 31.03.2024, the owner of a business obtained goods costing of Rs. 56 000 as drawings. No adjustment had been made in this respect in the books of accounts. However, the closing inventory had been ascertained based on the physical stock available as at 31.03.2024. The gross profit and the net profit of the business for the year ending 31.03.2024 had been calculated as Rs. 250 000 and Rs. 120 000 respectively.

The **correct** gross profit and net profit of the business if the goods drawings had been properly adjusted in the books of accounts:

	Gross Profit (Rs.'000)	**Net Profit (Rs.'000)**
(1)	194	64
(2)	250	120
(3)	250	176
(4)	306	120
(5)	306	176

(.....)

10. The information given below relates to the trade debtors of Araliya Enterprises, a sole trader.

- The credit balance of allowance for doubtful debts account as at 01.04.2023 was Rs.70 000.
- Trade debtors as at 31.03.2024 (before adjusting for bad and doubtful debts) was Rs. 1 050 000.
- Rs. 50 000 receivable from a trade debtor as at 31.03.2024 has to be written off as a bad debt.
- This firm decided to make a 4% allowance for doubtful debts on the trade debtors balance as at 31.03.2024.

The expenses recognized for the year ending 31.03.2024 for the bad and doubtful debts and the carrying amount of trade debtors reported in the Statement of Financial Position as at 31.03.2024:

	Bad and Doubtful Debts Expenses (Rs.'000)	**Carrying Amount of Trade Debtors (Rs.'000)**
(1)	20	960
(2)	20	1 000
(3)	80	970
(4)	80	1 000
(5)	90	960

(.....)

- **Use the following information to answer questions no. 11 and 12.**

The following balances have been extracted from the accounting records of Mihirani Enterprises, a manufacturing business.

	As at 31.03.2024 (Rs.'000)	**As at 31.03.2023 (Rs.'000)**
Production Machinery - carrying amount	675	800
Inventory - Raw materials	45	60
Inventory - Finished goods	160	120
Trade creditors - Raw material purchases	15	20

The cash payments made during the year ending 31.03.2024 are as follows.

	Rs.'000
Direct labour cost paid	300
Cash paid to trade creditors	150
Production overheads paid	75

Additional information:

- All raw material purchases are made on credit basis.
- There were no work-in-progress and accrued expenses as at 31.03.2024 and 31.03.2023.
- There were no purchases or disposal of machinery during the year.

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11. Total manufacturing cost for the year ending 31.03.2024 (Rs.'000):

(1) 505 (2) 535 (3) 630 (4) 660 (5) 665 (.....)

12. Cost of sales for the year ending 31.03.2024 (Rs.'000):

(1) 495 (2) 575 (3) 590 (4) 620 (5) 700 (.....)

13. Which of the following statements are **correct** as per the Section 24 of the Partnership Ordinance of 1890?

A - The partners are entitled to share the profits and losses of the business equally.
B - The partners involved in the administration of the partnership are entitled to receive a remuneration.
C - The partners are not entitled to receive an interest on the capital invested.
D - The partners are entitled to be reimbursed if they have spent personal funds for business activities.

(1) A and C only. (2) A and D only. (3) B and C only.
(4) A, C and D only. (5) All A, B, C and D. (.....)

● **Use the following information to answer questions no. 14 and 15.**

Anil and Banu are carrying out a partnership sharing profits and losses equally. As per the partnership agreement, each partner is entitled to an annual salary of Rs. 1 200 000. The following opening balances as at 01.04.2023 have been extracted from the books of accounts of the partnership.

Partner	Capital Account – Credit (Rs.'000)	Current Account – Credit (Rs.'000)
Anil	6 000	800
Banu	5 000	600

During the year, Anil and Banu contributed Rs. 600 000 and Rs. 400 000 respectively as additional capital. Further, during the year, each partner has taken Rs. 1 000 000 in cash from their salaries. The profit share of each partner was Rs. 300 000 for the year ending 31.03.2024.

14. The profit of the partnership for the year ending 31.03.2024 (Rs.'000):

(1) 600 (2) 1 500 (3) 2 400 (4) 2 600 (5) 3 000 (.....)

15. The equity of the partnership as at 31.03.2024 (Rs.'000):

(1) 12 000 (2) 13 400 (3) 14 400 (4) 15 400 (5) 16 400 (.....)

● **Use the following information to answer questions no. 16 and 17.**

The following information relates to Saman PLC for the year ending 31.03.2024.

	Rs.'000
Cost of sales	6 500
Gross profit	3 500
Other income	1 600
Profit for the year	2 200
Revaluation surplus - Motor Vehicles	1 000
Revaluation deficit - Machinery	800

The machinery had been revalued for the first time on 31.03.2022 and had resulted a surplus of Rs. 450 000. The motor vehicles have been revalued for the first time and the machinery have been revalued for the second time during the current year.

In computing the profit for the year ending 31.03.2024, the revaluation surplus of motor vehicles Rs. 1 000 000 has been included in the other income. The revaluation deficit of the machinery Rs. 800 000 has been deducted entirely in computing the profit for the current year without considering the previous revaluation of the machinery.

16. The **correct** profit and other comprehensive income for the year ending 31.03.2024:

	Profit for the year (Rs.'000)	Other Comprehensive Income (Rs.'000)
(1)	1 650	550
(2)	1 650	1 000
(3)	2 200	550
(4)	2 650	550
(5)	2 650	1 000

(.....)

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17. The total income and total expenses recognized for the year ending 31.03.2024:

	Total Income (Rs.'000)	Total Expenses (Rs.'000)
(1)	11 150	9 400
(2)	11 150	10 200
(3)	11 600	9 400
(4)	11 600	9 750
(5)	11 600	10 200

(.....)

