Association of Accounting Technicians of Sri Lanka

Level III Examination - January 2025

Suggested Answers

(301) FINANCIAL REPORTING (FAR)

Association of Accounting Technicians of Sri Lanka
No.540,Ven. Muruththettuve Ananda Nahimi Mawatha,
Narahenpita, Colombo 05.
Tel : 011-2-559 669

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level III Examination – January 2025

(301) Financial Reporting

SUGGESTED ANSWERS

Four (04) Compulsory Questions
(Total 20 Marks)

SECTION - A

Suggested Answers to Question One:

Chapter:01

(a)

1. Digital Transformation and Automation
2. Globalization
3. Changes in disclosure requirements and reporting standards
4. New regulatory requirements.
5. Changes in stakeholders' expectations.
   Eg: Sustainability Reporting and ESG Disclosures
6. Complexity of business
7. Remote workforce
8. Integrated Reporting

(03 marks)

(b)

1. Historical Cost
2. Fair Value
3. Current value
4. Value in use and fulfilment value
5. Current Cost

(02 marks)
(Total 05 marks)

Suggested Answers to Question Two:

Chapter :01

(a)

The main purpose of sustainability reporting is to provide stakeholders with transparent and comprehensive information about an organization's Environmental, Social, and Governance (ESG) performance. It helps assess the organization's long-term value creation, environmental impact, and social responsibility by disclosing non-financial aspects along with financial performance.

(02 marks)

(b)

- Strategic Focus and Future Orientation
- Connectivity of Information
- Materiality
- Stakeholder’s relationships.
- Conciseness
- Reliability and completeness
- Consisting and comparability

(03 marks)
(Total 05 marks)

Suggested Answers to Question Three:

Chapter : 04

(a)

Gross Profit Ratio:
Increase selling prices.
Reduce the Cost of Goods Sold through better supplier negotiations.
Bulk purchasing,
Production efficiencies.

Debtors’ Collection Period:
Implement stricter credit policies.
Improve follow-up on overdue invoices
Offer early payment discounts to customers.

(02 marks)

(b)

1. Details available in the financial statements are based on historical cost concept and do not consider the impact of inflation in the market.
2. Making decisions regarding the future periods based on historical data by ignoring the fact that past economic condition, business environment and internal factors are not stable and dynamic.
3. Some ratios are based on the position and numbers prevailing at the financial reporting date. However, these numbers are not constant throughout the year.
4. There are dissimilarities in the accounting policies of different business entities when comparing the ratios among entities which make comparison is difficult.
5. Intentional manipulation (window dressing) may be reflected in the financial statements.

6. Ratios vary significantly across industries, making it difficult to compare firms in different sectors
7. Non-financial aspects like market conditions, management efficiency, and brand reputation are not captured in ratio analysis.

(03 marks)

(Total 05 marks)

Suggested Answers to Question Four:

Chapter : 02

1. **Market research cost (Rs. 2 million)**

- **Explanation:** As per LKAS 38, costs incurred during the research phase must be expensed and cannot be capitalized as an intangible asset. Market research is considered part of the research phase and does not meet the criteria for future economic benefits to be capitalized.
- **Conclusion: Not recognized** as an intangible asset.

2. **Patent registration cost (Rs. 75,000)**

- **Explanation:** LKAS 38 allows costs directly attributable to securing legal rights, such as patents, to be recognized as an intangible asset since they meet the criteria of identifiability and the ability to generate future economic benefits.
- **Conclusion: Recognized** as an intangible asset.

3. **Training cost for managers (Rs. 10 million)**

- **Explanation:** Performance of Employees increases with the training
- **Conclusion: Not recognized** as an intangible asset.

