



Association of Accounting Technicians of Sri Lanka

Level II Examination - January 2025

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 - January 2025
(201) ADVANCED FINANCIAL ACCOUNTING & COSTING
SUGGESTED ANSWERS

Objective Test Questions (OTQs)
 (Total 25 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 (3)

Expected selling price = 6,000,000
 Less: Cost to sell (Sales commission @ 20%) = (1,200,000)
 Net Realizable value = 4,800,000

(02 marks)

1.2 (2)

(02 marks)

1.3 (3)

(02 marks)

1.4 (3)

(02 marks)

1.5 (2)

(02 marks)

Rental Income Receivable Accounts

B/B/F	42,400	B/B/F	57,400
P&L (Rent Income)	951,800	Cash	962,400
B/C/D	62,400	B/C/D	36,800
	1,056,600		1,056,600
1/4/2024 B/B/F	36,800	1/4/2024 B/B/F	62,400

1.6 **Non-adjusting events to be disclosed in the financial statements are as follows:**

1. Dividend proposal for ordinary shareholders after the period
2. Decrease in the market value of investments of the entity after the reporting period
3. The factory was destroyed due to a fire that occurred after the reporting period.
4. A huge loss on the fluctuations in foreign exchange rates after the reporting period.

5. A major business combination after the reporting period.
6. Announcing a plan to discontinue the operations or major production line.
7. Purchase of assets with significant value.
8. Classification of assets held for sales.
9. Announcing or commencing the implementation of a major restriction.
10. Major ordinary share transactions and potential ordinary share transactions after the reporting period.
11. Changes in the ratios which have a significant effect on current and differed tax assets and liabilities.
12. Entering into significant commitments or contingent liabilities.
13. Commencing major litigation arising solely out of events that occurred after the reporting period.

(02 marks)

1.7 Assumptions of the EOQ formula

1. Holding cost per unit (Ch) is known, and it will be constant
2. Average balance in stock is equal to one-half of the order quantity
3. Ordering cost per unit (Co) is known, and it will be constant
4. Annual demand is known, and it will be constant
5. There is known and constant price per unit
6. The replenishment is made instantaneously. Ie, The whole quantity ordered is delivered at once.

(03 marks)

1.8

	X	Y	Z
Partner's old profit sharing ratio	$\frac{3}{5}$	$\frac{2}{5}$	-
Partner's new profit sharing ratio	$\frac{4}{10}$	$\frac{3}{10}$	$\frac{3}{10}$
Sacrificing ratio	$\frac{2}{10}$	$\frac{1}{10}$	-

(03 marks)

1.9

Salary Control Accounts

APIT	225,000	Salary	4,675,000
Loan	425,000	Overtime	850,750
EPF Payable	374,000		
Cash	4,501,750		
	5,525,750		5,525,750

(03 marks)

1.10

		Rs.
Basic Pay (8 hours X 5 days X Rs.300)		12,000
Premium Bonus		
Total standard hours allowed (210 units X 20 mts)/60	70	
Actual time spent (8 hrsX5 days)	(40)	
Total hours saved	30	
Premium bonus (30 hrs X 70% X Rs.300)		6,300
Total weekly earning		18,300

(04 marks)
(Total 25 marks)

End of Section A

Suggested Answers to Question Two:**Chapter 04: Financial Statements Using Incomplete for Not-for-Profit Organizations**

(a)

Statement of Affairs as at 1 st April 2023		Rs.	
Trade Creditors	250,000	Furniture and Equipment	300,000
Accrued Electricity and Water	14,000	Vehicles (W1)	9,000,000
Capital	10,893,400	Stock-Fuel	32,400
		Cash and Bank	1,825,000
	<u>11,157,400</u>		<u>11,157,400</u>

Working 01: WDV of Motor vehicles as of 1/4/2023

Cost	10,000,000
Less: Acc. Dep. Per year (10,000,000X10%)	(1,000,000)
WDV	<u>9,000,000</u>

