



Association of Accounting Technicians of Sri Lanka

Level I Examination - January 2025

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 2025

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

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

SECTION - A

Suggested Answers to Question One:

- 1.1 (3)
- 1.2 (4)
- 1.3 (2)
- 1.4 (1)
- 1.5 (2)
- 1.6 (4)
- 1.7 (3)
- 1.8 (2)
- 1.9 (3)
- 1.10 (4)
- 1.11 True
- 1.12 False
- 1.13 False
- 1.14 False
- 1.15 True



1.16

Aspect	Financial Accounting	Management Accounting
1. Parties Who Use the Information	Internal & External parties	Internal parties only
2. Nature of the Information	Only historical information is used.	All information of historical, Present & Future information is used.
3. Reporting Period	Particular/fixed period	Ad hoc / Any period according to the management requirements
4. Legal Requirement	Various legal conditions & requirements/ standards are relevant	No legal requirements, prepared for internal use
5. Information Format	Certain formats are relevant.	No any certain formats and based on management requirements.
6. Preparing Reports	Financial statements are prepared considering the entity as a single unit.	Management reports are prepared separately for internal divisions, departments, and units.

1.17 Income is increase in assets or decrease in liabilities that results in increasing equity other than contribution of equity holders.

1.18 Stating 02 examples provided below adequately covers the requirements for achieving a score of 02 marks.

Practices of the Accrual Concept in Preparing Financial Statements:

- When preparing financial statements, only the income and expenses related to the specific accounting period are considered.
- Prepaid expenses and income receivables are recognized as current assets, while accrued expenses and pre-received income are recorded as current liabilities in the statement of financial position.
- Adjustments for prepaid expenses, accrued expenses, income receivables, and pre-received income are made to determine the financial performance accurately.
- Trade receivables and trade payables are recognized in accordance with the accrual concept.

1.19

Under the Entity Concept, transactions are recognized considering business and owner as two separate independent persons. Accordingly, all transactions are recognized based on a business perspective.

Alternative Answer

According to the entity concept, a business is considered an independent entity, separate from its owners and other parties.

1.20

- (a) Journal voucher
- (b) Sales Invoice

(02 marks each, Total 40 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 2 - Accounting Equation, Double Entry System and Accounting Concepts***

(a)

	Inventory	+ Trade Receivable	+ Cash	=	Equity	+ Liabilities
1	+960,000			=		+960,000
2	-450,000		+600,000	=	+150,000	
3			-20,000	=	-20,000	
4			-200,000	=		-200,000
5			+16,000	=	+16,000	

(05 marks)

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

(b)

Sales Journal

Date	Invoice No	Buyer/ Customer	Description	Quantity	Price per Unit (Rs.)	Value (Rs.)	Value
05.03.2024	1256	ABC Ltd	Books (80 pages)	1,200	65	78,000	
			Discount 5%			(3,900)	74,100
10.03.2024	1257	PQ Traders	A4 paper bundles	300	980	294,000	294,000
16.03.2024	1258	XYZ Traders	CR Books (120 pages)	200	240	48,000	
			Discount 10%			(4,800)	43,200
Total							411,300

(05 marks)

(Total 10 marks)

Suggested Answers to Question Three:

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

Ann Hardware

Trial Balance as at 31st December 2024

(Rs.'000)

Description	Dr.	Cr.
Capital		4,500
Sales (6,200+4,900) (W1)		11,100
Purchases (3,250+5,250) (W2)	8,500	
Travelling and Transport Charges	450	
Printing and stationery	80	
Motor Lorry	2,000	
Depreciation – Motor Vehicle (2,000,000 × 20% × 3/12)	100	
Accumulated Depreciation – Motor Vehicle		100
Salaries & Wages	900	
Office Rent (900 – 180)	720	
Prepayment (900-720)	180	
Insurance	120	
Electricity expense (280 + 25)	305	
Accrued Expenses		25
Trade Debtors (W-1)	2,400	
Trade Creditors (W-2)		2,100
Cash	2,070	
	17,825	17,825

W1

Dr.	Trade Debtors	Cr.	
Sales	4,900	Cash	2,500
		B/C/D	2,400
	<u>4,900</u>		<u>4,900</u>
B/B/F	<u>2,400</u>		

W2

Dr.	Trade Creditors		Cr.
Cash	3,150	Purchase	5,250
B/C/D	2,100		
	<u>5,250</u>		<u>5,250</u>
		B/B/F	<u>2,100</u>

*(10 marks)****Suggested Answers to Question Four:*****Chapter 4 - Part II - Manufacturing Cost Statements**

Senewi Engineering
Manufacturing Cost Statement / Manufacturing Account
For the year ended 31st December 2024