(Total 05 marks)

End of Section A

Suggested Answers to Question Five:

Chapter 3.2

SOORYA (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2024

	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit before tax (W1)	3,450,000
Adjustments for:	
Depreciation of PPE [2900-(2400-700)]	1,200,000
Provision for Gratuity	120,000
Disposal loss/(Profit)	(200,000)
Interest Expense	1,000,000
Operating Profit/(Loss) before Working Capital Changes	**5,570,000**
Changes in Working Capital	
Increase in Inventories	(11,800,000)
Decrease in Trade & Other Receivables	12,865,000
Decrease in Trade and Other Payables	(2,420,000)
Cash generated from Operations	**4,215,000**
Gratuity Paid	(80,000)
Income tax paid	(870,000)
Net Cash from Operating Activities	**3,265,000**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, Plant and Equipment	(2,100,000)
Proceeds from Disposal of Property, Plant and Equipment	200,000
Net Cash generated from Investing Activities	**(1,900,000)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Loans settled during the year	(2,600,000)
Long-term loan obtained during the year	2,000,000
Interest paid	(685,000)
Dividends Paid	(230,000)
Net Cash used in Financing Activities	**(1,515,000)**

Net Movement in Cash and Cash equivalents	(150,000)
Cash and Cash Equivalents at the beginning of the year	2,200,000
Cash and Cash Equivalents at the end of the year	**2,050,000**

W1: **Profit/(Loss) before tax**

PAT	2,730,000
Tax	720,000
PBT	3,450,000

W2

Long term loan A/C

Cash	2,600,000	B/B/F	6,000,000
		New loan	2,000,000
B/C/D	5,400,000		
	8,000,000		**8,000,000**

W3

Property, Plant & Equipment A/C

B/B/F	20,100,000	Disposal	700,000
Cash	2,100,000		
		B/C/D	21,500,000
	22,200,000		**22,200,000**

Provision for Gratuity A/C

Cash	80,000	B/B/F	350,000
		Gratuity(P&L)	120,000
B/C/D	390,000		
	470,000		**470,000**

Interest Payable A/C

Cash	685,000	B/B/F	120,000
		P&L	1,000,000
B/C/D	435,000		
	1,120,000		**1,120,000**

Retained Earnings A/C

Cash	230,000	B/B/F	4,100,000
		P&L	2,730,000
B/C/D	6,600,000		
	6,830,000		**6,830,000**

Profit on PPE Disposal A/C

Cost	700,000	Acc.Depreciation	700,000
		Cash	200,000
P&L	200,000		
	900,000		**900,000**

Income Tax Payable A/C

Cash	870,000	B/B/F	150,000
		P&L	720,000
	870,000		**870,000**

Acc.Depreciation A/C

PPE - Disposal	700,000	B/B/F	2,400,000
		P&L	1,200,000
B/C/D	2,900,000		
	3,600,000		**3,600,000**

(Total 10 marks)

Suggested Answers to Question Six:

Chapter : 2.10 and 2.16

(a)

Short-term employee benefits are benefits provided by an entity to its employees that are expected to be settled within 12 months after the end of the period in which the employees render the related service.

Examples:

- Salaries and Wages: Regular payments made to employees for their services, including overtime and bonuses due within 12 months.
- Paid Annual Leave and Sick Leave: Entitlements to leave (vacation or sick leave) that are expected to be utilized within the next 12 months.
- Paid maternity / paternity leave
- Non monitoring benefits such as medical leave, housing, cars and fire or subsidized goods and services for current employee.

(04 marks)

(b)

(i)

Lease Receivable A/C

Inventory Sale	6,800,000	Cash	2,000,000
		Cash	1,534,934
Unearned Income	**2,874,670**		
		B/C/D	6,139,736
	9,674,670		**9,674,670**

(04 marks)

(ii)

Unearned Income A/C

Interest Income (P&L)	864,000	Lease Receivable	2,874,670
B/C/D	2,010,670		
	2,874,670		**2,874,670**

Workings:
Gross Investment (1,534,934 x 5) + 2,000,000 = 9,674,670

Year	B/B/F	Installment	Interest	Capital	B/C/D
1	4,800,000	1,534,934	864,000	670,934	4,129,066
2	4,129,066	1,534,934	742,232	791,702	3,337,363
3	3,337,364	1,534,934	600,725	934,208	2,403,155
4	2,403,155	1,534,934	432,568	1,102,366	1,300,789
5	1,300,789	1,534,934	234,142	1,300,790	-

(02 marks)

(Total 10 marks)

Suggested Answers to Question Seven:

Chapter : 2.13 and 2.11

(a)
(1) Case filed by a customer claiming Rs. 1,000,000

- **Analysis:**
  As per **LKAS 37**, a provision is recognized if:
  - There is a present obligation due to past events.
  - There is a probable outflow of economic resources.
  - The amount can be reliably estimated.

