
 Founded 1965	Sujatha Vidyalaya Nugegoda HIGHLANDS COLLEGE Maharagama	 ESTD 1960 Education Enriches the Future
Term / Year – 3rd Term Test 2019		Grade - 13
ACCOUNTING - Part II		Duration – 3 Hrs

01. The Trial balance of Rajitha Plc as at 31/03/2016 is given below.

	Dr (000)	Cr (000)
Stated Ordinary share capital (800,000 shares)		20,000
Retained Earnings as at 01.04.2017		3,255
General reserve		1,500
Sales		51,750
Property plant & Equipment	21,250	
Accumulated depreciation for P.P.E (as at 01.04.2017)		6,250
Cost of sales	20,700	
Trade receivables	5,950	
Trade payables		2,500
Inventories (at cost)	4,250	
15% Bank Loan		16,000
Administration Expenses	9,950	
Distribution Expenses	9,250	
Loan interest	750	
Income tax paid 2017/18	750	
Accrued Electricity as at 01.04.2017		225
interim dividends	2,000	
lease installment paid	600	
Audit fee	180	
Director's fee	100	
VAT paid	2,050	
10% Fixed deposits	6,500	
Sunday Income		2,000
Cash control account	12,000	
Petty cash book	650	
Three months treasury bills	6,000	
EPF expense	500	
ETF expense	50	
	103,480	103,480

Additional information

- Expected selling price of stock as at 31.03.2018 was Rs. 4,300,000 10% sales commission should be paid to sales man in relevant to sales at that stock.

2. Composition of Property, plant and Equipments as at 01.04.2017

Asset	Cost/Revalued amount (Rs.000)	Accumulated depreciation (Rs.000)	Depreciation percentage
Land & Building	8,750	2,000	10% on cost
Plant & Machinery	2,500	1,500	20% on cost
Motor vehicle	6,250	1,850	10% on cost
Office equipment	3,750	900	10% on cost
	21,250	6,250	

3. Fair value of Land included in land & building was Rs. 3,750,000 As at 31.03.2018 Land had been revalued by a professional value at Rs. 5,000,000. Same land was revalued on 31.03.2015 and recorded revaluation loss of Rs. 750,000
4. On 31.12.2017 Rs. 350,000 of cash received from sales of Machine had been debited to cash account and credited to sundry income account. This machine had been purchased on 01.01.2015 at at Rs. 500,000 No. entry had been made in this respect other than recording cash receipt.
5. A Motor vehicle was acquired for Rs. 1,500,000 as at 01.04.2017 unfinanced lease. Lease period of the agreement is 4 years and expected useful life is 5 years. Lease installment for the period had been paid and debited to Lease installment account and depreciation for the period has not been charged. The ownership of the asset will not be transferred to the lessee at the end of lease period. No entry has been made other than recorded lease interest Lease interest for 4 years period was as follows.

Year	Interest (RS)
2017/18	360,000
2018/19	270,000
2019/20	180,000
2020/2021	90,000

6. The employer and the employee contributions to the EPF are 15% and 10% respectively and Employer contributed 3% to ETF. EPF contribution of employee has been deducted at the time paying salary to the employee and net salary payment of Rs. 2,250,000 was included in Administration expenses. Amount paid for EPF and ETF fund for the year ended 31.03.2018 was debited to EPF and ETF accounts.
7. 10% fixed deposit was made on 01.10.2017 and directors fee of Rs. 50,000 had to be paid.
8. Cost of sales includes paid VAT of Rs. 2,700,000 and Sales includes 15% VAT collected
9. Rs. 450,000 worth of debtor has been proven bankrupt on 10.05.2018 and board of directors has approved these financial statements on 15.06.2018 10% provision should be provided for doubtful debts based on year debtor's balance. Policy of the business adjusts to bad debts in provision for doubtful debt account.
10. Legal case had been filed by the environmental protection authority regarding environment pollution activity of the company. The board of directors has obtained the company lawyer's opinion on 31st March 2018 and it is probable that the company will be liable to pay Rs. 750,000 as compensation as per his opinion.
11. On 31.03.2018 the company has issued bonus shares in the ratio of one share for every twenty ordinary shares tot he existing share holders by capitalizing retained eranings.

