



**ASSOCIATION OF ACCOUNTING TECHNICIANS  
OF SRI LANKA**

**CURRICULUM 2025**

**Pilot Paper**

**Level 01**

**1901 - FINANCIAL ACCOUNTING (FAC)**

**A publication of the Education and Training Division**

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**Association of Accounting Technicians  
of Sri Lanka**

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**1901 - Financial Accounting [FAC]**

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**Instructions to Candidates (Please Read Carefully)**

**Time Allowed:**

Writing: 03 hours

**Structure of Question Paper:**

- This paper consists of three Sections: Section **A**, Section **B** and Section **C**.
- All the questions of Section **A**, Section **B** and Section **C** are compulsory.

**Marks:**

- Allocation of marks for each section:

<b>Section</b>	<b>Marks</b>
Section <b>A</b>	40
Section <b>B</b>	40
Section <b>C</b>	20
<b>Total</b>	<b>100</b>

- Marks for each question are shown with the question.
- The pass mark for this paper is 50.

**Answers:**

- All answers should be written in the booklet provided, answers written on the question paper will not be considered for marking.
- Begin your answer of each question on a new page.
- All workings should be clearly shown.
- Do not write on the Margins.

**Answer Booklets:**

- Instructions are shown on the front cover of each answer booklet.

**Calculators:**

- Candidates may use any calculator except those with the facility for symbolic algebra and differentiation. No programmable calculators are allowed.

**Attached:**

- Action verb checklist – Each question will begin with an action verb (excluding OTQ's). Students should answer the questions based on the definition of the verb given in the checklist.

(Two marks for each -Total 40 marks)

**Question 01**

**Select the most correct answer for question No. 1.1 to 1.10. Write the number of the selected answer in your answer booklet with the number assigned to the question.**

**1.1.** Select from the following, a main objective of financial accounting in a firm:

- (1) To provide information to managers to take decisions.
- (2) To provide information to the government.
- (3) To understand financial performance of the business.
- (4) To decide the selling price of products of the business.

**1.2.** **Kapila Traders** has returned Rs.400,000/- worth of goods purchased on credit to the supplier **DGL**. The correct source document used by **Kapila Traders** to record the above transaction is:

(1) Sales Invoice.	(2) Cash Receipt.
(3) Credit Note.	(4) Debit Note.

**1.3.** **Sarath Traders** has purchased an office equipment of Rs.200,000/- for office use from **Metropolo (Pvt) Ltd.** on credit.

The correct double entry to record the above transaction is:

- (1) Debit Metropolo Account and Credit Cash Account.
- (2) Debit office equipment Account and Credit Cash Account.
- (3) Debit office equipment Account and Credit Other Payables Account.
- (4) Debit office equipment Account and Credit Capital Account.

**1.4.** **Nawaz Traders** is a sole proprietorship owned by **Nawaz**. A telephone bill of **Nawaz** was paid by the business and it was considered as drawings of the business. The accounting concept relating for the above statement is:

(1) Entity Concept.	(2) Prudence Concept.
(3) Accrual Concept.	(4) Matching Concept.

**1.5.** Select from the following, a general accounting package from the following accounting packages:

(1) Payroll System.	(2) Inventory Management System.
(3) Tally System.	(4) All of the above.

**1.6.** The following information was extracted from the books of **XYZ Traders**, a sole proprietorship:

	<b>Rs.</b>
Capital as at 01 <sup>st</sup> April 2024	5,000,000
Profit for the year ended 31 <sup>st</sup> March 2025	1,800,000
Liabilities as at 31 <sup>st</sup> March 2025	2,750,000
Drawing during the year ended 31 <sup>st</sup> March 2025	400,000

Based on the above information, total assets of the business as at 31<sup>st</sup> March 2025 was:

(1) Rs.9,150,000/-.	(2) Rs.3,650,000/-.
(3) Rs.9,950,000/-.	(4) Rs.8,750,000/-.

**1.7.** Which one of the following is an element of the statement of Income?

(1) Liabilities.	(2) Income.
(3) Equity.	(4) Assets.

**1.8.** Conventionally, the ledger accounts can be classified as nominal accounts, real accounts and personal accounts. The correct classification for the “Drawings made by the Owner” under the conventional classification of ledgers would be.

