



Association of Accounting Technicians of Sri Lanka

Level I Examination - July 2021

Suggested Answers

(101) FINANCIAL ACCOUNTING (FAC)

Association of Accounting Technicians of Sri Lanka

No.540, Ven. Muruththettuve Ananda Nahimi Mawatha,

Narahenpita, Colombo 05.

Tel : 011-2-559 669

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level I Examination - July 2021

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions
(Total 40 Marks)

SECTION - A

Suggested Answers to Question One:

- 1.1 (3) To understand the financial position of the business
1.2 (2) Accrual Concept
1.3 (3) A cheque of Rs.23,000/- issued to a supplier was not presented to the bank for payment.
1.4 (2) Rs.3,115,000/-.

Capital account as at 01st April 2020		1,800,000
+ Personal motor vehicle transferred to the business by the owner during the year	1,000,000	
Profit for the year ended 31st March 2021	<u>490,000</u>	<u>1,490,000</u>
		3,290,000
- Drawings made during the year	<u>(175,000)</u>	<u>(175,000)</u>
The equity (capital) as at 31st March 2021		<u><u>3,115,000</u></u>

- 1.5 (4) Paid an amount of Rs.250,000/- to a creditor
1.6 (1) Income statement
1.7 (4) Debit Note
1.8 (2) Stock Control System
1.9 (3) Historical Cost Concept
1.10 (2) Rs.180,000/-

Sales Proceed		500,000
Written Down Value		
Cost	1,600,000	
Less : Accumulated Depreciation		
31.12.2017 1,600,000 * 20%	(320,000)	
31.12.2018 1,600,000 * 20%	(320,000)	
31.12.2019 1,600,000 * 20%	(320,000)	
31.12.2020 1,600,000 * 20%	<u>(320,000)</u>	<u>(320,000)</u>
Profit on Disposal		<u><u>180,000</u></u>

(02 marks each, Total 20 marks)

- 1.11 True
- 1.12 True
- 1.13 True
- 1.14 False
- 1.15 True

(02 marks each, Total 10 marks)

1.16 Stakeholders of a business

- Owners & Shareholders
- Customers
- Suppliers
- Employees & Managers
- Banks & Financial institutions
- Government
- Tax authorities
- Regulatory institutions

(02 marks)

1.17 Reasons for moving into Computerized Accounting Systems

- Accuracy of the information is high
- Speed of the system is very high and it save the time
- Reliability of the generated reports is very high
- Automatic document production
- Unnecessary staff can be reduced and due to that cost reduction
- Analyzing capabilities are very high
- Mass capacity of storage
- Easy to manage the entity and generate reports
- Entity can generated up-to-date reports
- Efficiency is high
- Staff motivation
- Availability of information

(02 marks)

1.18 Examples for current liabilities

- Trade Payables
- Accrued Expenses
- Income Tax Payable
- Banks loan installments to be paid within 12 months
- Bills payable

- Income received in advance
- Bank overdrafts

(02 marks)

1.19

Adjusted Cash Book

B/B/F	435,000	Bank Charges	5,000
Deposit	25,000	B/C/F	455,000
	<u>460,000</u>		<u>460,000</u>

Balance as per cash book	=	455,000
Unpresented cheques	=	75,000
Balance as per bank statement	=	<u>530,000</u>

Or

Bank Reconciliation Statement for the month of March 2021

Balance as per Cash Control A/c		435,000
Add;		
Direct Deposit	25,000	
Cheques not presented for payment	75,000	<u>100,000</u>
		535,000
Less:		
Bank Charges		<u>(5,000)</u>
Balance as per Bank Statement		<u>530,000</u>

(02 marks)

1.20

Trade Receivable's Control Account

1.1.2021	B/B/F	500,000	31.1.2021	Sales Returns	25,000
31.1.2021	Sales	400,000	31.1.2021	Cash	200,000
			31.1.2021	B/C/F	675,000
		<u>900,000</u>			<u>900,000</u>

(02 marks)

(Total 40 marks)

End of Section A

Suggested Answers to Question Two:***Chapter 2 – Accounting Equation, Double Entry System and Accounting Concepts*****(A)**

Rs. ('000)

Date	Inventories	Trade Debtors	Cash	=	Equity	Liabilities
01.03.2021			+ 1,000	=	+ 1,000	
02.03.2021	+800					+800
05.03.2021			-50	=	-50	
10.03.2021	-500		+750	=	+250	
15.03.2021			-150	=	-150	
31.03.2021			+500	=		+500

