

Association of Accounting Technicians of Sri Lanka

Level II Examination - July 2023

Suggested Answers

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING (AFC)

Association of Accounting Technicians of Sri Lanka

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level II Examination - July 2023

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING SUGGESTED ANSWERS

Objective Test Questions (OTQs) (Total 25 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 (2)

(02 marks)

1.2 (1)

(02 marks)

1.3 (2)

Workings

NRV = Expected selling price – (estimated costs of completion – estimated cost necessary to make the sale)

NRV = (80-2) X 1,000 units = Rs.78,000

(02 marks)

SRILANKA

1.4 (1)

(02 marks)

1.5 (2)

(02 marks)

1.6 (4)

Workings

VAT Control Account

Input VAT	720,000	B/B/F	125,000
Sales Return	36,000	Output VAT	900,000
B/C/D	269,000		
	1,025,00		1,025,00
		B/B/F	269,000

(02 marks)

- 1.7 Three Objectives of Cost Accounting
 - 1 Ascertainment of cost
 - 2 To facilitate planning and control of regular business activities
 - 3 To provide information for decisions

(03 marks)

1.8

- In the Non Integrated accounting system two separate sets of books are maintained for cost and financial accounts but integrated accounting system keeps only one set of books for both cost & financial accounts.
- In a Non integrated system, two profit & loss accounts are prepared and it gives rise to two profits. Therefore, profit should be periodically reconciled and so many reasons to differ these profit.

(03 marks)

1.9 Optimum no. of orders = Total demand/EOQ

= 30,000 units/5,000 units = 6

(03 marks)

1.10

- 1 All partners are entitled to take part in the management but are not entitled to remuneration for actions in the partnership business.
- 2 Partners are entitled to introduce equal capital to the partnership
- 3 An admission of a new partner can be done only with the consent of all existing partners
- 4 An interest of 5% can be charged on the loan provided by a partner in addition to the capital.

(04 marks) (Total 25 marks)

End of Section A

2

Suggested Answers to Question Two:

Chapter 04.01 Preparation of Financial Statements Based on Incomplete Records

(a)

	Rs.'000	Rs.'000
Printing Machinery		1,500
Inventory-stationary		32
Pre-payment of rent		10
		1,542
Accrued Electricity	5	
Payable to stationery suppliers	15	
Bank Overdraft (W1)	626	(646)
Capital/Equity as at 1st Janaury 2022		896

Working 01: Bank Overdraft Opening Balance

Cash Account

Receipts	1,825,000	Opening Balance	626,000
B/C/D	220,000	Payments	1,419,000
	2,045,000		2,045,000
		B/B/F	220,000

(03 marks)

(b) Calculation of the net profit for the year ended 31st December 2022

Method 01: Income Statement for the Year ended 31st December 2022

(Rs.'000)

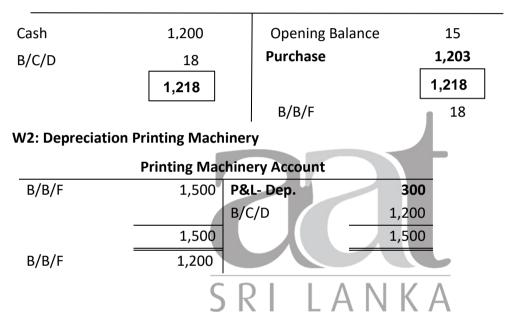
		<u> </u>
Sales (1,825+Salaries paid 720)		2,545
Less: Cost of Sales		
Opening Stocks	32	
Add: Purchase (W1)	1,203	
Less: Closing stocks	(30)	(1,205)
Gross Profit		1,340
Less: Expenses		

Depreciation: Printing Machine (W2)	300	
Rent (W3)	120	
Electricity (W4)	67	
Telephone	24	
Labor Costs (2X1,500X240)	720	(1,231)
Net Profit		109

Workings

W1: Purchases

Payable to Stationary Suppliers



W3: Rent Expense

Prepaid Rent Account

B/B/F	10	P&L	120		
Cash	130	B/C/D	20		
	140		140		
B/B/F	20				

W4: Electricity Expense

Accrued Electricity Account

Cash	65	B/B/F P&L	5
B/C/D	7	P&L	67
	72		72
		B/B/F	7

Method 02: Using profit equation

Profit = Closing Equity - Opening Equity + Drawings - Additional capital

Closing Equity = 1,200+30+20-7-18-220

Profit = 1,005 -896 = **109**

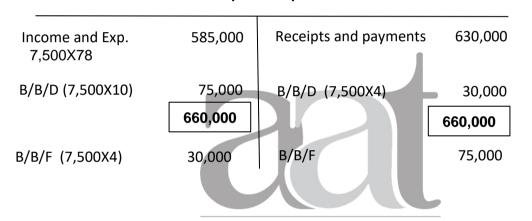
(07 marks) (Total 10 marks)

