



Association of Accounting Technicians of Sri Lanka

Level I Examination - July 2025

Suggested Answers

(101) FINANCIAL ACCOUNTING (FAC)

Association of Accounting Technicians of Sri Lanka

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A publication of the Education and Training Division

Level I Examination - July 2025

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

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

SECTION - A

Suggested Answers to Question One:

1.1 2

1.2 3

1.3 2

1.4 1

1.5 1

1.6 2

1.7 3

1.8 2

1.9 1

1.10 4

1.11 TRUE

1.12 FALSE

1.13 FALSE

1.14 TRUE

1.15 FALSE

1.16 1.Cheques deposited but not realized (Unrealized Cheques)

2.Cheques issued but not presented for payment (Unpresented Cheques)



1.17

Feature	Current Assets	Non-Current Assets
Definition	Assets expected to be used or converted into cash within 12 months	Assets that provide economic benefits for more than 12 months
Time Frame	Short-term (≤ 1 year)	Long-term (> 1 year)
Examples	Cash, Inventory, Accounts Receivable	Land, Equipment, Long-term Investments

1.18

(1) Cash Receipt

(2) Purchase invoice

1.19

- Forming self-motivated satisfied employees within the organization.
- Creating satisfied customers.
- Creation of a better and beneficial business relationship between the business and interested parties.
- Possibility of acting within the rules and regulations that affect directly or indirectly to the business and can avoid the unnecessary problems and burden when working beyond the rules and regulations
- Build up and grow the goodwill, brand awareness through best practices.
- Reducing unnecessary business costs.
- Un-Interruption to the going concern and maintenance and growth of profitability of the business.

(Expect only two reasons)

1.20

1. Accounting records can be presented in a generally acceptable way when these accounting records are prepared consistently.
2. To understand the information presented in accounting records easily by the users.
3. Enhance the credibility of accounting records in order to make right decisions.
4. Comparability can be established since every business use a general basis.
5. It provides guidance to prepare financial statements.

(Expect only two reasons)

(02 marks each, Total 40 marks)

End of Section A

Suggested Answers to Question Two:***Chapter 4 - Part II - Manufacturing Cost Statements*****Rajarata Roofing****Manufacturing Cost Statement / Manufacturing Account****For the year ended 31st March 2025****Rs. '000**

Direct Material Cost		
Raw Material - Opening Stock	150	
(+) Raw material - Purchases	5,250	
Carriage inwards	250	
Cost of goods to be consumed	5,650	
Less: Closing Raw Material Stock	(80)	
Cost of raw material consumed		5,570
Direct Wages	1,900	
Labour Incentive (5*200,000)	1,000	2,900
		8,470
(+) Opening Work In Progress	180	
(-) Closing Work In Progress	(160)	20
Prime Cost		8,490
Water (250 x 90%)	225	
Electricity Expenses (740x 60%)	444	
Rent(600 x 75%)	450	
Machine Repairs	80	
Factory's Security Charges	360	
Depreciation - Motor Lorry	540	
Depreciation - Plant & Machinery	200	2,299
Total Manufacturing Cost		10,789
Profit Margin 18%		1942.02
Cost Transferred to Trading Account		12731.02

(Total 10 marks)

Suggested Answers to Question Three:

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

Rizni Traders

Trial Balance as at 31st March 2025

		(Rs.'000)	
Description	Dr.	Cr.	
Capital		2,500	
Sales (4800+5800) (W1)		10,600	
Purchases (2850+4750) (W2)	7,600		
Travelling	7.5		
Stationery	12.5		
Casual Wages	55		
Motor vehicle	3,200		
Motor vehicle Depreciation (3,200,000 × 20% × 1/4)	160		
Motor vehicle Accumulated Depreciation		160	
Salaries & Wages	800		
Office Rent	400		
Fixed Deposit	500		
Fixed Deposit Interest Income (500 x 10% x ½)		25	
Fixed Deposit Interest Income receivable	25		
Telephone and Internet Charges (300+15)	315		
Electricity and Water Expenses	400		
Advertising Expenses	120		
Accrued Telephone and Internet Charges		15	
Trade Debtors	1,900		
Trade Creditors		2,500	
Cash	230		
Petty cash (150-7.5-12.5-55)	75		
	15,800	15,800	

W1

Dr.		Trade Debtors		Cr.	
Sales	5,800	Cash	3,900		
		B/C/F	1,900		
	5,800		5,800		
B/B/D	2400				

W2

Dr.	Trade Creditor		Cr.
Cash	2,250	Purchase	4,750
B/C/F	2,500		
	4,750		4,750
		B/B/D	2,500

(10 marks)***Suggested Answers to Question Four:*****Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance****(a) General Journal**