18. The following transactions have been occurred in Sachin PLC during the year ending 31.03.2024.

- Purchased a machine for Rs. 2 000 000 for cash.
- Sold an office equipment with a carrying amount of Rs. 3 600 000 at a gain of Rs. 600 000 for cash.
- Obtained the right-of-use of a motor vehicle for 5 years under a lease agreement. The cost of this right-of-use asset is Rs. 4 500 000. This cost includes an initial payment of Rs. 1 000 000.

The amount of **net** cash inflow/(outflow) from investing activities for the year ending 31.03.2024 as per 'LKAS 7 - Statement of Cash Flows' (Rs.'000):

(1) 1 100 (2) 1 200 (3) (3 200) (4) (3 500) (5) (4 900) (.....)

19. Which of the following statement/s is/are **correct** as per 'LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors'?

A - Accounting estimates arise due to the uncertainties inherent in business activities.
B - Accounting policies should always be selected by applying the guidelines prescribed in the accounting standards.
C - The effect of accounting estimates should be adjusted in the profit or loss of the current period or in the current and future periods as applicable.

(1) A only. (2) B only. (3) A and B only.
(4) A and C only. (5) All A, B and C.

(.....)

20. Which of the following statement/s is/are **correct** as per 'LKAS 37- Provisions, Contingent Liabilities and Contingent Assets'?

A - A provision is a liability of uncertain timing or amount.
B - A legal obligation is an obligation that derives from a contract, legislation or other operation of law.
C - An entity shall not recognise contingent liabilities and contingent assets in the financial statements.

(1) A only. (2) B only. (3) A and B only.
(4) B and C only. (5) All A, B and C.

(.....)

21. Which of the following statement/s is/are **correct** as per 'SLFRS 16 - Leases'?

A - At the commencement date of the lease, the lessee should measure the right-of-use asset at its fair value.
B - At the commencement date of the lease, the lessee should measure the lease liability at the present value of the lease payments that are not paid at that date.
C - The present value of lease payments is calculated using the interest rate implicit in the lease if it can be readily determined.

(1) A only. (2) B only. (3) A and B only.
(4) B and C only. (5) All A, B and C.

(.....)

22. Some balances of Gayantha PLC as at 01.04.2023 are given below.

	Rs.'000
Stated capital-ordinary shares issued at Rs.100 each	7 500
Retained earnings	3 500
Dividends payable	600

On 01.04.2023, the company capitalized retained earnings by issuing one share for every five shares held on this date at Rs.120 per share. The profit of the company for the year ending 31.03.2024 was Rs. 1 400 000. During the year ending 31.03.2024 the company paid the dividends payable as at 01.04.2023 and interim dividends of Rs. 500 000. The retained earnings is the only reserve maintained by the company.

The retained earnings of the company as at 31.03.2024 (Rs.'000):

(1) 2 000 (2) 2 300 (3) 2 600 (4) 2 900 (5) 6 200 (.....)

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23. The quick assets ratio of a business as at 31.03.2024 was 1:1. The business is considering the following actions to improve its quick assets ratio.

A - To pay an insurance premium in advance
B - To sell existing inventory on credit
C - To settle the existing short-term liabilities using cash in hand
D - To sell existing inventory for cash

Which of the above action/s would lead to improve the quick assets ratio of the business?

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

24. Which of the following activities can be considered as management accounting functions of a firm?

A - Determining the cost of a product or a service
B - Analysing the behaviour of costs when the activity level is changing
C - Providing the financial information for the investors and lenders
D - Analysing the cost-volume-profit relationship of a product

(1) A and B only. (2) A, B and C only. (3) A, B and D only.
(4) B, C and D only. (5) All A, B, C and D. (.....)

25. Which of the following statement/s is/are **correct** in relation to inventory management in a firm?

A - The economic order quantity of an inventory item is the re-order quantity at which the total of its annual ordering cost and annual holding cost is minimum.
B - The re-order level of an inventory item is calculated by multiplying its maximum consumption by the maximum lead time.
C - Cost formulas are used to measure the cost of an inventory item when specific identification method cannot be used.

(1) B only. (2) A and B only. (3) A and C only.
(4) B and C only. (5) All A, B and C. (.....)

26. The following information has been extracted from the payroll of a company for the month ending 31.03.2024.

	Rs.'000
Basic salaries	7 500
Allowances	2 500

Additional information:

- The employer and employee contributions to Employee Provident Fund (EPF) are 15% and 10% respectively.
- The employer contribution to Employee Trust Fund (ETF) is 3%.
- EPF and ETF contributions are calculated based on the gross salary of employees.
- A particular month's EPF and ETF are remitted in the following month.

Total expenses recognized relating to employees for the month ending 31.03.2024 and EPF payable as at 31.03.2024 of this company:

	Employee related Expenses (Rs.'000)	**EPF Payable (Rs.'000)**
(1)	10 000	1 500
(2)	10 000	2 500
(3)	11 500	2 500
(4)	11 800	1 500
(5)	11 800	2 500 (.....)

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● **Use the following information to answer questions no. 27 and 28.**

Jemini PLC produces a single product. The expected activity level of the company is 20 000 units. The following estimates are provided for the next period.

Direct raw material cost per unit	2 kgs at Rs. 300 per kg
Direct labour cost per unit	2 hours at Rs. 200 per hour
Production overheads absorption rate	Rs. 300 per direct labour hour
Total non-production overheads	Rs. 8 000 000
Profit markup on total cost	25%

Additional information:

It is estimated that 50% of production overheads and 75% of non-production overheads as variable costs.

27. The cost of production per unit and the total fixed cost for the next period:

	Cost of Production per unit (Rs.)	**Total Fixed Cost (Rs.'000)**
(1)	1 000	6 000
(2)	1 600	2 000
(3)	1 600	8 000
(4)	2 000	6 000
(5)	2 000	8 000

(.....)

28. The contribution per unit of this product:

(1) Rs. 500 (2) Rs. 600 (3) Rs. 900 (4) Rs. 1 100 (5) Rs. 1 200 (.....)