Alternative Answer

$$\begin{aligned} \text{Equity as at 01st April 2023 (Rs.'000)} &= 9,000,000 + 300,000 + 32,400 + 1,825,000 - 250,000 \\ &\quad - 14,000 \\ &= \underline{\underline{10,893,400}} \end{aligned}$$

(03 marks)

(b)

Lali Cars
Statement of Profit and Loss
For the Year Ended 31st March 2024

		Rs.
Income (W1)		7,650,000
Cost of Sales:		
Opening Stock	32,400	
Purchases (W2)	1,180,000	
Closing Stock	(25,500)	
Gross Profit		6,463,100
Expenses:		
Vehicle Maintenance	400,000	
Rent (150,000x12)	1,800,000	
Vehicle Depreciation	1,000,000	

Furniture and Equipment Depreciation	75,000	
Electricity and Water (W3)	126,500	
Staff Salaries	2,560,000	
Bank Charges	5,000	(5,966,500)
Net Profit		496,600

W1: Vehicle Rental Income

Category	Fee per Km	No. of KMs	Total Income (Rs.)
Individual	150	25,000	3,750,000
Corporate	130	30,000	3,900,000
Total Income			7,650,000

W2: Fuel Expense for the year

Trade Creditors' Control A/C			
Cash	1,200,000	1/4/2023 B/B/F	250,000
		Purchase	1,180,000
31/3/2024 B/C/D	230,000		
	<u>1,430,000</u>		<u>1,430,000</u>
		1/4/2024 B/C/F	230,000

Trade Creditors Accounts			
Cash	1,200,000	B/B/F	250,000
B/C/D	230,000	Purchase	1,180,000
	<u>1,430,000</u>		<u>300,000</u>

W3: Accrued Electricity and Water A/C

Cash	128,000	1/4/2023 B/B/F	14,000
		Profit and Loss	126,500
31/3/2024 B/C/D	12,500		
	<u>140,500</u>		<u>140,500</u>

07 marks)
(Total 10 marks)

Suggested Answers to Question Three:

Chapter 3: Financial Statements for a Partnership

(a)

Partners' Capital A/C				(Rs.'000)			
	Sonia	Ann	Maya		Sonia	Ann	Maya
Goodwill	500	500	-	B/B/F 1/1/2024	3,000	1,000	2,000
Loan A/C	-	-	3,180	Goodwill	400	400	200
31/12/2024 B/C/D	2,900	900	-	Current A/C	-	-	980
	3,400	1,400	3,180		3,400	1,400	3,180
				1/1/2025 B/C/F	2,900	900	-

(04 marks)

(b)

Partner's Current A/C				(Rs.'000)			
	Sonia	Ann	Maya		Sonia	Ann	Maya
1/1/2024 B/B/F	-	300	-	1/1/2024 B/B/F	500	-	800
Drawings	520	280	-	Salaries	-	840	-
Capital A/C			980	Interest on Capital	150	50	100
31/12/2024 B/C/D	290	470	-	Profit share	160	160	80
	810	1,050	980		810	1,050	980
				1/1/2025 B/B/F	290	470	-

(06 marks)

Workings

Profit and Loss Appropriation A/C		Rs.'000
Net profit		1,540
Partner's Remuneration		
Ann (70,000X12)	840	(840)
Interest On Capital		
Sonia	150	
Ann	50	
Maya	100	(300)
		400
Share of Profit		
Sonia	160	
Ann	160	
Maya	80	(400)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 04: Financial Statements Using Incomplete for Not-for-Profit Organizations

(a)

Members' Subscription Account			
1/1/2024 B/B/F (W1)	20,000	Balance B/B/F (W2)	4,000
Subscription for the year(W4) (Income and Expenditure)	700,000	Receipt and Payment	728,000
31/12/2024 Balance B/C/D (W3)	12,000		
	732,000		
		1/1/2025 Balance B/B/F	12,000

Working 01 **Rs.**
(10 members X Rs.2,000) 20,000

Workings 02
Opening Received in Advance 4,000
(2 members X Rs.2,000)

Workings 03
Closing Received in Advance 12,000
(6 members X Rs.2,000)