12. Income tax for the year ended 31.03.2018 has been estimated as 25% of profit before tax.
13. Director's proposed to transfer Rs. 500,000 to general reserve and to pay dividend of Rs. 5 for ordinary shares

Required

The following financial statements (including notes) for Prathiba PLC for Publication

- Profit or Loss and other comprehensive income statement for the year ended 31.03.2018
- Statement of changes in equity for the year ended 31.03.2018
- Statement of Financial position as at 31.03.2018

(20 marks)

02. a) Ganganath PLC has two production departments and one service department as Stores. Company produces two types of products as product 'A' and product 'B' Following is an incompleting budgeted overhead analysis sheet of Ganganath PLC

Overhead	Basis of apportionment	Total Rs.	Productions		Stores
			Assembling	Finishing	
Allocated O/H		740	320	240	180
Rent		800			
Welfare expences		200			
Depreciation of Machinery		350			
Factory Manager Salary		200			
Machine Maintenance		50			

Additional information

a.

Overhead	Total Rs.	Productions		Stores
		Assembling	Finishing	
Floor area (Squire Feet)	40,000	20,000	10,000	10,000
Cost of Machinery	70,000	40,000	30,000	
Maintenance Hours	10,000	6,000	4,000	
Number of employees	2,000	800	1000	200
Machine Hours		27,600	25,000	
Direct Labour Hours		28,000	32,000	
Material Requisition noes		2,700	1,5000	

- Total overhead cost of stores is reapportioned among two production department base on the number of material requisition notes.
- Overhead costs are absorbed on the following bases.
Assembly department – Machine hours
Finishing department – Direct labour hours
- Cost related information of product A and B

	A	B
Direct Material	1,000	800
Direct Labour	600	500
Production Over head		
Assembly	5 hours	6 hours
Finishing	4 hours	5 hours

Required

1. Complete overhead analysis Statement
2. Compute Production cost per unit of product A and B

(10 marks)

02. b) Pehesara Education Centre is planning to conduct a seminar for accounting subject for upcoming advanced level examination of August 2017. Expected expenses to be incurred for the seminar as follows.

Rent of the hall	Rs. 60,000
Advertising	Rs. 7,500
Charges of Lecturers	Rs. 60,000
Cost of Printed Materials (per student)	Rs. 360
Helpers Allowances (per helper)	Rs. 1,500
Refreshment Cost (Per student)	Rs. 120
Loudspeaker Charges	Rs. 4,500

Additional information

- Use the service of 8 helpers
- Amount charged from one student for seminar is Rs. 1,200
- Seating capacity of hall is 500 seats.

Required:

1. Fixed Cost of the seminar
2. No. of students to be participated to cover up total cost of the seminar
3. Profit to be earned if all 500 seats of the hall were occupied
4. No. of students to be participated to cover up total cost, if 20% of student fee also to be paid to lecturer.
5. No. of students to be participated to earn profit of Rs. 36,000, if 205 of students fee paid to lecturer and additional printed material costing Rs. 80 is provided to students

(10 marks)

(Total 20 marks)

03. a. Saranga Dissanayake has started a transport service called Sahana office transport on 01.01.2018 by investing Rs. 100 000. Transactions related for the three months ended 31.03.2018 are given below.

01/01	Payment of Rs. 5 000 for printing receipts
01/02	Invested a motor vehicle of Rs. 1 200 000 which was used by Saranga. It was estimated
02/07	Incurred a fuel expense of Rs. 10 000 for a personal tour of Saranga
02/10	Receipt of other income Rs. 50 000
03/07	Vehicle maintenance expense Rs. 20 000 (out of that Rs. 5 000 has not yet been paid)
03/31	Receipt of service income for the first quarter Rs. 600 000
	Fuel expense for the first quarter is Rs. 200 000 and only Rs 150 000 was paid
03/31	Paid Rs 75 000 as driver's salary (monthly salary Rs. 25 000)

Required

1. Show the impact of these transactions (with value) in the accounting equation . (Use a format similar to one given below)

Date	Assets	Liabilities	Equity

Income statement for the quarter ended 31.03.2018

(5 marks)

- b. The extracts of cash receipts and cash payments journal for the month of March 2018 of Somasundara's business are as follows

Cash Receipts :

Date	Description	Cheque No	Discount Allowed (Rs)	Value (Rs)
03/01	Sales	250250	-	80 000
03/10	Receipt-sisira	375750	800	9 200
03/28	Building rent	-	-	<u>10 000</u>
	Total		<u>800</u>	<u>99 200</u>