29. The activity level of a manufacturing company is 100 000 units. The following information relates to the year ending 31.03.2024.

	Rs.'000
Sales	12 000
Total fixed cost	3 000
Profit	2 000

The variable cost per unit and break even point (units) of the company:

	Variable Cost per unit (Rs.)	**Break Even Point (Units)**
(1)	30	100 000
(2)	50	40 000
(3)	50	60 000
(4)	70	40 000
(5)	70	60 000

(.....)

30. A firm is considering a project to invest in a machine with a useful life of 5 years. The estimated cost of this machine is Rs. 1 000 000. An annual net cash inflow of Rs. 200 000 is expected from this project. The expected rate of return of this project is 10% and the net present value (NPV) of the project is negative.

Which of the following statement/s is/are **correct** in relation to this project?

A - The present value of total future net cash inflows of this project is lower than its initial investment.

B - If the annual net cash inflows of the project is increased to Rs. 250 000, its payback period is 4 years.

C - When the expected rate of return of this project is higher than 10%, its NPV is positive.

(1) A only. (2) A and B only. (3) A and C only.
(4) B and C only. (5) All A, B and C. (.....)

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● **Write short answers for questions No. 31 - 50 on the dotted lines.**

31. Several activities of a firm are given below.

A - Selection of appropriate accounting policies in preparing the general-purpose financial statements.

B - Assessment of the tax liability in line with the provisions of the Inland Revenue Act.

C - Use of a computerised accounting software package to record the transactions.

D - Revaluation of buildings considering the changes in the market prices.

Select the **most appropriate** environmental factor influencing each of the above activities from the items given below.

(1) Economic	(2) Legal	(3) Professional	(4) Technological

Activity	Environmental Factor	Activity	Environmental Factor
A	.....	C	.....
B	.....	D	.....

32. The following information has been extracted from the financial statements of a sole trader.

	As at 31.03.2024 (Rs.'000)	As at 31.03.2023 (Rs.'000)
Total assets	800	600
Total liabilities	450	325

Additional information:

The following two transactions relating to the owner of the business have taken place during the year ending 31.03.2024 and they have been properly recorded.

1. The owner paid Rs. 50 000 to a creditor of the business using his personal funds.
2. The owner obtained goods costing Rs. 100 000 for his personal use.

(a) State the impact (+ or –) caused by the above two transactions **with the value** on the assets, liabilities, and equity of the business.

Transaction	Assets (Rs.'000)	Liabilities (Rs.'000)	Equity (Rs.'000)
1.	.....	.....	.....
2.	.....	.....	.....

(b) Profit of the business for the year ending 31.03.2024 (Rs.'000) : .....

● **Use the following information to answer the questions no. 33 and 34.**

The following four transactions have taken place in a furniture manufacturing business during the month ending 31.03.2024.

A - Purchased timber on credit for Rs. 2 500 000 from Kasun.

B - Purchased a timber processing machine on credit for Rs. 6 000 000 from Pubudu Ltd.

C - Sold furniture with a list price of Rs. 5 200 000 for cash subject to a trade discount of Rs. 200 000.

D - Settled the total amount due to Kasun subject to a cash discount of Rs. 100 000.

33. State the prime entry book used to record each of the above transactions.

Transaction	Prime Entry Book	Transaction	Prime Entry Book
A	.....	C	.....
B	.....	D	.....

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34. Write the journal entries to record the above Transactions 'C' and 'D'. (*Narration is not required*).

Transaction	Description	Dr. (Rs.'000)	Cr. (Rs.'000)
C			
D			

35. State the type of account for each of the following general ledger accounts.

General Ledger Account	Type of Account
A - Discount received	.....
B - Drawings	.....
C - Provision for compensation	.....
D - Accumulated depreciation on machinery	.....

36. Complete the following statements with the **most appropriate** accounting concept.

A - Only the transactions with a monetary value occurred in a firm are required to record in the books of accounts as per ..... concept.

B - The ..... concept requires a firm to report all information in the financial statements, which are useful for the stakeholders to make decisions.

C - The cost of goods purchased during the current year but not sold by the year-end of a firm is excluded from the cost of sales as per the ..... concept.

D - The cost of relatively low value equipment with a useful life of more than one year is treated as an expense in the financial statements of a firm as per the ..... concept.

37. State **with the value** whether each of the following transactions of a sports club occurred during the year ending 31.03.2024 leads to the **Increase** or **Decrease** of the accumulated fund balance.

Transaction	Impact Increase - (I) / Decrease - (D)	Value (Rs.' 000)
A - Subscription receivable Rs. 20 000 was written off during the current year.	.....	.....
B - Rented out the sports ground for Rs. 250 000 for a cricket tournament held during the year and received Rs. 200 000 in cash in this respect.	.....	.....

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38. Complete the following statements in relation to a partnership using the appropriate terms.

A - The variable equity of a partnership is recorded in the partners' ..... accounts.

B - When partners retire from the business, they are entitled to receive a 5% interest per annum on the unsettled balance as per the Section ..... of the Partnership Ordinance of 1890.

C - The maximum number of partners of a partnership business is limited to ..... as per the ..... Act.

39. Amal and Bimal carried out a partnership without a written agreement. Chamara joined the partnership on 01.04.2024 by investing Rs.1 000 000 in cash and a land worth of Rs. 2 000 000. On this day, the goodwill of the partnership was estimated as Rs.1 200 000. The new partnership is also continued without a written agreement.

Write the journal entries to record the following (*Narration is not required*).

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
(a) Contribution of Chamara to the capital of the partnership:		
(b) Goodwill of the partnership:		

40. Complete the following statements as per the Conceptual Framework for Financial Reporting (2018).

A - The equity is ..... interest in the assets of the entity after deducting all its liabilities.