(06 marks)**(B)****Purchase Day Book**

Date	Inv. No.	Suppliers Name	Description	Qty	Unit Value	Gross Value	Total
01.03.2021	465	Nimal & Co	Rice Bags	50	500	25,000	25,000
10.03.2021	950	Samantha Grocery	Sugar Bags	100	2,000	200,000	200,000
15.03.2021	495	Nimal & Co	Rice Bags	100	500	50,000	
		5% Discount				(2,500)	47,500
31.03.2021	Balance transferred to purchase account						272,500

(04 marks)**(Total 10 marks)**

Suggested Answers to Question Three:

Chapter 4 (II) – Preparation of Financial Statements (Manufacturing Cost Statements)

KDI Traders
Manufacturing Account for the year ended 31st March 2021

	Rs.	Rs.
Direct Material Cost		
Opening RM Stock	600,000	
Add : Purchases	2,300,000	
Less : Closing Raw Material stock	<u>(1,250,000)</u>	
Cost of Raw Material consumed		1,650,000
Direct Expenses		
Direct Labour Costs (Direct Wages)	890,000	
Incentive (600*100)	<u>60,000</u>	<u>950,000</u>
		2,600,000
(+) Work in progress (Opening)		350,000
(-) Work in progress (Closing)		<u>(290,000)</u>
Prime Cost		2,660,000
Overheads		
Electricity (360,000*90%)	324,000	
Water (180,000*60%)	108,000	
Factory Manager's Salary	625,000	
Depreciation on Plant & Machinery	110,000	
Depreciation on building (135,000* 90%)	<u>121,500</u>	<u>1,288,500</u>
Total Manufacturing Cost		3,948,500

(10 marks)

Suggested Answers to Question Four:

Chapter 3 – Prime Entry Books, Control Accounts & Trial Balance

Ruberu Traders		(Rs. '000)
Trial Balance as at 31 st March 2021		
	Dr	Cr
Motor Vehicle	1,500	
Capital (2500+1500)		4,000
Cash in hand	3,120	
Depreciation on Motor Vehicle @ 20% (W 1)	300	
Accumulated Depreciation (W1)		300
Electricity (69+11)	80	
Accrued Electricity		11
Prepayments	2	
Water (18-2)	16	
Salaries & Wages	93	
Sales (W2)		2,950
Purchases (W3)	2,290	
Trade Debtors	250	
Trade Creditors		390
	<u>7,651</u>	<u>7,651</u>

W 1 - Depreciation of motor vehicle

1,500,000 @ 20% = 300,000

W2 Sales

Cash Sales	900
Credit Sales (W 2.1)	2,050
Total Sales	<u>2,950</u>

W3 Purchases

Cash Purchases	600
Credit Purchases (W 3.1)	1,690
Total Purchases	<u>2,290</u>

W2.1 Credit Sales

Trade Debtors		(Rs'000)	
Sales	2,050	Cash	1,800
		B/C/F	250
	<u>2,050</u>		<u>2,050</u>

W3.1 Credit Purchases

Trade Creditors		(Rs'000)	
Cash	1,300	Purchases	1,690
B/C/F	390		
	1,690		1,690

(10 marks)***Suggested Answers to Question Five:*****Chapter 3 - Prime Entry Books, Control Accounts & Trial Balance****(a) Journal Entries**

	Description		Dr	Cr
(1)	Office Equipment A/c	Dr	150,000	
	Office Equipment Maintenance A/c	Cr		150,000
	(Being correcting the office equipment purchases recorded in the office maintenance A/c)			
	Office Equipment Depreciation A/c	Dr	2,500	
	Accumulated Depreciation A/c	Cr		2,500
	(Being accounting for the depreciation charge for the year)			
(2)	Rent expenses A/c	Dr	150,000	
	Suspense A/c	Cr		150,000
	(Being recording the rent paid not accounted in the relevant A/c)			
(3)	Suspense A/c	Dr	190,000	
	Purchase A/c	Cr		190,000
	(Being reversing the duplicate entry)			
(4)	Drawings A/c	Dr	9,000	
	Suspense A/c	Cr		9,000
	(Being correcting the drawing of Rs. 98,000/- recorded as 89,000/-)			
(5)	Trade Payable Controls A/c	Dr	50,000	
	Purchase A/c	Cr		50,000
	(Being reversing the overstatement of purchase day book)			
(6)	Cash Book Account	Dr	2,500	
	Interest Income A/c	Cr		2,500
	(Being recording the income earned on Fixed Deposit)			

