



Founded 1965

Sujatha Vidyalaya
Nugegoda
HIGHLANDS COLLEGE
Maharagama



Term / Year – 3rd Term Test 2019

Grade - 13

ACCOUNTING - Part I

Duration – 2 Hrs

Instructions:

- Select the correct answers for questions No. 1 - 30 and write its number on the dotted line.
- Write Short answers for questions 31 - 50 on the dotted line.
- Answer all questions.

1. What is the main objective of financial accounting?

- To provide information to all managerial levels.
- To provide information to the management for resource controlling purpose.
- To provide financial information related to historical transactions and events.
- To provide accounts based on historical and budget information.
- To provide historical cost information related to departments and operational activities.

(.....)

2. Following information has been extracted from the books of Jayaweera Traders as at 31/03/2019.

- Accrued electricity as at 31.03.2019 was Rs. 20,000.
- Electricity expense for the month of March 2019 was Rs. 5,000.
- On 25.03.2019 Rs. 25,000 had been paid to the Ceylon electricity board office.
- A motor vehicle costing Rs. 600,000 was purchased on 01.03.2019.
- It is the policy of the business to depreciate the motor vehicle on 20% per annum on straight line basis.

What would be the net impact on accounting equation after recording the above transactions?

	Assets =	Liabilities +	Equity
(i)	(25,000)		(25,000)
(ii)	(35,000)		(35,000)
(iii)	(25,000)	+10,000	(35,000)
(iv)	(35,000)	(20,000)	(15,000)
(v)	(14,000)		(14,500)

(.....)

3. Following are some of the transactions incurred in a business organization.

- Provision for doubtful debts.
- Introducing the personal vehicle of the owner, to the business.
- Cash sales.
- Goods which were purchased with the intention of resale had been sent to a supplier.

What are the source documents related to the above transactions A, B, C and D.

- (i) Journal Voucher, Sales Invoice, Debit Note, Journal Voucher
- (ii) Journal Voucher, Journal Voucher, Receipts, Debit Note
- (iii) Journal Voucher, Receipts, Sales Invoice, Debit Note
- (iv) Debit Note, Journal Voucher, Receipts, Sales Invoice

(.....)

4. What is the concept related to non recognition of unearned income in the income statement?

- (i) Accruals Concept
- (ii) Historical Cost Concept
- (iii) Realization Concept
- (iv) Prudence Concept
- (v) Consistency Concept

(.....)

5. What is the concept that violates the non disclosure of bankruptcy of a firm?

- (i) Periodicity Concept
- (ii) Consistency Concept
- (iii) Accrual Concept
- (iv) Historical Concept
- (v) Money Measurement Concept

(.....)

6. Details related to credit sales for the three months ended 31.03.2019 are as follows.

Debtor	Sales (Rs.)	Return Inwards (Rs.)	Discount Allowed (Rs.)	Cash Received (Rs.)
A	15,000	1,000	300	7,000
B	20,000	1,000	500	8,000
C	35,000	3,000	1,000	21,000

- The Gross Sales value has been indicated in the above column. Each debtor is entitled for a trade discount of 10%.

What would be the total of the sales journal and the debtors control account as at 31.03.2019?

	Sales Journal (Rs.)	Debtors Control Account (Rs.)
(i)	70,000	27,200
(ii)	68,800	27,200
(iii)	65,000	27,200
(iv)	63,000	20,200
(v)	70,000	20,200

(.....)

7. It is the policy of the Niroshan's Business to maintain one account for Rent and Rates. Following are the information extracted from his books.

	<u>Rs.</u>
As at 01.04.2018 prepaid Rent and Rates (for 3 quarters only)	18,000
Rent paid during the year (for 10 months only)	120,000
Rates paid during the year	12,000

What would be the Rent and Rates expense for the year, Prepaid Rent and Rates and Accrued Rent and Rates as at 31.03.2019?

	Rent and Rates Expense for the year (Rs.)	Prepaid Rent and Rates as at 31.03.2019 (Rs.)	Accrued Rent and Rates as at 31.03.2019
(i)	120,000	18,000	12,000
(ii)	144,000	12,000	12,000
(iii)	168,000	6,000	24,000
(iv)	120,000	12,000	12,000
(v)	144,000	12,000	24,000

(.....)

