Provincial Department of Education
Northern Province

Grade :- 13 (2021)	Accounting - I	Two Hours

Instructions :-

- **Select the correct answers for questions No. 1-30 and write its number in the dotted lines.**
- **Write the short answers for questions No. 31 – 50 in the dotted lines.**

01. Which of the following statements is correct in relation to financial accounting?
    A- Financial accounting and management accounting are the main divisions of accounting.
    B- The main purpose of financial accounting is to provide useful information to stakeholders for decision making.
    C- Accounting unit is the government which monitors the accounting.
    D- Social cultural distribution of Covid – 19 is the social cultural environment of accounting.
    1) A and B 2) A, B and C 3) A, B and D
    4) A, B, C and D 5) A and C (……)

02. The stakeholders in a firm and the reasons for them are given below

Stakeholders	Reasons
1. Owner	A- Job security
2. Manager	B- Maintaining low and orders
3. Employee	C- Taking correct decision
4. Government	D- Quality of commodity
5. Customer	E- Security of investment

Which is correctly matched sequence?
1) BDCAE 2) CBEDA 3) ECDAB 4) ECBAD 5) ECABD (……..)

As at 01.01.2021 assets and liabilities of Corona Company were Rs. 320,000 and Rs. 120,000 respectively. Following transactions were taken place during the month of January.

- Sold goods costing Rs. 25 000 for Rs. 40,000 in January 2021 of which Rs. 10,000 was received in December 2020 and the balance was received in January, 2021.
- Instead of the amount Rs. 25,000 paid in advance in December, 2020 goods worth of Rs. 15 000 was only received in January, 2021.
- Monthly rent for January, 2021 was Rs. 4,000 of which Rs.3,000 was paid
- in advance in December, 2020 and the balance was paid in February, 2021.
- Owner's life insurance Rs. 1,000 was paid by the company in January.

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❖ **Answer questions No. 03 and No. 04 using the above information.**

03. Which is the final accounting equation as at 31.01.2021?

	Assets (Rs)	**= Equity (Rs)**	**+ Liabilities (Rs)**
1.	321,000	= 210,000	+ 111,000
2.	321,000	= 201,000	+ 120,000
3.	351,000	= 210,000	+ 241,000
4.	350,000	= 200,000	+ 150,000
5.	341,000	= 210,000	+ 131,000

(……..)

04. Net profit for the month ended 31.01.2021 is

1) Rs. 13,000 2) Rs. 5,000 3) Rs. 10,000 4) R.s 9,000 5) Rs. 11,000 (……..)

05. The source documents used to record the transactions taken place in Ragul's business are listed as follows.

A - General journal voucher B - Payment voucher

C - Debit note D - Invoice

The correct sequence of transactions which denotes ABCDE is

1) furniture purchase, rent received, return inwards, credit purchase.
2) dishonouring of cheque, rent paid, return inwards, plant purchase.
3) credit sale, salary payment, return outwards, accrued electricity.
4) goods drawings, paying to creditors, return outwards, credit sale.
5) credit sale of non-current assets, electricity payment, return inwards, credit purchase.

(……..)

Debtors control account balance Rs. 42,000 of Kamal's business for the year ended 31.03.2021 did not agree with the schedule of debtors balance. The reasons were as follows.

A- Credit sales of Rs.6,500 has been recorded in the debtors control account as Rs. 5,600 and in the debtors ledger as Rs. 6,000. It has been recorded as Rs. 5,000 in the sales account.

B- Sale returns has been overcast by Rs. 2,000.

C- A bad debt Rs. 2,000 has been correctly recorded in the debtor's ledger. However, this has been recorded in the accounts of general ledger as Rs. 200.

D- Dishonoured cheque of Rs. 3,000 has been credited as Rs. 300 in the debtor account.

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❖ **Answer questions No. 06 – No 08 using the above information.**

06. What is the increase or decrease in the profit by the correction of the above errors?

1) Increases by Rs. 1,700 2) Decreases by Rs. 1,700 3) Increases by Rs. 1,300
4) Decreases by Rs. 1,300 5) Increas by Rs. 2,100 (……..)