B - A liability is a present obligation to transfer an ..... as a result of past events.

C - Income is the ..... in assets, or ..... in liabilities, that result in increases in equity, other than due to the contributions from equity holders.

41. State whether each of the following statements is **True (T)** or **False (F)** as per 'LKAS 2 – Inventories.'

Statement	True / False
A - Inventories are measured at cost and net realizable value whichever is lower.	.....
B - Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.	.....
C - An entity should use the same cost formula for all inventories having a similar nature and use.	.....
D - Out of the first-in first-out (FIFO) method or weighted average cost (WAC) method, the one that gives the lower value should be used in measuring the cost of an inventory item.	.....

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42. The financial statements of Saman PLC for the year ending 31.03.2024 were authorized for issue by the directors on 30.06.2024. The following events took place in the company after 31.03.2024.

No.	Event
1	A case was filed on 10.04.2024 by a customer. against the company demanding a compensation of Rs. 1.5 million. A court order was given on 15.06.2024 to pay this compensation.
2	A factory with a carrying amount of Rs. 9 million as at 31.03.2024 was destroyed on 20.04.2024.
3	A debtor was declared as bankrupt on 31.05.2024. The amount receivable from this debtor as at 31.03.2024 was Rs. 3 million.

Before considering above events, the total assets and total liabilities of the company as at 31.03.2024 were Rs. 60 million and Rs. 25 million respectively.

Identify the following as per 'LKAS 10 - Events after the reporting period',

(a) Non-adjusting event/s (Indicate only the number/s.) : .....

(b) The correct total assets and total liabilities as at 31.03.2024 after considering the above adjusting event/s:

Total assets (Rs. million) : ..... Total liabilities (Rs. million) : .....

43. Chatu PLC purchased a machine for Rs. 6 000 000 on 01.04.2021 and estimated its useful life as 5 years. The company depreciates the machines on reducing balance method at 40% per annum. On 01.04.2023, the company revised the depreciation method of the machine to straight line method and estimated its residual value as zero. There is no change in the useful life of the machine estimated on 01.04.2021.

State the following as per 'LKAS 16 – Property, Plant and Equipment'.

(a) Depreciation expenses for the year ending 31.03.2022 (Rs.'000) : .....

(b) Accumulated depreciation as at 31.03.2023 (Rs.'000) : .....

(c) Depreciation expenses for the year ending 31.03.2024 (Rs.'000) : .....

44. State whether each of the following statements is **True (T)** or **False (F)** as per 'SLFRS 15 - Revenue from Contracts with Customers.'

	Statement	True / False
A -	An entity should recognize revenue when it satisfies a performance obligation by providing a promised good or service to a customer.	.....
B -	The transaction price is the amount of consideration that the entity has received in cash in exchange of goods or services.	.....
C -	The consideration promised in a contract may include fixed amounts, variable amounts, or both.	.....
D -	The performance obligations can be satisfied at a point in time or over a period of time.	.....

45. The following information relates to Amara PLC for the year ending 31.03.2024.

Number of ordinary shares	60 000
Earnings per share (Rs.)	30
Total dividends (Rs.'000)	300
Income tax expense (Rs.'000)	700
Interest expenses (Rs.'000)	500

Identify the following for the year ending 31.03.2024.

(a) Dividends per share (Rs.) : .....

(b) Profit after tax (Rs.'000) : .....

(c) Interest cover ratio (Times) : .....

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46. The following cost items relate to a firm, which assembles bicycles using imported components. Classify each of these cost items as 'Direct or Indirect' and 'Variable or Fixed'.

Cost Item	Direct (D)/ Indirect (I)	Variable (V)/ Fixed (F)
A - Cost of tires and tubes	.....	.....
B - Monthly wages of assembly workers	.....	.....
C - Monthly salary of the assembly division supervisor	.....	.....
D - Costs of grease and oil	.....	.....

47. State whether each of the following statements relating to costs of a manufacturing business is **True (T)** or **False (F).**

Statement	True / False
A - The costs that can be identified specifically with a cost object is known as overheads.	.....
B - Stores ledger records both quantity and value of raw material items used by a firm.	.....
C - Fixed overheads do not change due to the increase or decrease in the production level within the relevant range.	.....
D - Wages paid to machine operators on output basis are classified as direct labour cost.	.....

48. A company manufactures a single product. It has two production cost centres. The budgeted information relating to these cost centres is given below.

	Cost Centre I	Cost Centre II
Overheads absorbed per unit	Rs. 100	Rs. 240
Processing time	2 direct labour hours	3 machine hours
Direct labour hours	50 000	—
Machine hours	—	20 000

Overheads absorption basis for Cost Centre I and Cost Centre II are direct labour hours and machine hours respectively.

Identify the following for each Production Cost Centre.

	Cost Centre I	Cost Centre II
(a) Overhead absorption rate (Rs.)	.....	.....
(b) Total budgeted overheads (Rs.'000)	.....	.....

49. Jaya PLC is planning to produce a single product. The estimated activity level of the company is 18 000 units. The company's expected break-even-point is 10 000 units. The expected selling price is Rs. 80 per unit and the contribution to sales ratio is 25%.

Identify the following.

(a) Variable cost per unit (Rs.) : .....

(b) Total fixed cost (Rs.'000) : .....

(c) Total cost at the activity level of 18 000 units (Rs.'000) : .....

(d) Profit if the activity level is 15 000 units (Rs.'000) : .....

50. A firm is considering to purchase an eco-friendly machine for a cost of Rs. 5 000 000. The useful life and residual value of this machine are estimated as 10 years and Rs. 400 000 respectively. This machine is depreciated on straight line method. The expected annual net cash inflow from this machine is Rs. 625 000.

Identify the following for this machine.

(a) Payback period (years) : .....

(b) Accounting rate of return (based on the average investment) : .....