Cash Payments:

Date	Description	Cheque No	Discount Allowed (Rs)	Value (Rs)
03/08	Srimal	301302	1 500	18 000
03/12	Salary	301303	-	10 000
03/20	Jayasiri	301305	2 000	48 000
03/28	Purchase	301306	-	<u>40 000</u>
	Total		<u>3500</u>	<u>116 000</u>

- ii. Bank statement send for the month ended 31.03.2018

Date	Description	Debit (Rs)	Credit (Rs)	Balance (Rs)
03/01	Balance	-	-	25 000
03/01	Deposit –cheque 250250	-	80 000	105 000
03/12	Cheque – 301303	10 000	-	95 000
03/21	Deposit Cash	-	10 000	105 000
03/29	Cheque 301306	40 000	-	65 000
03/30	Bank Charge	1 000	-	64 000
03/30	Deposit (Kumari) 17973	-	22 000	86 000
03/31	Insurance installment	6 000	-	80 000

- iii. Balance as at 01.03.2018 and extracts of prime entry books for the month of March of Somasundara's business are as follows.

Description	Sisira	Kumari	Amal
Debtors balances as at 2018.03.31	15000	48 000	1 200
Sale journal	30 000	60 000	-
Return inwards journal	800	2 200	-
General journal (bad debts write off)	1 500	-	500
	Sirimal	Jayasiri	Premasiri
Creditors balance as at 2017.04.01	30 000	53 000	65 000
Purchase journal	20 000	80 000	-
Return outward journal	7 000	3 000	-

Additional Information

- Balance as at 31.03.2018 in cash control account was Rs 16 700
- Total of expenses column in the cash payment journal Rs. 10 000 has been recorded as Rs. 1 000 in the cash control account

3. The bank has informed that the cheque issued on 20.03.2018 was dishonored Creditor has inform that the discount offered was cancelled

Required

1. Correct balance of the cash control as at 31.03.2018
2. Bank reconciliation statement for the month of March 2018
3. Debtors control and creditors control accounts for the month of March 2018 **(15 marks)**

(Total 20 marks)

04.a. Dilenatharu sport club was formed on 01.01.2017 by using Rs. 100,000 worth of building donated by a well-wisher and annual subscription of 25 members of Rs. 500 each. However following assets and liabilities were as at 31.12.2017

Building	Rs. 200,000
Sport equipment	Rs. 100,000
Bank balance	Rs. 60,000
Stock of canteen	Rs. 90,000
Furniture & fitness	Rs. 40,000
Payables to supplies of canteen	Rs. 60,000

This club was registered on 01.01.2018 and introduces a new constitution. Following provisions were included in that constitution.

- i. 25 of opening members awarded honorable membership and decided not to collect subscription from them.
- ii. Annual subscription per member is Rs. 500
- iii. Life membership fee per member was decided as Rs. 5,000 and it should be identified as income over 10 years
- iv. Receipts and payments for the year 2018 were as follows.

<u>Receipts</u>	Rs.
Annual membership fee	
For the year 2017	150,000
For the year 2018	10,000
Income from canteen	210,000
Rent income of grounds	80,000
Life Membership	80,000

<u>Payments</u>	
Payments to supplier	120,000
Acquisition furniture fittings	30,000
Electricity	8,000
Salaries	120,000

Additional information

- i. Some of the assets and liabilities as at 31.12.2018 was as follows

Building (Net book value)	Rs. 180,000
Sport equipment (Net book value)	Rs. 75,000
Furniture (Net book Value)	Rs. 60,000
Payable to supplier	Rs. 50,000
Accrued telephone	Rs. 5,000
Stock of Canteen	Rs. 35,000

- ii. Total members of the club was 356 including honorable memebers.
- iii. Analysis of salary payment for the year is as follows

Salary of canteen employees	Rs. 40,000
Ground man	Rs. 50 000
Administrative officer of the blub	Rs. 30 000
- iv. 60% of electricity relevant for the canteen and balance for office of the club

Required,

1. Subscription account and life membership account
2. Income statement of the cateen for the year ended 31.12.2018
3. Income statement of the club for the year ended 31.12.2018
4. Statement of Financial position as at 31.12.2018

(10 marks)

- b. Information pertaining to salaries of Pala cements bricks manufacturers for the month of May 2018 is as follows**

