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

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2022(2023)  
 கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2022(2023)  
 General Certificate of Education (Adv. Level) Examination, 2022(2023)

ගිණුම්කරණය II  
 கணக்கீடு II  
 Accounting II

33 E II

අය දූරය  
 மூன்று மணித்தியாலம்  
 Three hours

අමතර කියවීමේ කාලය - මිනිත්තු 10 කි  
 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 Damitha PLC as at 31.03.2022 is given below.

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
Property, plant and equipment .....	80 000	
Accumulated depreciation as at 01.04.2021 - Property, plant and equipment .....		11 000
Sales.....		72 200
Cost of sales .....	43 000	
Inventory .....	3 250	
Other income .....		1 800
Trade receivables.....	9 100	
Trade payables.....		5 250
Cash and cash equivalents.....	500	
Stated capital - ordinary shares.....		40 000
Retained earnings as at 01.04.2021 .....		17 700
Revaluation reserve - buildings.....		5 000
Administrative expenses .....	8 800	
Distribution cost .....	6 200	
Finance cost .....	1 500	
Other expenses .....	600	
Income tax paid .....	900	
Provision for income tax as at 01.04.2021 .....		400
Provision for compensation .....		500
	<u>153 850</u>	<u>153 850</u>



**Additional Information:**

Before preparing the financial statements for the year ending 31.03.2022, adjustments have to be made for the following.

- (i) The inventory as at 31.03.2022 consisted of three items and their cost and net realizable value were as follows.

Item	Cost (Rs.'000)	Net Realizable Value (Rs.'000)
A	1 250	1 600
B	1 200	1 100
C	900	550
	<u>3 350</u>	<u>3 250</u>

It is the policy of the company to apply item-by-item basis in measuring inventory at cost and net realisable value, whichever is lower. However, the inventory as at 31.03.2022 has been measured by comparing the total cost and the total net realizable value of all three items in contrary to this policy. Accordingly, the cost of the inventory has been written off by Rs. 100 000 and it has been included in other expenses.

- (ii) The provision for compensation shown in the trial balance has been made in relation to a case filed by a customer against the company. The court decision was given on 01.05.2022 and the company paid a compensation of Rs. 700 000 accordingly. The financial statements were authorised for issue by the directors of the company on 01.06.2022.

- (iii) The composition of property, plant and equipment and their accumulated depreciation are as follows.

Description	Cost/Value as at 31.03.2022 (Rs.'000)	Accumulated Depreciation as at 01.04.2021 (Rs.'000)
Land	30 000	—
Buildings	25 000	2 000
Motor vehicles	15 000	5 000
Office equipment	10 000	4 000
	<u>80 000</u>	<u>11 000</u>

All property, plant and equipment are used for administrative purposes. Depreciation should be provided for the year ending 31.03.2022. There is no residual value for these assets. (The additional information (iv), (v) and (vi) should also be considered in calculating depreciation.)

- (iv) The buildings and motor vehicles were revalued for the **first time** on 31.03.2019 and it is recorded correctly in the books. The details in this respect are given below.

	Buildings	Motor Vehicles
Revaluation surplus (Rs.'000)	5 000	—
Revaluation deficit (Rs.'000)	—	1 000
Remaining useful life from the date of first time revaluation (Years)	25	6

The buildings and motor vehicles were revalued for the **second time** on 31.03.2022 as follows.

	Buildings	Motor Vehicles
Revalued amount (Rs.'000)	20 000	7 000

However, no accounting entry has been made with respect to the second time revaluation of buildings and motor vehicles. There were no purchases or disposals of buildings and motor vehicles after 31.03.2019.

- (v) Few office computers were sold on 01.10.2021 for Rs.1 600 000 and they were purchased on 01.10.2020 for Rs.2 000 000. The company depreciates office equipment at 20% per annum on cost using straight-line method. The cash received by selling these computers has been debited to cash account and credited to other income account. No other accounting entry has been made for this sale.



- (vi) The following items of property, plant and equipment had been purchased during the current year and they have been properly accounted.

Date of Purchase	Item	Cost (Rs.'000)
01.07.2021	Land	8 000
01.10.2021	Photocopy machine	1 500

- (vii) Directors' fee of Rs. 1 900 000 and the interim dividend paid for ordinary shareholders of Rs. 1 100 000 have been included in the administrative expenses.

- (viii) The company obtained the right-of-use of a building on 01.04.2021 under a lease agreement. The details of this lease are as follows.