In this case, the company's lawyer states that there is a **low probability of payment**, which means the criteria for recognizing a provision are **not met**.

- **Treatment:**
  This should be **disclosed** as a **contingent liability** in the notes to the financial statements, explaining the nature and amount of the claim along with the assessment of low payment probability.

(2) Declaration of final dividend on 10th April 2024

- **Analysis:**
  Dividends declared after the reporting period are considered **non-adjusting events** as per **LKAS 10 (Events after the Reporting Period)**, as they do not affect the conditions that existed as of 31st March 2024.
- **Treatment:**
  No liability or provision is recognized in the financial statements for the year ended

31st March 2024. However, a **disclosure** is required in the notes mentioning that a final dividend was declared after the reporting period.

(3) Disallowed expenses of Rs. 1.5 million by the Inland Revenue Department

- **Analysis:**
  The disallowance of Rs. 1.5 million affects the taxable income for the year ended 31st March 2024, but the tax assessment was finalized on 30th April 2024. This event provides evidence of an understated tax expense and liability at year-end, making it an **adjusting event** as per **LKAS 10**.
- **Tax impact calculation:**
  The disallowed expense of Rs. 1.5 million will result in additional taxable income.
  Assuming a **corporate tax rate of 30%**:

Additional Tax Liability=1,500,000×30%=450,000

- **Treatment:**
  Recognize an **additional income tax liability of Rs. 450,000** and adjust the increase in income for tax expense in the financial statements for the year ended 31st March 2024.

(05 marks)

(b)
(i)
Explanation of "Qualifying Asset" as per LKAS 23: Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to be made ready for its intended use or sale.

Examples of Qualifying Assets:

- Construction of a building or manufacturing plant
- Infrastructure projects like highways, bridges, or power plants
- Large production lines or internally developed software that require a long development period
- Inventories
- Intangible assets
- Investment properties
- Bearer plants

(03 marks)

(ii)

Condition for Commencing Capitalization of Borrowing Costs:

As per **LKAS 23**, capitalization of borrowing costs begins when:

- **Expenditures on the qualifying asset are being incurred**
- **Borrowing costs are being incurred**
- **Activities necessary to prepare the asset for its intended use or sale are in progress.**

(02 marks)

(Total 10 marks)

End of Section B

Suggested Answers to Question Eight:

Chapter : 3

(a)

SAFE WHEEL PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024

Rs.

Revenue	**1**		317,000,000
Less: Cost of Sales	**2**		(161,000,000)
Gross Profit			**156,000,000**
Other Income	**3**		18,280,000
Less : Expenses			
Administrative Expenses	**4**	(77,420,000)	
Distribution Expenses	**5**	(36,400,000)	
Finance Expense	**6**	(2,375,000)	(116,195,000)
Profit / (Loss) Before Tax			**58,085,000**
Other Comprehensive Income			
Other Expenses – Impairment Loss	**7**	(2,000,000)	
Profit for the year			**56,085,000**
Income Tax Benefit/(Expense)			(12,450,000)
Profit After Tax			**43,635,000**
Other Comprehensive Income			-
Total Comprehensive Income for the Year			**43,635,000**

(10 marks)

(b)

SAFE WHEEL PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2024 Rs.

ASSETS			
Non-Current Assets			
Property, Plant and Equipment			146,030,000
Capital Work in Progress			100,625,000
Total Non-Current Assets			**246,655,000**
Current Assets			
Inventories		94,000,000	
Trade Receivables		87,780,000	
Interest Receivable		250,000	
Pre Payments		2,700,000	
Cash in hand		38,000,000	
Total Current Assets			**222,730,000**
Total Assets			**469,385,000**
EQUITY AND LIABILITIES			
Equity			
Stated Capital		300,000,000	
Retained earning		79,635,000	
Total Equity			**379,635,000**
Non-Current Liabilities			
Long term Loan	**8**	40,000,000	
Total Non-Current Liabilities			**40,000,000**
Current Liabilities			
Long Term Loan	**8**	10,000,000	
Bank Overdraft		12,000,000	
Trade and Other Payables		24,000,000	
Accrued Expenses (800,000 + 500,000)		1,300,000	
Income Tax Payables		2,450,000	
Total Current Liabilities			**49,750,000**
Total Equity & Liabilities			**469,385,000**