(1) Personal Account.	(2) Nominal Account.
(3) Real Account.	(4) None of the above.

**1.9.** Select from the following, the underline accounting concept that allows in measuring the inventory at lower of cost or net realizable value (NRV).

(1) Accrual Concept.	(2) Matching Concept.
(3) Consistency Concept.	(4) Prudence Concept.

**1.10.** “**Unimo Traders** has settled an invoice of Rs.200,000/- to a trade creditor subject to a discount of 5%”. Select from the following, the correct impact to the accounting equation from this transaction:

	<b>Assets (Rs.)</b>	<b>=</b>	<b>Equity / Capital (Rs.)</b>	<b>+ Liabilities (Rs.)</b>
(1)	- 200,000	=		- 200,000
(2)	- 180,000	=	+ 20,000	- 200,000
(3)	- 190,000	=	+ 10,000	- 200,000
(4)	+ 190,000	=	- 10,000	+ 200,000

*State whether each of the following statements from **1.11** to **1.15** is **True** or **False**. Write the answer (True/False) in your answer booklet with the number assigned to the question.*

**1.11** Objectivity is a principle of the Code of Ethics adopted by an Accounting Technician.

**1.12** As per the accrual concept, revenue is recognized in the particular accounting period irrespective of receipt of cash or not.

**1.13** All the accounting errors could be detected by preparing a trial balance.

**1.14** Relevance is a fundamental qualitative characteristic of financial information.

**1.15** General ledger is a prime entry book.

*Write the answers for question No. **1.16** to **1.20** in your answer booklet with the number assigned to the question.*

**1.16** State the source documents relevant to the following two (02) transactions:

- Bad debt write-off is Rs.200,000/-
- Purchase of goods worth of Rs.200,000/- on credit for resale purpose.

**1.17** List two (02) disadvantages of a computerized accounting software.

**1.18** Trade receivable control account balance as at 31<sup>st</sup> March 2025 of **Gimsara Traders** was Rs.100,000/- while the balance as per the trade debtors' ledger was different from control account balance. Accounts executive has noted the following reasons for the difference between debtors ledger and control account.

- Bad debt written off of Rs.10,000/- was recorded only in the control account.
- An amount received from a trade debtors was understated by Rs.8,000/- in Trade Debtors' Control Account.
- Sales Journal was overstated by Rs.5,000/-.

Based on the above information, calculate the corrected Trade Receivables' control account balance as at 31<sup>st</sup> March 2025.

**1.19** State two (02) examples for current liabilities.

**1.20** State two (02) benefits of preparing a Trial Balance.

(02 marks each, 40 marks)

***End of Section A***

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(Total 40 marks)**Question 02**

**Hasali** started **Hasho Traders** on 01<sup>st</sup> April 2025 and the following transactions were occurred during the month of April 2025.

- (1) **Hasali** invested Rs.500,000/- in cash and Rs.1,500,000/- worth of machinery as the initial capital on 01<sup>st</sup> April 2025.
- (2) Purchased goods worth of Rs.800,000/- from **Motha (Pvt) Ltd.** on credit for resale on 03<sup>rd</sup> April 2025.
- (3) Goods costing of Rs.300,000/- were sold for Rs.500,000/- on credit to **Ashini**.
- (4) The electricity bill for the month of April was Rs. 20,000/- and it was paid by **Hasali** on 15<sup>th</sup> of April 2025. It was decided by **Hasali** to consider this amount as an additional capital investment.
- (5) **Ashini** settled Rs.400,000/- on 26<sup>th</sup> April 2025, subject to a cash discount of 10%.
- (6) **Hasali** has taken Rs.50,000/- worth of goods for her personal use.
- (7) The depreciation applicable for the month of April 2025 on machinery was Rs.10,000/-.

**You are required to:**

(a) **State** the impact of the above transactions to the following accounting equation:

(Machinery + Inventory + Trade Receivables + Cash = Equity + Liabilities) (07 marks)

(b) **Calculate** the profit for the month ended 30<sup>th</sup> April 2025.