07. What is the rectified balance of debtors control account?

1) Rs. 44,900 2) Rs. 43,100 3) Rs. 42,600
4) Rs. 42,800 5) Rs. 41,400 (……..)

08. What is the schedule of debtors balances before rectification?

1) Rs. 45,900 2) Rs. 40,600 3) Rs. 39,300
4) Rs. 40,400 5) Rs. 42,100 (……..)

The accounting errors which were occurred in the business of Sikaram Ltd for the yeat ended 31st, March, 2021 are given below. Net assets before rectification of errors is Rs. 50,000. Gross profit and net profit for the year are Rs. 162, 000 and Rs. 48,000 respectively as at 31.03.2021

A- Sale returns Rs. 50,000 has been recorded in the sales journal.

B- Rent received Rs.2,000 has been debited in the rent paid account.

C- Credit purchase of plant amounting to Rs. 120,000 has been recorded in the purchase journal on 1st of March 2021. Plant is deprecated at 10%.

D- Opening stock has been over cost by Rs. 10,000.

❖ **Answer questions No. 09 and No. 10 using the above information.**

09. What is the suspense account balance arisen due to the above errors?

1) Rs. 4,000 debit 2) Rs. 4,000 credit 3) Rs. 13,000 debit
4) Rs. 13,000 credit 5) Rs. 87,000 debit (……..)

10. What is the correct net assets after the rectification of the above errors?

1) Rs. 499,000 2) Rs. 511,000 3) Rs. 501,000
4) Rs. 513,000 5) Rs. 523,000 (……..)

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11. Which of the following statement/s is/are correct in relation to accounting concepts.

A- Depreciation should be included in the income statement as an expense in accordance with matching concept.

B- Inflation should not be adjusted while preparing the financial statement in accordance with money measurement concept.

C- A portion of the inventory purchased is accounted as an expense and the balance of it as stock in accordance with matching concept.

1) A and B 2) B and C 3) A and C 4) A, B and C 5) B only (……..)

12. The asset which was acquired under lease had been accounted as asset of the business before the final instalment was settled. Which of the following accounting concepts is considered?

1) Prudence concept 2) Money measurement concept

4) Entity concept 4) Substance over form concept

5) Going concern concept (……..)

13. Following are the balances in the books of Sangarappillai & Sons as at year ending and year beginning

	31.03.2021	**31.03.2020**
Debtors control account	84,000	72,000
Bat debt and provision for doubtful debts	?	3 600

A debtor's balance of Rs. 4,000 was written off as bad debts for the year ended 31.03.2021 Bad debts of Rs. 2,000 written off last year was recovered this year. Bad debts is recorded through provision for doubtful debts account and maintained same percentage of provision for doubtful debts each period. What is the amount of bad debts and doubtful debts to be shown in the income statement for the period ending 31.03.2021?

1) Rs. 4,600 2) Rs. 2,600 3) Rs, 4,000

4) Rs, 2,000 5) Rs, 6,600 (……..)

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14. Financial year of Bhavalan's business ends on 31.03 every year. Large amount of goods was destroyed due to fire on 31.03.2021. Only goods worth of Rs. 12,000 have been recovered. Sales and parchases for the year ended 31.03.2021 were Rs. 240,000 and Rs. 180,000 respectively. Stock as at 01.04.2020 was Rs. 64,000 and the owner personally used goods worth of Rs. 4,000. Company sells goods keeping a profit of 20% on cost. Insurance company has agreed to compensate 75% at the cost of goods destroyed due to fire. What were the cost of goods destroyed due to fire and the loss of fire destruction?

1) Rs. 12,000 and Rs. 3,000
2) Rs. 40,000 and Rs. 10,000
3) Rs. 28,000 and Rs. 12,000
4) Rs. 4,000 and Rs. 7,000
5) Rs. 28,000 and Rs. 7,000

(……..)