(08 marks)

(c)

SAFE WHEEL PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2024

	Stated Capital	Retained Earnings	Total Equity
			Rs.
Balance as at 1st April 2023	300,000,000	51,000,000	351,000,000
Profit for the year	-	43,635,000	43,635,000
Other Comprehensive Income/(expense)	-	-	-
Interim dividend paid		(15,000,000)	(15,000,000)
Balance as at 31st March 2024	**300,000,000**	**79,635,000**	**379,635,000**

(03 marks)

(d)

Property, Plant and Equipment Note: Rs.

Particulars	Land	Buildings	Machinery	Motor Vehicles	Total
Cost as at 01-Apr-2023	90,000,000	36,000,000	60,000,000	12,000,000	**198,000,000**
Disposals	-	-	-	**(6,000,000)**	**(6,000,000)**
Impairment			(2,000,000)		**(2,000,000)**
Cost as at 31-Mar-2024	**90,000,000**	**36,000,000**	**58,000,000**	**6,000,000**	**190,000,000**
Accumulated Depreciation as at 01-Apr-2023	-	15,000,000	18,000,000	5,000,000	**38,000,000**
Depreciation for the Year	-	720,000	6,000,000	3,000,000	**9,720,000**
Disposals	-	-	-	**(3,750,000)**	**(3,750,000)**
Accumulated Depreciation as at 31-Mar-2024	**-**	**15,720,000**	**24,000,000**	**4,250,000**	**43,220,000**
Net Carrying Amount as at 31-Mar-2024	**90,000,000**	**20,280,000**	**34,000,000**	**1,750,000**	**146,030,000**

(05 marks)

Notes

1	**Revenue**	
	Sales	317,000,000

2	**Cost of sales**	
	COS	161,000,000

3	**Other Income**	
	Other Income	1,500,000
	Disposal profit	3,250,000
	Bad Debt recovery	1,400,000
	FD Interest Income	250,000
	Over provision of Bad debt (16,500 – 4,620)	11,880,000
		18,280,000

4	**Administrative Expenses**	
	Administrative Expenses	68,500,000
	Dep - Building	720,000
	Dep - Machinery	6,000,000
	Audit fee	800,000
	Tax fee	500,000
	Rent expenses	900,000
		77,420,000

5	**Distribution Expenses**	
	Distribution Expenses	33,400,000
	Dep - Motor Vehicle	3,000,000
		36,400,000

6	**Finance Expenses**	
	Finance Expenses	2,375,000

7	**Income Tax**	
	Income Tax liability YA 23/24	12,450,000
	Paid	(10,000,000)
	Tax Payable	**2,450,000**

8	**Long Term Loan**	
	Payable in next year	10,000,000
	Non-Current	40,000,000
	Total	**50,000,000**

Workings

Interest Capitalised	
Loan	50,000,000
Rate	15%
Interest for 9 months (50x.15x9/12)	**5,625,000**

Impairment of Machinery	
Carrying amount of machinery	36,000,000
Recoverable amount	34,000,000
Impairment Loss	2,000,000
(Higher of Fair Value Less Cost of Disposal (Rs. 30,000,000) and Value in Use (Rs. 34,000,000))	

Motor Vehicles

Balance	12,000,000	Disposal	6,000,000
		B/C/D	6,000,000
	12,000,000		12,000,000
B/F	6,000,000		

Acc. Dep Motor Vehicles

Assets Disposal Acc.	3,750,000	Balance	5,000,000
		Dep. P&L	3,000,000
B/C/D	4,250,000		
	8,000,000		8,000,000
		B/C/F	4,250,000

Motor Vehicle Disposed	
Cost	6,000,000
useful life`	4
Life time date of disposal	2.5

Motor Vehicle Disposal Acc.