Lease period	5 years
Useful life of the building	25 years
Initial cost of the right-of-use asset (Rs.'000)	2 750
Initial amount of the lease liability (Rs.'000)	2 750
Annual lease installment (Rs.'000)	820
Lease interest for the year ending 31.03.2022 (Rs.'000)	412
Lease interest for the year ending 31.03.2023 (Rs.'000)	350

The ownership of the right-of-use asset is not transferred to the company at the end of the lease term. The lease installment should be paid on 31<sup>st</sup> March of each year. Accordingly, the first annual lease installment was paid on 31.03.2022 and it was erroneously included in the distribution costs. No other accounting entry has been made as to this lease. The right-of-use assets are presented as a separate item on the face of the statement of financial position of the company.

- (ix) Income tax paid shown in the trial balance consisted of Rs. 320 000 paid for the previous year and the tax paid for the first three quarters of the current year. The total income tax liability for the year ending 31.03.2022 was estimated as Rs. 1 200 000.

### Required :

The following financial statements (including notes) of Damitha 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 31.03.2022
- (2) Statement of Financial Position as at 31.03.2022
- (3) Statement of Changes in Equity for the year ending 31.03.2022 (Total 40 marks)

2. (a) Anuradha (Pvt) Ltd is a firm engaged in manufacturing of bricks. The following information relates to a raw material used in manufacturing of bricks for the month of March 2022.

Date	Description	Quantity (Kg)	Price per Kg
01	Opening raw material inventory	5 000	Rs. 25
10	Purchase of raw material	20 000	Rs. 30
15	Issue of raw material to manufacture, bricks	16 000	?
20	Purchase of raw material	30 000	Rs. 40
28	Issue of raw material to manufacture bricks	10 000	?

### Required :

The stores ledger account for this raw material for month of March 2022 based on each of the following methods:

- (1) First-in First-out (FIFO) method
- (2) Weighted Average Cost (WAC) method

(16 marks)



- (b) A manufacturing company produces two products, namely; 'X' and 'Y'. The company uses two production cost centres, namely; 'Assembly' and 'Finishing', and the service cost centre - 'Stores' to produce these products. All these cost centres are located in the same premises. The budgeted production overheads for the next financial year are given below.

Rs.'000

**Allocated overheads:**

Assembly	930
Finishing	760
Stores	40

**Other overheads:**

Factory rent	100
Electricity	300
Depreciation of machinery	450
Maintenance cost of the information system	420

**Additional Information:**

- (i) The information relevant to the cost centres:

	Assembly	Finishing	Stores
Kilowatt hours	10 000	8 000	2 000
Machinery cost (Rs.'000)	80	40	—
Floor area (square meters)	1 500	750	250
No. of reports generate through the information system	50	150	10

- (ii) The service of stores is provided to Assembly and Finishing cost centres in the ratio of 3:2 respectively.
- (iii) The overheads of Assembly and Finishing cost centres are absorbed into the products based on machine hours and labour hours respectively. The budgeted machine hours of the Assembly Cost Centre are 40 000 and the budgeted labour hours of Finishing Cost Centre are 20 000.
- (iv) The following information relates to the products manufactured by the company during a year.

	Product X	Product Y
Direct material cost per unit (Rs.)	310	340
Direct wages per unit (Rs.)	150	200
Actual hours to produce one unit:		
- Machine hours	5	2
- Labour hours	2	4
Number of units produced	1 000	1 500

- (v) The selling prices of the products are determined as follows.

- Product X - by keeping a 20% profit on the production cost per unit
- Product Y - by keeping a 10% margin on the selling price per unit

**Required :**

- (1) The overheads analysis sheet showing clearly the bases of apportionment (including the re-apportionment of the overheads of the stores)
- (2) The overhead absorption rate for each production cost centre
- (3) The following for Products 'X' and 'Y':
  - (i) Cost of production per unit
  - (ii) Selling price per unit

(24 marks)

(Total 40 marks)



3. (a) Karuna Enterprises is carrying out a retail business. The opening balances as at 01.03.2022 and the transactions carried out during the month of March 2022 of the business are presented below in the form of an accounting equation.