* * *

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සියලු ම හිමිකම් ඇවිරිණි/முழுப் பதிப்புரிமையுடையது/All Rights Reserved]

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இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2024
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2024
General Certificate of Education (Adv. Level) Examination, 2024

ගිණුම්කරණය	II
கணக்கீடு	II
Accounting	**II**

33 E II

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

අමතර කියවීම් කාලය - මිනිත්තු **10** යි
மேலதிக வாசிப்பு நேரம் - **10** நிமிடங்கள்
Additional Reading Time - 10 minutes

Use additional reading time to go through the question paper, select the questions you will answer and decide which of them you will prioritise.

Use of non-programmable calculators is allowed.

Instructions:

* *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 questions paper carries **200** marks.*

1. The summarized trial balance of Saranga PLC as at 31.03.2024 is given below.

Description	**Dr. (Rs.'000)**	**Cr. (Rs.'000)**
Property, plant, and equipment	80 000	
Right-of-use asset	10 000	
Accumulated depreciation - Property, plant and equipment		16 000
- Right-of-use asset		500
Lease liability		10 000
Sales		98 500
Cost of sales	45 200	
Inventories	5 600	
Other income		2 600
Trade receivables	3 450	
Investment in treasury bills	18 000	
Cash and cash equivalents	3 800	
Stated capital - Ordinary shares as at 01.04.2023		40 000
Retained earnings as at 01.04.2023		33 200
Revaluation reserve - Buildings		6 000
Interim dividends	3 000	
Administrative expenses	25 250	
Distribution cost	10 750	
Finance cost	400	
Other expenses	800	
Warranty expenses paid	600	
Provision for warranty as at 01.04.2023		900
Income tax paid	1 400	
Provision for income tax as at 01.04.2023		550
	208 250	**208 250**

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Additional Information:

Before preparing the financial statements for the year ending 31.03.2024, the following information should be taken into consideration.

(i) The company has measured inventories at the lower of total cost or total net realizable value. The total cost and total net realizable value of inventories as at 31.03.2024 were Rs. 5 600 000 and Rs. 6 200 000 respectively. However, the net realizable value of one inventory item as at 31.03.2024 was less than its cost by Rs. 450 000.

(ii) The trade receivables balance is shown in the trial balance after offsetting the trade payables balance of Rs. 2 550 000 as at 31.03.2024.

(iii) Cash and cash equivalents shown in the trial balance include investment in three-months treasury bills and six-months treasury bills of Rs. 600 000 and Rs. 1 500 000 respectively.

(iv) The provision for warranty as at 31.03.2024 was estimated as Rs. 1 050 000.

(v) The details of property, plant and equipment are as follows.

Description	Cost / Value as at 31.03.2024 (Rs.'000)	Accumulated depreciation as at 31.03.2024 (Rs.'000)	Estimated useful life at the date of acquisition (Years)
Buildings	48 000	4 000	20
Motor vehicles	20 000	12 000	5
Office equipment	12 000	–	8
	80 000	**16 000**	

- All these property, plant and equipment are used for administrative purpose. The depreciation of these assets for the current year has been correctly calculated and included in the administrative expenses. Further, there were no purchases or disposals of the property, plant and equipment during the year.

- The company had revalued its buildings for the first time on 31.03.2023 for Rs. 48 000 000 at its fair value and resulted a surplus of Rs. 7 000 000. This revaluation had been properly accounted.

- The cost and accumulated depreciation of office equipment as at 31.03.2024 were Rs. 16 000 000 and Rs. 3 000 000 respectively. The company revalued the office equipment for the first time on this date at its fair value of Rs. 12 000 000 and resulted a deficit. This deficit has been debited to the building revaluation reserve account.

(vi) The company entered into a lease agreement on 01.04.2023 to obtain the right-of-use of a building for a period of 5 years. On this date, the cost of the right-of-use asset and the initial lease liability have been correctly accounted as Rs. 10 000 000. According to the lease agreement, 5 equal annual lease installments of Rs. 3 200 000 each is payable during the lease term commencing from 31.03.2024. The first lease installment has been paid on 31.03.2024 and recorded as an administrative expense. No other accounting entry had been made in relation to this installment payment. The lease interest applicable for the years ending 31.03.2024 and 31.03.2025 are Rs. 1 800 000 and Rs. 1 548 000 respectively. This building should be handed over to the lessor at the end of the lease term. However, this right-of-use asset has been depreciated over 20 years based on its useful life and it is included in the administrative expenses.

(vii) Income tax paid shown in the trial balance consists of Rs. 600 000 paid for the previous year and tax paid for the first three quarters of the current year. The total income tax liability for the year ending 31.03.2024 was estimated as Rs. 1 100 000.

(viii) The stated ordinary share capital as at 01.04.2023 consists of 4 000 000 shares issued at Rs.10 per share. The company capitalized retained earnings in the proportion of one share for every five shares held on this date at a consideration of Rs. 12 per share. No adjustment has been made in this respect in the books of accounts.

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Required:

The following financial statements (including notes) of Saranga 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 31.03.2024

(2) Statement of Financial Position as at 31.03.2024

(3) Statement of Changes in Equity for the year ending 31.03.2024 ***(Total 40 marks)***

2. (a) Amara PLC, a manufacturing entity, requires 10 000 units per annum of a raw material item. The purchase price per unit of this raw material is Rs. 2 000. The ordering cost per order of this raw material is Rs. 5 000. The annual stock holding cost per unit of this raw material is 20% of its purchase price. The maximum stock level and minimum stock level of the raw material are 700 units and 200 units respectively. The re-order level of this raw material is 600 units and its average lead time is 2 weeks.

Required:

(1) Economic Order Quantity (2) Number of orders per year

(3) Average stock level (4) Average consumption per week ***(10 marks)***

(b) Noreen PLC produces two types of products - 'A' and 'B'. The company consists of two production departments, namely; 'Assembly' and 'Finishing' and a service department - 'Stores'.