15. Which of the following statements are correct in relation to variable cost?
    A- Variable cost is calculated by adding prime cost with production overhead.
    B- It is calculated by deducting raw materials consumed from total production cost.
    C- It is calculated by adding direct wages, direct other expenses and production overheads.
    D- It is calculated by deducting both cost of raw materials consumed and less value in the stock of finished goods from cost of sales.

1) A, B and C
2) A, C and D
3) B, C and D
3) B and C
5) A and C

(……..)

The following are the information of Seran manufacturing company for the year ending 31.03.2021.

Purchase of raw materials	Rs. 300,000
Variable cost	Rs. 52,000
Total overheads	Rs. 48,000
Non production overheads	Rs. 18,000
Increase in stock of raw materials	Rs. 10,000
Sales	Rs. 450,000
Gross profit ratio	20%

❖ **Use the above information to answer questions No. 16 and No. 17.**

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16. What is the prime cost of the manufacturing company for the year ending 31.03.2021?

1) Rs. 358,000 2) Rs. 312,000 3) Rs. 360,000
4) Rs. 342,000 5) Rs. 362,000 (……..)

17. What is the increase or decrease in the stock of finished products for the year ending 31.03.2021?

1) Rs. 46,000 2) (Rs. 18,000) 3) Rs. 42,000
4) Rs. 32,000 5) Rs. 18,000 (……..)

❖ **Use the following information to answer questions No. 18 and No. 19**

Queen Sports Club has 150 members. Annual subscription per member is Rs. 120. Balance as at 01.04.2020 :-

Subscription in arrears	Rs. 1,200
Subscription received in advance	Rs. 600

140 members paid the subscription for the current year. 8 members of them paid last year subscription and 15 members of them paid next year subscription as well.

18. What is the subscription in arrears for the year ending 31.03.2021?

1) Rs. 1,200 2) Rs. 600 3) Rs. 840 4) Rs. 1,040 5) Rs. 1,840 (……..)

19. What is the subscription received for the year ending 31.03.2021?

1) Rs. 16,000 2) Rs. 19,560 3) Rs. 19,800
4) Rs. 19,310 5) Rs. 18,840 (……..)

❖ **Using the following information, answer the questions No. 20 and No. 21.**

The following were the information of Sothy's business for the year ended 31.03.2021.

Sales	Rs. 300,000
Distribution expenses	Rs. 28,000
Administration expenses	Rs. 24,000
Rent received	Rs. 4, 000
Net profit	Rs. 42,000

The following errors were found out after extracting the above balances.

a) Accrued electricity Rs. 4,000 and advertisement paid in advance Rs. 1,000 were not accounted.
b) Furnitures worth of Rs. 40,000 purchased on 01.01.2020 were debited in purchases account. Furnitures are depreciated at 10% per annum.

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20. What are the correct administration expenses and distribution expenses for the year ending 31.03.2021?

	Administration expenses (Rs.)	Distribution expenses (Rs.)
1)	24,000	27,000
2)	26,000	27,000
3)	28,000	22,000
4)	32,000	27,000
5)	30,000	27,000

(……..)

21. Select the correct gross profit and net profit for the year ending 31.03.2021.

	Gross profit (Rs.)	Net profit (Rs.)
1)	134,000	77,000
2)	90,000	75,000
3)	120,000	75,000
4)	130,000	75,000
5)	130,000	77,000

(……..)

Mathy and Rathy who share profits and losses in the ratio of 3:2 respectively are partners in a partnership. The balances of capital and current accounts of Mathy and Rathy as at 01.04.2020.

	Capital (Rs.)	Current (Rs.)
Mathy	180,000	30,000
Rathy	120,000	20,000

On 01.04.2020, Thevi was admitted as a partner. She invested Rs. 100,000 which included his capital and the share of goodwill. The goodwill of the partnership was adjusted through the partners capital accounts. Mathy, Rathy and Thevi shared profits and losses in the ratio of 5:3:2 respectively. Partners were entitled to an annual interest of 10% on capital balances and Thevi should be provided annual salary of Rs. 20,000. Following were the balances of capital and current accounts of partners as at 31.03.2021.

	Capital (Rs.)	Current (Rs.)
Mathy	190,000	99,000
Rathy	130,000	63,000
Thevi	80,000	48,000

Use the above information to answer questions No. 22 and No. 23.