8. Following information is related to a manufacturing firm for the year ended 31.03.2019.

	Rs.
Raw materials - as at 01.04.2018	20,000
as at 31.03.2019	30,000
Work in Progress - as at 01.04.2018	10,000
as at 31.03.2019	15,000
Unit cost of a produced item	100
Production overhead cost	20,000
Direct wages	15,000

- Number of units produced were 800 units.

What would be the value of raw materials for the year ended 31.03.2019?

- (i) Rs. 40,000 (iii) Rs. 80,000 (v) Rs. 100,000
(ii) Rs. 60,000 (iv) Rs. 90,000

(.....)

9. The trainee accountant of a firm has prepared the following bank reconciliation statement for the month of March 2019.

Bank Reconciliation Statement for the
Month of March 2019

	Rs.'000	Rs.'000
Debit balance as per bank statement		(30)
Add		
Cheques deposited but not realized	480	
Overdraft interest and cheque book charges	85	
Standing order payments	520	(1,085)
		(1,115)
Less		
Cheques issued for payments but not presented to the bank	1,290	
Direct deposits	145	
Bank error - debit entry	10	1,445
Balance as per cash control account		330

13. Information extracted from a pay sheet of a company for the month of June 2018 is as follows.

	<u>Rs.('000)</u>
Basic Salary	1,600
Overtime Payment	200
Loan Installment Deductions	100
Employee Contribution for EPF	160

It is the policy of the company to pay 25% of the basic salary in cash to the employee provident fund.

If there is no opening and closing liability for employee provident fund, what would be the total salary related expense and the net salaries paid for the month of June 2018.

	Total Salary Related Expense (Rs.)	Net Salaries Paid (Rs.)
(i)	1,700,000	1,500,000
(ii)	1,800,000	1,540,000
(iii)	1,960,000	1,340,000
(iv)	2,000,000	1,540,000
(v)	2,200,000	1,540,000

(.....)

14. Harry PLC purchased a motor vehicle from a foreign country on 01.04.2016.

	<u>Rs.'000</u>
Purchase Price	1,200
Import Duties	500
Carriage Inwards	100

The residual value of the motor vehicle has been estimated as Rs. 300,000. It is the policy of the business to depreciate its assets on straight line method. The carrying value of the motor vehicles as at 31.03.2018 was Rs. 1,200,000. What would be the depreciation expense for the year ended 31.03.2019?

- (i) Rs. 100,000 (iii) Rs. 300,000 (v) Rs. 500,000
(ii) Rs. 200,000 (iv) Rs. 400,000

(.....)

15. Details extracted from the books of Araliya PLC for the year ended 31.03.2019.

	<u>Rs.'000</u>
Sales proceeds from sale of office equipments	62
Purchase of computers in cash	150
Bank loan obtained	700
Repayment of bank loan	90
Payment of interest	17
Cash and cash equivalents as at 01.04.2018	200
Cash and cash equivalents as at 31.03.2019	880

What would be the net cash flows generated from operating activities?

- (i) Rs. 158,000 (iii) Rs. 190,000 (v) Rs. 145,000
(ii) Rs. 175,000 (iv) Rs. 168,000

(.....)

16. Piyum PLC was incorporated on 01.04.2018. Following are the assets and liabilities outstanding as at 31.03.2019.

	<u>Rs.'000</u>
Property, Plant and Equipment	450
Stock	150
Trade Debtors	100
Trade Creditors	50

The annual depreciation is Rs. 50,000. Net cash flows generated from operating activities for the year ended 31.03.2019 was Rs. 600,000.

What would be the profit before tax for the year ended 31.03.2019?

- (i) Rs. 750,000 (iii) Rs. 900,000 (v) Rs. 1,000,000
(ii) Rs. 850,000 (iv) Rs. 950,000 (.....)

