



Advanced Financial Accounting & Costing (AFC)

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ADJUSTMENT FOR SALARIES

Example 01

Following salary information given for ABC Traders for the month of Jan-2020.

1. Basic Salary

Employee No	Employee Name	Basic Salary	Overtime
01	Amal	100,000	120 hours
02	Bimal	200,000	40 hours
03	Chamal	300,00	80 hours

2. Travelling allowance 20% on basic salary.
3. Overtime is paid in 1.5 times than the normal hourly rate.
(Normal hours – 8 hours x 5 days x 4 weeks)
4. Employer – EPF 12% ETF 3%
Employee – EPF 8%
(EPF & ETF not considered for overtime)
5. PAYE Tax
6. 5% on the basis salary will be contributed for Welfare fund.
7. Loan recovery – A - 5,400 B - 10,800 C - 21,200

Required

- i. Salary Sheet
- ii. Journal Entries
- iii. Ledger Accounts
- iv. Draft Financial Statements

AAT II Past Papers

1. 2020 Jan AAT II Q5

The following information was extracted from the payroll of Mahee (Pvt) Ltd for the month December 2019:

Basic Salary (Rs.)	Overtime (Rs.)	EPF Deductions (8%) (Rs.)	Net Salary (Rs.)
10,875,000	13,650,000	870,000	23,655,000

Employer's contributions to the Employees' Provident Fund (EPF) and Employees Trust Fund (ETF) are at 12% and 3% respectively from the basic salary.

Monthly salaries are paid on the last working day of the relevant month and EPF and ETF are paid on 10th of the next month

You are required to Prepare:

The following ledger accounts of Mahee (Pvt) Ltd for the month of December 2019

- a) Salary Control Account. (02 marks)
- b) EPF Payable Account. (02 marks)
- c) ETF Payable Account. (01 mark)

2. 2019 JAN AAT II Q4

Widya (Pvt) Ltd had paid their employees a net salary of Rs. 27,000,000/- for the year ended 31st March 2018:

The following additional information is also relevant:

1. Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) contribution are calculated based on the gross salary.
2. The employees' contribution and company's contribution to EPF are 8% and 12% respectively.
3. The contribution to ETF 3%.
4. It is required to deduct employees' welfare fund contribution of 2% from the gross salary from each and every employee.

You are required to Record,

The information given above in the following summarized salary sheet of Widya (Pvt) Ltd for the year ended 31st March 2018.

Gross Salary (Rs.)	Welfare Fund Contribution (Rs.)	EPF Deduction (Rs.)	Company's Contribution (Rs.)	
			EPF	ETF

3. 2018 Jul AAT II Q4

The following balances were extracted from the books of accounts of Southpole (Pvt) Ltd for the month of March 2018:

	Rs.
Basic salary prior to PAYE, loan	7,320,000
Installments and EPF (8%) deductions	
PAYE deduction	180,000
Loan installments deduction	50,000

8% from the basic salary of employees is deducted for the Employees' Provident Fund (EPF). The company contributes at 12% to the EPF and 3% to the Employees' Trust Fund (ETF) from the basic salary. Employees' salaries were paid on 31st March 2018 and contributions for EPF and ETF were paid on 10th April 2018.

You are required to Prepare:

The following ledger accounts for the month of March 2018:

- a) Salary Control Account. (03 marks)
 b) EPF Payable Account. (02 marks)

4. 2011 Jan AAT II Q4 (A)

The following information relates to employees salaries and wages of Funny Brothers Ltd for the month ended 30th June 2011.

Employee No	Employee Name	Basic Salary Rs.	Other Allowances RSs	Overtime Rs.
0100	Amarapala	50,000	30,000	-
1020	Fernando	30,000	22,000	-
2050	Jayalath	20,000	10,000	10,000
3011	Maduwanthi	18,000	-	15,000

Other details related to salaries and wages are as follows:

- The monthly installment of the Festival Advances taken by Fernando, Jayalath and Maduwanthi are to be recovered when paying salaries & wages. The Festival Advances installment for the month of June 2011 for Fernando, Jayalath and Maduwanthi are Rs. 2,000/-, Rs. 1,000/- and Rs. 1,000/- respectively.
- The company has given the guarantee to the bank for the bank loans taken by Jayalath and Maduwanthi and agreed to remit the loan installments directly to the bank. The loan installment for the month of June 2011 for Jayalath and Maduwanthi are Rs. 5,000/- and Rs. 2,000/- respectively.
- The contribution to Employees' Provident Fund (EPF) by the employer and employee are 125 and 8% respectively (overtime is not considered for the EPF calculation). Contribution to Employees' Trust Fund (ETF) is at the prescribed rate.
- Pay as you earn (PAYE) tax to be deducted from Amarapala and Fernando for the month of June 2011 is Rs. 3,000/- and Rs. 1,200/- respectively.
- It is the practice of the company to pay the salaries and wages of each month during the first week of the following month.

Using the above information, you are required to Prepare:

- a) The company's salary sheet for the month of June 2011.
 b) The ledger accounts to post the pay sheet information to the relevant accounts in the General Ledger through the salaries and wages control account.

(06 marks)