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22. What was the total goodwill of the partnership?

1) Rs. 200,000 2) Rs. 100,000 3) Rs. 300,000

4) Rs. 20,000 5) Rs. 120,000 (……..)

23. What was the appropriate profit for the year ended 31.03.2021?

1) Rs. 160,000 2) Rs. 100,000 3) Rs. 120,000

4) Rs. 150,000 5) Rs. 140,000 (……..)

24. Shankar Company Ltd is a firm registered for VAT The following are the information for the year ending 31.03.2021.

Invoice price of the plant	Rs. 500,000
Customs on the plant	Rs. 30,000
Value added tax	Rs. 20,000
Trade discount	Rs. 10,000
Plant repairs	Rs. 5,000
Instalation cost for plant	Rs. 20,000
Testing charge for production	Rs. 45,000

100 units tested and produced were sold for Rs. 50 each. Residual value of the plant was Rs. 20,000 and the useful life period 20 years. Plant came to use from 01.04.2020 onwards. What was the amount recognized as the cost of plant as per LKAS 16?

1) Rs. 595,000 2) Rs. 580,000 3) Rs. 590,000

4) Rs. 480,000 5) Rs. 580,000 (……..)

25. Following are the information of Sethupathy Co.Ltd for the year ending 31.03.2021?

Profit before tax	Rs. 146,000
Depreciation	Rs. 14,000
Interest paid	Rs. 8,000
Profit from the sale of motor	Rs. 4,000
Tax paid	Rs. 13,000
Increase in stock	Rs. 10,000
Accrued interest	Rs. 3,000

What is the net cash generated from operating activities?

1) Rs. 157,000 2) Rs. 136,000 3) Rs. 124,000

4) Rs. 133,000 5) Rs. 146,000 (……..)

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Following are the information of Raju Company Ltd for the year ending 31.03.2021

Description	**Rs. 000**
Sales	2,400
Gross profit	1,300
Operating expenses	300
Profit on sale of motor	50
Dividend paid	150
Surplus on land revaluation	100
Deficit on revaluation of plant	40

Plant was revalued with a surplus of Rs. 30 000 on 31.03.2019. Land was revalued for the first time with a surplus on 31.03.2021.

❖ **Answer questions No 26 –No. 28 using the above information.**

26. What are the total income and the total expenses for the year ending 31.03.2021 as per Sri Lanka Accounting standard?

	Total income (Rs. 000)	**Total expenses (Rs. 000)**
1)	2,500	1,400
2)	2,500	1,440
3)	2,550	1,440
4)	2,450	1,250
5)	2,500	1,400

(……..)

27. What are the profit and other comprehensive income identified for the year ending 31.03.2021 as per LKAS 01?

	Profit (Rs. 000)	**Other comprehensive income (Rs. 000)**
1)	1,050	100
2)	1,150	150
3)	1,050	60
4)	1,040	70
5)	1,040	60

(……..)

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28. What are the retained profit and total other comprehensive income for the year ending 31.03.2021 as per LKAS 1?

	Retained Profit (Rs. 000)	Total other comprehensive income (Rs. 000)
1)	890	1,110
2)	90	1,000
3)	810	1,050
4)	1,010	1,000
5)	810	1,110

(……..)

❖ **Use the following information to answer questions No. 29 and No. 30.**

A garment manufacturing company uses specialized cloth as raw material in its production. 03 metres of cloth are required to produce a blouse. Its weekly production ranges from 70 – 140 blouses. Re-order quantity of raw materials amounting to Rs. 72,000 Lead time 4 – 8 days. Price per metre of cloth Rs. 120.

29. What are the re-order level of cloth and the average consumption of cloth?

1) 1120 metres and 80 metres
2) 160 metres and 80 metres
3) 180 metres and 60 metres
4) 480 metres and 45 metres
5) 120 metres and 45 metres

(……..)

30. Maximum stock level and minimum stick level of cloth are respectively.

1) 600 metres and 180 metres
2) 960 metres and 160 metres
3) 480 metres and 210 metres
4) 480 metres and 40 metres
5) 960 metres and 210 metres

(……..)

