

**VIHARAMAHADEVI BALIKA VIDYALAYA- KIRIBATHGODA**  
**G.C.E. Advanced level – Grade 13**  
**Third term Evaluation –July 2019**

**Accounting I**

<b>33</b>	<b>E</b>	<b>I</b>
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**Instructions:-**

**Time:-Two hours**

- \* Select the most suitable answers for the questions from 1 to 30 and write the relevant number of that answer , on the dotted line given in front of the question.
- \* Write the short answers for the questions from 31 to 50, on the dotted line given in front of the question.
- \* Each question carries 2 marks.

**Index Number**..... For examiner's use

Question No;	Marks
01-30	
31-50	
Total	

01.The objective of Accounting is;

- 1.Providing information to management levels for decision making
2. Providing information to internal parties for decision making
3. Providing information to stake holders for decision making
4. Providing information to Business owners
5. Providing information to external parties for decision making (.....)

02.The accurate order of the Accounting process is;

- A-Recording transactions in the prime books  
 B-Occurring business transactions  
 C-Posting to the ledger  
 D-Preparation of the source documents  
 E- Preparation of the Trial Balance
- 1.A,B,C,D,E    2.B,D,C,E,A    3.C,D,E,A,B    4.D,E,A,B,C    5.B,D,A,C,E (.....)

03.Anuradhi purchased a stock worth of Rs.50000 from Amal and issued a cheque. Later a Part of the stock was returned to Amal. The source documents used for these transactions In Anuradhi's business, respectively;

- 1.Invoice, Counterfoil and Receipt    2.Invoice,Debit note and Receipt    3.Invoice, Voucher and Credit note  
 4. Invoice,Voucher and Debit note    5. Invoice,Journal Voucher and Debit note (.....)

04.The impact of a certain transaction on the Accounting equation is as follows.

				(Rs)
Assets	=	Equity	+	liability
-140000	=	20000	+	- 160000

This transaction is;

- |  |  |
|--|--|
| 1.Selling a stock worth of Rs.160000 on credit                     | 2.Selling a stock worth of Rs.160000<br>subjecting to a discount |
| 3.Settling a credit balance of Rs.160000 paying Rs.140000          |  |
| 4.Sellin g a machine costing to Rs.140000 for Rs.160000, on credit |  |
| 5. Selling a stock worth of Rs.140000 for Rs.160000 on credit      | (.....)  |

05.By accounting the accrued interest on bank loan;

- |  |   |
|--|---|
| 1. Both equity and liabilities increase  | 2.Equity decreases and liabilities increase   |
| 3. Both equity and assets increase       | 4. Equity increases and liabilities decreases |
| 5. Both equity and liabilities decreases | (.....)                                       |

06.The creditors control account balance of Aravida traders, was Rs.44000 as at 31.03.2019 and it was different from the total of list of creditors ledgeras at that day.Followings were revealed later on .

- \* Discount received of Rs.5000 has been debited to the relevant creditor’s account as Rs.500
- \* A purchases invoice of Rs.18000 has been posted to the relevant creditor’s account as Rs.8000
- \* Cancellation of a received discount of Rs.9000, due to a dishonoring of a cheque ,has been debited to the creditors control account

The adjusted creditors control account balance as at 31.03.2019 and the total of creditors list before rectifications as at that day, respectively are;

- |                         |                         |                         |
|-------------------------|-------------------------|-------------------------|
| 1.Rs.48000 and Rs.53500 | 2.Rs.48000 and Rs.42500 | 3.Rs.46000 and Rs.38500 |
| 4.Rs.43500 and Rs.58000 | 5.Rs.42000 and Rs.36500 | (.....)                 |

07. Following information are relevant for debtors and creditors of Senuri's business'.

	31.03.2018	01.04.2017
	(Rs)	(Rs)
-Debtors.....	10000.....	30000
-Creditors.....	20000.....	45000
-Receipts from debtors.....	Rs.285000	
-Total credit purchases.....	Rs.350000	

Credit sales relevant for the year and paid amount to creditors respectively;

1.Rs.265000 and Rs.295000	2.Rs.295000 and Rs.395000	3.Rs.395000 and Rs.375000
4.Rs.265000 and Rs.375000	5.Rs.375000 and Rs.265000	(.....)