The Accounts Assistant of the company had calculated the following overhead absorption rates for the next year at the activity level of 3 000 units. (This activity level consists of 2 000 units of Product 'A' and 1 000 units of Product 'B'.)

- Assembly Department - Rs. 20 per machine hour
- Finishing Department - Rs. 30 per direct labour hour

Subsequently, it was revealed that the following errors have been done by the Accounts Assistant in calculating these overhead absorption rates.

- Budgeted machine hours for Assembly Department and budgeted direct labour hours for Finishing Department had been erroneously used as 65 000 and 35 000 respectively.
- The total non-production overheads Rs. 720 000 had been apportioned equally between Assembly and Finishing Departments.
- Although the correct total overheads of Stores was Rs. 210 000, it has been erroneously calculated as Rs. 150 000. However, it has been re-apportioned between Assembly and Finishing Departments at the correct ratio of 2:1 respectively.
- Further, the following production overheads had not been considered.

	Rs.
Indirect wages - Assembly Department	340 000
- Finishing Department	80 000
Rent for the special equipment used in Assembly Department	420 000
Insurance premium for machinery	170 000
Electricity for Production Departments	100 000
Staff welfare for Production Departments	400 000

Additional Information:

- Machinery insurance premium relates only to Assembly and Finishing Departments. The value of machinery of the Assembly and Finishing Departments are Rs. 16 Million and Rs. 18 Million respectively.
- The budgeted kilowatt hours for Assembly and Finishing Departments are 8 000 and 2 000 respectively.
- The number of employees in Assembly and Finishing Departments are 60 and 20 respectively.
- The correct budgeted machine hours and budgeted direct labour hours are 40 000 and 20 000 respectively.

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- Processing time at the production departments is as follows.

	Product A	Product B
Assembly Department (Machine hours)	2	3
Finishing Department (Direct labour hours)	3	4

- The prime cost per unit of Product 'A' and Product 'B' are Rs. 240 and Rs. 235 respectively.
- The company sells products keeping a 40% markup on the production cost.

Required:

(1) Revised Overhead Analysis Sheet clearly showing the bases of apportionment
(2) Revised overhead absorption rates for Assembly and Finishing Departments
(3) Cost of production per unit of Product 'A' and Product 'B'
(4) Total production cost and sales value at the activity level of 3 000 units *(30 Marks)*

(Total 40 marks)

3. **(a)** Dilshan Enterprises is a firm selling a special type of computers. This firm is registered for Value Added Tax (VAT). The following balances as at 01.10.2024 have been extracted from the books of accounts of the business.

	Rs.'000
Property, plant and equipment	324
Inventory (2 computers) at cost	250
Trade debtors	126
Cash	120
Total Assets	**820**
Equity	610
Trade creditors	150
VAT control - credit balance	60
Equity and Liabilities	**820**

The following transactions were taken place in the business during the month of October 2024.

No.	Transaction
1	The owner provided Rs. 120 000 cash as additional capital to the business.
2	Received other income of Rs. 20 000.
3	Sold the two computers, which were available in the opening inventory, for Rs. 295 000 each for credit (Inclusive of Rs. 45 000 VAT per computer).
4	Paid Rs. 135 000 to opening trade creditors after receiving a 10% cash discount.
5	Purchased three computers on credit for Rs. 118 000 each (Inclusive of Rs. 18 000 VAT per computer).
6	A computer costing Rs. 100 000 available in the inventory was obtained by the owner for his private use.
7	A computer costing Rs. 100 000 available in the inventory was provided for the office use.
8	Sold a computer for Rs. 177 000 for cash (Inclusive of Rs. 27 000 VAT). The cost of this computer was Rs. 100 000.
9	Paid operating expenses of Rs. 80 000.
10	Received Rs. 120 000 from opening trade debtors after allowing a cash discount of Rs. 6 000.
11	Purchased two computers for cash for Rs. 147 500 each (Inclusive of Rs. 22 500 VAT per computer).
12	The closing inventory as at 31.10.2024 was measured at its net realizable value of Rs. 200 000. The difference between the cost and the net realizable value of the inventory was recognised as an expense.

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Required:

(1) Record the balances as at 01.10.2024 and show the impact of transactions 1 to 12 (with values) using the accounting equation. State (+) if the value increases or (-) if the value decreases in front of each value. VAT relating to both sales and purchases should be recorded in the VAT Control column in the accounting equation. (In answering this question use a format similar to the one given below.)

(Rs.'000)

Balance / Transaction No.	Assets			=	Liabilities	+	Equity
	Property, plant, and equipment	Inventory	Trade debtors	Cash	Trade creditors	VAT control	
Balance as at 01.10.2024							
1							
2							

Balance as at 31.10.2024							

(2) The statement for the computation of the gross profit for the month ending 31.10.2024.

(30 marks)

(b) A welfare society had 200 members as at 01.04.2023. The annual subscription per member is Rs. 12 000. The following information relates to this welfare society for the year ending 31.03.2024.

Life membership:

- The welfare society introduced a life membership scheme on 01.04.2023. The life membership fee is equal to the annual subscription for 5 years. This amount is required to pay at once on the date the life membership is obtained.
- The policy of this society is to recognize the life membership fee as income equally over a period of 10 years starting from the year of receipt.
- 50 existing members and 10 new members obtained the life membership on 01.04.2023 by paying the due amount.

Annual subscription:

- There was no subscription received in advance or subscription in arrears as at 01.04.2023.
- No new members joined the society during the year other than the 10 new life members.
- 140 members paid the annual subscription for the current year and of which, 15 members paid the annual subscription for the next year as well.
- The remaining 10 members failed to pay the annual subscription for the current year.

