



Association of Accounting Technicians of Sri Lanka

July 2020 Examination - Level II

Suggested Answers (201)

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING

Association of Accounting Technicians of Sri Lanka

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Level II Examination-July 2020

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING

SUGGESTED ANSWERS

SECTION - A

Objective Test Questions (OTQs)

(Total 25 Marks)

Suggested Answers to Question One:

1.1 Inventories are valued at cost or net realizable value whichever is less.

Answer-(4)

(02 marks)

1.2 Rent Expense Account

B/B/F	287,000	B/B/F	212,000
Cash	4,812,000	PL	4,759,000
B/C/F	184,000	B/C/F	312,000
	<u>5,283,000</u>		<u>5,283,000</u>

Answer-(2) 4,759,000

(02 marks)

1.3 (1)

Sales Proceeds 3,000,000

Less: Written Down Value

Cost 5,000,000

Depreciation 16/17 (6 Months) (625,000)

Depreciation 17/18 (1,250,000)

Depreciation 18/19 (1,250,000)

Depreciation 19/20 (1,250,000) 625,000

2,375,000

Answer - (1) 2,375,000

(02 marks)

1.4

- (1) To ascertain the cost per unit of different products
- (2) To facilitate planning of regular business activities
- (3) To correctly analyze the cost of both the process and operations
- (4) To maintain stock control and reduce the wastage of production

(5) To provide information for decisions (02 marks)

1.5 A liability is "A present obligation of the entity to transfer an economic resource as a result of past events." (02 marks)

1.6 a. Partner's capital should be contributed equally to the Partnership
b. Partners are not entitled for any salaries (02 marks)

1.7

A	2/3	-	5/10	=	(20-15)/30	=	5/30
B	1/3	-	3/10	=	(10-9)/30	=	1/30
C	2/10						
Sacrificing Ratio	5:1						

(03 marks)

1.8

1. Non-adjusting event
2. Adjusting event
3. Adjusting event

(03 marks)

1.9

$$\begin{aligned} & \sqrt{2D_{Co}/Ch} \\ = & \sqrt{(2 \times 12,500 \times 20) / 2} \\ = & \underline{\underline{500 \text{ Units}}} \end{aligned}$$

(03 marks)

1.10

Direct Material	(5,000X25)	125,000
Direct Labour	(200X500)	100,000
Production Overhead Cost	(100,000X150%)	<u>150,000</u>
Total Cost		375,000

Margin 75,000

Price to be charged on Job 2500 450,000

(04 marks)

(Total 25 marks)

End of Section A

(Total 50 Marks)

SECTION - B

Suggested Answers to Question Two:

Chapter 6 – Accounting for Materials and Labour

(a)

Date	Receipt			Issue			Balance		
	Qty	Rs.	Value	Qty	Rs.	Value	Qty	Rs.	Value
01.01.2020							5,000	75	375,000
06.01.2020	7,500	74	555,000				12,500	74.4	930,000
10.01.2020				5,600	74.4	416,640	6,900	74.4	513,360
18.01.2020	5,000	72	360,000				11,900	73.4	873,360
25.01.2020				4,000	73.4	293,600	<u>7,900</u>		<u>579,793</u>

(05 marks)

(b)

Name	Basic	OT	Allowance - Cost of Living	Total	EPF 8%	Insurance	Net Salary	EPF 12%	ETF 3%
S.M.Kavindra	16,000	2,800	3,000	21,800	(1,280)	-500	20,020	1,920	480
L.V.Gayesha	17,600	1,540	3,000	22,140	(1,408)	-	20,732	2,112	528
T.B.Yamuna	18,400		3,000	21,400	(1,472)	-500	19,428	2,208	552
S.P.Roshan	35,000		3,000	38,000	(2,800)	-	35,200	4,200	1,050
Total	87,000	4,340	12,000	103,340	(6,960)	-1,000	95,380	10,440	2,610

(05 marks)

(Total 10 marks)

Suggested Answers to Question Three:

Chapter 7 – Accounting for Overheads and Costing Methods

(a)