Employee Name	Basic salary	No of hours worked
Ganesh	Rs. 24,000	190
Kamalsiri	Rs. 120 per hour	200
Mohamed	Rs. 100 per hour	210
Pinto	Rs. 80 per hour	220

Additional Information

1. Normal working month is 160 hours, Overtime rate is one and half of normal working hour rate
2. 5% of basic salary wad deducted from Ganesh as he was living in a house provided by the business
3. Monthly contribution of Rs. 100 should be deducted for welfare fund each employee.
4. Rs. 1 500 of monthly loan installment from Ganesh and Kamalasiri and Rs. 1 000 of Monthly loan installment of Mohamed and Pinto wad deducted from the salary
5. The employer and the employee contributions to the EPF are 15% and 10% repectively and Employed contributes 3% to ETF from basic salary of employees

Required,

1. Payroll sheet for the month of May 2018
2. Prepare following ledger accounts
 - Salary control account
 - EPF payable account
 - ETF payable account

(10 marks)

(Total 20 marks)

05. a. Athula and Bandula were partners of a trading firm sharing profits and losses in the ratio of 3 :2 They had decided to admit Chali as a new partner on 01.04.2017 with 1/4th of profit share Amount introduced by Chali to the partnership as capital was Rs. 600,000 provisions of the new partnership are as follows.

- i. To pay 10% interest on capital based on adjusted capital account balances
- ii. Every partner is entitled to a monthly salary of Rs. 60,000
- iii. The good will of the partnership on the date of admission of Chali was estimated as Rs. 4000, 000 and all adjustments in this regard should be made through partners capital account.
- iv. Agree to maintain same profit sharing ratio by old partners

The statement of financial position of the partnership as at 31.03.2017 is as follows

<u>Noncurrent Asset</u>	Cost	Acc:Dep	N.B.V
Land	300	-	300
Building	500	100	400
Motor vehicle	500	140	360
Furniture & fittings	400	20	380
	1,700	260	1440
<u>Current Assets</u>			
Stock			
Trade receivables		56	
Income receivables		230	
Cash		5	
		100	391
			1,831
Capital Account - Athula		1,000	
Bandula		500	1,500
Current Account - Athula		20	
Bandula		(34)	(14)
<u>Noncurrent Liabilities</u>			
10% bank Loan			200
<u>Current Liabilities</u>			
Trade payables		100	
Income received in advance		20	
Accrued expenses		25	145
			<u>1,831</u>

Additional Information

01. Following assets and liabilities balances could have been seen in books of accounts as at 31.03.2018

Stock	Rs. 96,000
Trade receivables	Rs. 200,000
Trade payables	Rs. 40,000
Accrued expenses	Rs 20,000
Income received in advance	Rs. 5,000

02. Rs. 115,000 and Rs. 800,000 paid during the year for operating expenses and trade payables respectively. The amount of money received from trade receivables during the year was Rs. 1,020,000. Receipt of other income during the year was Rs. 15,000
03. Goods drawings of the partners during the year are as follows
- | | |
|---------|------------|
| Athula | Rs. 30,000 |
| Bandula | Rs. 20,000 |
| Chali | Rs. 10,000 |
04. Rs 10,000 should be written off as bad debts and 10% provision should be provided for year end trade receivables.
05. Property plant and equipment should be depreciated on straight line method as follows
- | | |
|----------------------|-----|
| Building | 5% |
| Motor Vehicle | 10% |
| Furniture & fittings | 10% |

Required,

- a. Income statement of the partnership for the year ended 31.03.2018
- b. Capital accounts and Current account of the partners.

(10 marks)

- b. A company is considering to acquire a new solar power generating of A for fulfilling the electricity requirement from solar power. Total purchase and intallation cost of machine would be Rs. 300 000 Salvage value and useful life time estimations of the machine are Rs. 50 000 and 5 years. Existing average annual Operating expenses of company is Rs. 100 000 Estimated average annual Operating expenses including depreciation for the next 5 years and discount rate 15% given below.**

Year	1	2	3	4	5
Average annual electricity consumption cost Rs.	70 000	65 000	60 000	60 000	55 000
Discount Factor 15%	0.87	0.75	0.65	0.57	0.49

Required

1. Pay back period of the project
2. Net present value (NPV) of the project
3. Recommendation as to selection of the project based on the NPV

(5 marks)

- c. Sunamya public Limited Company commenced on 01.04.2017 and it is a tax free company following information relates to this company.**

- i. information extracted from statement of financial position as at 31.03.2018

	Rs. 000
Stated capital ordinary sharee (Rs.100per share	1 000
Total Equity	1 200
Current Liabilities	300
Non Current Liabilities	?