17. Anoma does not maintain proper accounting records details related for the year ended 30.06.2018 is as follows.

	<u>Rs.</u>
Accounts Receivables as at 01.07.2017	130,000
Accounts payable as at 01.07.2017	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discount allowed	1,400
Discount received	2,960
Contra	2,000
Accounts receivables as at 30.06.2018	181,000
Accounts payables as at 30.06.2018	84,000

What would be the purchase to be included in the income statement as at 30.06.2018?

- (i) Rs. 331,000 (iii) Rs. 331,760 (v) Rs. 331,350
(ii) Rs. 331,450 (iv) Rs. 331,860 (.....)

18. Good Luck PLC has provided the following information.

Date / Description	Number of Units	Unit Cost
01.01.2019 (Balance)	8,000	60
12.01.2019 (Purchases)	4,000	90
20.01.2019 (Issues)	10,000	-

It is the policy of the business to use weighted average cost method (WAC) to issue stocks. In future the business is planning to shift to first in first out method (FIFO).

What would be the value of closing stock as at 31.01.2019?

	Closing stock as per first in first out method (Rs.)	Closing stock as per weighted average method (WAC) (Rs.)
(i)	240,000	170,000
(ii)	124,000	100,000
(iii)	150,000	138,000
(iv)	180,000	140,000
(v)	160,000	190,000

(.....)

21. Ranawaka PLC is planning to issue 500000 shares at a price of Rs. 15 each. Advertising campaign has been made to inform the general public.

Date	Number of Shares	Related Party Who Purchased
02/05	100,000	Employees
02/08	200,000	Existing share holders
02/10	150,000	Other general public
03/20	100,000	Foreigners

- Out of the applications received 50,000 applications were rejected and the cash was refunded. All the other applications were accepted and cheques were received with the applications. Out of the cheques received Rs. 50,000 worth of cheque got dishonoured.
- Share issuing expenses were Rs. 50,000.

What would be the stated capital and the net increase in the cash balance for the year ended 31.03.2019?

	Stated Capital (Rs.'000)	Net increase in the cash balance (Rs.'000)
(i)	7,400	7,400
(ii)	7,400	7,500
(iii)	7,500	7,500
(iv)	7,400	7,450
(v)	7,500	7,400

(.....)

22. The financial statement of a PLC for the year ending 31.03.2019 were authorized by the directors on 15.07.2019. The following events took place in the company.

- A. On 31.05.2019 stock worth of Rs. 540,000 was damaged due to fire. These stocks have been purchased before 31.03.2019 and the company has expected to realize its sales value as Rs. 300,000 in future.
- B. On 15.04.2019 some stock items were sold for Rs. 275,000. The cost value of these stocks as at 31.03.2019 were Rs. 250,000.
- C. On 20.06.2019 the court has decided that the company should pay a compensation of Rs. 190,000 against a customer. This customer has filed a case during the year 2018.

Which was the above events are considered as adjusting events in the financial statements for the year ending 31.03.2019 as per LKAS 10 (Events after reporting date)

- (i) A and B only
- (ii) All A, B and C
- (iii) A only
- (iv) A and C only
- (v) C only

(.....)

- Use the following information to answer question No. 23, 24 and 25.

Details related to Wimal PLC for the year ended 31.03.2019 is as follows:

	<u>Rs.'000</u>
Sales	1,400
Return Inwards	200
Cost of sales and selling expenses	900
Profit on machinery exchange	80
Trade discounts received	100
Profit on revaluation of the buildings for the first time	180
Loss on revaluation of motor vehicles	120
Revaluation surplus recorded in last year (year ended 31.03.2018)	90
Interim Dividends paid	100

23. As per the Sri Lanka accounting standards what would be the total income and total expenses recognize for the year ended 31.03.2019.

	Total Income (Rs.'000)	Total Expenses (Rs.'000)
(i)	1,280	900
(ii)	1,340	900
(iii)	1,380	1,020
(iv)	1,460	1,020
(v)	1,460	1,120

(.....)

24. As per the LKAS 01 (Presentation of Financial Statements) what would be the profit for the year and other comprehensive income?

	Profit for the year (Rs.'000)	Other Comprehensive Income (Rs.'000)
(i)	160	180
(ii)	250	90
(iii)	260	180
(iv)	350	90
(v)	380	60

(.....)