		Rs. '000
Direct Material Cost		
Raw Material - Opening Stock	-	
(+) Raw material purchases	4,750	
Carriage inwards – Raw material	75	
Cost of goods to be consumed	<u>4,825</u>	
Less: Closing Raw Material Stock	<u>(250)</u>	
Cost of raw material consumed		4,575
Direct labour costs		
Direct Wages	2,200	
Other Direct Expenses	210	2,410
		<u>6,985</u>
(+) Opening Work In Progress	180	
(-) Closing Work In Progress	<u>(80)</u>	100
Prime Cost		7,085
Production Overhead Cost		
Security charges (550 x 80%)	440	
Electricity Expenses (450x 75%)	337.50	
Rent (720 x 75%)	540	
Insurance	80	

Factory Manager's Salary	1,200	
Depreciation - Plant & Machinery	220	2,817.50
Total Manufacturing Cost		9,902.50
Profit Margin 15%		1,485.37
Cost Transferred to Trading Account		11,387.87

(10 marks)

Suggested Answers to Question Five:

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

(A) General Journal

	Description		Debit (Rs.)	Credit (Rs.)
1	Office Expenses Account Suspense Account <i>(Being recorded office expenses omitted from ledger)</i>	Dr Cr	6,000	6,000
2	Suspense Account Water Expenses Account <i>(Being corrected overstatement of water expenses)</i>	Dr Cr	1,800	1,800
3	Drawings Account Suspense Account <i>(Being recorded cash withdrawn for personal use omitted from ledger)</i>	Dr Cr	2,500	2,500
4	Office Equipment Account Office Maintenance Account <i>(Being transferred the cost of the computer to the correct account)</i>	Dr Cr	250,000	250,000
5	Accrued Expense Account Security Charges Account <i>(Being corrected the double recording of security bill payable)</i>	Dr Cr	35,000	35,000
6	Trade Receivables Account Sales Account <i>(Being recorded the understated total of the sales journal)</i>	Dr Cr	16,200	16,200
7	Suspense Account Sales Account <i>(Being recorded cash sales omitted from the sales account)</i>	Dr Cr	45,000	45,000

(07 marks)

(B)

Dr.	Suspense Account		Cr.
Water expense	1,800	B/B/F	38,300
Sale	45,000	Office expense	6,000
		Drawings	2,500
	<u>46,800</u>		<u>46,800</u>

(03 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)

**Praveen Traders
Statement of Comprehensive Income
For the year ended 31st March 2024**

		(Rs.'000)
Sales		94,000
Cost of Sales:		
Opening Stock	5,500	
Purchases	58,300	
	63,800	
Closing Stock	(7,250)	(56,550)
Gross Profit		37,450
<u>Distribution Expenses:</u>		
Sales Commission (150+1,300)	1,450	
Bad Debts	100	
Provision for doubtful debt	315	
Motor Vehicle Depreciation	750	(2,615)
<u>Administration Expenses</u>		
Depreciation (W1)		
Building	200	
Office Equipment	1,920	
Office Expense	150	
Water	500	
Security charges	1,100	
Salaries and Wages	15,700	
Electricity (1250+100)	1,350	
Office Rent (3000-600)	2,400	(23,320)
<u>Finance Expenses</u>		
Bank loan interest (1,000 * 15% * 1/12)	12.5	
Bank Overdraft interest	450	
Bank charges	150	(612.50)
Profit for the year		10,902.50

(11 marks)

Praveen Traders
Statement of Financial Position
As at 31st March 2024

(Rs.'000)

ASSETS	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Land	6,000	-	6,000
Building	4,000	700	3,300
Motor vehicle	3,000	1,500	1,500
Office Equipment	9,600	6,320	3,280
	22,600	8,520	14,080
Current Assets			
Inventory		7,250	
Refundable office rent deposit		600	
Trade Receivables (6,400-100-315)		5,985	
Cash in hand		120	13,955
Total Assets			28,035
Equity & Liabilities			
Equity			
Capital as at 1st April 2023		6,370	
Profit for the year		10,902.5	17,272.50
Non-current Liabilities			
Bank Loan			1,000
Current Liabilities			
Trade Payables		8,000	
Accrued Expenses (100+150)		250	
Bank Overdraft		1,500	
Bank Loan Interest Payables		12.50	9,762.50
Total Equity and Liabilities			28,035

(W1) Depreciation & Accumulated depreciation

	Opening balance Accumulated Depreciation	Depreciation for the year	Closing balance Accumulated Depreciation
Building	500	$4,000 \times 5\% = 200$	700
Motor Vehicle	750	$3,000 \times 25\% = 750$	1,500
Office Equipment	4,400	$9,600 \times 20\% = 1920$	6,320

(09 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.

These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”. The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.



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