- ii. Accounting ratios for the year ended 31.03.2018

Gross profit ratio 40%
Net profit ratio 20%

- Inventory turn over ratio – 4 times
 Total assets turnover ratio – 0.5 times
 iii. During the period dividend payment or reserve transfers were not occurred

Required,

Calculate the following for Sunamya PLC

1. For the year ended 31.03.2018
 - Net profit
 - Sales
 - Earnings per ordinary share
2. As at 31.03.2018
 - Inventory
 - Non –current liabilities

(5 marks)

06. The summarized financial statements of Sanath PLC are given below.

Sanath PLC
Statement of profit or loss for the year ended 31.03.2018

	Note	Amount	Amount
Sales			20 000
Cost of Sales			(8 000)
Gross profit			12 000
Other income			400
Distribution cost			12 400
Administration expenses		2 300	
Finance expenses		2 700	
Other expenses		1 000	
Profit Before Tax		400	(6 400)
Income Tax			6 000
Profit for the year			(1 500)
Surplus on land Revaluation			4 500
Total Comprehensive			2 500
			7 000

Sanath PLC
Statement of changes in Equity for the year ended 31.03.2018

	Ordinary shares	Revaluation Resrves	General Reserve	Refrained earnings	Total
Balance at 01.04.2017	8 000	1 500	2 000	4 200	15 700
Share issue	1 000	-	-	-	1 000
Right issue	2 000	-	-	-	2 000
Reserve capitalization	2 000	-	-	(2 000)	-
Total comprehensive Income	-	2 500	-	4 500	7 000
Dividend paid	-	-	-	(1000)	(1 000)
Transfer to General reserves	-	-	500	(500)	-
Balance at 31.03.2018	13 000	4 000	2 500	5 200	24 700

Sanath PLC
Statement of changes in Equity for the year ended 31.03.2018

Asset	Note	Amount 2018.03.31	Amount 2017.03.31
<u>Non current asset</u>			
Property plant and equipment		18 000	15 300
Investment		2 000	1 000
<u>Current assets</u>			
Closing Inventory		2 200	1 000
Trade Receivables		2 500	1 500
Treasury bills (03 months)		500	-
Cash		1 700	200
Total Assets		26 900	19 000
<u>Equity & Liabilities</u>			
Stated capital Ordinary shares			
Reserves		13 000	8 000
Revaluation reserves		4 000	1 500
General reserves		2 500	2 000
Retained earnings		5 200	4 200
<u>Non Current liabilities</u>			
Bank Loan		1 700	2 600
<u>Current liabilities</u>			
Trade Payables		500	700
Total Equity and Liabilities		26 900	1 9000

Additional Information

01. Interest for bank loan was included under finance expenses
02. All purchases and sales were on credit term
03. During the year, equipment cost, Rs. 1000 000 was sold with a profit of Rs. 400 000
04. Stock as at 31.03.2017 at cost was Rs. 2600 000 Net reliable value of it was estimated as Rs. 2200 000. Stock written of Rs. 400 000 was included under other expenses

Sanath PLC
Property, Plan and Equipment

Description	Land	Building	Motor Vehicles	Equipments	Total
Balance 01.04.2016	4 500	5 800	1 200	5 700	17 200
Additions	-	-	2 000	-	2 000
Disposal	-	-	-	(1 000)	(1 000)
Revaluations	2 500	-	-	-	2 500
Balance as at 31.03.2017	7 000	5 800	3 200	4 700	20 700
<u>Accumulated Depreciation</u>					
Balance at 01.04.2016	-	800	300	800	1 900
Deprecation expense	-	400	500	300	1 200
Disposal	-	-	-	(400)	(400)
Balance as at 31.03.2017		(1 200)	(800)	(700)	(2 700)
Carrying Amount	7 000	4 600	2 400	4 000	18 000

Required, Prepare

01. Statement of cash folws using direct method as LKAS 7
02. Operating cash flows using indirect method as LKAS

(20 marks)