Motor Vehicles	6,000,000	Balance	5,500,000
Profit	3,250,000	Acc. Dep Motor Vehicles	3,750,000
	9,250,000		9,250,000

Capital Work in Progress

Balance	95,000,000		
Fin Exp	5,625,000		
		C/D	100,625,000
	100,625,000		100,625,000
C/F	100,625,000		

Trade and other Receivable

Balance	91,000,000	Allowance for TR	4,620,000
Bad Debt recovery	1,400,000		
		C/D	87,780,000
	92,400,000		92,400,000
B/F	87,780,000		

Pre-Payment - Rent

Balance	3,600,000	P&L	900,000
		C/D	2,700,000
	3,600,000		3,600,000
B/F	2,700,000		

Finance Expenses

Balance	8,000,000	Capital Work in Progress	5,625,000
		P&L	2,375,000
	8,000,000		8,000,000
			-

(Total 25 marks)

Suggested Answers to Question Nine:

Chapter : 4

(a)

(i) Gross Profit Ratio

$$Gross\ Profit\ Ratio = \frac{Gross\ Profit}{Sales} \times 100 = \frac{361{,}900}{1{,}683{,}700} \times 100 = \mathbf{21.49}\%$$

(ii) Net Profit Ratio

$$Net\ Profit\ Ratio = \frac{Net\ Profit\ After\ Tax}{Sales} \times 100 = \frac{136{,}450}{1{,}683{,}700} \times 100 = \mathbf{8.10}\%$$

(iii) Debtors' Collection Period

$$Debtors'\ Collection\ Period = \frac{Average\ Trade\ Receivables}{Credit\ Sales} \times 365$$

Step 1: Calculate Average Trade Receivables

$$Average\ Trade\ Receivables = \frac{541{,}500 + 419{,}800}{2} = 480{,}650$$

Step 2: Calculate Credit Sales

$$Credit\ Sales = 1{,}683{,}700 \times 60\% = 1{,}010{,}220$$

Step 3: Calculate the Collection Period

$$= \frac{480{,}650}{1{,}010{,}220} \times 365 = \boldsymbol{173\ days}$$

(iv) Creditors' Settlement Period

$$Creditors'\ Settlement\ Period = \frac{Average\ Trade\ Payables}{Credit\ Purchases} \times 365$$

Step 1: Calculate Average Trade Payables

$$Average\ Trade\ Payables = \frac{115{,}720 + 110{,}910}{2} = 113{,}315$$

Step 2: Calculate Credit Purchases

$$Credit\ Purchases = 1{,}321{,}800 \times 90\% = 1{,}189{,}620$$

Step 3: Calculate the Settlement Period

$$= \frac{113{,}315}{1{,}189{,}620} \times 365 = \mathbf{35\ days}$$

(v) Earnings Per Share (EPS)

$$EPS = \frac{Net\ Profit\ After\ Tax}{Number\ of\ Shares} = \frac{136{,}450}{19{,}500} = \mathbf{6.997\ (or\ 7.00\ rounded)}$$

Summary of Ratios:

Ratio	Value
Gross Profit Ratio	21.49%
Net Profit Ratio	8.10%
Debtors' Collection Period	173.66 days
Creditors' Settlement Period	35 days
Earnings Per Share (EPS)	Rs. 7.00

(05 marks)

(b)

Ratio	Shakthi PLC (2024)	Industry Average	Variance
Gross Profit Ratio	21.49%	44%	**Below average by 22.51%**
Net Profit Ratio	8.10%	12%	**Below average by 3.90%**
Debtors' Collection Period	173.66 days	105 days	**Above average by 68.66 days**
Creditors' Settlement Period	34.77 days	65 days	**Below average by 30.23 days**
Earnings Per Share (EPS)	Rs. 7.00	Rs. 7.50	**Below average by Rs. 0.50**

Analysis of Variances:

1. **Gross Profit Ratio (21.49% vs. 44% industry average)**
   - **Explanation:**
     Shakthi PLC's gross profit margin is significantly below the industry average, indicating that either:
     - The company has high cost of sales, which may be due to inefficient production, poor supplier negotiations, or higher raw material costs.

- The company is pricing products lower to remain competitive, which is reducing profitability.
  Possible Action: Review production costs, negotiate better supplier terms, or explore pricing strategies.

2. **Net Profit Ratio (8.10% vs. 12% industry average)**
   - **Explanation:**
     The net profit ratio is lower mainly due to lower gross profit and possibly higher operating or interest expenses. The company is not as efficient as its peers in converting sales into net profits.
     Possible Action: Investigate areas such as administrative overhead, interest costs, or production inefficiencies to improve profitability.