(Rs. '000)

Balance/ Transaction No.	Assets =				Liabilities +		Equity
	Office equipment	Inventory	Trade Debtors	Cash	Trade Creditors	Bank Loan	
Opening balance	500	750	60	600	150	400	1 360
1	+100			-100			
2		+160			+160		
3		-350		+500			+150
4		-300	+400				+100
5				-150		-130	-20
6				-140	-150		+10
7			-60	+50			-10
8		+200		-60	+140		
9		-170	+160	+30			+20
10	+200						+200
11		-60					-60
12	-100			+150			+50
Closing balance	700	230	560	880	300	270	1 800

**Required :**

- (1) Write the transactions (with values) denoted by the amounts given in number 1 to 12 above (Consider that there were no donations, loss or write-off of inventory during the month of March 2022)
- (2) Profit or loss for the month of March 2022 using the net assets basis
- (3) Sales revenue and total income to be recognized for the month of March 2022 (30 marks)

- (b) Vidumini Association has been established as a welfare association to improve the educational activities in rural areas. The monthly subscription of a member of this association is Rs. 2 000. The following information is relevant to the subscription of the association for the year ending 31.12.2022.

- (i) The number of members of the association as at 01.01.2022 were 240 and their subscription payments are as follows.
  - The subscription of 35 members was outstanding for 03 months as at 01.01.2022. Of them, 25 members paid their outstanding subscription and subscription for the entire year 2022 during the current year. The remaining 10 members did not pay the outstanding subscription of year 2021 and the subscription for the entire year 2022. In addition, another 30 members did not pay the subscription for the entire year 2022.
  - During December 2021, 50 members had paid the subscription for the entire year 2022. Further, during December 2022, 30 members paid subscription for the first 03 months of 2023.
  - Other members duly paid the subscription of the current year.
- (ii) 60 new members joined the association on 01.07.2022. Of them, 40 members paid the subscription for the entire 06 months period. The balance 20 members paid subscription only for 05 months by 31.12.2022.

**Required :**

Subscription Account for the year ending 31.12.2022

(10 marks)

(Total 40 marks)



4. (a) Malith (Pvt) Ltd purchases milk products from suppliers and sells to retail shops. Both milk product suppliers and Malith (Pvt) Ltd are registered for Value Added Tax (VAT).

The following information relates to Malith (Pvt) Ltd for the month of March 2022.

- (i) The balances as at 01.03.2022:

	Rs. '000
Creditors Control Account	550
Debtors Control Account	640
Cash Account	150
VAT Control Account (payable)	30

- (ii) The amount payable to creditors and VAT payable as at 01.03.2022 were settled on 10.03.2022 by cheque numbers 160 and 161 respectively. Further, the amount receivable from debtors as at 01.03.2022 was received on 08.03.2022 and this amount was deposited in the bank on the same day.
- (iii) The company purchased milk products for Rs. 1 120 000 (inclusive of Rs. 120 000 VAT) from suppliers on credit on 05.03.2022. The company paid Rs. 560 000 to a supplier on 25.03.2022 by cheque No.162.
- (iv) The information relating to the credit sales for the month of March 2022 are as follows.

Retail Shop	Date of Sale	Sales (Rs.'000)	VAT included in Sales (Rs.'000)	Date of Cash Receipt	Cash Received (Rs.'000)	Discount Allowed (Rs.'000)	Cheques No.
Laksiri	12	672	72	20	612	60	156
Shantha	15	336	36	30	336	—	480
Nilmini	28	1 108	108	—	—	—	—
<b>Total</b>		<b>2 116</b>	<b>216</b>		<b>948</b>	<b>60</b>	

- (v) The company sold milk products on cash for Rs. 84 000 (inclusive of Rs. 9 000 VAT) on 22.03.2022 and this amount was deposited in the bank on the same day.
- (vi) The operating expenses for the month of March 2022 are Rs. 200 000. This includes Rs. 40 000 depreciation of property, plant and equipment. The remaining operating expenses were paid on 30.03.2022 by the cheque No. 163. (Ignore VAT for operating expenses).
- (vii) The bank statement for the month of March 2022 was received on 05.04.2022. The bank statement balance as at 31.03.2022 did not agree with the cash account balance on this date. The summarized information of the bank statement is given below.

Description	Dr (Rs.'000)	Cr (Rs.'000)
Balance as at 01.03.2022 .....		150
Cash Deposit .....		640
Cheque No. 156 .....		612
Cash Deposit .....		84
Cheque No. 160 .....	550	
Cheque No. 161 .....	30	
Cheque No. 162 .....	560	
Standing order payment – loan interest .....	20	
Interest on fixed deposit .....		100
Bank charges .....	5	
Balance as at 31.03.2022 .....		421

- (viii) The totals of prime entry books are posted to the general ledger accounts on monthly basis. The standing order payment, interest on fixed deposit and bank charges are recorded in the cash account after the bank statement is received by the company.



