



Northern Province Education Department
Model Paper
General Certificate of Education (Adv.level) Examination 2019



Accounting II

33

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II

Three Hours

Instructions.

- Additional reading time – 10 minits.
- Answer only 5 questions including questions No. 01 and 02.
- Short answer for every question in new pages.
- Attach workins with answer sheet.

1) The sumerixed trial balance as at 31.03.2019 of the Visalini (PLC) Ltd is given below.

Description	Debit Rs (000)	Credit Rs (000)
Net sales		18 000
Cash and cash equivalent	1 470	
Bank loan interest	90	
Trade receivable	620	
Stocks as at 31.03.2019	400	
General reserves		600
Retained earnings as at 01.04.2018		200
Revaluation reserve - Buildings		300
In come tax paid for the current year.	1 400	
Provision for income tax (2017/ 2018)		220
Stated Capital – Ordinary shares.		5 700
12 % Bank loan.		1 000
Other income		1 660
Property, Plant and equiprent Carrying amount	14 000	
Expenses	9 700	
	27 680	27 680

Additional information.

- 1) Last quater year end bank loan interst is accrued.
- 2) Cash and cash equivalentls includes the followings.

Rs. (000)

Cash control account	540
Petty cash	30
Treasury bills (3 month Maturity)	900
	1470
	1470

- 3) The value of trade receivable listed in trial balance is extracted after deducting value of trade payable Rs. 280 000. A 10 % provision is made for doubtful debts on the year end balance of trade receivables.

- 4) 50 000 ordinary shares were issued each at Rs 20 during the year and amount was received in full has been recorded in the other income account. The rest of other income is the rent income received by renting one portion of building.
- 5) Income tax paid includes Rs. 180 000 for the year 2017 / 2018 was estimated as 33 1/3 % on profit before tax.
- 6) Expenses includes the followings

	Rs (000)
Cost of sales	7000
Administration expenses	1700
Distribution expenses.	1000
	9700

Administration expenses includes	Rs (000)
Auditing fees	100 000
Directors fees	100 000
EPF expenses	210 000
Building depreciation	100 000
Computer equipment depreciation.	200 000

Distribution expenses included.	Rs (000)
Revaluation losses for trade receivable	400 000
Motor van depreciation	400 000
Motor van insurance expense – Pre paid	200 000

- 7) The composition of property. Plant and equipment as at 31.03.2019 are as follows.

(Rs. 000)					
	Land	Motor van	Buildings	Computer equipment	Total
Cost	4000	6000	5000	2000	17000
Accumulated depreciation	-	(2000)	(400)	(600)	(3000)
Carrying Value	4000	4000	4600	1400	14000

Computer equipment and Land was revalued for the first time as Rs 1000 000 and Rs 5000 000 respectively and building not was revalued for the second time as Rs. 4000 000 on 31.03.2019. It is yet to be recorded.

- 8) The board of directors proposed the followings.
 - a) Transfer Rs. 100 000 to general reserve from the Profit of the year.
 - b) Issue ordinary shares to existing shareholders by capitalizing Rs. 300 000 from retained earnings.
- 9) A motor van valued at Rs. 1000 000 was acquired on 01.04.2018 on lease agreement. No. entry has been made in relation to this transaction but initial payment Rs. 200 000 has been made and debited in sales account. Annual lease installment is Rs. 250 000 for four years from 31.03.2019 including Rs. 50 000 lease interest equally.
The lease installment for the year ended 31.03.2019 has not year ended 31.03.2019 has not been paid. But depreciation Rs. 200 000 for the year ended 31.03.2019 only has been calculated properly and recorded.

Required

- 1) Statement of profit or loss and other comprehensive income for the year ending 31.03.2019.
- 2) Statement of changes in equity for the year ending 31.03.2019.
- 3) Statement of financial position as at 31.03.2019. (20 Marks)

2) a) The information of a business that sells similar types of travelling bags.

Expected sales of bags in current year	25000 bags.
Expected selling price per bag is	Rs. 800.
Purchasing cost per bag is	Rs. 300.

Expected annual fixed cost are as follows.

Salary	Rs. 2000 000
Advertisement	Rs. 1000 000
Other fixed Cost	Rs. <u>2000 000</u>
	<u>5000 000</u>

Required.

- 1) Calculate the break even point in No. of travelling bags and value.
- 2) Margin of safety in units and value.
- 3) Expected profit.
- 4) If the sales commission Rs 50 per bag is introduced. The number of bags required to be sold to earn a profit Rs. 4000 000 per year.
- 5) Calculate the break even point in units of bags if it is assumed that the additional advertisement expenses Rs. 3100 000 will be incurred and selling price will be increased by 5%. (05 Marks)

b) The Moratava Ltd Produces the furniture required by customers. It has two production cost centres, A and B in the factory. Further, it has a service cost centre, C. The following budgeted cost information are as follows.

