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**Third Term Test - Grade 13 - 2016**

Index No : .....

**Accounting II**

**Three Hours**

**Important**

- ◆ Anser six questions only. Including question No. 01 and 02.
- ◆ Begin each answer on a fresh sheet of paper.
- ◆ Relevant workings should be attached to the answer script.

01. The trial balance as at 31.03.2016 of Janahitha PLC is given below.

	Rs 000	
Property plant & Equipment (cost)	9 700	
PPE – accumulated depreciation		3 200
Cost of sales	6 800	
Trade receivables	1 050	
Revaluation reserve (01.04.2015)		800
Lease interest	1 440	
Lease creditors		2 494
Inventory as at 31.03.2016	800	
Long term Investments (cost)	3 000	
Fixed Deposits	700	
Cash at bank	2 000	
Salaries	1 000	
EPF Expense	150	
ETF Expense	30	
Donations	80	
Distribution cost	250	
Telephone charges	35	
Electricity	71	
Sales		12 850
Income tax paid for 2015/2016	250	
Interim dividend paid	640	
Discount received		100
03 month treasury bills (invested on 31.03.2016)	2 850	
Stated capital - ordinary shares		5 000
Retained earnings (01.04.2015)		6 000
Trade payables		332
Provision for doubtful debts (01.04.2015)		70
	<b>30 846</b>	<b>30 846</b>

Before preparing the financial statements for the year ending 31.03.2016 adjustments for the following have to be made.

- i). Goods sent on sale or return basis at a invoice price of Rs. 250 000 were with the distributors and the return dates of these good were not expired on 31.03.2016. When issuing these good to the distributor recorded as credit sales. These goods were invoiced at cost plus 25% merging.

Calculating the closing inventory these stock was not add to it.

- ii). The composition of PPE and accumulated depreciation as at 01.04.2015 is as follows.

<b>Asset</b>	<b>Cost / revaluation value (Rs 000)</b>	<b>Accumulated Depreciation</b>
Land	1000	--
Building	2000	--
Motor vehicle (Under a finance lease)	6000	3000
Office equipment	<u>700</u>	<u>200</u>
	<u>9700</u>	<u>3200</u>

- There is no any purchase or sale of PPE during the year ended 31. 03.2016
- The company owned buildings has revalued in first time on 31.03.2015 and generated a revaluating profit Rs. 800 000. It indicates in the trial balance as revaluation reserve.
- Again Re revaluation of building on 31.03.2016 up to Rs. 1 000 000. There is no any entry to record this situation.
- The amount of depreciation for all PPE except motor vehicle are as follows for the year ending 31.03.2016

	Rs. 000
Building	50
Office equipment	40

- iii) The motor vehicle was acquired on 01.04.2013, under a finance lease for a period of 4 years to distribute goods. The useful life of this motor vehicle is 5 years. The owner ship of the motor vehicle is not passed to the lessee at the end of the lease period. The annual leas instalment is Rs. 1 440 000. The instalment paid during the year has been debited to lease interest account. The annual lease interests are as follows.

<b>Year</b>	<b>Interest Rs. 000</b>
2013/2014	460
2014/2015	358
2015/2016	250
2016/2017	136

- iv). Company invested on 5 year fixed deposit on 01.04.2015 and its annual interest rate is 10%
- v). Employees gross salary is Rs. 300 000 for the month of March 2016 and it is not recorded in the books.

The employer and the employer contribution to the EPF are 15% and 10% respectively and the employer contributes 3% to ETF.

The calculation of contribution to EPF and ETF are made on employees gross salary. The company policy of paying employee salary and EPF and ETF contributions of next month.

- vi). Make a 10% provision for doubtful debts on the trade receivables as at 31.03.2016
- vii). It has been estimated that the income tax for the year 2015/2016 is 25% of the profit before tax.

- viii). 100 000 ordinary shares had issued as at 01.04.2015 and during the year ending 31.03.2016 a right issue was made on the basis of one share for every five ordinary shares held a consideration of Rs. 50 all ordinary share holder uses this right issue and paid cash to the company and recorded it correctly.
- ix). Directors are proposed a final divided of Rs. 200 000 to the ordinary shareholders of the company

**Required,**

Following financial statements (including notes) of Janahitha PLC for publication

1. Statement of profit, loss and comprehensive income for the year ending 31.03.2016
2. Statement of changes in equity for the year ending 31.03.2016
3. Statement of financial position as at 31.03.2016 (20 marks)

02. a). Madhuranga and Miyuranga were partners sharing profits and losses in the ratio 3:2 on 31.03.2016 Miyuranga was retired from the partnership and Viduranga was admitted to the business. Viduranga contributed his own Motor vehicle Rs. 75 000 to the business as the share of capital and the goodwill there is no entries made on this.

