



Association of Accounting Technicians of Sri Lanka

Level I Examination - July 2024

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 - July 2024

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

**Twenty (20) Compulsory Questions
(Total 40 Marks)**

SECTION - A

Suggested Answers to Question One:

- 1.1 (2)
- 1.2 (2)
- 1.3 (2)
- 1.4 (1)
- 1.5 (2)
- 1.6 (3)
- 1.7 (1)
- 1.8 (3)
- 1.9 (1)
- 1.10 (1)
- 1.11 True
- 1.12 False
- 1.13 True
- 1.14 False
- 1.15 False



1.16 Stating any two of the below reasons would permit full marks

1. Lack of knowledge of a bookkeeper on accounting
2. Negligence
3. Forgetting or omission
4. Error or intentional fraud
5. Incompetent mentality of the employee

1.17 A present obligation of the entity to transfer an economic resource as a result of past events

1.18 Specialized accounting software are computer software designed to perform specific functions of accounting. For an instance, salary control software and inventory control software can be highlighted.

1.19 Stating any two of the below reasons would permit full marks

1. Ability to trace the reasons for differences in balance as at the end of a given period of time
2. Ability to issue cheques without exceeding the correct bank balance
3. Ability to prevent dishonoring cheques
4. Ability to trace the errors in the cash control account of the business
5. Ability to detect and minimize frauds, errors and manipulation
6. Ability to maintain proper working capital management within the business

1.20

In accounting, Transactions and events are recorded in accounting only if they can be measured in terms of money It is called money measurement concept.

- **A company purchases office furniture for \$5,000. This transaction is recorded in the financial statements because it can be measured in monetary terms.**

(02 marks each, Total 40 marks)

End of Section A

Suggested Answers to Question Two:***Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance***

**Rohith Hardware
Trial Balance
as at 31st March 2024**

(Rs.'000)

Description	Dr.	Cr.
Capital		2250
Sales (5200+2850) (W1)		8050
Purchases (850+4850) (W2)	5700	
Office Rent expenses (900-180)	720	
Prepaid Office Rent	180	
Machinery	1000	
Depreciation (1,000,000 × 20% × 3/12)	50	
Accumulated Depreciation		50
Salaries & Wages (950+80)	1030	
Salary payable		80
Water bill	12	
Stationery	8	
Traveling & transport expenses	25	
Electricity expense	150	
Drawings	100	
Trade Debtors	1600	
Trade Creditors		1100
Cash	940	
Petty Cash (60-12-8-25)	15	
	11530	11530

W1

Trade Debtor			
Sales	2850	Cash	1250
		B/C/F	1600
	<u>2850</u>		<u>2850</u>
B/B/D	1600		

Trade Creditor			
Cash	3750	Purchase	4850
B/C/F	1100		
	<u>4850</u>		<u>4850</u>
		B/B/D	1100

*(10 marks)***Suggested Answers to Question Three:****Chapter 4 - Part II - Manufacturing Cost Statements****Rishard Aluminium****Manufacturing Cost Statement / Manufacturing Account****For the year ended 31st March 2024****Rs. '000**

Direct Material Cost		
Raw Material - Opening Stock	380,000	
(+) Raw material - Purchases	3,600,000	
Carrying inwards	55,000	
Cost of goods to be consumed	4,035,000	
Less: Closing Raw Material Stock	(150,000)	
Cost of raw material consumed		3,885,000
Direct Labour costs		
Production workers		1,800,000
(-) Closing - Work in Progress		(180,000)
Prime Cost		5,685,000
Production Overhead Cost		
Security charges (450 x 80%)	360,000	
Electricity Expenses (800 x 75%)	600,000	

Rent (570 x 70%)	399,000	
Maintenance of machinery	120,000	
Depreciation - Plant & Machinery	120,000	1,599,000
Total Manufacturing Cost		7,104,000
Profit Margin 15%		1,065,600
Cost Transferred to Trading Account		8,169,600

(10 marks)

Suggested Answers to Question Four:

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

(a)

General Journal

	Description	Debit	Credit
1	Salary Expense Account Suspense Account <i>(Being recording the casual salary payment that was only recorded in the cash book)</i>	8,000	8,000
2	Interest Income Account Interest Expense Account Suspense Account <i>(Being rectifying the error of interest on the bank loan incorrectly credited to the interest income account)</i>	6,000 6,000	12,000
3	Office Equipment / Computer Account Computer Repair Expense / Maintenance Account <i>(Being rectifying the error of debiting the computer repair account instead of the printer account for the purchase of a printer)</i>	80,000	80,000
	Printer Depreciation account Printer Accumulated Depreciation account <i>(Being correcting the Printer depreciation)</i>	4,000	4,000
4	Accrued Electricity Account Electricity Expense Account <i>(Being correcting the error of recording the accrued electricity bill twice.)</i>	5,000	5,000
5	Discount Received Account Discount Allowed Account	12,500 12,500	