3. **Debtors' Collection Period (173 days vs. 105 days industry average)**
   - **Explanation:**
     Shakthi PLC takes much longer to collect receivables compared to the industry, which could result in cash flow problems and higher bad debts. This indicates weak credit policies or ineffective collection procedures.
     Possible Action: Tighten credit terms and implement stricter collection processes to reduce the collection period.

4. **Creditors' Settlement Period (34.77 days vs. 65 days industry average)**
   - **Explanation:**
     The company pays its suppliers much faster than the industry average, which may cause liquidity issues. It may also indicate that the company is not fully utilizing credit terms offered by suppliers.
     Possible Action: Negotiate longer payment terms with suppliers to align better with the industry standard and improve cash flow management.

5. **Earnings Per Share (EPS) (Rs. 7.00 vs. Rs. 7.50 industry average)**
   - **Explanation:**
     Shakthi PLC's EPS is slightly lower than the industry average, reflecting lower profitability. The lower net profit is likely the main cause, as it directly affects EPS.
     Possible Action: Focus on improving overall profitability through cost management and revenue growth.

(05 marks)

(Total 10 marks)

Suggested Answers to Question Ten:

Chapter : 5

a)

Calculation of Goodwill on Acquisition of Kanrich PLC (KN)

Particulars	**Amount (Rs. '000)**
Consideration Transferred by EN (80%)	65,000
Fair Value of Non-Controlling Interest (NCI) (20%)	20,000
Total Purchase Consideration	**85,000**
Less: Fair Value of Identifiable Net Assets (FVIN) of KN (S/C 70,000+ R/E 4,500)	(74,500)
Goodwill on Acquisition	**10,500**

b)

Depreciation Impact of Transferred PPE	
KN depreciated based on Rs. 3,000,000 over 5 years	600
Original depreciation based on Rs. 2,000,000 over 5 years	400
Excess depreciation charged by KN	**200**

Retained Earnings	
EN	26,900
Goodwill impairment	(6,000)
Unrealized profit on PPE Sale (3000-2000)	(1,000)
URP on Inventory	(240)
Adjusted profit	19,660
80% of KN	6,160
Final Balance	**25,820**

<u>**Workings**</u>

Goodwill After Impairment

	Amount (Rs. '000)
Goodwill Before Impairment	10,500
Less: Impairment (Charged to EN's Retained Earnings)	(6,000)
Goodwill After Impairment	**4,500**

KN - Post acquisition profit	
post-acquisition profit	7,500
depreciation reversal.	200
Adjusted profit	**7,700**

NCI 20%	**1,540**
EN 80%	**6,160**

NCI	
Initial NCI (at acquisition)	20,000
KN - Post acquisition profit	1,540
Final NCI	**21,540**

Unrealized Profit in Inventory	
KN purchased goods	6000
1/5 of these goods remain unsold	1200
20% profit margin on cost.	**200**

Enrich PLC Group
Consolidated Statement of Financial Position
As at 31st March 2024

	Amount (Rs. '000)
Assets	
Non-Current Assets	
Property, Plant & Equipment (90,000 + 60,000 - Unrealized PPE Rs. 1,000 + Depreciation Reversal Rs. 200)	149,200
Goodwill (After impairment)	4,500
Total Non-Current Assets	**153,700**
Current Assets	
Inventories (12,000 + 18,000 - Unrealized Inventory Profit 240)	29,760
Trade and Other Receivables (18,000 + 17,000)	35,000
Cash and Cash Equivalents (6,000 + 2,500)	8,500
Total Current Assets	**73,260**
Total Assets	**226,960**
Equity and Liabilities	
Equity	
Stated Capital (EN only)	120,000

Retained Earnings	25,820
Equity	145,820
Non-Controlling Interest (NCI)	21,540
Total Equity	**167,360**
Non-Current Liabilities	
Employee Benefits (7,500 + 3,100)	10,600
Total Non-Current Liabilities	**10,600**
Current Liabilities	
Trade Payables (32,000 + 9,050)	41,050
Income Tax Payable (6,600 + 1,350)	7,950
Total Current Liabilities	**49,000**
Total Equity and Liabilities	**226,960**

(Total 15 marks)

End of Section C

Notice:

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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.