08. Which is not a reason for the difference between the bank balance as per cash control account and the bank statement, as on a certain date is;

- |   |                                     |
|---|-------------------------------------|
| 1. Cheques issued, not presented to the bank                  | 2. Cheques deposited, not realized  |
| 3. Arithmetical errors of the control account                 | 4. Standing orders paid by the bank |
| 5. Warnings made by bank over exceeding the Over Draft limits | (.....)                             |

09. Bank balance as per the cash control account as on 31.01.2019 was Rs.9260 and it was different from the bank balance as per the bank statement. Followings were detected in later investigations.

- Bank has deducted Rs.1500 as interest
- Direct remittances credited to the bank was Rs.1000
- Cheques issued, but not presented to the bank was Rs.3200
- Unrealized cheques were to the value of Rs.4960

The bank balance/Over Draft as at 31.01.2019 as per the Bank statement is;

- |           |           |             |             |           |         |
|-----------|-----------|-------------|-------------|-----------|---------|
| 1.Rs.7000 | 2.Rs.1600 | 3.(Rs.7000) | 4.(Rs.1600) | 5.Rs.8000 | (.....) |
|-----------|-----------|-------------|-------------|-----------|---------|

10. Select the correct sentence well matches with the Revenue Recognition concept.

1. The relevant income and expenditure for a certain period are included in financial Statements
2. Every important information should be disclosed in financial statements
3. The revenue arisen from a certain transaction should be recorded in the accounts prepared in the period in which that revenue is realized.
4. When the financial result is computed for a certain period, the income of that period should be matched with the expenses made to earn that income.
5. All the items that would impact on Financial Position and the performance should be shown in the Financial Statements. (.....)



15. When the credit balance of Rs.20000 was settled, a cash discount of Rs.2000 was received. Related with this transaction, the;

Source document	Prime book	Double entry
1. Payment Voucher	Payment Journal	Creditors a/c Dr:20000 Cash a/c Cr:18000 Discount Rec: Cr:2000
2. Payment Voucher	Payment Journal	Creditors a/c Dr:18000 Discount Rec: Dr:2000 Cash a/c Cr:20000
3. Payment Voucher	Payment Journal	Cash a/c Dr:20000 Creditors a/c Cr:18000 Discount Rec: Cr:2000
4. Receipt	Receipts Journal	Cash a/c Dr:18000 Discount Rec: Dr:2000 Creditors a/c Cr:20000
5. Receipt	Receipts Journal	Creditors a/c Dr:18000 Cash a/c Cr:18000 (.....)

16. Which of the following errors does not reveal from the trial balance agreement?

1. Debiting discount allowed of Rs.4000 to the discount received account
2. Omission of a purchases invoice of Rs.10000, from the books
3. Posting building repairing expense of Rs.20000, to the buildings account
4. Purchases returned of Rs.5000 has been debited to sales returned account
5. A sales invoice of Rs.7100 has been recorded in the sales journal as Rs.1700 (.....)

17. The reason for being higher the total of the **list of debtors**, than the **control account balance**, is;

1. Over totaling the sales journal
2. Not recording the discount allowed in the control account
3. Posting the receipts of Rs.1000 from Kusum, to her account as Rs.10000
4. Over totaling the control account debit side, by Rs.5000
5. Omission of a credit note from the books (.....)

18. Followings are some of the accounting treatments followed by a firm.

- \* Recording the Insurance paid in advance as a current asset
- \* Recording the Property, Plant and Equipment, kept as a security for loans

The accounting concepts relevant for each of the above treatments, respectively;

1. Disclosure and Accrual    2. Accrual and Disclosure    3. Entity and Prudence  
 4. Accrual and Comparative importance    5. Accrual and Prudence    (.....)

19. A business has issued a cheque amounting to Rs.40000 as to settle a credit balance of Rs.50000 and this cheque has dishonored later on. The correct double entry to record this dishonoring is;

- |               |          |                           |          |                           |          |
|---------------|----------|---------------------------|----------|---------------------------|----------|
| 1. Bank a/c   | Dr:40000 | 2. Bank a/c               | Dr:40000 | 3. Cheques Dishonored a/c | Dr:40000 |
| Creditors a/c | Cr:40000 | Discount Rec;             | Dr:10000 | Creditors a/c             | Cr:40000 |
|               |          | Creditors a/c             | Cr:50000 |                           |          |
| 4. Bank a/c   | Dr:50000 | 5. Cheques Dishonored a/c | Dr:50000 |                           |          |
| Creditors a/c | Cr:50000 | Creditors a/c             | Cr:50000 |                           | (.....)  |

20. Following information are relevant for a certain business.

	01.04.2018	31.03.2019
-Inventory (Rs).....	80000.....	64000
-Trade Payables(Rs).....	36000.....	40000

Cash paid for trade payables, within the year ended 31.03.2019, was Rs.36000 and the selling price is determined adding a profit margin of 20% on selling price.