Donations:

- The welfare society received a donation of Rs. 1 000 000 on 01.07.2023 to build a sports centre. From this donation, Rs. 100 000 was paid on 01.10.2023 for the design of the sports centre. The construction of the sports centre was commenced on 01.01.2024 and Rs. 400 000 was payable as at 31.03.2024 to the contractor for the work completed by this date.
- The policy of the society is to recognize donations as income based on the amount utilised during a year.

Required:

The following accounts of the welfare society for the year ending 31.03.2024:

(1) Life membership fund account

(2) Subscription account

(3) Donation fund account

(10 marks)

(Total 40 marks)

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4. (a) Amaran (Pvt) Ltd conducts a trading business. The company purchases goods only on credit basis and sells goods on both credit basis and cash. This company is registered for value added tax (VAT).

Balances of some general ledger accounts as at 01.01.2024 are given below.

	Rs.'000
Cash account	80
Trade debtors control account	295
Trade creditors control account	118
VAT control account - credit balance	27

The following transactions have occurred in the business during the month of January 2024.

(i) Sales during the month:

	Amount (Rs.'000)	**VAT included in sales (Rs.'000)**
Credit sales:		
- Wimal Traders	708	108
- Helan Ltd	472	72
Cash sales	236	36

(ii) Purchases during the month:

	Amount (Rs.'000)	**VAT included in purchases (Rs.'000)**
Asoka Ltd	826	126
Samagi Traders	590	90

(iii) Cash receipts and cash payments during the month:

	Amount (Rs.'000)
Cash receipts:	
From opening trade debtors	295
From Wimal Traders (After allowing a cash discount of Rs. 25 000)	683
From cash sales	236
Cash payments:	
To opening trade creditors	118
Opening VAT payable	27
To Asoka Ltd (After receiving a cash discount of Rs. 30 000)	796
Operating expenses	500

Required :

(1) The following prime entry books for the month of January 2024:

(i) Cash Receipts Journal

(ii) Cash Payments Journal

(iii) Sales Journal

(iv) Purchase Journal

(2) Journal entries with narration to post the totals of above prime entry books to the general ledger

(20 marks)

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(b) The following information was extracted from the financial statements of Sara PLC.

For the year ending 31.03.2024:	**Rs.'000**
Sales	2 000
Cost of sales	1 200
Interest expenses	30
Income tax for the year	70
Profit after tax	180

As at 31.03.2024:	**Rs.'000**
Property, plant and equipment	520
Inventory	150
Trade receivables	200
Cash and cash equivalents	80
Ordinary share capital	300
Retained earnings	200
12% debentures	250
Current liabilities	200

Additional information:

- Inventory as at 01.04.2023 was Rs. 250 000.
- Trade receivables as at 01.04.2023 was Rs. 300 000.
- All sales are made on credit basis.
- Assume 360 working days per annum.

Required:

The following ratios for the year ending 31.03.2024:

(1) Gross Profit Ratio
(2) Net Profit Ratio
(3) Stock Turnover Ratio
(4) Quick Assets Ratio
(5) Return on Equity Ratio
(6) Debtors' Collection Period
(7) Debt Ratio

(10 marks)

(c) A company is considering a project to purchase a machine costing Rs. 2 500 000. The machine is expected to use for a period of 5 years. At the end of the 5th year, the expected residual value of this machine is Rs. 500 000.

The estimated sales (in units) are as follows.

Year	**1**	**2**	**3**	**4**	**5**
Sales (units)	7 000	8 000	9 000	6 500	4 000

The selling price per unit is estimated as Rs. 500. It is expected that the selling price will increase to Rs. 600 and Rs. 750 in years 4 and 5 respectively. The annual direct operating cost is estimated as 50% of the sales revenue. The annual indirect cost including depreciation is estimated as Rs. 1 100 000. The company depreciates machines on straight-line method.

The required rate of return on investment is 10% and its discounting factors are as follows.

Year	**1**	**2**	**3**	**4**	**5**
Discounting factor (*at nearest two decimal places*)	0.91	0.83	0.75	0.68	0.62

Required:

(1) The estimated annual cash inflows and outflows of the project *showing each cashflow item separately*
(2) The Net Present Value (NPV) of the project
(3) Recommendation to invest in the project based on the NPV

(10 marks)

(Total 40 marks)

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5. **(a)** Lal and Piyal are partners of a trading business. The terms of the partnership agreement are as follows.

- Partners are entitled to share the profits and losses equally.
- Each partner is entitled to a 10% interest per annum on the opening capital balance.
- Each partner is entitled to a monthly salary of Rs.100 000.
- Partners are entitled to receive a 10% interest per annum on the loans provided to the partnership.

The trial balance of the partnership as at 31.03.2024 is given below.

Description	**Dr. (Rs.'000)**	**Cr. (Rs.'000)**
Sales		15 400
Cost of sales	6 000	
Inventory (based on the physical stock)	700	
Administrative expenses	3 800	
Distribution expenses	2 200	
Other expenses	600	
Property, plant and equipment - Carrying amount	8 000	
Cash	2 500	
Loan – Lal		1 000
Capital accounts as at 01.04.2023:		
Lal		4 000
Piyal		2 000
Current accounts as at 01.04.2023:		
Lal		700
Piyal		100
Suspense account		600
	23 800	**23 800**

Additional information:

(i) Kamal, the manager of the partnership, was admitted as a partner with effect from 31.03.2024. The partners agreed to share profits and losses equally in the new partnership as well. On this date, the goodwill of the partnership was estimated as Rs. 2 400 000. However, the goodwill has not been accounted for.

(ii) Kamal was entitled to an annual bonus of Rs. 1 000 000 as per his employment contract. This bonus for the current year neither has been paid nor recorded in the books of accounts. All partners agreed to treat this bonus as Kamal's capital.

(iii) Interest on capital balances of the partners for the current year have been debited to other expenses and credited to the suspense account.