25. As per the LKAS 01 (Presentation of Financial Statements) what would be the total comprehensive income and retained earnings for the year ended 13.03.2019

	Total Comprehensive Income (Rs.'000)	Retained Earnings (Rs.'000)
(i)	340	160
(ii)	340	250
(iii)	440	250
(iv)	440	260
(v)	440	280

(.....)

26. Samastha PLC is producing vases. Following are the costs related to its production.

	<u>Rs. '000</u>
Raw material cost for 1000 units	150
Direct labour cost for 1000 units	450
Estimated total overhead cost	500

Total estimated direct labour hours would be 1000 hours. Profit is calculated as 10/- on total cost. Overhead is absorbed based on direct labour hours and 6 hours will be utilized to produce one unit of vase.

What would be the selling price of a vase?

- (i) Rs. 900 (ii) Rs. 950 (iii) Rs. 850 (iv) Rs. 770 (v) Rs. 990
(.....)

27. Following information is related to Dushmantha PLC.

	<u>Year ended</u> <u>31.03.2019</u>	<u>Year ended</u> <u>31.03.2018</u>
<u>Stated Capital</u>		
Ordinary shares (Rs. 200 per share)	13,000	13,000
<u>Reserves</u>		
General reserve	3,400	3,000
Retained earnings	3,600	2,000
<u>Non-current liabilities</u>		
15% long term loan	2,000	2,000
<u>Current liabilities</u>		
Income tax payable	100	80
creditors	140	150

- Income tax paid for the year ended 31.03.2019 was Rs. 280,000.

What would be the profit before tax for the year ended 31.03.2019?

- (i) Rs. 1,600,000 (iii) Rs. 2,700,000 (v) Rs. 2,300,000
(ii) Rs. 2,400,000 (iv) Rs. 3,000,000
(.....)

28. Details related to raw materials M₁.

- Maximum stock level 9000 units
- Re-order level 6000 units
- Re-order quantity 4000 units
- Minimum lead time 2 months

What would be the minimum consumption of the raw material M₁?

- (i) 600 units (iii) 475 units (v) 750 units
(ii) 550 units (iv) 500 units
(.....)

29. Details related to product XO₂ produced by Ranweli PLC is as follows.

(per unit)

	Rs.	Rs.
Selling Price		90
Direct Material Cost	24	
Direct Labour Cost	40	
Other Direct overhead Cost	16	(80)
Unit Contribution		10

Margin of safety of the above product is 8000 units. During the year 20000 units of XO₂ have been produced and sold. What would be the fixed cost of product XO₂?

- (i) Rs. 160,000 (iii) Rs. 120,000 (v) Rs. 112,000
(ii) Rs. 140,000 (iv) Rs. 108,000

(.....)

30. A company is planning to acquire a new machine. The estimated information is as follows.

	<u>Rs.'000</u>
Purchase Price of the new machine	450
Installation charges	50
Disposable value of the existing machine	45
Taxes to be paid on the disposable value of the existing machine	5
Residual value at the new machine at the end of year 4	150

Annual net cash flows (Rs.)

Year 1	100,000
Year 2	350,000
Year 3	150,000
Year 4	250,000

At the beginning of the business the working capital requirements was Rs. 100,000. It has been estimated to increase up to Rs. 130,000. The entire working capital will be recognized at the end of the useful life time of the machine.

What would be the initial net cash flow and terminal (end of 4th year) net cash flow of this project?

	Initial Net Cash Flow (Rs.'000)	Terminal Net Cash Flow (4 th Year) (Rs.'000)
(i)	(495)	250
(ii)	(490)	530
(iii)	(400)	250
(iv)	(490)	380
(v)	(500)	280

(.....)

- Write short answers for question No. 31 to 50 on its dotted line.

31. Indicate whether in following events could be recognized disclose or not relevant. Prepare the financial statements of a business.

	Should Recognized	Should Disclose Only	Not Relevant for Adjusting
A. Company has entered in to an agreement with its employees to introduce a bonus scheme only. of the sales volume increases. The sales volume has been increase.			
B. Proposed final dividends for ordinary share holders.			
C. Compensation claim from road development authority as they have taken a part of business's land.			
D. Government has passed a regulation to provide a special training programme to private sector security employees in future. But this process has not been implemented yet.			