**Required :**

(1) The following prime entry books for the month of March 2022:

- (i) Cash Receipts Journal
- (ii) Cash Payments Journal

(2) The following ledger accounts for the month of March 2022:

- (i) Cash Account
- (ii) Debtors Control Account
- (iii) Creditors Control Account
- (iv) VAT Control Account

(3) Bank Reconciliation Statement (Start with the revised cash balance)

(30 marks)

(b) Amal PLC produces pharmaceutical items to the local market. In order to improve the efficiency of the production process, the company is considering a project to replace an old machine with a new machine.

The estimated price of the new machine is Rs. 2 800 000. Its expected useful life and estimated residual value are 5 years and Rs. 450 000 respectively. Further, Rs. 200 000 will be incurred to transport and install the new machine. If the new machine is purchased, the old machine can be sold at the same time for Rs. 800 000.

The other cash flow estimations of the project are as follows.

- (i) The additional working capital requirement at the beginning of the project is Rs. 300 000 and it can be recovered at the end of the project.
- (ii) The operating expenses will be decreased annually by Rs. 200 000.
- (iii) The sales revenue will be increased annually by Rs. 400 000.

The expected rate of return of the project 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 schedule of cash inflows and cash outflows of each year of the project
- (2) Net Present Value (NPV) of the project
- (3) Recommendation to purchase the new machine based on the NPV

(10 marks)

(Total 40 marks)

5. (a) The following balances have been extracted from the Statement of Financial Position of Ama, Banu and Jayani partnership as at 01.04.2021.

Partner	Capital Accounts (Rs. '000)	Current Accounts (Rs. '000)	Loan Accounts (Rs. '000)
Ama	10 000	2 000	4 000
Banu	8 000	1 000	—
Jayani	6 000	600	—

**Additional information:**

(i) The terms of the partnership agreement are as follows.

- The profit or loss sharing ratio among Ama, Banu and Jayani is 3:2:1 respectively.
- Each partner is entitled to an annual salary of Rs. 1 200 000.
- Each partner is entitled to an annual interest of 10% on the opening capital balances of the year.
- A partner is entitled to a 6% annual interest on the loans provided and it is adjusted through the current accounts of the partners.



- (ii) The sales revenue and the cost of sales of the partnership for the year ending 31.03.2022 were Rs. 30 000 000 and Rs. 19 000 000 respectively.
- (iii) The operating expenses of the partnership for the year ending 31.03.2022 were Rs. 5 000 000.
- (iv) The cost of the goods taken by Banu from the partnership for the personal use during the current year was Rs. 400 000 and it has not been recorded in the books. However, the inventory as at 31.03.2022 has been valued based on a physical count for the calculation of the cost of sales.
- (v) All partners have been paid Rs. 1 000 000 each for the salaries during the current year and these payments have been included erroneously in the operating expenses of the partnership.
- (vi) The land owned by Jayani was given to the partnership on 01.03.2022 at a monthly rent of Rs. 115 000. This rent has been neither paid nor accounted for.
- (vii) 75% of Ama's loan balance was settled on 31.12.2021 with the interest upto this date.
- (viii) On 31.03.2022, Jayani retired from the partnership. On this date, the goodwill of the partnership was estimated as Rs. 6 000 000 and it has to be adjusted in the books of the partnership. Ama and Banu agreed to continue the partnership by sharing profits or losses in the ratio of 3:2 respectively.
- (ix) A motor vehicle of the business was transferred to Jayani on 31.03.2022 with the consent of other partners at its carrying amount of Rs. 1 200 000. The balance amount payable to Jayani was transferred to a loan account.
- (x) All adjustments relating to the retirement of Jayani should be made through the capital accounts.

**Required :**

- (1) Income Statement of the Partnership for the year ending 31.03.2022 (including the appropriations to partners)
- (2) Capital Accounts and Current Accounts of Partners for the year ending 31.03.2022

**(22 marks)**

- (b) The following information has been extracted from the financial statements of Nethmi PLC.