	Production Cost Centers (Rs 000)		(000) Service Cost Centres (Rs 000)
	A	B	C
Indirect Materials	240	90	15
Indirect wages	180	60	10
Indirect other expenses.	15	10	5

Other over head expenses (Rs 000)

Depreciation on Machinery	200
Rent, rates and electricity	150
Employees welfare expenses	100

Other informations.

	A	B	C
Cost of machinery & equipments	1250	700	50
Floor area (Square meters)	30000	15000	5000
No. of employees	30	15	5
Direct labour (Hrs)	37000	33500	-

Service center provides services equally to production Center A and B.

Direct Costs to produce furniture

Direct materials Rs. 650 per furniture

Direct wages – Cost center A - 8 hours per hours Rs. 80.

B - 6 hours per hours Rs. 60.

Other direct cost per unit Rs 30.

Production over head cost are absorbed based on direct labour hours.

Profit margin per furniture is 10% on Cost.

Required.

1) The production over head analysis sheet giving the bases of apportionment.

2) Production overhead absorption rates for cost centers A, and B.

3) Prepare Production Cost statement (Per unit) including following items.

a) Prime cost

b) Over head Cost.

c) Price per unit

(10 Marks)

c) The following information related to a raw material receives and issue of Sundara Bava I manufacturing business for the period of January to may.

01.01.2019 Purchases – 1000 units per Rs 10.

10.01.2019 Purchases – 260 units per Rs 10.50.

20.01.2019 Issued units 700.

04.02.2019 Purchases – 400 units per Rs. 11.50.

21.02.2019 Purchases – 300 units per Rs 12.50.

16.03.2019 Issued units 620.

12.04.2019 Issued units 240.

10.05.2019 Purchases – 500 units per Rs 11.

25.05.2019 Issued units 380.

Required.

1. Prepare store ledger using FIFO method.

2. Calculate the followings.

a) Total purchasing cost.

b) Total distribution cost.

c) Cost of closing stocks

(05 Marks)

(Total 20 Marks)

3) a) The balances extracted from financial position statement

	Rs. 000
Land	1400
Distribution Vehiclces	1000
Furniture and Fittings	500
Trading stocks.	165
Trade receivable	135
Cash control account balance	550
12% Bank loan	100
Trade payable	450

The following transactions were held in January.

- 1) Purchased goods costing Rs. 65 000.
- 2) Rs. 80 000 Cost of goods were sold for Rs. 115 000. In which Rs 75 000 Cash received immediatly and balance is receivable.
- 3) Building rent for January has been paid Rs. 20 000.
- 4) Received Cash from trade receivable Rs. 100 000 after deducting 5 % discount.
- 5) Elilarasy paid insurance premium Rs. 500 for his owne vehicle from business money.
- 6) Elidarasy paid bank loan installment Rs. 6000 from his owne money including Rs. 1000 interest

Required

1. Show the impact of above transactions in given accounting equation format.

	Assets				Liabilities		Equity
	Property Plant and equipment.	Trade receivable	Stocks	Cash	Trade receivable	Bank loan	

2. Calculate profit or loss for the month of January using net assets method. (05 Marks)

b) The assets and liabilities of upali business as at 01.04.2019 are as follow.

Rs. 000

Machinery and equipment	4250
Motor van	2750
Stocks	3240
Trade receivable control account	3600
Cash Cotrol account	1610
Bank loan	6150
Trade payable control account.	4500
Capital	?

★ Trade receivable balance list. (Rs. 000)

Amal traders	Rs 2250
Pimal expoters	Rs 1350
	<u>3600</u>

★ Trade payable balance list. (Rs. 000)

Pratheep importers	Rs. 2925
Rumesh enterprise	Rs. 1575
	<u>4500</u>

The transaction were held in April 2019 are as follows.

1) From cash payment vauchers.	(Rs. 000)
01.04.2019 Machinery purchase	750
01.04.2019 Furniture purchase	150
02.04.2019 Owner's drawings	1500
05.04.2019 Administration expenses.	900
10.04.2019 Distribution expenses	85
20.04.2019 Purchase	460
30.04.2019 Electricity	275

2) Received from receipts.		(Rs. 000)
02.04.2019	Cash sales	12000
07.04.2019	Rent income	2000
12.04.2019	Additional Capital	200

3) The transactions were held with trade receivable for this month are as follows.

Customers	Credit sales (Rs 000)	Sales return (Rs 000)	Received cash (Rs 000)	Allowed discount (Rs 000)	Bad debts (Rs 000)
Pimal exporters	1870	65	2510	12	2
Amal traders	3850	55	4950	18	

4) The transactions were held with trade payable for this month are as follows.