32. Indicate your answer in the relevant column by using a (✓) mark.

	True	False
A. The main objective of accounting is to provide a detailed analysis of the transactions to its managers.		
B. Errors in recording the transactions in the books can be identified through the trial balance.		
C. It is assumed that the money value is constant as per money measurement concept.		
D. The discounts granted based on the list price is credited to the discount received account.		

33. Following information is related to trade debtors for the year ended 31.03.2019.

	<u>Rs. '000</u>
Trade debtors as at 01.04.2018	120,000
Trade debtors as at 31.03.2019	180,000
Bad debts written off during the year	4,000
Bad debts recovery	6,000

It is the policy of the business to provide 4% as provision for doubtful debts.

A. What would be the bad and doubtful expense to be recognized in the income statement for the year ended 31.03.2019?

.....

B. What would be the net increase / decrease trade debtors as at 31.03.2019?

.....

34. Sales journal prepared in Deshan's business for the month of January 2018 is as follows.

Sales Journal

Date	Invoice No.	Customer	Value Rs.'000	VAT Rs.'000	Total value Rs.'000
01/05	434	Vimukthi	800	120	920
01/20	435	Rahuman	600	90	690
01/31		Post to general ledger	1400	210	1610

Write the journal entry to record the posting sales of January from journal to the general ledger.

.....

.....

.....

35. Indicate whether the following statements are true or false by using a tick (✓).

	True	False
A. It is the objective of financial accounting is to provide financial information to the internal management of a firm		
B. Changes in accounting estimates are adjusted in present and past accounting periods		
C. Relevancy and faithful representation are main qualitative characteristics of financial reporting as per LKAS 01 (Presentation at Financial Statements)		
D. The carrying value of a property, plant and equipment (As per LKAS 16) is computed by deducting the accumulated depreciation from its cost.		

36. Write two differences between provisions and contingent liabilities.

Provisions	Contingent Liabilities
A.	A.
B.	B.

37. As per LKAS 17 - Leasing, write 4 situations where a leasing agreement can be recognized under finance lease.

- A.
- B.
- C.
- D.

38. Following are some conditions given under 1890 Partnership Ordinance Act.

- A. Profits and losses should be shared equally.
- B. Interest on capital is not allowed.
- C. At the death / retirement of an existing partner the equity belongs to him/her should be transferred to a loan account and 5% interest should be given.
- D. 5% of interest is given other than the capital provided by the partners to the partnership.

Select the correct letter and write on the dotted line related to the following sections.

- A. Appropriation of profits or losses -
- B. Section 24 -
- C. Section 42 -

39. Details related to Kamal PLC for the year ended 31.03.2019 is as follows.

- Non-current liabilities : equity = 0.5:1
- Assets turnover ratio = 2 times
- Gross profit ratio = 30%
- Ordinary share capital = Rs. 4,000,000
- Retained earnings = Rs. 6,000,000
- Current liabilities = Rs. 5,000,000

A. What would be the total assets at this business as at 31.03.2019?

.....

B. What would be the cost of sales.

.....

40. Write two similarities and two differences between liabilities and equity.

A. Similarities

.....
.....

B. Equity

.....
.....

41. Write two functions of Institute of Chartered Accountants of Sri Lanka. (ICASL)

- A.

 B. As per the Sri Lanka Accounting and Auditing Act No. 15 of 1995 what are the 3 main responsibilities powered by it.

42. Write the relevant qualitative characteristic in front of the statement.

	Qualitative Characteristic
A. Financial information should be complete and free from bias.	
B. Financial information should be classified an summarized and presented for its users.	
C. Financial information should be provited on time for decision making purpose.	

43. As at 31.04.2018 the ordinary share capital of a firm is consisted with 200,000 share at a price of Rs. 40 per share. On the same day the reserves were capitalized by issuing one share for every 5 shares held on that date. The market value of a share at that date was Rs. 50.

On 31.03.2019, a right issue was done by issuing one share for every six shares held on that date at a price of Rs. 30 each. All existing share holders were participated for the right issue.