❖ **Write short answers for questions No. 31 – No. 50.**

31. a) State three characteristics of liabilities as per the conceptual framework for Accounting.

……..…
……..…
……

b) Give an example for each of the following impacts

i) Liability increases and equity decreases

……...……

ii) Equity increases and equity decreases

……..……

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32. State the differences between Financial Accounting and Management Accounting on the following aspects.

Aspects	Financial Accounting	Management Accounting
1) Legal requirement	……	……
	……	……
2) Frequency of preparation	……	……
	……	……
3) Users of reports	……	……
	……	……

33. Goods which was purchased for Rs. 92.000 including 15% VAT were sold for Rs. 184,000. Rs. 2,000 was spent for advertising. What is the increase or decrease occurred in the net assets by the above transaction?

……..

The following were the information of Sujanthan's business for the months of May and April, 2021.

	May	April
Cheques drawn	Rs. 154,000	Rs. 210,000
Cheques deposited	Rs. 205,000	Rs. 232,000

Information in the bank statement for these periods are given below.

	May	April
Presented cheques	138,000	202,000
Realized Cheques	170,000	227,000
Direct deposits	3,000	6,000
Bank charges	4,000	3,000

Cash control account balance for the month of April 2021 was Rs.72,000. Unpresented and unrealized cheques for the previous month were presented or realized during the current month.

❖ **Answer the question No. 34 and No. 35 using the above information.**

34. What were the unpresented and unrealized cheques for the month of May?
    a) Unpresented cheque Rs. ……...
    b) Unrealized cheque Rs. ……...

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35. What were the balances of adjusted cash control account and bank statement for the month of May?

a) Adjusted cash control account Rs. ……...……

b) Bank statement balance Rs. ……...……

The following information relates to the monthly sales detail of Ramanan's business started on 1st of May, 2021.

Customers	Sales	Cash discount	Trade discount	Date of sales	Date of Cash paid
Cash	Rs. 20,000		10%	5.5	5.5
Kamal	Rs. 250,000	10%	20%	18.5	23.5
Vimal	Rs. 320,000	10%	20%	24.5	12.6

Cash discount will be allowed to the customers who settles their dues within 10 days.

36. What are the discount allowed and the cash received for the month of May?

a) Discount allowed Rs. ……

b) Cash received Rs. ……

37. What are the sales income and the cash received from debtors for the month of May?

a) Sales for the month of May Rs. ……

b) Cash received from debtors Rs. ……

38. Whether the following statements are right or wrong in relation to total production cost.

A) It is calculated by adding overheads with prime cost. (……..……..)

B) It is calculated by adding direct expenses and indirect expenses which are related to production. (……..……..)

C) It is calculated by adding total overheads with prime cost and deducting non production overheads. (……..……..)

D) It is calculated by adding closing finished goods with cost of sales and deducting opening finished goods. (……..……..)

The following are the information of Sam Manufacturing Company for the year ending 31.03.2021.

Cost of raw materials consumed	Rs. 224,000
Prime cost	Rs. 160,000
Total production cost	Rs. 200.000

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Cost of sales	Rs. 260,000
Sales	Rs. 300,000

Following errors are included in the above calculation.

a) Closing raw materials and opening work in progress were valued by adding Rs. 16,000 and Rs. 8,000 respectively.

b) Factory rent Rs. 12,000 was included in the administrative expenses.

c) Withdrawals of goods worth of Rs. 6,000 by the owner for his own use was not recorded in the books.

d) Wages of mechine operator Rs. 8,000 was not included in the production cost statement.

❖ **Answer the questions No. 39 and No. 40 using the above information.**

39. What are the adjusted total production cost and the adjusted cost of sales?

a) Adjusted total production cost Rs. ……

b) Adjusted cost of sales Rs. ……

40. What is the adjusted gross profit Rs. ……

❖ **Answer the questions No. 41 and No. 42 using the following information.**

Following are the balances in the books of Mullai Sports Club as at 31.03.2021 and 31.03.2020.