New partnership agreement is as follows,

- i. Profit and losses are shared among Madhuranga and Viduranga in the ratio 2:1
- ii. As the old agreement to the all partners
  1. 10% annual interest on opening capital
  2. Monthly salary of Rs. 2000
- iii. The goodwill of the partnership was estimated Rs. 36 000 and all adjustments in this regard should be made through partner's capital account.
- iv. To the reduction of Miyuranga's equity. The Motor vehicle of the business was taken by him and the balance was transferred to a loan account.

- The trail balance is as follows after the preparation of the trade account for the year ended 31.03.2016

	Rs 000	
	Dr. Rs.	Cr. Rs.
Gross profit		228
Inventory as at 31.03.2016	65	
Trade receivables & trade payables	41	38
Property plant & equipment (carrying amount)	270	
Depreciation on PPE	7	
Accrued electricity 01.04.2015		2
Electricity charges	10	
10% bank loan (received 01.10.2015)		40
Wages & Salaries	40	
Capital account 01.04.2015 - Madhuranga		130
• Miyuranga		70
Current account 01.04.2015 - Madhuranga		10
• Miyuranga	2	
Operational expenses	8	
Cash and bank	75	
	<b>518</b>	<b>518</b>

Further investigation, following error were disclosed.

- i. The balance of the return outward account Rs. 5000 was recorded as return inward.
- ii. Carriage outward Rs. 3000 has been recorded as carriage inwards account.
- iii. Stock drawings Madhuranga and Miyuranga respectively Rs. 8000 and Rs. 7000 was not recorded in books.

Provide following additional information,

- i. The carrying amount of motor vehicle is Rs. 20 000 which is taken by Miyuranga.
- ii. Miyuranga was taken his salary and it has recorded in the salary account.
- iii. Accrued electricity for the past year and paid Rs.1000 for the next year are include in electricity charges

**Required,**

1. The statement of correction of the gross profit.
  2. The income statement for the year ended 31.03.2016 (include appropriation of partners)
  3. Partners current accounts and capital accounts for the year ended 31.03.2016 (12 marks)
- b). Beta PLC produces toy cars. It has two production departments as finishing and assembling and a service department as store. The budgeted overloads and other information are as follows.

i.		<b>Finishing (Rs.)</b>	<b>Assembling (Rs.)</b>	<b>Store (Rs.)</b>
	Indirect material	55 000	40 000	10 000
	Indirect Labour	40 000	24 000	12 000

- ii. Other overhead costs.

	(Rs.)
Rent and tariff	18 000
Employees welfare	27 000
Machine depreciation	32 000
Electricity	42 000

- iii. Other information

	<b>Finishing</b>	<b>Assembling</b>	<b>Store</b>
Number of employees	450	270	90
Electricity Units	3 600	3 600	1 200
Machinery cost Rs.	400 000	300 000	100 000
Land area (Square meter)	18 000	12 000	6 000
No of material requisition	27	11	
Labour hours	15 000	6 000	
Machine hours	4 000	12 000	

- iv. The finishing department uses labour hours and the assembling department uses machine hours for absorption of overheads.

- v. Following information are related to a toy car.

Direct material cost	Rs.	225
Direct labour cost	Rs.	175
Labour hours of finishing department		6
Machine hours of assembling department		4

**Required,**

1. The overhead analysis sheet giving the basis of apportionment (With the reapportionment of over heads of the store)
2. Overhead absorption rates for each production department
3. Production cost of a toy car. (08 marks ) (Total 20 Marks)

03. Following balances were in Surnaga is retail business as at 01.04.2016

Land & Building	Rs.	200 000
Furniture	Rs.	30 000
Bank Balance	Rs.	123 000
Inventory	Rs.	20 000
Debtor – Kamani	Rs.	12 000
Creditor – Ravi	Rs.	10 000

Following transactions occurred in the Month of April 2016

- i. Cash sales Rs. 12 000
- ii. Bought a three wheel Rs. 600 000 from Sagara's business and paid by a cheque Rs. 50 000 and agreed to pay rest within a month.
- iii. Purchased goods from Sudheera Rs. 30 000 paid cash Rs. 20 000 and agreed to pay the balance later
- iv. Sales to Piyal Rs. 24 000. Received cash Rs. 14000 and Piyal agreed to pay rest later
- v. Anjana informed about the dis honored cheque Rs. 9500 which is issued him after deducting 5% cash discount.
- vi. Return inward from Kamani Rs. 1200
- vii. Return outward to Sudheera Rs. 2000
- viii. Debtor Kamani has set a bank slip to the business saying she banked the balance after deducting Rs 800 as cash discount.
- ix. Cash paid to Ravi Rs. 9000. Discount Received Rs. 1000
- x. Suranga invested cash Rs. 10 000 which is won him by a lottery.
- xi. The stock cost Rs. 3600, Suranga has taken from the business.