(03 marks)

(Total 10 marks)

### Question 03

(A) **Sehansa Traders** a sole proprietorship is engaged in wholesale business of rice. The following information is relevant to the credit sales for the month of April 2025:

Date	Invoice Number	Customer	Items	Quantity	Unit Price (Rs.)	Trade Discount
05-04-2025	S145	Chamidu Traders	Keeri Samba	200Kg	200	5%
10-04-2025	S146	Rusiru Traders	Suduru Samba	500Kg	250	10%
14-04-2025	S147	Chamath Traders	Basmathi	300Kg	500	-
20-04-2025	S148	Sajeedha Traders	Naadu	100Kg	180	5%

**You are required to:**

Prepare the Sales Day Book (Sales Journal) of **Sehansa Traders** for the month of April 2025. (05 marks)

(B) Bank balance as per the Bank Statement of **Manuka Traders** as at 31<sup>st</sup> March 2025 was not agreed with the favourable (debit) cash control account (cash book) balance of Rs.200,000/- As at 31<sup>st</sup> March 2025, the statement shows a favourable balance of Rs.270,000/-.

The following reasons have been identified subsequently for the difference:

- (1) **Manuka Traders** has given a standing order instruction to pay the monthly loan installment of Rs.50,000/-. However, this was omitted in the cash book.
- (2) A direct deposit of Rs.65,000/- was made by a debtor of the business. This was not recorded in the Cash book.
- (3) A cheque of Rs.100,000/- was given to the supplier **Minoli (Pvt) Ltd.** on 28<sup>th</sup> March 2025. However, this was presented to the bank on 02<sup>nd</sup> April 2025.
- (4) A cheque of Rs.80,000/- deposited in the Bank Account on 30<sup>th</sup> March 2025 was remain unrealized by end of March 2025.
- (5) The bank charges of Rs.5,000/- were not recorded in the Cash Book.
- (6) The bank has erroneously credited Rs.40,000/- to the **Manuka Trader's** current account. This error was not corrected in the statement's balance.

**You are required to:**

**Prepare** the following:

- (a) Adjusted Cash Control Account (Cash Book). (03 marks)
- (b) Bank Reconciliation Statement as at 31<sup>st</sup> March 2025. (02 marks)

(Total 10 marks)

## Question 04

**Udara Publications** is engaged in book printing business. The following information was extracted from the books of accounts of **Udara Publications** for the year ended 31<sup>st</sup> March 2025:

<b>Description</b>	<b>Rs.</b>
Raw Material Stock as at 01 <sup>st</sup> April 2024	500,000
Raw Material Purchased during the year	6,000,000
Work-In-Progress as at 01 <sup>st</sup> April 2024 (valued at Prime Cost)	230,000
Carriage Inwards of Raw Material	100,000
Direct Wages	2,500,000
Maintenance of Machinery	60,000
Security Charges	600,000
Electricity	900,000
Rent	1,000,000
Machinery (at Cost)	2,000,000
Motor Lorry (at Cost)	1,500,000

The following additional information is also provided:

(1) Closing inventory balances as at 31<sup>st</sup> March 2025 were valued as follows:

<b>Description</b>	<b>Rs.</b>
Raw Material Stock (At cost)	300,000
Work -in -Progress (Valued at Prime Cost)	430,000

(2) The following expenses should be allocated as follows:

<b>Expenses</b>	<b>Factory</b>	<b>Office</b>
Security Charges	70%	30%
Electricity	80%	20%
Rent	80%	20%

(3) Plant and Machinery are used to print books while Motor Lorry is used by the business to deliver the printed books to customers. The policy of the business is to provide depreciation on the straight-line basis on cost as follows:

Machinery : 20%

Motor Lorry : 25%

- (4) The machine minders are given a production incentive of Rs.50/- per book. 10,000 books were printed during the year.
- (5) Manufactured items are transferred to the trading division at a profit of 20% on the cost of production.

**You are required to:**

**Prepare** the Manufacturing Cost Statement (Manufacturing Account) of **Udara Publications** for the year ended 31<sup>st</sup> March 2025. (10 marks)

### **Question 05**

The Trial Balance of **Tharun Traders** as at 31<sup>st</sup> March 2025 prepared by the Accounts Executive did not agree and the difference of Rs.170,000/- was credited to a Suspense Account. Using the Trial Balance prepared, the Draft Financial Statements were prepaid. As per the Draft Financial Statements a loss of Rs.450,000/- recorded.