Description	Nature	Basis (cutting, sewing & service)	Department			
			Amount	Cutting	Sewing	Service
Indirect Material Cost			150,000	45,000	60,000	45,000
Machinery Maintenance	Machine value	100:400	100,000	20,000	80,000	
Building Rent	Floor area	1600:2800:400	360,000	120,000	210,000	30,000
Electricity	Usage of electricity	600:1400:200	66,000	18,000	42,000	6,000
Welfare	Staff	90:120:40	400,000	144,000	192,000	64,000
			1,076,000	347,000	584,000	145,000
Re-apportionment						
Apportioning cost		45:55:00		65,250	79,750	(45,000)
			<u>1,076,000</u>	<u>412,250</u>	<u>663,750</u>	-

(07 marks)

- (b)
- | | | | |
|------------------------------|---------------|----------------|--------------------------------|
| 1. Cutting department rate = | 412,250/2,000 | <u>206.125</u> | (03 marks)
(Total 10 marks) |
| 2. Sewing department rate = | 663,750/5,000 | <u>132.75</u> | |

Suggested Answers to Question Four:

Chapter 4-Financial Statements using incomplete records and Financial Statements for Not for Profit Organizations

(a)

**Gamunu Cricket Club
Restaurant Trading Account
for the year ended 31st December 2019** (Rs.000)

Restaurant sales		40,000
Less - Cost of Sales		
Opening Stock 01.01.2019	5,000	
Purchases	<u>29,000</u>	
Closing Stock 31.12.2019	<u>(7,000)</u>	(27,000)
Gross Profit		<u>13,000</u>

Trade Payable Account (Rs'000)

Cash	25,000	B/B/F	8,000
B/C/F	<u>12,000</u>	Purchases	<u>29,000</u>
	<u>37,000</u>		<u>37,000</u>

(02 Marks)

(b)

**Gamunu Cricket Club
Income and Expenditure Account
For the year ended 31st December 2019** (Rs.000)

Income		
Donations	1,050	
Membership Subscription Fee (W-1)	12,900	
Profit on Restaurant(13,000-800-6,360)	<u>5,840</u>	19,790
Expenses		
Electricity (2,100+600-300)*2/3(W-2)	(1,600)	
Salaries & Wages(12,720*1/2)	(6,360)	
Secretarial Expenses	(1,500)	
Telephone	(675)	
Coaching Expenses	(3,150)	
Depreciation -Building	(2,000)	
-Sports equipment	<u>(2,500)</u>	<u>(17,785)</u>
Surplus income over expenses		<u>2,005</u>

Workings**W-1****Members' Subscription Account**

B/B/F	900	B/B/F	300
Income & Expenditure	12,900	Cash	13,350
B/C/F	450	B/C/D	600
	<u>14,250</u>		<u>14,250</u>

W-2**Electricity Account**

Cash	2,100	B/B/F	300
B/C/F	600	Income & Expenditure	2,400
	<u>2,700</u>		<u>2,700</u>

(07marks)
(Total 10 marks)

Suggested Answers to Question Five:**Chapter 3 - Financial Statements for a Partnership**

(a)

Profit and Loss Appropriation Account**(Rs.000)**

Profit as per accounts		1,600
Salaries:		
Ranjith	(240)	
Sunil	<u>(240)</u>	<u>(480)</u>
		1,120
Profit share:		
Ranjith	(560)	
Sunil	(336)	
Thilak	<u>(224)</u>	<u>(1,120)</u>
		-

(03 marks)

(b)

Partners' Capital Accounts**(Rs'000)**

	Ranjith	Sunil	Thilak		Ranjith	Sunil	Thilak
Goodwill	750	450	-	B/B/F	2,250	1,350	900
Current Account	-	-	36	Goodwill	600	360	240
Loan Account	-	-	1,104				
B/C/F	2,100	1,260	-				
B/F	2,850	1,710	1,140		2,850	1,710	1,140

(04 marks)