Additional Information.

- i. At the end of the Month of April. The electricity bill s. 2000 has not been paid.
  - ii. Three wheel and furniture must be depreciated on cost 10% and 5% respectively.
  - iii. The business is always listed the selling price by receiving 20% profit on cost.
  - iv. All cash transactions are occurred through the bank accounts.
1. Indicate the impact of above transactions 1 to 11 with values and state whether each value increase + or decreases – in front the value.  
Use the following format.

No	Assets				Equity			Liabilities	
	PPE	Stock	Trade Receivables	Bank	Capital	+ income	-Expenses	Loans	Trade payables
1									
2									

2. The income statement for the month ended 30.04.2016
3. Show the preparation of the equity as at 30.04.2016

(15 marks)

04. a). Provide following information of fortune PLC.

i. Following balances are shown in debtors control Account as at 31.03.2016

		Rs. 000
As at 01.04.2015	- Debit balance.....	300
	- Credit balance .....	50
Credit sales .....		700
Discount allowed .....		10
Cash received from debtors .....		400
Claim from debtors .....		5
Return inwards .....		20
Debit balances transferred from purchases ledger		12
Credit balance as at 31.03.2016		3

ii. The balance of the debtors control account was not equal with the total of th sales ledger balances.

1. Sales invoice Rs. 6000 was completely omitted form the books.
2. A debit balance of a debtor Rs. 2000
3. Cash received from a debtor Rs. 4000 has been recorded twice in the receipts journal
4. Written off as bad debt Rs. 10 000 has been recorded in sales ledger but has not been recorded in the control account.
5. The total of the discount allowed column Rs. 1000 has been under cast.
6. Return inward form a debtor Rs. 21000 has been recorded in the prime entry book as Rs. 12 000.

iii. The balance of the provision for doubtful debt account is Rs. 40 000 as at 01.04.2015 Business policy is keeping a single account for recording bad debt and provision for doubtful debts. Cash received Rs. 5000 from a debtor which is written off as bad debt.

- Provision for doubtful debts is 5% on debtors.

**Required**

1. The debtors control account before rectifying above errors.
2. Adjusted debtors control account.
3. A re conciliation statement which is comparing the balance of adjusted debtors control account with the total of the sales leader balances.
4. Bad debts and provision for doubtful debt account for the year ended 31.03.2016

(10 marks)

b). i. Require 36000 units for a year from raw material "X"  
Ordering cost of an order is Rs. 30 , Annual unit holding cost is Rs. 3

**Required**

1. Economic order quantify
  2. Terms of order
- ii. Following information relates to material "Y"

Date	Receipt Unit	Unit Price (Rs.)	Issued Unit
Jan. 01	500	20	
Jan. 10	300	24	
Jan. 15			700
Jan. 20	400	28	
Jan. 25			300
Jan. 29	500	22	
Jan. 31			200

**You are required**

- The cost of the closing stock – by preparing the stock ledger of "Y" according to FIFO.  
(First in First out method) (05 Marks) (Total 15 Marks)

05. a). Senior students in Wayamba University organized a trip to climb Hantana Mountain for new comers entered for the 2015/2016 academic year. Following information are estimated for the trip.

- Travelling charges Rs 2500 – Per person
- Food cost Rs 200 – Per Person
- Security coat Rs. 150 – Per person
- A water bottle Rs 50 – Per person
- A T shirt Rs 450 – Per Person.
- Stationary and other Rs. 150 per person.
- 4 buses need and Rs. 25000 Per each bus
- Musical band and their expenses Rs 50 000
- Management division decided to stay a day cost Rs. 20 000 and the SLIM TEX (PVT) LTD agreed to free contribution for this accommodation.
- There are 200 new comers will be participated for this trip

**Required,**

- Contribution per participant
- Breakeven point number of students and amount (Rs.)
- Margin of safety (equilibrium of students)
- The profit assuming that 200 participants will attend the trip.
- Draw a rough sketch of a break – even chart for the trip and mark the above calculated items.
- Some students do not like to participate this trip as they are new comers.  
Calculate the impact on the profit calculated in (4) above, if only 80 students attend the trip. (10 marks)

b). Following information are related to Aviska PLC.

- The income statement for the yare ended 31.03.2016

Rs. 000		
Sales (all sales incurred on credit basis)		1560
Cost of sales		936
Gross profit		624
Other income		51
		675
Expenses - Operational expenses	408	
Depreciation	52	
Interest expenses	70	
Loss on sales of a motor vehicle	5	(535)
Profit before fax		140
Income tax for the year		(45)
Profit for the period		<u>95</u>

- Extracted items from the financial position statement.