No.	Particulars	Debit (Rs.)	Credit (Rs.)
1	Office Equipment A/c Dr Purchases A/c Cr <i>(Being office equipment wrongly recorded in purchases corrected)</i>	60,000	60,000
	Depreciation Expense A/c Dr Accumulated Depreciation A/c <i>(Being depreciation for office equipment for the year)</i>	15,000	15,000
2	Purchases A/c Dr Suspense A/c Cr <i>(Being omitted cash purchase is recorded)</i>	4,000	4,000
3	Rent Expense A/c Dr Rent Income A/c Dr Suspense A/c Cr <i>(Being rent expense wrongly credited to rent income rectified)</i>	15,000 15,000	30,000
4	Accrued Telephone A/c Dr Telephone Expenses A/c Cr <i>(Being telephone bill payable entered twice in ledgers rectified)</i>	6,000	6,000
5	Creditor A/c Dr Purchases A/c Cr <i>(Being purchase journal total overstated is rectified)</i>	14,500	14,500
6	Suspense A/c Dr Electricity Expenses A/c Cr <i>(Being electricity expense overstated is corrected)</i>	900	900

(07 marks)

(b)

Dr.	Suspense Account		Cr.
B/B/F	33,100	Purchases	4,000
Electricity Expenses	900	Rent Expense	15,000
		Rent Income	15,000
	<hr/> 34,000 <hr/>		<hr/> 34,000 <hr/>

(03 marks)

(Total 10 marks)

Suggested Answers to Question Five:

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

(A)

	Office Equipment	+	Inventory	+	Debtors	+	Cash	=	Equity	+	Liabilities
1							+500,000		+500,000		
2	+150,000						-150,000				
3			+80,000								+80,000
4			-50,000		+70,000				+20,000		
5							-3,000		-3,000		

(05 marks)

(B)

(a)

Dr.	Adjusted Cash Control A/c		Cr.
B/B/F	26,500	Standing order – loan instalment	15,000
Direct Deposit	20,000	Bank charges	1,000
Interest Income	2,000		
		B/C/D	32,500
	<u>48,500</u>		<u>48,500</u>
B/B/F	32,500		

(03 marks)

(b)

Bank Reconciliation Statement as at 31st March 2025

Balance as per cash book	32,500
Add:	
Unpresented cheques	15,000
Less:	
Unrealized cheques	(5,000)
Balance as per bank statement	42,500

(02 marks)

(Total 10 marks)



End of Section B

Suggested Answers to Question Six:***Chapter 4 - Preparation of Income Statement and Statement of Financial Position*****(a)**

Nathan Traders
Statement of Comprehensive Income
For the year ended 31st March 2025

		(Rs.'000)
Sales		119,680
Cost of Sales:		
Opening Stock	9,500	
Purchases	74,500	
	84,000	
Closing Stock	(5,200)	(78,800)
Gross Profit		40,880
<u>Distribution Expenses:</u>		
Bad Debts	80	
Provision for doubtful debt	240	
Motor Vehicle Depreciation (W1)	625	(945)
<u>Administration Expenses</u>		
Building Depreciation (W1)	300	
Furniture Depreciation (W1)	800	
Office Expense	1350	
Travelling and Transport Expenses	1220	
Security charges	550	
Insurance (120 x ¼)	30	
Repair and Maintenance Expenses	900	
Telephone and Water charges	750	
Salaries and Wages	18,400	
Electricity	1,280	
Store Rent (1650+150)	1,800	(27,380)
<u>Finance Expenses</u>		
Bank loan interest (3000 x 12% x ½)	180	(180)
Profit for the year		12,375

(12 marks)

(b)

Nathan Traders
Statement of Financial Position
As at 31st March 2025

(Rs. '000)

ASSETS	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Land & Building	8,400	900	7,500
Motor vehicle	2,500	1,250	1,250
Furniture	4,000	1,800	2,200
	14,900	3,950	10,950
Current Assets			
Inventory		5,200	
Trade Receivables	(12080-80-240)	11,760	
Insurance Prepayment		90	
Cash in hand		310	17,360
Total Assets			28,310
Equity & Liabilities			
Equity			
Capital as at 1st April 2024		4,485	
Profit for the year		12,375	16,860
Non-current Liabilities			
Bank Loan		3,000	3,000
Current Liabilities			
Trade Payables		8,120	
Accrued Store rent		150	
Bank loan Interest Payables		180	8,450
Total Equity and Liabilities			28,310

(08 marks)

(W1) Depreciation & Accumulated depreciation

	Opening balance Accumulated Depreciation	Depreciation for the year	Closing balance Accumulated Depreciation
Building	600	$6000 \times 5\% = 300$	900
Motor Vehicle	625	$2500 \times 25\% = 625$	1250
Furniture	1000	$4000 \times 20\% = 800$	1800

(Total 20 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.



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