The sales relevant for the year is;

1. Rs.20000    2. Rs.80000    3. Rs.100000    4. Rs.40000    5. Rs.70000    (.....)

21. Followings have been identified by analyzing the financial statements in a public limited company.

- A**-Increase of the interest income
- B**-Revaluation of Buildings arising a surplus, for the first time.
- C**-The Net Realizable Value is lower than the Cost of the inventory at the end of the period.
- D**-Arising a gain from the disposal of Motor vehicle

Which of the above could effect on an increase of Net Profit Ratio whilst the Gross Profit Ratio is constant?

1. A and B only    2. B and C only    3. A and C only    4. C and D only    5. A and D only    (.....)



25. A company that sells machineries sold a machine worth of Rs.1500000 for Rs.1800000 on 01.05.2019. A used machine of which the exchange price was Rs.300000 and Rs.800000 by cash were received by the company from the buyer. It was agreed to settle the balance in three months.  
The income of the company for the year ended 31.03.2019.is;

1.Rs.300000    2.Rs.800000    3.Rs.1100000    4.Rs.1800000    5.Rs.1500000    (.....)

26.Madhara Plc produces a certain item and sells it. The information relevant at the production capacity of 8000 units are as follows.

- Profit.....Rs.180000
- Contribution/ Sales Ratio.....40%
- Fixed cost.....Rs.300000

The **value of Margin of Safety** and the **total Contribution** respectively;

- 1.Rs.450000 and Rs.480000    2.Rs.750000 and Rs.480000    3.Rs.480000 and Rs.450000  
4.Rs.720000 and Rs.750000    5.Rs.120000 and Rs.150000    (.....)

27.Following details are relevant for a material used by a firm.

	<b>Maximum</b>	<b>Minimum</b>
-Consumption (Units).....	300.....	100
-Reordering period (Weeks).....	6.....	3

The **Minimum Stock Level** is;

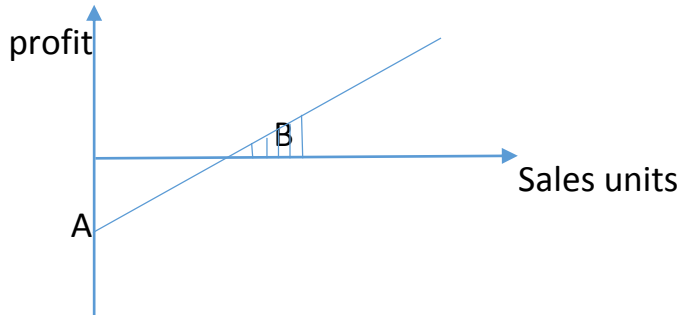
- 1.100units    2.300units    3.900units    4.1800units    5.2700units    (.....)

28.Which of the followings the **direct wages**, in a readymade garments manufacturing firm?

- A-Initial payment for normal working hours
- B-Incentives on production units
- C-Medical allowances in a hospital admission
- D-Over Time allowances for a special order

- 1.A and B    2.A and C    3.A and D    4.A,B and C    5.B and D    (.....)

29.



**A** and **B** letters show, in the above Profit Volume Chart, respectively;

- 1. Profit and Loss    2. Loss and Profit    3. Fixed cost and Profit    4. Fixed cost and Break Even Point
- 5. Loss and Break Even Point

(.....)

30. Followings are some of the items were shown in the Financial statements of a company.

- A-Revaluation Reserve    B-VAT Payable    C-Retained Earnings    D-General Reserve
- E-Provision for depreciation

Which of these could be considered as the items/components of the Equity?

- 1. A, B and C    2. B, C and D    3. C, D and E    4. A, C and D    5. A, B, C, and D all

(.....)

**Marks..... X.....=.....**

31. The total assets value of a certain business was Rs.800000 and the value of the total liabilities was Rs.300000 as at 31.03.2019. Owner has taken goods worth of Rs.15000 and withdrawn Rs.25000 to settle a personal loan, within the year ended 31.03.2019. Rs.140000 has been additionally introduced to the business during the year. The Net Assets and Assets were Rs.200000 and Rs.700000 respectively, as at 01.04.2018.

i. What is the Profit/Loss for the year ended 31.03.2019 ?

