AAT Level 03
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Sandeepa Jayasekera

B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner, MBA (PIM-SJP), Visiting Lecturer – Colombo University.

1

Question 01 – Cash Flow Statement

The Statements of Financial Position of **Chemiro (PVT) Ltd**. As at 31st March 2025 and 31st March 2024 are given below.

Chemiro (PVT) Ltd.

Statements of Financial Position

As at 31st March	2025	2024
Non – Current Assets		
Property, Plant and Equipment	220,400	156,930
Accumulated Depreciation	(129,100)	101,460)
Carrying Value	91,300	55,470
Current Assets:		
Inventories	106,420	157,439
Trade and Other Receivables	110,426	97,830
Cash and Cash Equivalents	15,400	8,900
	232,246	264,169
Total Assets	323,546	319,639

2

Equity:		
Stated Capital (12,800 ordinary shares)	128,000	128,000
Retained Earnings	125,596	114,939
	253,596	242,939
Non-Current Liabilities:		
Bank Loans	30,400	31,400
Employee Benefits (Provision for Gratuity)	21,480	26,700
	51,8800	58,100
Current Liabilities:		
Trade Payables	5,400	420
Bank Loans	2,000	11,500
Loan Interest Payable	7,430	1,040
Income Tax Payable	3,240	5,640
	18,070	18,600
Total Equity and Liabilities	323,546	319,639

3

The following additional information is also provided.

1) Income tax expense for the year ended 31st March 2025 was Rs. 3,400,000/- Profit before tax and interest of the company was as Rs. 23,437,000/- and interim dividends were paid to ordinary shareholders on 31st December 2024.
2) A machinery was disposed for Rs.9.5 million on 01st October 2024.The cost of the machinery was Rs. 15 million while accumulated depreciation was Rs.7.5 million as at 01st April 2024. Machinery are depreciated on the straight line basis at cost over 10 years. A new machinery has been purchased on 31st March 2025 as a replacement of disposed machinery and it was capitalized on the same date.
3) Interest expense for the year was Rs.8,100,000/- and the company has obtained a new bank loan of Rs. 10,000,000/- during the year.
4) Provision for gratuity for the year was Rs.1,750,000/-.
5) Bad debt written off during the year is Rs. 200,000/-

You are required to:
Prepare the Statement of Cash Follows of Chemiro (PVT) Ltd. For the year ended 31st March 2025 Using indirect method.

4

Question 02 – Cash Flow Statement

The Statements of Financial Position of **Vinco (PVT) Ltd**. As at 31st March 2023 and 31st March 2022 are given below.

Vinco (PVT) Ltd.

Statements of Financial Position

As at 31st March	**2023**	**2022**
Non-Current Assets:		
Property plant and Equipment	8,500	6,500
Less : Accumulated Depreciation	(1,300)	(1,000)
Carrying Value	**7,200**	**5,500**
Current Assets:		
Inventories	1,950	2,300
Trade and Other Receivables	2,090	1,680
Cash and Cash Equivalents	2,115	1,680
	6,155	**5,660**
Total Assets	**13,355**	**11,160**

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5

Equity:		
Stated Capital (80,000 Ordinary Shares)	8,000	8,000
Revaluation Reserve	300	200
Retained Earnings	935	560
	9,235	**8,760**
Non-Current Liabilities:		
Long – Term Loans	600	580
Employee Benefits (Provision for Gratuity)	490	420
	1,390	**1,200**
Current Liabilities:		
Trade Payables	2,530	1,010
Short – Term Loans	180	180
Income Tax payable	320	210
	3,030	**1,400**
Total Equity and Liabilities	**13,355**	**11,160**

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6

The following additional information is also provided:
1. Income tax expenses for the year ended 31st March 2023 was Rs. 230,000/-.
2. The company has disposed one of its motor vehicles costing Rs.1,200,000/- on 01st April 2022 for Rs.600,000/-. The accumulated depreciation as at the date of disposal was Rs. 500,000/-. In addition to this transaction, the difference in property, plant and Equipment represents the acquisition of a land during the year ended 31st March 2023. Further the property, plant and equipment were revalued during the year.
3. Interest expense on loans for the year was Rs. 250,000/- and it was paid during the Year.
4. During the year, the company paid final dividend of Rs.160,000/- to its ordinary shareholders.
5. On 31st March 2023, **ABC Bank** has given loan term loan of Rs.500,000/- to the company.
6. Rs. 100,000/- was paid as gratuity during the year.