	Suspense Account (Being correcting the error of incorrectly crediting the discounts given to the discounts received account.)		25,000
6	Suspense Account Rent Expenses Account (Being correcting the Rent expenses Account Overstated)	18,000	18,000

(07 marks)

(b)

Dr.	Suspense Account		Cr.
B/B/F	27000	Salary	8,000
Rent	18000	Interest Income	6,000
		Interest Expense	6,000
		Discount Allowed	12,500
		Discount Received	12,500
	45,000		45,000

(03 marks)

(Total 10 marks)

Suggested Answers to Question Five:

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

(A)

	Inventory	+	Cash	=	Equity	+	Liabilities
1	+250,000						+250,000
2	-150,000		+200,000		+50,000		
3			+2,000		+2,000		
4			-6,000		-6,000		
5			-15,000		-5,000		-10,000

(05 marks)

(B) (a)

Dr.	Adjusted Cash Control A/c		Cr.
B/B/F	25,000	Standing order – Loan installment	15,000
Fixed Deposit Interest Income	8,000	Bank charges	5,00
		B/C/D	17,500
	<u>33,000</u>		<u>33,000</u>

(03 marks)

(b)

Bank Reconciliation Statement as at 31st March 2024

Balance as per cash book	17,500
Add:	
Unpresented cheques	18,500
	36,000
Less:	
Unrealized cheques	(9,000)
Balance as per bank statement	27,000

(02 marks)

(Total 10 marks)

End of Section B

(Total 20 Marks)

SECTION - C

Suggested Answers to Question Six:

Chapter 4 - Preparation of Income Statement and Statement of Financial Position

(a)

**Nimsara Furniture
Statement of Comprehensive Income
For the year ended 31st March 2024**

(Rs.'000)

Sales		77,500
Cost of Sales:		
Opening Stock	7,900	
Purchases	46,300	
	54,200	
Closing Stock	(5,200)	(49,000)
Gross Profit		28,500
<u>Distribution Expenses:</u>		
Sales Commission	900	
Bad Debts	50	
Provision for doubtful debt	110	
Motor Vehicle Depreciation (W1)	500	(1,560)
<u>Administration Expenses</u>		
Depreciation (W1)		
Furniture and Fittings	500	
Office Equipment	1,600	
Insurance	240	
Security charges	800	
Salaries and Wages	12,800	
Electricity (2250+32)	2282	
Office Rent (7months X 200) (W2)	1400	(19,622)
<u>Finance Expenses</u>		
Bank loan interest	45	(45)
Profit for the year		7,273

(12 marks)

Nimsara Furniture
Statement of Financial Position
As at 31st March 2024

(Rs.'000)

Assets	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Office Equipment	8,000	3,600	4,400
Furniture and Fittings	2,500	1,750	750
Motor vehicle	2,000	1,000	1,000
	12,500	6,350	6,150
Current Assets			
Inventory		5,200	
Trade Receivables (2250-50-110)		2,090	
Prepayment of Rent		1,200	
Cash at Bank		1,000	
Cash in hand		70	9,560
Total Assets			15,710
Equity & Liabilities			
Equity			
Capital as at 1st April 2023		4,610	
Profit for the year		7,273	11,883
Current Liabilities			
Trade Payables (W2)		3,250	
Accrued electricity		32	
Bank Loan		500	
Bank loan Interest Payables		45	3,827
Total Equity and Liabilities			15,710

(W1) Depreciation & Accumulated depreciation

	Opening balance	Depreciation for the year	Closing Balance
	Accumulated Depreciation		Accumulated Depreciation
Motor Vehicle	500	$2000 \times 25\% = 500$	1000
Furniture and Fittings	1250	$2500 \times 20\% = 500$	1750
Office Equipment	2000	$8,000 \times 20\% = 1600$	3600

(b)

(W2) Rent

Rent Paid	2600	
Rent paid for 6 moths (monthly rental 200 X 6)	<u>1200</u>	
Expenses for the period		<u>1400</u>
Total expense for the year up to March (7 months X 200)	1400	

(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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