	Rs.
A. What is the total equity as at 31.03.2019?	
B. What is the total cash received on the share issue?	

44. Write the related accounting concepts matches to each of the following statements.

	Accounting Concept
A. Recording a land at its cost value even the fair value has been increased	
B. Recognition of the depreciation of machinery during its useful life time.	
C. All non-current purchases less that Rs. 5,000 are to be treated as expenses of the business	
D. Using First-In-First-Out Method (FIFO) continuously to value the stock	

45. State whether the creditors control account value will increase / decrease or not change due to the following transactions.

Transaction	<u>Increase/Decrease/</u> <u>Not Change</u>
A. Purchase of a machine on credit basis to use in the office.	
B. Return the raw materials which was purchased on credit.	
C. Late fees charged by creditors	
D. Dishonoured cheque which was given to a creditor	

46. State the impact on debt equity ratios as per the following statements.

Transaction	<u>Impact on Debt Equity Ratio</u> <u>Increase/Decrease/</u> <u>Not Change</u>
A. Revaluation of non-current assets lower than its carrying value.	
B. Payment of long term loans	
C. Sale of goods on credit	
D. Capitalization of reserves	

47. A company is maintaining two production departments and two service departments. The overhead costs related to each department are as follows.

<u>Production Departments</u>	<u>Rs.</u>
- Machinery	80,000
- Assembly	50,000
<u>Service Departments</u>	<u>Rs.</u>
- Stores	40,000
- Canteen	30,000

Service department is providing services to production department according to the following basis.

	Machinery	Assembly	Stores	Canteen
Stores	80%	20%	-	-
Canteen	50%	40%	10%	-

After the distribution of canteen, the stores overheads are redistributed. After the redistribution what would be the total cost of the following departments.

- A. Machinery Rs.
- B. Assembly Rs.

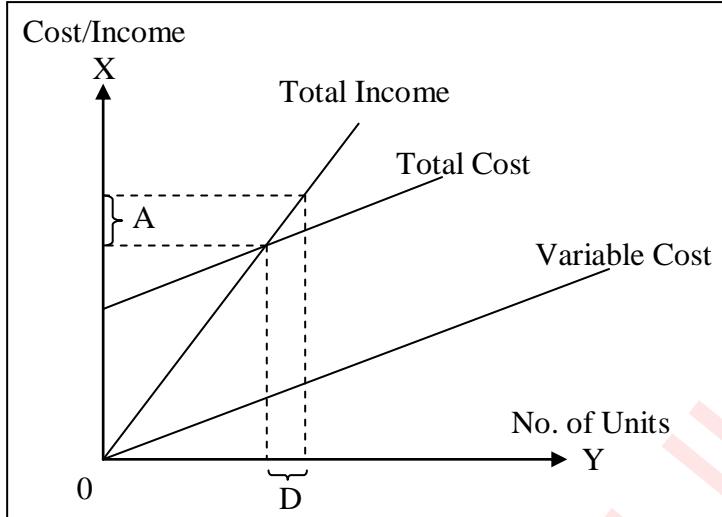
48. Details related to a product, XO2 is as follows.

Fixed Cost	Rs. 120,000
Contribution to Sales Ratio	40%
Unit Variable Cost	Rs. 180

Calculate.

- A. Break Even Point Rs.
- B. Expected profit at 1200 units Rs.

49. Following graphs is related to cost and sales income of a firm.



Explain, what is denoted by above A, B, C and D.

- A.
- B.
- C.
- D.

50. Information related to purchase of machine for a project, is as follows.

- Cost of the machine Rs. 1,750,000
- Useful lifetime of the machine 5 years
- Residual value at the end of 5 years Rs. 150,000

Expected profits / losses for 5 years (Rs.'000) (after deducting depreciation)

Year 1	280
Year 2	130
Year 3	80
Year 4	(70)
Year 5	(120)

The expected discount is 8%

As per the following methods state whether the business should accept / reject the project with reasons. (State your answer accept with '✓' and reject with '✗')

Method	Accept '✓' / Reject '✗'	Reason
A. Payback Period		
B. Accounting Rate of Return		