	31.03.2021	**31.03.2020**
Property, plant and equipment	185,000	160,000
Fund for building	50,000	75,000
Life membership fund	30,000	40,000
Subscription received in advance	4,000	3,000
Subscription receivable	2,000	5,000
Cash	75,000	65,000

41. Calculate the following.

a) Accumulated fund as at 31.03.2020 Rs. ……..……..

b) Accumulated fund as at 31.03.2021 Rs. ……..……..

c) Surplus or deficit for the year ending31.03.2021 Rs. ……..……..

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42. What is the equity as at 31.03.2021? Rs. ……..……..

43. Whether the following statements are right or wrong in relation to partnership.

a) Admission or retirement of a partner takes place in the beginning or ending of the year. (…….……..)

b) Salary payable to a partner decreases equity of the partnership. (…….……..)

c) If admission of a partner occurs in the beginning of the year, interest should be calculated on the closing capital balances. (…….……..)

d) Partners are entitled to an annual interest of 5% on the loans provided to the partnership as per the partnership Act No. 24 of year 1890. (…….……..)

Athy, Sivan and Paraman are partners in a partnership sharing profit and losses in the ratio of 5:3:2 respectively. Following are the balances of partners' capital and current accounts.

	Capital (Rs.)	**Current accounts (Rs.)**
Athy	300,000	12,000
Sivan	200,000	(10,000)
Paraman	150,000	8,000

On 01.04.2020, Sivan retired from the partnership. It was agreed to transfer the amount payable to Sivan to a loan account and pay an annual interest of 12%. on it. ½ of the interest Rs. 15,000 on the loan was paid this year. All adjustments relating to goodwill should be done through the partners' capital accounts Ramaining partners Athy and Paraman agreed to share profit and losses in the ratio 3:2 respectively. These partners were entitled to 10% interest on their capital and annual salary of Rs. 40,000 and Rs. 30,000 respectively.

❖ **Answer question No. 44 and No. 45 using the above information.**

44. a) What was the share of goodwill of Sivan?

……

b) What was the amount payable to Sivan?

……

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45. What were the balances of partners current accounts as at 31.03.2021?

a) Current accounts Athy Rs. ……..…… Paraman Rs…….……

b) Capital accounts Athy Rs. ……..…… Paraman Rs…….…….

❖ **Use the following information to answer questions no. 46 and No. 47.**

Following information relates to product (M) of Tharagi Company Ltd.

Raw materials per unit	Rs. 150
Wages per unit	Rs. 100
Overhead absorption rate per unit	: Production Department (P) Rs. 40
	Production Department (Q) Rs. 30
Processing hour per unit	: Production Department (P) 4 hours
Processing hour per unit	: Production Department (Q) 1 hour 30 minutes
Budgeted Mechine hour	: Production Department (P) 10,000 hours.
Budgeted Mechine hour	: Production Department (Q) 5,000 hours.

46. What is the budgeted over head of production department (P) ? ……

47. What is the absorbtion rate of production department (Q) ?

……..

48. Following are the information of Seyon Co Ltd for the year ending 31.03.2020.

Current ratio	2.5:1
Inventory turnover ratio	3 times
Sales	Rs. 250,000
Gross profit ratio	40%
Opening inventory	Rs. 40,000
Current liabilities	Rs. 40,000

a) What is the value of inventory as at 31.03.2020?

……

b) What is the quick ratio?

……

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49. The following information relates to Karan Co. which produces single product.

Margin of safety 400 units.

Profit	Rs. 8,000
Selling price per unit	Rs. 200
Present sales level	1 200 units

a) Break even point (value) …….

Break even point (units) …….

b) What are the total fixed cost and variable cost per unit?

Total fixed cost Rs. ……..

Variable cost per unit Rs. ……...

50. A company invested Rs. 180,000 on a plant. Its useful life 5 years and minimum value Rs. 20,00. Cash flow for the five years. Rs. 58,000 Rs. 52,000 Rs. 48,000 Rs. 22,000 Rs. 20,000

What is the rate of return based on average investment?

……

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