	Rs. '000
<b>For the year ending 31.03.2022:</b>	
Sales	9 000
Gross profit	3 200
Operating expenses	1 200
Interest expenses	200
Income tax expenses for the year	450
Interim dividends paid to the ordinary shareholders	300
<b>As at 31.03.2022:</b>	
Inventory	1 100
Trade debtors	1 400
Stated capital - Ordinary shares (Number of shares -150 000)	3 000

**Additional information:**

- (i) All sales are done on credit basis.
- (ii) Inventory as at 01.04.2021 was Rs. 900 000.
- (iii) Trade debtors as at 01.04.2021 was 1 600 000.
- (iv) A few selected ratios for year ending 31.03.2021 are as follows.
- |                            |           |
|----------------------------|-----------|
| - Gross profit ratio       | 38%       |
| - Net profit ratio         | 12.5%     |
| - Inventory turnover ratio | 6 times   |
| - Debtors turnover ratio   | 5.5 times |
| - Earnings per share       | Rs. 7.50  |
| - Dividends per share      | Rs. 2.50  |



**Required :**

(1) The following ratios for the year ending 31.03.2022:

- (i) Gross profit ratio
- (ii) Net profit ratio
- (iii) Inventory turnover ratio
- (iv) Debtors turnover ratio
- (v) Earnings per share
- (vi) Dividends per share

(2) State whether the change in each of the ratios computed in (1) above is favourable or unfavourable by comparing with the previous year's ratios.

(18 marks)

(Total 40 marks)

6. (a) The following information has been extracted from the published Statements of Financial Position of Lahiru PLC as at 31.03.2022 and 31.03.2021.

	As at 31.03.2022 (Rs.'000)	As at 31.03.2021 (Rs.'000)
Property, plant, and equipment - carrying amount .....	275 000	245 000
Cash and cash equivalents .....	8 050	1 500
Stated capital - Ordinary shares .....	285 000	200 000
Revaluation reserve - Land and Buildings .....	13 500	8 000
Long-term bank loan .....	135 000	125 000
Income tax payable .....	6 500	7 250

**Additional information:**

- (i) During the year ending 31.03.2022, cash collected from the customers was Rs. 245 000 000 and cash paid to the suppliers and employees was Rs. 235 000 000.
- (ii) Depreciation and income tax expenses for the year ending 31.03.2022 were Rs. 35 000 000 and Rs. 15 000 000 respectively.
- (iii) During the year ending 31.03.2022, the company paid a bank-loan installment of Rs. 35 000 000, which includes interest of Rs. 8 500 000. Further, a new loan was obtained on 31.03.2022.
- (iv) The increase in the revaluation reserve represents the surplus arising from the revaluation of land and buildings on 31.03.2022 for the second time.
- (v) A loss of Rs. 2 500 000 was incurred by selling a machine on 31.03.2022. This machine was purchased on 01.04.2020 for Rs. 20 000 000 and it was depreciated at 10% per annum on straight-line method.
- (vi) The company purchased a motor vehicle on 31.03.2022 for cash.
- (vii) The company capitalized Rs. 10 000 000 retained earnings on 01.10.2021. Further, the company made a public issue of shares on 01.01.2022 and collected cash during the month of January 2022 for all shares issued.
- (viii) An interim dividend of Rs. 2 200 000 was paid to the ordinary shareholders during the year ending 31.03.2022.

**Required :**

Statement of Cash Flows of Lahiru PLC for the year ending 31.03.2022 as per 'LKAS 7 - Cash Flow Statement'

(20 marks)



- (b) Stevan is planning to start a passenger transport service from Jaffna to Katunayake Airport by using a rented van. The journey from Jaffna to Katunayake airport and returning back to Jaffna is considered as a trip. It is expected to charge a fee of Rs. 100 000 per trip.

The estimated costs of this transport service are as follows.

Rent for the vehicle	Rs. 720 000 per year
Vehicle maintenance cost	Rs. 120 000 per year
Administration cost	Rs. 240 000 per year
Driver's fee	Rs. 10 000 per trip
Vehicle assistant's fee	Rs. 6 000 per trip
Meals cost for the driver and the vehicle assistant	Rs. 8 000 per trip
Cost of highway tickets	Rs. 2 000 per trip
Cost of fuel (for diesel) per trip	?

**Additional information:**

- (i) The distance between Jaffna to Katunayake Airport is 400 kilo meters.
- (ii) The price of a diesel liter is Rs. 550 and it is expected that this vehicle will run 10 kilometers per diesel liter.
- (iii) The vehicle maintenance cost should be born by this business though the vehicle is taken on rent.

**Required :**

- (1) The annual fixed cost of this transport service
- (2) Variable cost per trip
- (3) The number of trips to be undertaken per year to cover the total cost
- (4) The annual profit if 48 trips are undertaken per year
- (5) The number of trips to be undertaken per year to cover the total cost if both of the following conditions are satisfied:
  - Reduce the vehicle assistant's fee per trip by Rs. 1 000 and
  - Increase the fee charged per trip by Rs. 5 000

(20 marks)

(Total 40 marks)

\* \* \*