.....  
.....

ii. What is the total liabilities as at 01.04.2018?

.....  
.....

32.State the relevant Prime entry book and the source document, for the following transactions.

	Transaction	Prime book	Source docu:
i.	Purchase of a motor van for the use , in a vehicle selling Company.	..... .....	..... .....
ii.	Purchase of a Tipper on credit , in a hardware shop.	.....	.....
iii.	Direct remittances of debtors.	.....	.....
iv.	Selling computers worth of Rs.100000, in a computer Selling firm, on cash.	..... .....	..... .....

33. State the **correct type of accounts**, relevant for each of the accounts, given below.

	Name of the account.	Type of the account.
i.	Work In Progress account in a manufacturing firm.	.....
ii.	Provision for Motor Vehicle depreciation a/c.	.....
iii.	Wage Control account.	.....
iv.	Drawings account.	.....

34.EPF expenditure of Rs.65000, of Amith traders, for the year ended 31.03.2019, has been debited to Wage Control account as Rs.56000. This has been duly credited to EPF payable account.

Write the journal entry to rectify this error.

.....  
 .....  
 .....

35.The bank balance as per bank statement received by Sandun Plc, as on 31.03.2019, was **(Rs.60000)**.

\* Cheques issued in March, but not presented to the bank.....Rs.20000

\* Cheques deposited in March, but not realized.....Rs.15000

The bank Over Draft as per the cash control account, as on 31.03.2019 has **increased by Rs.25000 due to the adjustments** made. According to this;

i.What is the bank Over Draft that should be shown in the Statement of Financial Position, as at 31.03.2019?.....

ii.What was the bank Over Draft as per the cash control account, as at 31.03.2019 before the adjustments?.....

36. Following information was extracted from a certain business.

- Debtors control account balance, as at 31.03.2019.....Rs.120000
- Creditors control account balance, as at 31.03.2019.....Rs.85000

Following errors were detected in later investigations.

- i.Total of the discount allowed column Rs.7000 has been recorded in the reverse of the control account.
- ii.An inter ledger contrary entry of Rs.10000 has been fully omitted from the books.
- iii.Posting the purchases of Rs.5000 to the control account as Rs.50000
- iv.Over totaling the personal account of a creditor by Rs.4000.

Accordingly;

- (a)What is the balance of debtors, shown in the Statement Financial Position as on 31.03.2019?.....
- (b) What is the balance of creditors, shown in the Statement Financial Position as on 31.03.2019?.....

37.Following information are relevant for a partnership.

	<b>Awantha</b>	<b>Nimantha</b>	<b>Kamantha</b>
-Balances of Current accounts as at 31.03.2019(Rs.000)	800	700	-
-Balances of Capital accounts as at 31.03.2019(Rs.000)	1000	2100	700
-Profit shares credited in the year ended 31.03.2019 (Rs.000).....	200	200	-
-Interest on Capital credited within the year (Rs.000).....	100	200	-
-Net impact of Good will adjustment(Rs.000).....	-	100	(100)

Good will was estimated and adjusted through the capital accounts at the time of the admittance of Kamantha, on 31.03.2019.and the new profit sharing ratio among Awantha, Nimantha and Kamantha is , 5:3:2 respectively.

- (a)What is the amount of money brought by Kamantha?  
.....
- (b)What is the equity, of the partnership as at 01.04.2018?  
.....

38. A certain manufacturing firm has purchased raw material for Rs.345000, 15% VAT Inclusive, on 01.04.2018, on credit basis. Rs.200000 has been paid to creditors and Rs.40000 has been paid for VAT, within the year. VAT on income is Rs.90000.

(1) What is the value of purchases of raw material?  
 .....

(2) State the balances of creditors and VAT payable, listed under the current liabilities as at 31.03.2019.

a. Creditors.....

b. VAT payable.....

39. Write as **two characteristics** which could be seen in the Financial Statements, under each of the following categories, accordingly the conceptual framework of Financial Accounting.

**Initial Qualitative Characteristics.**

**Enhancing Qualitative Characteristics.**

1.....

1.....

2.....

2.....

40. Following balances were extracted from a certain Not for Profit Organization, as on 31.03.2019.

	Rs.000
-Total assets.....	1200
-Life membership fund.....	100
-Building fund.....	150
-Subscription received in advance.....	50

The Accumulated Fund as at 01.04.2018 was Rs.850000 and the surplus reported In the year ended 31.03.2019. was Rs.50000.