The following errors were identified subsequently for the difference:

- (1) The salary payable for the month of March 2025 was Rs.100,000/-. This was not recorded in the books of accounts.
- (2) Interest income received of Rs.50,000/- was recorded as an interest expense. However, the cash receipt was properly recorded in the cash book.
- (3) Motor vehicle repair expense of Rs.40,000/- made on 31<sup>st</sup> March 2025 was erroneously capitalized to the motor vehicle account.
- (4) Stationery expenses made in cash of Rs.25,000/- were recorded twice in the stationery account while it was correctly recorded in the cash book.
- (5) Telephone expense of Rs.16,000/- paid for the month of February 2025 has been recorded in the Rent Expenses account as Rs.61,000/-. However, corresponding credit entry was recorded correctly.

**You are required to:**

**Prepare** the following:

- (a) Journal entries to rectify the above errors. (05 marks)
- (b) Suspense Account (02 marks)
- (c) A statement to show the corrected profit. (03 marks)

(Total 10 marks)

***End of Section B***

## One (01) compulsory question

(Total 20 marks)

## SECTION C

### Question 06

**CodeLoom** is a sole proprietorship owned by **Henuka** and the Trial Balance of **CodeLoom** as at 31<sup>st</sup> March 2025 was as follows:

**CodeLoom**  
**Trial Balance as at 31<sup>st</sup> March 2025** (Rs. '000)

<b>Description</b>	<b>Dr.</b>	<b>Cr.</b>
Property, Plant and Equipment at Cost:		
Land and Buildings (Cost of land is Rs. 5 million)	11,000	
Machinery	9,000	
Motor vehicles	5,000	
Accumulated Depreciation as at 01 <sup>st</sup> April 2024:		
Buildings		3,000
Machinery		4,500
Motor vehicles		2,500
Sales		92,000
Inventory as at 01 <sup>st</sup> April 2024	8,500	
Purchases	63,000	
Trade Receivables	7,700	
Trade Receivable Impairment Provision as at 01 <sup>st</sup> April 2024		300
Trade Payables		5,275
Cash at Bank	500	
Cash in Hand	25	
Bank Loan		8,000
Salaries and Wages	15,500	
Insurance Expenses	600	
Security Charges	750	
Electricity bills paid	3,100	
Sales Commission	400	
Office Rent Paid	3,500	
Capital Account as at 01 <sup>st</sup> April 2024		13,000
<b>Total</b>	<b>128,575</b>	<b>128,575</b>

The following additional information is also provided:

- (1) The closing Inventory as at 31<sup>st</sup> March 2025 was valued at cost of Rs.9,700,000/-.
- (2) The electricity bill for the month of March was Rs.78,000/- was not recorded. This was paid on 3<sup>rd</sup> April 2025.
- (3) On 01<sup>st</sup> January 2025, a bank loan of Rs.8,000,000/- has been obtained from **Metro Bank** to expand the business at an annual interest rate of 12%. Bank has given a grace period of one (01) year for the capital repayments of the loan. Interest for the year has not been accounted.
- (4) The policy of the business is to provide the depreciation on the straight-line basis at cost as follows:

Buildings	10% per annum
Machinery	20% per annum
Motor vehicles	25% per annum

- (5) The business entered into a new rent agreement on 01<sup>st</sup> April 2024. As per the new rent agreement a rent deposit of Rs.500,000/- was paid. This will be receivable at the end of the rent period of two (02) years. Monthly rental is Rs.300,000/-. The rent deposit paid and the rent paid for the year are recorded under 'Office rent paid' in trial balance.
- (6) **CodeLoom** decided to write-off a long outstanding debtor balances of Rs.200,000/- as a bad debt and to make impairment provision (Doubtful debt provision) on trade receivable of 10% from the remaining trade receivables balance as at 31<sup>st</sup> March 2025.