Suppliers	Credit Purchase (Rs 000)	Purchase return (Rs 000)	Paid cash (Rs 000)	Received discount.
Pratheep importers.	3120	125	3450	44
Rumesh enterprise.	2850	42	1560	19

Required,

- 1) Prime entry books.
- 2) Sales ledger accounts, sales ledger list, purchase ledger accounts and purchase ledger list.
- 3) Following accounts in general ledger.
 - Trade receivable control account.
 - Trade payable control account.
 - Cash control account.
 - Purchase account.
 - Sales account.
 - Machinery account.
 - Furniture account.

(15 Marks)

(Total 20 Marks)

4) a) The following transactions were held in Jaso business for the month of January 2018.

Debtors	Balance as at 01.01.2018	Credit Sales	(10%) VAT	Received cash	Allowed discount	Bad debts
Salini	50000	30000	3000	60000	150	
Sangavi	20000	10000	1000	24000	300	Full of balance
Sambavi	16000	16000	1600	15000	600	
Samini	14400	20000	2000	13000	280	400

Jaso business is registered for VAT collection.

Required :

- 1) Sales journal
- 2) Personal ledger accounts in sales ledger and debtors list balance.
- 3) Necessary accounts in general ledger.

(10 Marks)

- b) Petty cash balance of Santhiya business as at 2019.01.01 is Rs. 2000.
The transaction which are conducted by petty, Cashier for the month of January 2019 are as follows.

01.01.2019 Petty cash expenses are reimbursed Rs. 18000

05.01.2019 Loading expenses.	1000.
08.01.2019 Three wealer expenses.	800
10.01.2019 Cleaning expenses.	1100
14.01.2019 Unloading expenses.	900
16.01.2019 Owner's drawings.	2000
18.01.2019 Car rent.	1500
20.01.2019 Cleaning expenses	1200
22.01.2019 Paid to creditor, Malathy	2500
23.01.2019 Rain ticket	1200
25.01.2019 Loading expense.	800

Required,

- 1) Petty cash payment journal.
(Using Loading and unloading, cleaning, travelling and other expenses columns)
- 2) Petty cash control account and other ledger accounts in general ledger.

(05 Marks)

- C) Trial balance of vanavil business as at 31.03.2019 is as follows. It is registered for VAT collections.

Description	Debit	Credit
Received discount.		5500
Purchase return.		3000
Capital		75000
Creditors control account.		42000
Sales		132000
VAT account balance.		2500
Property plant and equipment.	55000	
Operating expenses.	13000	
Stocks as at 01.04.2018	15000	
Sales returns.	4000	
Paid VAT	5000	
Debtors control accounts.	65000	
Petty cash balance.	3000	
Purchase account	77000	
Cash control account balance.	23000	
	260,000	260,000

Additional information.

- 1) Debit note and credit note are not included 10% VAT.
- 2) Purchase and Sales account are included 10% VAT. It should be adjusted.

Required :

1. VAT Control account.
2. Prepare profit or loss statement using closing stock value is Rs 28 000. (05 Marks)
(Total 20 Marks)

- 5) a) The bank reconciliation statements as at 28.02.2019 and 31.03.2019 are as follows.

	28.02.2019	31.03.2019
Cash control account balance.	20 000	14 000
(+) unrepresented cheques.	8 000	12 000
	28 000	26 000
(-) unrealized cheque.	(10 000)	(8 000)
	18 000	18 000

The informations are extracted from bank statement for the month of march 2019 are as follows.

Realized or Credited deposits.	70000
Debited or presented cheque.	65000
Standing order payment	5000

Prepare :

- 1) Summary of cash control account for the month of March 2019.
- 2) Summary of bank statement for the month of March 2019. (05 Marks)

- b) The informations extracted from income statement and financial position statement of unity Sports Club for the year ended 31.03.2019 are as follows.

Statement of Income and expenditure.

Income	:	Life membership fees	15000
		Membership fees	55000
		Others	35000
			105000

(-) Expenses :		Written off receivable member ship	2000
		Other expenses	68000 (70000)
Surplus			35000

Financial position statement.

	31.03.2018	31.03.2019
Property plant and equipment.	60 000	85 000
Receivable membership fees.	10 000	15 000
Receipts and payment account balance.	20 000	95 000
	90 000	195 000
Accumulated fund.	70 000	105 000
Life membership fees.	10 000	60 000
Pre received membership fees.	5 000	10 000
Accrued expenses.	5 000	20 000
	90 000	195 000

Additional informations.

Other expenses includes current year depreciation Rs 10 000.

Required :

- 1) Membership fees account.
- 2) Life membership fees account.
- 3) Receipts and payment account.

(10 Marks)

c) The informtions of a manufacturing business for the month of 2018 are as follows.