1. What is the Accumulated Fund as at 31.03.2019?  
 .....

2. What is the equity of the organization, as at 31.03.2019?  
 .....

41.State the relevant accounting concept for each of the following, accounting treatment.

<b>Treatment</b>	<b>Concept.</b>
1. Writing off the inventory value to the Net Realizable Value.	.....
2.Substraction of the payments made in advance.	.....
3.Writing off the value of minor equipment purchases against the profit of the year.	.....
4.Not recording the owner’s banking transactions in the business current account.	.....

42.There are two circumstances under which the accounting policies could be changed, accordingly Sri Lanka Accounting Standards. State them.

- 1.....
- 2.....

43.Following information were extracted from Ashoka Plc.

	<b>Ordinary share Stated capital (Rs.000)</b>	<b>Retained Earnings (Rs.000)</b>	<b>General Reserve (Rs.000)</b>
-Balances as on 31.03.2018	4000	1000	800
-Balances as on 31.03.2019	7500	1400	500

- \* There was no other comprehensive income earned within the year ended 31.03.2019 and Rs.200000 was transferred to the general reserve according to the proposals of directors.
- \* Reserves has been capitalized using the general reserve within the year and an issue of shares of Rs.3000000 also has been done.

- 1.What is the net profit for the year ended 31.03.2019?  
.....
- 2.What is the total comprehensive income for the year ended 31.03.2019?  
.....

44.Fill in the following blanks, stating the relevant parties/sections, regarding the stock documents circulated in stores.

- 1.Material Requisition Note (MRN) is issued by.....to.....
- 2.Goods Delivery Note (GDN) is issued by.....to.....

45. Following information are relevant for soft drink bottles manufactured by a certain company, for the next month.

- Fixed cost.....Rs.400000
- Variable cost.....Rs.700000
- Contribution/Sales ratio.....30%

1. What is the net profit anticipated to earn from the soft drink bottles?  
.....

2. What is the total contribution, if the variable cost is cut off by 50%?  
.....

46. Some of the information of Asith Plc, relevant for the year ended 31.03.2019 are as follows.

	<b>Rs.000</b>
-Tax paid.....	1200
-Interest paid.....	800
-Net cash flow generated from Investment activities.....	4000
-Net cash flow employed for Financial activities.....	(1000)
-Net increase of cash and cash equivalents within the year.....	6000
-Profit Before Tax.....	3300
-Net effect from the Adjustments in Operating activities.....	700

(a) What is the cash flow generated from Operating activities?.....

(b) What is the net increase/decrease of the Working Capital?.....

47. Following information are relevant for **Bhanuka Plc** and **Senaka Plc** for the year ended 31.03.2019.

	<b>Bhanuka Plc</b>	<b>Senaka Plc</b>
	(Rs.000)	(Rs.000)
-Ordinary share capital (Each Rs.25).....	5000	7000
-Profit for the period.....	20000	33000
-Dividend paid.....	600	300

Accordingly; 1. What is the company in which the Earning Per Share (EPS) is highest?  
.....

2. Over which company **couldn't it be satisfied**, regarding the Dividend Per Share (DPS)?.....

48. Cost information relevant for the next year, of a footwear manufacturing company is as follows.

- \* Material cost.....Rs.400000
- \* Labor cost.....Rs.600000
- \* Total Production Cost.....Rs.2500000
- \* Profit margin on the Production Cost..... 20%

If the Overhead is absorbed on the **Prime Cost basis**;

- (a) What is the Overhead absorption Ratio?.....
- (b) What is the expected sales?.....

49. State whether the following statements are **True** or **False**.

- (a) Optimum number of orders that should be placed, increases, when the Economic Order Quantity (EOQ) decreases, whilst the annual demand is constant. (.....)
- (b) Computation of the Employment Provident Fund (EPF) expense, base on the Gross salary, causes to **decrease the net profit** of a business. (.....)
- (c) The addition of all the items of Gross salary, EPF expenditure and the ETF expenditure, is identified as the **Employment Cost** (.....)
- (d) The Salary Advance account in the general ledger, of a business, is identified as a liability account. (.....)

50. Following information are relevant for a certain company.

	<b>Year 1</b>	<b>year 2</b>	<b>Year 3</b>
-Net Profit (Rs)	550000	450000	800000
-Initial Investment is Rs.2400000.			

Compute the **Accounting Rate of Return (ARR)** of the company.

.....  
 .....

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