**You are required to:**

**Prepare** the following:

- (a) Statement of Comprehensive Income for the year ended 31<sup>st</sup> March 2025. (11 marks)
- (b) Statement of Financial Position as at 31<sup>st</sup> March 2025. (09 marks)

(Total 20 marks)

***End of Section C***

## Action Verbs Check List

Level	Action Verb	Definition	Detailed Instructions for Students
<b>REMEMBER</b> Recalling facts, terms, basic concepts, or answers without necessarily understanding what they mean.	Identify	Recognition of someone or something.	Find and name key parts of the topic.
	Define	Meaning of a word or concept.	Provide a clear meaning of a term or concept.
	Recognise	Awareness of something seen before.	Spot and acknowledge something from previous learning.
	State	Clear and concise expression of information.	Express key facts or concepts in a straightforward way.
	List	A series of names, numbers, or items.	Write down key points in an organized manner.
	Record	Entry of details into a system (not accounting).	Enter relevant details clearly and accurately.
<b>UNDERSTAND</b> Comprehending the meaning of informational materials and being able to interpret or explain it.	Construct	Formation of something by combining elements.	Bring together different parts into a meaningful whole.
	Differentiate	Recognition of differences between two or more things.	Highlight distinctions between concepts or items.
	Discuss	Consideration of different ideas and opinions about a topic.	Explore various perspectives and provide insights.
	Explain	Clarification of something in greater detail.	Provide a logical and detailed description.
	Illustrate	Use of examples, charts, or visuals to clarify a point.	Support explanations with appropriate examples or visuals.
	Interpret	Explanation of the meaning of information or actions.	Explain what something means in your own words.
	Describe	A detailed account of something.	Provide relevant details in a structured manner.
	Summarise	A brief statement of the main points.	Present key information concisely.
<b>APPLY</b> Using learned material in new and concrete situations. It requires the practical application of knowledge and skills.	Apply	Use of knowledge, skills, or rules in a situation.	Utilise relevant knowledge or techniques to achieve an outcome.
	Calculate	Determination of a value through mathematical or logical methods.	Use numerical or logical processes to reach a solution.
	Determine	Establishment of something through research or calculation.	Find out or conclude something after calculation or research.
	Demonstrate	Display of a process or method.	Show a clear example through structured steps.
	Prepare	Organisation of materials or information for use.	Arrange necessary details before engaging in a task.
	Use	Application of a concept, tool, or method for a purpose.	Implement relevant knowledge or resources appropriately.
	Present	Sharing of information effectively.	Deliver key insights clearly and professionally.

Level	Action Verb	Definition	Detailed Instructions for Students
<b>ANALYSE</b> 1Breaking down information into its components to understand its structure and relationships.	Analyse	Detailed examination of something to understand its components.	Break down information into key parts for better understanding.
	Compare	Examination of similarities and/or differences.	Point out the key commonalities and distinctions.
	Distinguish	Recognition of unique characteristics.	Identify what makes things different from each other.
	Examine	Inspection of something to determine its nature.	Look at something closely to understand it better.
	Outline	Summary of the main points.	Provide an organised overview of key aspects.
	Conduct	Organisation of elements for an experiment, survey, or study.	Follow structured steps to carry out a task systematically.
	Report	Structured presentation of findings.	Present analysed information in a clear and logical format.
<b>EVALUATE</b> Making judgments about the value or quality of ideas or materials based on criteria or standards.	Advise	Offering of suggestions or recommendations.	Provide informed guidance based on analysis.
	Evaluate	Critical assessment of value, effectiveness, or impact.	Judge the quality or relevance of something based on criteria.
	Formulate	Development of a structured approach or plan.	Create a well-defined method or strategy.
	Recommend	Suggestion of a suitable course of action.	Propose an approach backed by logical reasoning.
<b>CREATE</b> Combining elements in novel ways to form a coherent or functional whole; the ability to generate new ideas, products, or ways of understanding.	Create	Generation of something new.	Develop something original and purposeful.
	Assess	Estimation or evaluation of quality, ability, or nature.	Provide a reasoned judgment based on available information.
	Develop	Expansion or refinement of an idea, product, or concept.	Strengthen and improve an idea over time.
	Propose	Suggestion of a plan or concept for consideration.	Present an idea or structured recommendation.
	Synthesis	Combination of different elements to form a coherent whole.	Integrate multiple ideas or insights into a meaningful conclusion.
	Design	Creation of a structured plan for something	Formulate a detailed structure for a product or process.
	Compile	Assembly of information from various sources.	Organise collected data into a comprehensive format.



