



Association of Accounting Technicians of Sri Lanka

Level I Examination - January 2022

Suggested Answers

(101) FINANCIAL ACCOUNTING (FAC)

Association of Accounting Technicians of Sri Lanka

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level I Examination - January 2022

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions
(Total 40 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 2

1.2 3

1.3 3

1.4 4

	Rs.'000
Total Assets	2,400
Total Liabilities	(900)
Net Assets	1,500
Capital as at 1.4.2020	1,500
Profit for the year	200
Drawings	(200)
Net Assets	1,500

1.5 2

1.6 1

1.7 3

1.8 4

1.9 2

	Rs.'000
Cost as at 01.04.2018	2,000
Depreciation 2018/19 @ 20%	(400)
Depreciation 2019/20 @ 20%	(400)
Depreciation 2020/21 @ 20%	(400)
Carrying Value as at 31.3.2021	800

1.10 2

1.11 True

1.12 False

1.13 True

1.14 False

1.15 True

(02 marks each, Total 30 marks)

1.16.

1. Unrealized cheques
2. Unpresented cheques
3. Bank errors
4. Direct deposits which were not recorded in the cash book
5. Standing orders
6. Errors made by the entity
7. Unrecorded bank charges in cash book

(02 marks)

1.17.

1. Statement of Profit or Loss and Other Comprehensive Income/ Income Statement
2. Statement of Financial Position
3. Statement of Cash Flows
4. Accounting policies and notes to the financial statements

(02 marks)

1.18.

1. Cost of training
2. System failure
3. Heavy cost of installation
4. Human errors can cause some failures
5. Highly technical oriented
6. Lack of technical support
7. Fear of employment
8. Disruption of work
9. Time consuming
10. Due to the new system replacement requirements are very high

(02 marks)

1.19. An Asset is a present economic resource that controlled by the entity as a result of a past event.

(02 marks)

1.20. Rs. 1,000,000/-

Trade Payables (Creditors) Control Account			
Return Outwards	125,000	B/B/F	475,000
Cash	600,000	Purchases	1,250,000
B/C/D	1,000,000		
	<u>1,725,000</u>		<u>1,725,000</u>

(02 marks)

(Total 40 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 03 Prime Entry Books, Control Accounts and Trial Balance*****Sam Traders****Trial Balance as at 31st March 2021 (Rs.'000)**

	Dr.	Cr.
Capital		3,000
Sales (W1)		6,350
Purchases (W2)	3,540	
Electricity (25 + 6.5)	31.5	
Salaries and Wages	1,000	
Office Rent	350	
Motor Vehicles	1,500	
Trade Receivables	750	
Trade Payables		440
Accrued Electricity		6.5
Printing & Stationery	4.5	
Travelling & Transport	8	
Office Maintenance	6.5	
Petty Cash	6	
Depreciation	375	
Accumulated Depreciation		375
Cash	2,600	
	10,171.5	10,171.5

Workings***W1 – Sales***

Cash sales	2,000
Credit sales (W3)	4,350
Total sales	6,350

W2 – Purchases

Cash purchases	900
Credit purchases (W4)	2,640
Total purchases	3,540

W3 – Credit Sales

		(Rs.'000)	
Trade Receivables			
Sales	4,350	Cash	3,600
		B/C/D	750
	<u>4,350</u>		<u>4,350</u>

W4 – Credit Purchases

		(Rs.'000)	
Trade Payables			
Cash	2,200	Purchases	2,640
B/C/D	440		
	<u>2,640</u>		<u>2,640</u>

(10 marks)

Suggested Answers to Question Three:

Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance

(A)

(a)

Cash Book			
B/B/F	345,000	Bank Charges	2,500
Interest	6,500	B/C/D	349,000
	<u>351,500</u>		<u>351,500</u>

(03 marks)

Chapter 5 - Bank Reconciliation Statements

(b)

Bank Reconciliation Statement as at 31.03.2021

Balance as per cash book		349,000
Add:		
Unpresented cheques		
Chq No.143346	28,000	
Chq No.143349	4,500	32,500
		381,500
Less:		
Unrealized cheques		(75,000)
Bank balance as per bank statement		<u>306,500</u>

(02 marks)

Chapter 2 - Accounting Equation, Double Entry System and Accounting Concepts

(B)

1. Invested Rs. 1,000,000 cash as capital.
2. Purchased goods for the business for Rs.600,000 on credit.
3. Sold goods on credit at Rs. 600,000 which were bought at a cost of Rs. 500,000.
4. Rs. 400,000 payment made to a creditor to settle an outstanding invoice.
5. Withdrew Rs. 50,000 in cash by the owner / Paid office expense of Rs. 50,000.