No. of productions 1200 units

The time is taken to produce one unit is 15 minuts.

The No. of units are produced by following employers.

Kugan	400
Piraba	200
Jaso	400
Sami	200

- 1) Wages per one hour is Rs 100.
- 2) Giving additional allowences Rs 2000 to every 100 units of production.
- 3) Annual welfare association charges Rs 1200 are deducted equally from monthly salary.
- 4) EPF contributions of employer and employee are 15% and 10% respectively on total salary.

Required.

- 1) Payroll for the month of May 2019.
- 2) Salaries control account.

(05 Marks)

(Total 20 Marks)

6) a) Arani and Purani who share profits and losses equally, were partners of a service providing business. Tharani was admited as a partner on 01.04.2018. The revised partnership agrrement is as follows.

- 1) Profits and lossers are shared among Arani, Purani and Tharani in the ratio of 3 : 2 : 1 respectively.
- 2) Partners are entitled to an annual interest of 12% based on year end Capital balance.
- 3) Arani, Purani and Tharani are entitled to a monthly salary of Rs 40000, Rs 30000 and Rs 50000 respectively.
- 4) Partners are entitled to an annual interest of 5% on the loans provided to the partnership.

The trail balance of the partnership as at 2019.03.31 as follows.

(Rs 000)

Description	Debit 000	Credit 000
14% Fixed deposit.	3000	
Cash balance	210	
Property plant and equipment depreciation.	1200	
Tharani loan interest.	60	
Service providing expenses.	3750	
Office expenses.	100	
Other operating expenses.	1100	
Property plant and equipment (Carrying value)	5000	
Paid salary - Arani	400	
Purani	280	
Tharani	200	
Cash brought by Tharani		400
Current account as at 01.04.2018 - Arani		200
- Purani	100	
Capital account as at 01.04.2018 - Arani		1200
- Purani		1200
Comission income		200
loan from Tharani on 01.10.2018.		2400
Service income.		9800
	15400	15400

Additional information.

1) Tharani brough the following as capital.

Motor van	600 000
Cash	400 000

How ever, only cash brough by Tharani has been recorded in the books of account.

- 2) Property plant and equipment is depreciated on cost at 10% per annum on straight – line methods.
- 3) When Tharani was admited, the good will of the partnership was estimated as Rs. 1200 000. All adjustments relating to good will are recoded through the partners capital account and No good will account is maintained.

Required.

- 1) Profit or loss statement of partnership including appropriations for the year ended 31.03.2019.
- 2) Capital and current accounts of partners for the year ending 2019.03.31.
- 3) Financial position statement as at 2019.03.31. (10 Marks)

- b) The following informations are extracted from financial statement of Mathavi Company.
Profit or loss and other comprehensive statement for the year ended 31.03.2019.

(Rs 000)

Sales (credit)		1560
(-) Cost of sales		(936)
Gross profit		624
Other income		
Dividend income		51
		675
Expenses		
Operating expenses	408	
Depreciation	52	
Interest	70	
losses from motor van sales	5	(535)
		140
(-) Income tax		(45)
Profit for the year.		95

Financial position statement.

(Rs 000)

	31.03.2018	31.03.2019
Trade receivable	540	500
Trade stocks	162	150
Pre paid operating expenses.	15	7
Trade payable.	566	490
Accrued interest.	40	10
Accrued income tax.	20	15

Required :

31.03.2019 prepare the followings for the year ended.

- Cash flows generated from operational activities using indirect method.
- Cash flows generated from operational activities using direct method.

(05 Marks)

- c) A manufacturing company is considering to replace the existing machine with a new machine to improve the efficiency of its operations. The estimated cost of new machine are as follows.

	Rs. 000
Purchase price	2500
Installation charges	200
Charges for engineer who installed machine	100
Site preparation expenses.	300

The following informations are given to you.

- 1) Old machine can be sold for Rs 600 000.
- 2) If the new machine is purchased, the current year working capital Rs 100 000 will be increased to Rs 250 000. This increases will be recovered in 4th year.
- 3) The expected useful life time and residual value of new machine are 4 years and Rs. 200 000 respectively. Old machine's useful life times are 4 years and no residua value.
- 4) The expected operating cash flow for the four years are as follows.

Years	Cash receives (Rs. 000)		Cash payments (Rs. 000)	
	Old machine	New machine	Old machine	New machine
1	800	1800	400	600
2	900	2300	500	800
3	900	2400	600	1100
4	800	2200	550	1300

- 5) Discounting factors at 10% for four years are as follows.

Year	1	2	3	4
Discounting factor	0.9	0.8	0.7	0.6

Required :

- 1) Initial net cash flow showing each items.
- 2) Annual cash inflows and out floms from year 1 to 4.
- 3) Net present value of new machine.

(05 Marks)

(Total 20 Marks)