(07 marks)

(b)

Suspense Account

Purchase	190,000	B/B/F	31,000
		Rent	150,000
		Drawing	9,000
	<u>190,000</u>		<u>190,000</u>

(03 marks)

(Total 10 marks)



End of Section B

(Total 20 Marks)

SECTION - C

Suggested Answers to Question Six:

Chapter 4(I) - Preparation of Income Statement and Statement of Financial Position

(a)

**Milky Traders
Statement of Comprehensive Income
for the year ended 31st March 2021**

(Rs.'000)

Turnover		114,000
Cost of Sales		
Opening Inventory	8,200	
Purchases	<u>73,000</u>	
	81,200	
(-) Closing Inventory	<u>(10,200)</u>	
Cost of Sales		<u>(71,000)</u>
Gross Profit		43,000
Other Income :		
Rent Income (1000+200)		<u>1,200</u>
		44,200
Distribution Expenses		
Advertising	1,800	
Discounts given	390	
Bad Debt W/O	100	
Motor Vehicle Depreciation (W1)	<u>320</u>	(2,610)
Administration Expenses		
Electricity (9600+850)	10,450	
Insurance (W2)	390	
Telephone Charges	2,100	
Salaries & Wages (22,500+1,800)	24,300	
Depreciation (Building & Office Equipment) (220+500)(W1)	<u>720</u>	(37,960)
Finance Expenses		
Bank Charges	<u>(1,200)</u>	<u>(1,200)</u>
Net Profit		<u>2,430</u>

(12 marks)

(b)

Milky Traders
Statement of Financial Position
as at 31st March 2021

(Rs. '000)

	Cost	Acc. Dep	Carrying Value
Non-Current Assets			
Property Plant and Equipment			
Land	1,400	-	1,400
Building	2,200	720	1,480
Motor Vehicles	1,600	1,170	430
Office Equipment	<u>2,000</u>	<u>1,700</u>	<u>300</u>
	7,200	3,590	3,610
Current Assets			
Inventory		10,200	
Trade Receivables	7,600		
Less: Bad Debt W/O	<u>100</u>	7,500	
Insurance Prepayment (W2)		1,170	
Rent Receivable		200	
Cash in hand and Bank Balance		<u>7,800</u>	<u>26,870</u>
Total Assets			<u>30,480</u>
Equity and Liabilities			
Equity			
Capital as at 01 st April 2020		20,000	
Profit for the year		<u>2,430</u>	22,430
Current Liabilities			
Trade Payables		5,400	
Accrued Expenses (W3)		<u>2,650</u>	8,050
Total Equity and Liabilities			30,480

Workings

W 1- Depreciation

(Rs. '000)

	Dep. Rate	Cost	Depreciation	Acc.Dep 01.04.2020	Acc. Dep 31.03.2021
Building	10%	2,200	220	500	720
Motor Lorry	20%	1,600	320	850	1,170
Office Equipment	25%	2,000	<u>500</u>	1,200	<u>1,700</u>
			1,040		<u>3,390</u>

W2 –Prepaid Insurance

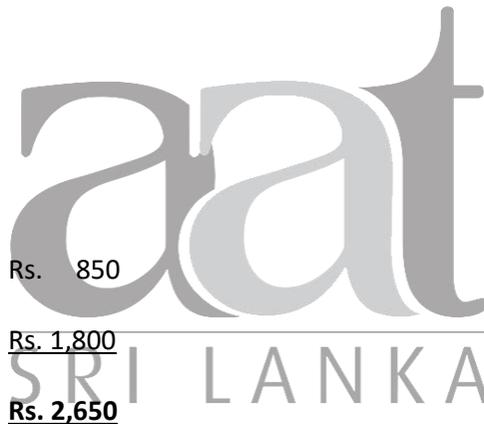
Rs. 1,560*9/12 = **Rs. 1,170/-**

W3 – Accrued Expenses

Electricity Bill – Rs. 850

Salaries & Wages - Rs. 1,800

Rs. 2,650



(08 marks)

(Total 20 marks)

End of Section C

Notice:

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