Working 04
Annual Membership Fees 700,000
(350 members X Rs.2,000)

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SRI LANKA

(04 marks)

(b)

RAISE Sports Club
Income and Expenditure A/C
For the Year Ended 31st December 2024 (Rs. ' 000)

Income:		
Membership Subscription	700	
Donations	620	
Interest	50,500	1,370,500
Expenses		
Depreciation – Office Equipment (135/5 x 3/12)	6,750	
Coaches' Fee	355,300	
Wages	369,000	
Entertainment	67,000	
Electricity	53,000	
Ground Maintenance	350,000	
Advertising	84,000	(1,285,050)
Surplus		85,450

(06 marks)
(Total 10 marks)

Suggested Answers to Question Five:

Chapter 07: Accounting for Overheads & Costing Methods

(a)

Job Cost Sheet – Job No. 102

		Rs.
Direct Raw Materials	(10,000Kg X Rs.750)	7,500,000
Direct Labor	(500hrs X Rs.1,500)	750,000
Prime Cost		8,250,000
Production Overhead Cost	(750,000X150%)	1,125,000
Total Cost		9,375,000
Add: 25% on the cost of production	(9,375,000/25%)	2,343,750
Selling Price		11,718,750

(03 marks)

(b)

Overhead Absorption Sheet

Item	Basis of Allocation	Total (Rs.)	Production		Service
			1	2	
Indirect Materials	Allocation	1,850,000	725,000	875,000	250,000
Electricity	Usage of Electricity (Kilowatts) (12:8:2.5)	787,500	420,000	280,000	87,500
Rent	Floor Area Occupied (Square Feet) (2.5:2.3:0.2)	275,000	137,500	126,500	11,000
Employees' Welfare	No. of Employees (5:6:1)	303,000	126,250	151,500	25,250
Depreciation of Machinery	Cost of machinery (5:6:4)	60,000	20,000	24,000	16,000
		3,275,500	1,428,750	1,457,000	389,750
Re-apportionment					
Service Department	65%,35%		253,338	136,413	(389,750)
Total Overhead Costs of Production Departments			1,682,088	1,593,413	-

(07 marks)

(Total 10 marks)

Suggested Answers to Question Six:

Chapter 06: Accounting for Material and Labour

(A)

(a)

To calculate the Economic Order Quantity (EOQ) and the optimum number of orders to be placed, below EOQ formula can be used:

$$EOQ = \sqrt{\frac{2DC_o}{C_h}}$$

Where:

D is the annual demand for the raw material (4,000 units)

C_o is the cost of placing an order (Rs. 506,250)

C_h is the holding cost per unit per year (12,500X10% = Rs.1,250)

$$EOQ = \sqrt{\frac{2 \times 4,000 \times 506,250}{12,500 \times 10\%}}$$

EOQ = 1,800 units.

(02 marks)

(b) Re-order level = maximum usage X maximum lead time

$$= 900 \text{ units} \times 4 \text{ months}$$

= **3,600 units**

(02 marks)

(c) Maximum stock level = Re-order level + re-order quantity – (minimum lead time X minimum usage)

$$= 3,600 + 1,800 - (400 \times 2)$$

= **4,600 units**

(02 marks)

(B)

**Raw Material X
Store Ledger**

Date	Receipts			Issues			Balance		
	Qty	Price	Value (Rs.)	Qty	Price	Value (Rs.)	Qty	Price	Value (Rs.)
1/4/2024							500	12	6,000
12/4/2024	300	15	4,500				800		10,500
20/4/2024				400	12	4,800	400		5,700
23/4/2024	150	16	2,400				550		8,100
28/4/2024				100	12	1,200			
				150	15	2,250	300		4,650

(04 marks)

(Total 10 marks)



End of Section B

Suggested Answers to Question Seven:

Chapter 2: Financial Statements for a Limited Liability Company

(a)

Everbright (Pvt) Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st March 2024 (Rs'000)