(iv) During the year, Lal has drawn six-month's salary in cash. Further, Piyal has drawn the entire salaries for the current year and the salary for April 2024 in cash during the year. The total salaries drawn by the partners in cash have been recorded in administrative expenses.

(v) Interest on the loan provided by Lal for the current year neither has been paid nor accounted.

(vi) During the year, Lal and Piyal have taken goods costing Rs. 300 000 and Rs. 200 000 respectively from the partnership for their personal use. No adjustment has been made in the books of accounts in this respect.

(vii) During the year, Kamal has taken goods costing Rs. 100 000 for his personal use. No adjustment has been made in the books of accounts in this respect. When Kamal was admitted as a partner, other partners agreed to treat the goods taken by him as a gift given to him by the partnership.

Required:

(1) Income Statement of the partnership for the year ending 31.03.2024 (including appropriations to the partners)

(2) Capital Accounts and Current Accounts of partners for the year ending 31.03.2024

(30 marks)

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(b) Gamini is carrying out a consultancy service business. All cash transactions of this business are carried out through a bank current account. The debit balance of the cash account of the business as at 31.12.2023 was Rs. 35 800. However, the bank statement balance on this date did not agree with the cash account balance. The bank statement was received on 03.01.2024.

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

- On 15.12.2023, a consultancy income of Rs. 60 000 has been directly remitted to the bank.
- On 20.12.2023, the bank has paid a standing order payment of Rs. 25 000 for office building insurance.
- On 27.12.2023, a cheque of Rs. 80 000 issued for the payment of rent has been recorded twice in the cash payments journal.
- On 28.12.2023, the bank has debited bank charges of Rs. 1 000 to the current account.
- On 29.12.2023, a cheque of Rs. 25 000 issued for the payment of electricity charges has been dishonoured by the bank due to an error in the signature.
- A cheque of Rs. 50 000 issued to a trade creditor during the month of December 2023 has not been presented to the bank for payment by 31.12.2023.
- A cheque of Rs. 45 000 received from a trade debtor and deposited in the bank on 30.12.2023, has not been realized by 31.12.2023.

Direct remittances, standing order payments and bank charges are recorded in the cash account when the bank statement is received. No adjustment has been made in the cash account for the dishonoured cheque.

Required:

(1) Cash account for the month ending 31.12.2023 showing the adjustments required to revise the cash balance

(2) Bank Reconciliation Statement for the month of December 2023 ***(10 marks)***

(Total 40 marks)

6. (a) The following information has been extracted from the Statements of Financial Position of Deshani PLC as at 31.03.2024 and 31.03.2023.

	As at 31.03.2024 (Rs.'000)	As at 31.03.2023 (Rs.'000)
Property, plant and equipment - Carrying amount	23 500	19 750
Right-of-use assets - Carrying amount	12 000	7 000
Inventories	7 500	5 400
Trade receivables	6 500	3 250
Cash and cash equivalents	1 500	1 100
Lease liability	8 900	5 500
Trade payables	3 000	4 000
Income tax payable	700	550
Retained earnings	7 400	6 450

Additional information:

(i) Profit before tax and profit after tax for the year ending 31.03.2024 were Rs. 5 500 000 and Rs. 4 300 000 respectively.

(ii) Depreciation of property, plant and equipment and depreciation of right-of-use assets for the year ending 31.03.2024 were Rs. 2 800 000 and Rs. 1 400 000 respectively.

(iii) The company sold a motor vehicle for cash with a profit of Rs. 800 000 on 01.10.2023. The carrying amount of this motor vehicle on this date was Rs. 2 600 000. Further, during the current year, the company has purchased a machine for cash.

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(iv) The company entered into a new lease agreement to obtain the right-of-use of a motor vehicle on 01.04.2023. On this day, an initial payment was also made and the present value of the lease payments was Rs. 5 400 000.

(v) The lease installments including the lease interest of Rs. 900 000 were paid on 31.03.2024.

(vi) The share issues made by the company during the year ending 31.03.2024 are as follows.

- A public issue of shares for a cash consideration of Rs. 8 500 000.
- Issue of shares by capitalising retained earnings of Rs. 2 500 000.

(vii) The company has also paid an interim dividend during the current year.

Required:

Statement of Cash Flows of Deshani PLC for the year ending 31.03.2024 as per 'LKAS 7 – Statement of Cash Flows' (*Use **indirect method** to show the cash flows resulting from the operating activities*). ***(20 marks)***

(b) The management of a pre-school is planning to hold a sports meet during January 2025. The pre-school has 70 students. The expected costs of the sports meet are as follows.

	Rs.
Cost of a sports uniform per student	6 000
Cost of a food packet per student	400
Cost of printing a certificate of participation per student	100
Cost of gifts for sports events	30 000
Cost of hiring chairs and decorations	40 000
Cost of preparing the sports ground	25 000
Cost of hiring the sound system	10 000
Cost of food for guests	55 000

Additional information:

The costs of the sports meet are expected to cover through the following sources.

- The past students of this pre-school have agreed to donate Rs. 2 000 per a sports uniform of each student participating in the sports meet.
- The chairman of the board of management of the pre-school has agreed to sponsor the total hiring cost of the sound system of the sports meet.
- The balance amount will be covered by charging a fee from each participating student.

Required:

Calculate the following by considering the cost items to be incurred by the pre-school.

(1) Total fixed cost of the sports meet

(2) Variable cost per student

(3) The number of students required to participate in the sports meet to cover the total cost if a fee of Rs. 7 500 is charged from each student

(4) The expected surplus if all students of the pre-school participate in the sports meet and a fee of Rs. 7 500 is charged from each student

(5) The margin of safety (in students) if a fee of Rs. 9 500 is charged from each student and 55 students participate in the sports meet

(6) The fee to be charged from each student to cover the total cost, if a donation of Rs. 45 000 is received to cover a part of the fixed cost and 60 students participate in the sports meet

(20 marks)

(Total 40 marks)

* * *

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