Suggested Answers to Question Three:

Chapter 04.2: Accounting for not for profit organizations

(a)

Membership Subscription Account



(02 marks)

(b)

Blue Whale Swimming Club Income & Expenditure Account For the Year Ended 31st December 2022

Income		
Membership Subscription Fees	585,000	
Revenue From Swimming Classes	325,000	
Net Income from swimming meet	187,000	
(220,000+25,000-58,000)		
Special Donation	250,000	1,347,000
Less: Expenses		
Electricity (96,000+9,000)	105,000	
Water and chemical expenses	180,000	
Salary for cleaners	312,000	
Swimming Couches fee	265,000	
Rent	84,000	
Swimming pool Equipment	70,000	

Depreciation (360,000/3X7/12)		
Other Expenses	27,000	(1,043,000)
Surplus for The Year		304,000

(08 marks) (Total 10 marks)

Suggested Answers to Question Four:

Chapter 03: Financial Statements for a Partnership

(a)

Partners' Capital Accounts

(Rs'000)

	Chanaka	Malaka	Nuwan		Chanaka	Malaka	Nuwan
Goodwill	800	1,200	400	B/B/F	3,200	4,800	-
				Cash	-	-	3,000
B/C/D	3,600	4,800	2,600	Goodwill	1,200	1,200	-
	4,400	6,000	3,000		4,400	6,000	3,000
				B/B/F	3,600	4,800	2,600

(04 marks)

(b)

Partners' Current Accounts

	Chanaka	Malaka	Nuwan		Chanaka	Malaka	Nuwan
B/B/F	1,200	C-1	DI-	B/B/F	\ -	2,300	-
Drawings	200	1 50		Loan interest	7	20	
				Interest on	160	240	150
				Capital			
				Salary	600		
B/C/D	560	4,210	750	Profit Share (W1)	1,200	1,800	600
	1,960	4,360	750		1,960	4,360	750
				B/B/F	560	4,210	750

Working 01: Calculation of Profit Share

	Rs.'000	Rs.'000
Net Profit for the Year		4,770
Less: Loan interest- Malaka		(20)
		4,750
Interest on Capital: Chanaka	160	
Malaka	240	
Nuwan	150	(550)

Partners' Salary	Chanaka	600	(600)
Profits share	Chanaka	1,200	
	Malaka	1,800	
	Nuwan	600	3,600

(06 marks) (Total 10 marks)

Suggested Answers to Question Five:

Chapter 08: Integrated and Non-Integrated Accounting Systems

(A)

Nuwan (Pvt) Ltd Profit Reconciliation Statement

Rs.

Profit As per Cost Accounts			450,000
Add:		1	
Under Valuation of Raw Material Closing Stocks in cost accounts		21,000	
FD Interest received		48,000	69,000
			519,000
Less:			
Under Valuation of Raw Material Opening Stocks in		5,000	
cost accounts			
Director's fee paid	N I IZ	50,000	
Depreciation overcharged in financial accounts		55,000	(110,000)
Profit as per financial accounts			409,000

(05 marks)

Chapter 06: Accounting for Materials and Labor

(R)

(B)										
STORES LEDGER: WAC										
Date		Receipts	5		Issues			Balance		
	Qty	Price	Value	Qty	Price	Value	Qty	Price	Value	
	(Units)	(Rs.)		(Units)	(Rs.)		(Units)	(Rs.)		
01.06.2023							220	670	147,400	
10.06.2023	500	619.60	309,800				720	635	457,200	
15.06.2023				600	635	381,000	120	635	76,200	
20.06.2023	200	690	138,000				320	669.38	214,200	
			Closing In	ventory \	/alue				214,200	

(05 marks) (Total 10 marks)

Suggested Answers to Question Six:

Chapter 06: Accounting for Materials and Labor

(A)

(a) Economic Order Quantity (EOQ) =
$$\sqrt{\frac{2Dco}{Ch}} = \sqrt{\frac{2X180,625X500}{12.5X20\%}} = \sqrt{\frac{180,625,000}{2.5}}$$

=8,500 units (03 marks)

(b) Re-order Level = Maximum Usage X Maximum Lead Time

= 10,000 units X 4 Months

= 40,000 Units (01 marks)

(c) Minimum Stock Level = Reorder level – (average usage X Average Lead Time)

$$= 40,000 - (6,000 \times 3)$$

= 22,000 units

(02 marks)

(B) Job Card 9000

			Rs.
Direct Raw Materials		(250Kg X Rs.250)	62,500.00
Direct Labour	5	(125 Hours X Rs.1,000)	A 125,000.00
Production Overheads –		(125,000X200%)	250,000.00
Department A			
Production Overheads –		(125,000X75%)	93,750.00
Department B			
Total Costs			531,250.00
Add: 20% profit margin			132,812.50
Selling Price			664,062.50