(05 marks)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 4 - Preparation of Financial Statements

**Ransiri Traders
Manufacturing Cost Statement
for the year ended 31st March 2021**

	Rs.	Rs.
Direct Material Cost		
Raw material - Opening		900,000
Add : Raw material - Purchases	2,771,000	
Carrying inwards	29,000	2,800,000
		3,700,000
Less : Closing raw material		(875,000)
Cost of raw material consumed		2,825,000
Direct labour costs		
Direct wages		920,000
		3,745,000
Other direct expenses		
Add : Opening Work in progress		175,000
Less : Closing Work in progress		(420,000)
Prime Cost		3,500,000
Overheads		
Insurance (328,000 × 60%)	196,800	
Factory manager's salary	900,000	
Electricity (420,000 × 80%)	336,000	
Depreciation - Plant & Machinery	450,000	
- Building	180,000	2,062,800
Total Manufacturing Cost		5,562,800
Profit 15%		834,420
Transferred to Trading Account		6,397,220

(10 marks)

Suggested Answers to Question Five:

Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance

(a)

General Journal				
	Description		Debit	Credit
1	Office Equipment A/c Office Equipment Maintenance A/c (Being correcting the office equipment purchases accounted in the office equipment maintenance A/c)	Dr Cr	335,000	335,000
2	Rent Expenses A/c Accrued Rent Expenses A/c (Being recording the accrued expenses which was not recorded)	Dr Cr	80,000	80,000
3	Purchase A/c Trade Payable A/c (Being recording the omitted transaction)	Dr Cr	95,000	95,000
4	Trade Receivable A/c Sales A/c (Being correcting the understatement of Sales Day Book)	Dr Cr	90,000	90,000
5	Suspense A/c Interest Income A/c Interest Expense A/c (Being correcting the interest income recorded as an interest expense)	Dr Cr Cr	58,000	29,000 29,000
6	Suspense A/c Electricity A/c (Being correcting the electricity payment of Rs. 145,000/- accounted as Rs. 154,000/-)	Dr Cr	9,000	9,000

(06 marks)

(b)

Statement of Profit Revision

	(Rs.)	(Rs.)
Net Profit as per Draft Financial Statements		2,250,000
Add:		
Office Equipment Maintenance	335,000	
Sales	90,000	
Interest	58,000	
Electricity	9,000	492,000
		2,742,000
Less:		
Rent Expenses	80,000	
Purchases	95,000	175,000
Adjusted/ Net Profit		2,567,000

(04 marks)

(Total 10 marks)



End of Section B

(Total 20 Marks)

SECTION - C

Suggested Answers to Question Six:

Chapter 4 - Preparation of Financial Statements

(a)

Sunshine Traders
Statement of Comprehensive Income
For the year ended 31st March 2021 **(Rs.'000)**

Sales		125,000
Cost of Sales:		
Opening Stock	6,900	
Purchases	76,000	
	82,900	
Closing Stock	(7,200)	(75,700)
Gross Profit		49,300
Distribution Expenses		
Depreciation – Motor Vehicle (W1)	575	
Advertising (4,000 + 25)	4,025	
Bad Debts	800	(5,400)
Administration Expenses		
Depreciation - Building (W1)	500	
- Office Equipment (W1)	180	
Rent	600	
Electricity (3,200 + 175)	3,375	
Salaries and Wages	30,000	
Telephone	2,000	
Printing & Stationery	1,200	(37,855)
Finance Expenses		
Bank Overdraft interest	300	
Bank Charges	50	(350)
Profit for the year		5,695

(12 marks)

(b)

Sunshine Traders
Statement of Financial Position
As at 31st March 2021

(Rs.'000)

	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Land	6,000	-	6,000
Building	10,000	2,500	7,500
Motor Vehicles	3,100	1,175	1,925
Office Equipment	900	630	270
	20,000	4,305	15,695
Current Assets			
Inventory		7,200	
Trade Receivables (7,200-800)		6,400	
Cash in hand		900	14,500
Total Assets			30,195
Equity & Liabilities			
Equity			
Capital as at 1st April 2020		19,000	
Profit for the year		5,695	24,695
Current Liabilities			
Trade Payables		3,200	
Other Payables – City Riders Ltd.		300	
Accrued Expenses (W2)		250	
Bank Overdraft		1,750	5,500
Total Equity and Liabilities			30,195

Workings

W1 - Depreciation

Building	$10,000 \times 25\%$		500
Motor Vehicles			
Existing Motor Vehicles	$2,800 \times 20\%$	560	
New Motor Vehicles	$300 \times 20\% \times 3/12$	15	575
Office Equipment	$900 \times 20\%$		180
			1,255

W2 - Accrued Expenses

Rent	50
Electricity	175
Advertising	25
Total as at 31.03.2021	<u>250</u>

(08 marks)

(Total 20 marks)



End of Section C

Notice:

These answers compiled and issued by the Education and Training Division of AAT Sri Lanka constitute part and parcel of study material for AAT students.

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