	31.03.2015	Rs. 000	31.03.2016	Rs. 000
Trade receivables	540		500	
Inventory	162		150	
Prepaid operating expenses	150		100	
Trade payables	566		490	
Accrued interest	40		10	
Accrued income tax	20			

**Required,**

Calculate followings using above information for the year ended 31.03.2016

1. Gross profit ratio
  2. Inventory Turnover ratio
  3. Current ratio
  4. Interest cover ratio
  5. Debt collection period
- (05 marks) (Total 15 marks)

06. Following are the financial statements of Salgadu PLC

**Salgadu PLC**

The income statement for the year ended 31.03.2016

Rs. 000

Sales		8300
Cost of sales		(4900)
Gross Profit		3400
Other income		
Investment income		120
Distribution expenses	9000	3520
Administration expenses	1200	
Financial Expenses	100	(2200)
Profit before tax		1320
Income tax for the year		(400)
Profit for the period		920

**Salgadu PLC**

The financial position statement as at Salgadu PLC 31.03.2016

	<b>2106 Rs. 000</b>	<b>2015 Rs. 000</b>
<b>No current assets</b>	7500	6000
Building at cost	8000	8000
Building – accumulated depress citation	(1200)	(1000)
Motor vehicle	4900	2500
Motor vehicle – Accumulated Depreciation	(1300)	(750)
Investment	1000	1000
<b>Current Assets</b>		
Inventory	800	1100
Debtors	1200	1000
Cash	600	400
	<b><u>21500</u></b>	<b><u>18250</u></b>
<b>Stated capital</b>		
Ordinary shares	15000	12000
<b>Serves</b>		
Revaluation Reserve	500	-
Retained earnings	2300	2000
<b>Non Current liabilities</b>		
Long term loans	2500	3000
<b>current liabilities</b>		
creditors	880	1030
Accrued interest	50	60
Accrued income tax	200	100
Accrued expenses	70	60
	<b><u>21500</u></b>	<b><u>18250</u></b>



Additional information

- i. The company land was revaluated in first on 01.04.2015 and generated a profit. Land was bought during the year.
- ii. A motor vehicle was bought during the year
- iii. The company issued 30 000 ordinary shares on 30.06.2015 Rs. 100 per one share.
- iv. The bank loan interest for the period is included in financial expenses
- v. An interim dividend was paid during the year.
- vi. All purchases and sales are on credit basis.

**Required**

1. Cast flow statement of Salgadu PLC for the year ended 31.03.2016 according to (LKAS – 07) Sri Lanka accounting standard – 07 on direct method. (15 marks)
07. a). Following information relates to "Dilena Tharu" sports club for accounting years 2014/2015 & 2015/ 2016

**i. "Dilena Tharu Sports Club"**  
Income & expenditure Account

	2014/2015	2015/2016
<b>Income</b>		
Membership fee	12 000	11 640
Normal Donations	.....	4 000
Old new papers sales income	300	500
	12 300	16 140
<b>Expenses</b>		
Depreciation of sports equipment	(2 500)	(4 000)
Written off membership fee	.....	(360)
Employees salary	(6 000)	(8 000)
Stationery	(500)	(1 000)
Buying news papers	(1 500)	(2 500)
Surplus	<u>1 800</u>	<u>280</u>

**ii. "Dilena Taru Sports Club"**  
Statement of financial position

	as at 2014 / 2015	as at 2015 / 2016
Stadium		10 000
Sports equipment (carrying amount)	25 000	30 000
Membership fee receivables	2 400	2 040
Bank balance	5 000	(3 960)
	<b>32 400</b>	<b>38 080</b>
Accumulated fund (Opening balance)	9 760	11 200
Unanswered from stadium fund		10 000
Surplus	1 800	280
Accumulated fund (closing balance)	11 200	21 480
Stadium fund	20 000	16 000
Membership fees – received in advance	1 200	600
	<b>32 400</b>	<b>38 080</b>

- iii. There were 120 members of the club at 31. 03.2015  
Monthly membership fee is Rs. 10

**Required**

1. The receipts and payments account for the year ended 31.03.2016
2. State two reasons which may have resulted in the change of the bank balance Rs. 5000 as at 31.03.2015 to an overdraft of Rs. 3960 as at 31.03.2016 (10 marks)

b). A retailer Sidath is considering to buy a Duplo machine for getting higher income.

- He recognized two machine named P & Q.
- The cost fo "P" is Rs. 220 000 & The cost of "Q" is Rs. 240 000
- Expected net cash inflows are as follows.

		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>
Machine	P	Rs. 100 000	80 000	40 000	60 000
Machine	Q	Rs. 120 000	100 000	80 000	20 000
Discount Factor	10%	0.9	0.8	0.7	0.6

**Required**

1. The payback period of each machine
2. The net present value of each machine
3. On net present value, which machine Sidath should select? Give the reason.

(05 marks) (Total 15 Marks)