**ASSOCIATION OF ACCOUNTING TECHNICIANS  
OF SRI LANKA**

**CURRICULUM 2025**

**SUGGESTED ANSWERS**

**Level 01**

**1901 - FINANCIAL ACCOUNTING [FAC]**

**A publication of the Education and Training Division**

## **SECTION A**

### **Objective Test Questions (OTQs)**

**Twenty (20) compulsory questions  
(Total 40 marks)**

#### **Answer 01**

<b>1.1</b>	(3)	<b>1.9</b>	(4)
<b>1.2</b>	(4)	<b>1.10</b>	(3)
<b>1.3</b>	(3)	<b>1.11</b>	True
<b>1.4</b>	(1)	<b>1.12</b>	True
<b>1.5</b>	(3)	<b>1.13</b>	False
<b>1.6</b>	(1)	<b>1.14</b>	True
<b>1.7</b>	(2)	<b>1.15</b>	False
<b>1.8</b>	(2)		

**1.16** (a) Journal Voucher

(b) Purchase Invoice

**1.17 Disadvantages of Computerized Accounting:**

- Higher investment cost.
- Need of technical knowledge.
- Retaining technical staff.
- Failures due to human errors.
- Impacts the job market.
- Complex nature.

*(Expect any two advantages)*

**1.18 Trade Receivables' Control Account**

	<b>Rs.</b>		<b>Rs.</b>
B/B/F	100,000	Omitted Balance	8,000
		Overstated balance	5,000
		B/C/F	<b>87,000</b>
	<b>100,000</b>		<b>100,000</b>

**1.19** Trade Payables  
 Bank overdraft  
 Accrued Charges  
 Income Tax Payable *(Expect any two Examples)*

**1.20** To check the accuracy in ledger balances.  
 To identify, any errors that can be detected from the trial balance.  
 Easy to prepare the financial statements.  
 Easy to post accounting adjustments.  
 Assist the auditors in auditing process. *(Expect any two Benefits)*  
**(Total 40 marks)**

## **SECTION B**

**Four (04) compulsory questions**  
**(Total 40 marks)**

### **Answer 02**

**Unit 2** - Accounting Equation, Double Entry System, and Accounting Concepts.

Learning outcomes - Apply the effects of business transactions on the accounting equation.

**(a)**

Rs.'000

Index	Assets				Equity	+ Liability
	Machinery	+ Inventory	+ Trade Receivables	+ Cash		
(1)	+ 1,500			+ 500	+ 2,000	
(2)		+ 800				+ 800
(3)		- 300	+ 500		+ 200	
(4)					- 20 + 20	
(5)			- 400	+ 360	- 40	
(6)		- 50			- 50	
(7)	- 10				- 10	
<b>Total</b>	<b>1,490</b>	<b>450</b>	<b>100</b>	<b>860</b>	<b>2,100</b>	<b>800</b>

**(07 marks)**

(b)

$$\begin{aligned}\text{Profit} &= \text{Closing Net Assets} - \text{Opening Net Assets} + \text{Drawings} - \text{Additional Capital} \\ &= 2,100,000 - 2,000,000 + 50,000 - 20,000 \\ &= 130,000\end{aligned}$$

(03 marks)

(Total 10 marks)

### Answer 03

#### Unit 3

- Prime Entry Books, Control Accounts, Bank Reconciliation Statements, and Trial Balance.

#### Learning outcomes

- Prepare prime entry books and record transactions into ledger accounts (cash receipts journal, cash payments journal, petty cash book, purchase day book, return outwards day book, sales day book, return inwards day book, general journal).
- Prepare the bank reconciliation with and without adjusted cashbook.