Partners' Current Accounts				(Rs'000)			
	Ranjith	Sunil	Thilak		Ranjith	Sunil	Thilak
B/B/F	-	500	200	B/B/F	95	-	-
Drawings	780	260	60	Salaries	240	240	-
B/C/F	115	-	-	Profit Share	560	336	224
				Capital	-	-	36
				B/C/F	-	184	-
B/B/F	895	760	260		895	760	260

(c)

(03 marks)
(Total 10 marks)

Suggested Answers to Question Six:

Chapter 4-Financial Statements using incomplete records and Financial Statements for Not for Profit Organizations

"Online Foods by Annie"

Trial Balance

As at 30th June 2020

(Rs'000)

	Dr.	Cr.
Capital		100,000
Rent	31,500	
Direct Material(36,000+13,750)	49,750	
Other Direct Material(5,600+4,500+12,600)	22,700	
Inventories as at the end 30.06.2020	6,750	
Equipment	50,000	
Sales (13,000+14,000+7,000+14,000+17,950+20,500+7,800+6,200)		100,450
Bank charges	1,500	
Advertising	3,500	
Delivery charges	22,500	
Bank balance	5,000	
Water expenses	1,350	
Accrued water expenses		1,350
Electricity expenses	7,200	
Accrued electricity expenses		7,200
Drawing	6,200	
Cash balance (5,000+7,800)	7,800	
Depreciation	6,250	
Accumulated depreciation		6,250
Trading Stock		6,750
	222,000	222,000

(10 marks)

End of Section B

(Total 25 Marks)

SECTION - C

Suggested Answers to Question Seven:

Chapter 2–Financial Statements for a Limited Liability Company

Beauty Mart (Pvt) Ltd

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December 2020

(Rs'000)

Sales		27,000
Cost of sales (10,700+40)		(10,740)
Gross profit		16,260
Distribution Expenses		
Depreciation - Motor vehicles (W-3)	(2,200)	
Bad debts	(270)	
Provision for Bad debt(Under Provision)(W-2)	(39)	
Advertising	(800)	
Incentives on sales	(500)	(3,809)
Administration Expenses		
Depreciation - Machinery (W-3)	(4,000)	
Electricity (940+80)	(1,020)	
Building rent	(900)	
Water & Telephone	(425)	
Salaries & Wages	(2,200)	
Insurance	(240)	
Printing & stationery	(365)	(9,150)
Finance Expenses		
Bank charges	(50)	
Interest on debenture	(600)	(650)
Profit before tax		2,651
Income tax		(275)
Profit After Tax		2,376

(14 marks)

(b)

Beauty Mart (Pvt) Ltd
Statement of Financial Position
As at 31st March 2020

(Rs.'000)

<u>Non-Current Assets</u>	Cost	Accumulated Depreciation	Carrying Value
Machinery	20,000	(12,000)	8,000
Motor vehicles	8,800	(4,400)	4,400
	28,800	(16,400)	12,400
<u>Current Assets</u>			
Inventories (6,200-40)		6,160	
Trade Receivables (9,380-469)(W-1)		8,911	
Cash & Cash Equivalents		9,720	24,791
Total Assets			37,191
<u>Equity & Liabilities</u>			
Stated Capital (16,000+8,000)		24,000	
Retained Earnings (11,710-8,000+2,376)		6,086	0,086
Total Equity			
<u>Non- Current Liabilities</u>			
Debentures			5,000
<u>Current Liabilities</u>			
Trade Payables		1,500	
Accrued Electricity Expenses		80	
Income Tax Payable (150+75)		225	
Debenture Interest Payable		300	2,105
Total Equity & Liabilities			37,191

(W-1)-Trade Receivables

Trade Receivables	9,650
Bad written –off	(270)
	9,380
Bad Debt Provision 5%	<u>(469)</u>
	<u>8,911</u>

(W-2)-Provision for Bad Debt

		B/B/F	430
B/C/F	<u>469</u>	P&L	<u>39</u>
	<u>469</u>		<u>469</u>

(W-3)-Depreciation of PPE

Depreciation on Machinery	20,000X20%	4,000
Depreciation on Market Value	8,800X25%	2,200

(11 marks)
(Total 25 marks)

End of Section C

Notice:

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