(04 marks) (Total 10 marks)

End of Section B

Suggested Answers to Question Seven:

Chapter 02 - Financial Statements for a Limited Liability Company

(a)

Win World (Pvt) Ltd. Statement of Profit or Loss and Other Comprehensive Income For the year ended 31st March 2023 (Rs.'000)

Sales		20,825
Cost of Sales		(6,047)
Gross Profit		14,778
Other Income (W1)		2,600
	1	17,378
Distribution Expenses (W2)	5,537	
Administration Expenses (W3)	10,369	
Finance Expenses (W4)	1,180.50	(17,086.50)
Profit Before Tax		291.5
Income tax for the year		(207)
Profit for the year	A	84.50
SRIL	ANKA	A

Workings

W1: Interest on Fixed Deposit = 22,000X10% = 2,200

W1 -Other Income

Interest on Fixed Deposit	2,200	
Other Income (4,000-3,600)	400	<u>2,600</u>

W2 -Distribution Expenses

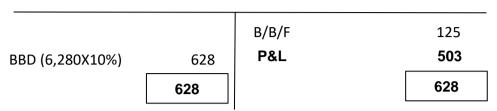
Distribution Expenses		
Motor vehicles depreciation	2,500	
Bad debts Provision	503	
Advertising and marketing	1,182	
Sales Commission	926	
Fuel	426	
		(5,537)

Depreciation

Motor Vehicles- 10,000/4 = 2,500

Office Equipment 5,550/5 = 1,110

Provision for Bad Debts Account



W3 -Administration Expenses

Administration Expenses		
Rent (725+50.5)	775.5	
Water & Electricity (132-13.5)	118.5	
Office equipment depreciation (W2)	1,110	
Office Maintenance	372	
Salaries, Wages, EPF, and ETF	7,697	
Other Administration Expenses	296	(10,369)

W4 – Finance Expenses

Finance Expenses					
Loan Interest (4,650X25%)	SR	\top	A	1,162.5	1
Bank Charges				18	(1,180.5)

(13 marks)

(b)

Win World (Pvt) Ltd. Statement of Financial Position As at 31st March 2023

(Rs.'000)

Plant and Equipment	Cost	Accumulated	Carring
		Depreciation	Value
Motor Vehicles	10,000	7,500	2,500
Office Equipment	<u>5,550</u>	<u>3,330</u>	<u>2,220</u>
	<u>15,550</u>	<u>10,830</u>	4,720
Fixed Deposit			10,000
Current Assets			
Inventory		650	
Trade Receivables 6,280-(6,280X10%)		5,652	
Prepaid Electricity		13.5	
Interest Receivables		2,200	
Cash & Cash equivalents		3,511	12,026.5
Total Assets			26,746.50
Equity & Liabilities			
Stated Capital (W4)		8,400	
Retained Earnings (W5)		3,198.5	
General Reserve		7,500	19,098.50
CDI	1 / / / /	/ /	
Non-Current Liabilities	LANI	\ A	
Bank Loan		4,650	4,650
Current Liabilities			
Trade Payable		1,559	
Rent payable		50.5	
Income tax payable (W6)		152	
Interest payable		1,162.5	
EPF & ETF Payable		74	2,998
Total Equity and Liabilities			26,746.50

W4: Stated Capital (Rs.'000)

Opening Balance as at 1st April 2022 = 4,800

Add: Right Issue

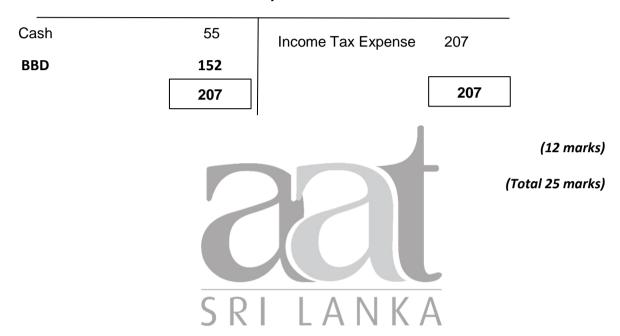
(No. of share 1,200,000/20 =60,000) Total consideration = 60,000 X Rs.60 = 3,600 Balance as at 31st March 2023 = 8,400

W5: Retained Earnings (Rs.'000)

Opening Balance as at 1^{st} April 2022 = 10,614 Profit for the year = 84.5 Transfer to general reserve = (7,500) Balance as at 31^{st} March 2023 = 3,198.5

W6: Income Tax Payable

Income Tax Payable Account



Notice:

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