(A)

#### Sales Journal

Date	Invoice Number	Description	Total Amount	Discount	Net Amount
05-04-2025	S145	Chamidu Traders	40,000	2,000	38,000
10-04-2025	S146	Rusiru Traders	125,000	12,500	112,500
14-04-2025	S147	Chamath Traders	150,000	-	150,000
20-04-2025	S148	Sajeedha Traders	18,000	900	17,100
<b>Transferred to General Ledger</b>					<b>317,600</b>

(05 marks)

(B)

(a)

#### Adjusted Cash Control Account

Balance B/F	200,000	Loan	50,000
Trade Receivables	65,000	Bank Charges	5,000
		Balance C/D	210,000
	265,000		265,000

(03 marks)

**(b)**

**Bank Reconciliation**

Balance as per the adjusted cash control account		210,000
(+)		
Unpresented payment	100,000	
Erroneous credit by bank	40,000	140,000
(-)		
Unrealized deposit	80,000	(80,000)
Balance as per the bank statement		270,000

**(02 marks)**

**(Total 10 marks)**

**Answer 04****Unit 4 - Preparation of Financial Statements for a Sole Proprietorship.**

Learning outcomes - Prepare manufacturing account (manufacturing cost statement).

**Udara Publications**  
**Manufacturing Account**  
**For the year ended 31<sup>st</sup> March 2025** (Rs. '000)

<b>Raw Materials</b>			
Opening Raw Materials stock		500	
Raw Materials Purchased		6,000	
Carriage Inward		100	
(-) Closing Raw Materials stock		(300)	
Raw Materials Consumption			6,300
<b>Direct Labour</b>			
Direct Wages		2,500	
Production Incentives (50 X 10)		500	3,000
Prime Cost			9,300
+ Opening Work in Progress Inventory		230	
(-) Closing Work in Progress Inventory		(430)	(200)
Prime Cost of Completed Items			9,100
<b>Production Overheads</b>			
Machine Maintenance		60	
Security Charges (70% X 600)		420	
Electricity Charges (80% X 900)		720	
Rent (80% X 1,000)		800	
Machinery Depreciation (2,000 X 20%)		400	2,400
Manufacturing Cost			11,500
+ Factory Profit (11,500 X 20%)			2,300
Transferred to Trading Division			13,800

**(10 marks)**

## Answer 05

<b>Unit 3</b>	<ul style="list-style-type: none"> <li><b>Prime Entry Books, Control Accounts, Bank Reconciliation Statements, and Trial Balance.</b></li> </ul>
Learning outcomes	<ul style="list-style-type: none"> <li>Identify different types of accounting errors and prepare entries to correct the errors (errors of omission, errors of commission, errors of principle, compensating errors, errors of original entry, errors of duplication, errors of complete reversal).</li> <li>Explain the purpose of a suspense account and prepare a suspense account.</li> <li>Calculate the impact of errors on the financial statements of the business.</li> </ul>

### (a) General Journal

Ind.	Description	Debit (Rs.)	Credit (Rs.)
01	Salary Expense Dr.	100,000	
	Salary Payable Account Cr.		100,000
	(Correcting the omission error on salary payable)		
02	Suspense Account Dr.	100,000	
	Interest Expense Account Cr.		50,000
	Interest Income Account Cr.		50,000
	(Correcting the clerical error on Interest income)		
03	Motor Vehicle Repair Expense Account Dr.	40,000	
	Motor Vehicle Account Cr.		40,000
	(Correcting the principle error on vehicle repair)		
04	Suspense Account Dr.	25,000	
	Stationery Expense Cr.		25,000
	(Correcting the duplication error on Stationery)		
05	Telephone Expense Dr.	16,000	
	Suspense Account Dr.	45,000	
	Rent Expense Cr.		61,000
	(Correcting the clerical error and commission error on telephone expense)		

(05 marks)

(b)

**Suspense Account**

Interest Expense	50,000	Balance B/F	170,000
Interest Income	50,000		
Rent Expense	45,000		
Stationery	25,000		
	170,000		170,000

**(02 marks)**

(c)

**Statement to Correct the Draft Profit**

Drafted Profit/(Loss)		(450,000)
(+)		
Interest Expense	50,000	
Interest Income	50,000	
Stationery Expense	25,000	
Rent Expense	61,000	186,000
(-)		
Salary Expense	100,000	
Moto Vehicle Repair	40,000	
Telephone Expense	16,000	(156,000)
Corrected Profit/(Loss)		(420,000)