Sales		57,645
Cost of Sales		(32,375)
Gross Profit		25,270
Other Income		
Profit from Disposal of Motor Vehicle (W2)	330	<u>330</u>
		25,600
Distribution Expenses (W3)	(3,569.35)	
Administration Expenses (W3)	(6,985)	
Finance Expenses (W3)	<u>(84)</u>	(10,638)
Profit Before Tax		14,961.65
Income tax for the year (W5)		(2,150)
Profit for the year		12,811.65

(14 marks)

(b)

Everbright (Pvt) Ltd
Statement of Financial Position
As At 31st March 2024

Rs.'000

Non-Current Assets		
Property, Plant and Equipment (W1)		3,760
Current Assets		
Inventory	1,425.30	
Trade Receivables (W6)	14,872.05	
Prepaid Rent	90	
Cash in hand and banks	26,444.30	42,83.65
Total Assets		46,591.65
Equity & Liabilities		

Stated Capital (W4) (10,000+4,000)	14,000	
Retained Earnings (13,550+12,812-2,000)	24,361.65	38,361.65
Current Liabilities		
Trade Payables	6,900	8,230
Audit Fee Payable	80	
Income Tax Payable (W5)	1,250	
Total Equity and Liabilities		46,591.65

W1: Property, Plant and Equipment

Costs				
<i>Type of the asset</i>	<i>Balance as at 01/04/2023</i>	<i>Additions/ revaluation</i>	<i>Disposal</i>	<i>Balance as at 31/03/2024</i>
Machinery	7,000	-	(2,100)	4,900
Motor Vehicles	5,500	-	-	5,500
Total	12,500	-	(2,100)	10,400
Accumulated Depreciation				
<i>Type of the asset</i>	<i>Balance as at 01/04/2023</i>	<i>Charge for the year</i>	<i>Disposal</i>	<i>Balance as at 31/03/2024</i>
Machinery	2,600	1,295	(630)	3,265
Motor Vehicles	2,000	1,375	-	3,375
Total	4,600	2,670	(630)	6,640
				3,760

Machinery Depreciation

Annual depreciation	(7,000/5)	1,400
Less: Disposal	(2,100/5X3/12)	(105)
Depreciation for the year		<u>1,295</u>
Total Depreciation of Disposed M/C (2,100/5X1.5)		630

Motor Vehicles depreciation

Annual depreciation	(5,500/4)	<u>1,375</u>
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Working 02: Profit on Disposal of Motor Vehicle

		Rs.'000
Sale Proceed		1,800
<u>Less: Written Down Value</u>		
Cost	2,100	
Less: Accumulated Depreciation (for 2 years) (4,000/4X2)	(630)	1,470
Profit on Disposal		330

Working 03: Expenses Classification

	Administration Expenses	Distribution Expenses	Finance Expenses
Machinery Depreciation	1,295		
Motor Vehicle Depreciation		1,375	
Office Rent	1,080		
Audit Fees	80		
Salaries and wages	3,530		
Office maintenance	200		
Sales Commission		450	
Advertising		316	
Electricity	675		
Water	125		
Travelling and Transport		205.9	
Allowance for trade receivables		1,222.45	
Bank charges			84
Total	6,985	3,569.35	84

Working 04: Right Issue

Cash Collection from right issue

(1,000,000/2XR8) 4,000

This amount should be transferred to the stated capital account.

Application and Allotment A/C 4,000

Stated Capital A/C 4,000

Working 05: Income Tax Payable

Income tax Paid	900	Profit & Loss	2,150
31/3/2024 BBD	1,250		
	<u>2,150</u>		<u>2,150</u>
		1/4/2024 BBF	1,250

Working 06: Allowance for Trade Receivables

		1/4/2023 BBF	430
31/3/2024 BBD	1,652	Profit and Loss	1,222
	<u>1,652</u>		<u>1,652</u>
		1/4/2024 BBF	1,652
Allowance for Trade Receivables = 16,524.5X10%			1,652.45
Trade Receivables Bal. As at 31 st March 2024			16,524.50
Balance to be provided			<u>14,872.05</u>

(Total 25 marks)



End of Section C

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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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