**(03 marks)**

**(Total 10 marks)**

## SECTION C

One (01) compulsory question  
(Total 20 marks)

### Answer 06

<b>Unit 4</b>	<b>- Preparation of Financial Statements for a Sole Proprietorship.</b>
Learning outcomes	<ul style="list-style-type: none"><li>- Prepare income statement (profit or loss and other comprehensive statement) for a sole proprietorship.</li><li>- Prepare statement of financial position (balance sheet) for a sole proprietorship.</li></ul>

(a)

**CodeLoom**  
**Statement of Profit or Loss**  
**For the Year Ended 31<sup>st</sup> March 2025**

Rs. '000

<b>Sales</b>		<b>92,000</b>
(-) Cost of Sales		
Opening Inventory	8,500	
Purchases	63,000	
(-) Closing Inventory	(9,700)	(61,800)
<b>Gross Profit</b>		<b>30,200</b>
<b>Other Income</b>		
<b>Distribution Expenses</b>		
Motor Vehicle Depreciation	1,250	
Bad Debt Written off	200	
Under Provision of Debtors Impairment (W-5)	450	
Sales Commission	400	(2,300)
<b>Administration Expenses</b>		
Electricity (78 + 3,100)	3,178	
Building Depreciation	600	
Machinery Depreciation	1,800	
Rent (3,500 - 500 + 600)	3,600	
Salaries	15,500	
Insurance	600	
Security	750	(26,028)
<b>Finance Expenses</b>		
Interest Expense	240	(240)
<b>Profit for the Year</b>		<b>1,632</b>

**(11 marks)**

(b)

**CodeLoom**  
**Statement of Financial Position**

**As at 31<sup>st</sup> March 2025**

**Rs.'000**

<b>Non-Current Assets</b>	<b>Cost</b>	<b>Acc. Depreciation</b>	<b>Carrying Value</b>
Land	5,000	-	5,000
Buildings	6,000	3,600	2,400
Machinery	9,000	6,300	2,700
Motor Vehicles	5,000	3,750	1,250
	25,000	13,650	11,350
<b>Current Assets</b>			
Inventory		9,700	
Trade Receivables (7,700 - 200)	7,500		
(-) Impairment Provision (7,500 x 10%)	(750)	6,750	
Rent Deposit (W-3)		500	
Cash at Bank		500	
Cash in Hand		25	17,475
<b>Total Assets</b>			28,825
<b>Equity</b>			
Capital		13,000	
Profit for the Year		1,632	14,632
<b>Non-Current Liabilities</b>			
Bank Loan		8,000	8,000
<b>Current Liabilities</b>			
Trade Payables		5,275	
Accrued Expenses (W-2)		678	
Loan Interest Payable (W-1)		240	6,193
<b>Total Equity and Liabilities</b>			28,825

**(09 marks)**

## Workings:

### W1 – Loan Interest

Loan 8,000  
Interest Rate 12%  
Months 3/12  
Interest 240 (8,000 X 12% x 3/12)

### W2 – Accrued Expenses

Electricity Bill 78,000  
Rent 600,000  
**678,000**

### W2 - Depreciation

Rs. '000

	<b>Buildings</b>	<b>Machines</b>	<b>Motor Vehicles</b>
Cost	6,000	9,000	5,000
Depreciation %	10%	20%	25%
Depreciation	600	1,800	1,250

### W3 – Rent Deposit

Rent Deposit 500 (Included in rent paid)

*Double Entry*

Rent Deposit Dr. 500

Rent Paid Cr. 500

#### **W4 – Rent Payable**

Monthly Rent	300
Months	12
Total Rent	3,600
Rent Paid	3,000 (3,500-500)
Accrued Rent	600 (3,600 – 3,000)

#### **W5 – Debtors' Impairment**

Trade Receivable	7,500 (7,700 – 200)
Impairment %	10%
Closing Debtor Impairment Provision	750 (7,500 X 10%)
Opening Debtor Impairment Provision	300
Under Provision	450 (750 – 300)

**(Total 20 marks)**

***End of Section C***