You are required to:
Prepare the Statement of Cash Flows for **Vinco (Pvt) Ltd.** For the year ended 31st March 2023 using indirect method.

7

Question 03 – Consolidated Financial Position

Thomas PLC acquired 80% of the ordinary share capital of **Gomes PLC** on 01st April 2022 for Rs.350 million.
The Statement of Financial Position of **Thomas PLC** and **Gomes PLC** as at 31st March 2023 were as follows:

Rs. 000’	Thomas PLC	Gomes PLC
Non-Current Assets:		
Property, Plant and Equipment at Carrying Value	540,000	240,000
Investment in Gomes PLC	350,000	-
nvestment in Debentures of Gomes PLC	40,000	-
Current Assets:		
Inventories	117,000	150,000
Trade And Other Receivables	180,000	90,000
Cash and Cash Equivalents	18,000	90,000
Total Assets	**1,245,000**	**570,000**

8

Equity:		
Stated Capital	700,000	300,000
Retained Earnings	225,000	90,000
Non-Current Liabilities:		
Bank Loan	125,000	44,000
Debentures	-	100,000
Current Liabilities:		
Trade and Other Payables	135,000	25,200
Bank Overdrafts	60,000	10,800
Total Equity and Liabilities:	**1,245,000**	**570,000**

The following additional information is also provided:

1) At the date of acquisition, the book value of net assets except the land of **Gomes PLC** was reflected at fair value. Fair value of the land was higher by Rs.5,000,000/- than its carrying amount.

2) At the date of acquisition the fair value of the Non-Controlling Interest (NCI) was Rs,100 million and the retained earnings of **Gomes PLC** was stood at Rs.75,000,000/-.
3) During the year ended 31st March 2023 **Gomes PLC** purchased Rs.9,000,000/- worth of goods from **Thomas PLC.** Out of these goods, one third (1/3) of them remained unsold in the premises of **Gomes PLC** as at 31st March 2023.The sales policy of **Thomas PLC** is to keep 20% profit on cost.
4) Investment in debentures by **Thomas PLC** includes the debentures issued by **Gomes PLC.**
5) Impairment test carried out on 31st March 2023 revealed that the Goodwill on acquisition of **Gomes PLC** has been impaired by Rs.10 million.

You are required to:

a. Calculate the goodwill on acquisition of **Gomes PLC.** (04 marks)

b. Prepare the Consolidated Statement Financial Position as at 31st March 2023. (09 marks)

Question 04 – Consolidated Profit or Loss

Vikash PLC acquired 90% of the ordinary share capital of Prakash PLC on 01st April 2024 for Rs. 105 milion. The goodwill arising from the acquisition was Rs. 17 million.

The Statements of Comprehensive income of **Vikash PLC** and **Prakash PLC** for the year ended 31st March 2025 were as follows:

Statements of Comprehensive Income
for the year ended 31st March 2025

	Vikash PLC	**Prakash PLC**
Sales	1,035,200	624,000
Cost of Sales	(703,900)	(443,000)
Gross Profit	**331,300**	**181,000**
Other Income:		
Other Income	3,600	900
Profit on Disposal of Assets	200	620
Expenses:		
Distribution Expenses	(64,000)	(34,000)
Administration Expenses	(116,000)	(67,000)
Finance Expenses	18,500)	(23,400)
Profit Before Tax	**136,600**	**58,120**
Income Tax	(40,980)	(16,564)
Profit for the year	**95,620**	**41,556**
Other Comprehensive Income	335	-
Total Comprehensive Income	**95,975**	**41,556**

The following Additional information is also provided:

1. During the year. **Vikash PLC** has sold goods costing of Rs. 60,000,000/- to **Prakash PLC** at a profit margin of 25% on cost. As at 31st March 2025, inventory worth of Rs.5,000,000/- remained unsold at the store of **Prakash PLC** which was purchased from **Vikash PLC.**
2. Other income of **Vikash PLC** includes management fee of Rs.3,000,000/- paid by **Prakash PLC** on consultancy services provided to **Prakash PLC.**
3. **Prakash PLC** has obtained a loan of Rs. 2,000,000/- on 1st October 2024 from **Vikash PLC** at a rate of 10% per annum. The Interest for the year 2024/25 has been fully paid by **Prakash PLC** to **Vikash PLC.**
4. On 01st April 2024 **Prakash PLC** sold a machinery to **Vikash PLC** at a price of Rs. 10,000,000/- which had a carrying value of Rs. 9,500,000/- in the books of **Prakash PLC** on that date. The useful life of this machinery as at 01st April 2024 was 5 years.

You are required to :
Prepare the Consolidated Comprehensive Income Statement for the year ended 31st March 2025.

Question 05 – LKAS 38 Intangible Assets

a) An intangible asset arising from development shall be recognized, if and only an entity can demonstrate the stipulated conditions.

You are required to :
State two (02) conditions which should be satisfied in order to capitalize development cost as an intangible asset as per LKAS 38 – Intangible Assets. (02 marks)

b) Enrich Ltd. has developed a new instant beverage to the local market during the year ended 31st March 2023 and started commercial operation in April 2023. Cost incurred for the new product during the year 2022/23 were as follows.
A market research was conducted for the new product and incurred an amount of Rs.500,000/-. The Company obtained the patent right for the new product during the year by incurring Costs of Rs. 300,000/- for TV commercials ware spent on the new product.

You are required to :
Explain Whether each of the above costs could be recognized as intangible assets as per LKAS 38- Intangible Assets. (03 marks)

Question 06 – LKAS 38 Intangible Assets

The following information was extracted from the books of accounts of omega Ltd. For the year ended 3st March 2024:

1. On 01st January 2024 the company has conducted a market research for the development of a new product and an amount of Rs.2 million was paid to a research company for this purpose.
2. The Patent right of the product was registered on 20th March 2024 incurring Rs.75,000/-
3. During the year, the company has spent Rs.10 million to give a training in a foreign country for managers of the company. As a result of the training, the performance of managers will be improved.

You are required to :
Explain whether each of the above costs could be recognized as an intangible asset as per LKAS 38- Intangible Assets.

15

Question 07 – LKAS 37 Provisions, Contingent Liabilities and Contingent Assets

The financial statements of Beta Ltd. for the year ended 31 March 2024 were authorized for issue on 30 June 2024. Subsequently it was noted by Finance Manager that the following instances were occurred after the year end and were not considered in preparing the financial statements:
(1) On 31 March 2024, a customer of Beta Ltd. filed a case against the company claiming Rs.1,000,000/- as compensation for health deterioration after using a product sold by the company. Based on its evidences, up to the date of authorization of financial statements for the year ended 31 March 2024, the company's lawyer believes that there is a less probability to pay compensation.
(2) The Board of Directors of Beta Ltd. has declared a final dividend on profit for the year ended 31 March 2024 on 10th April 2024.
(3) An assessment was raised by the Inland Revenue Department disallowing some expenses of Rs. 2 million which were considered as allowable expenses by the company when calculating income tax liability. After the several discussions, the Department of Inland Revenue has agreed to disallow expenses of Rs.1.5 million on 30th April 2024.
You are required to:
Explain how each of the above scenario could be recognized in the financial statements of **Beta Ltd**. for the year ended 31 March 2024 as per the LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

16

Question 08 – LKAS 37 Provisions, Contingent Liabilities and Contingent Assets

Sino Ltd. is a mineral extraction company. The accountant of **Sino Ltd.** has found the following incident occurred during the year ended 31st March 2023 and these were not considered in the financial statements prepared for the year ended 31st March 2023.

1. An employee of the company was injured while at work in May 2022 due to a failure in an equipment. He sued the company claiming compensation of Rs.5 million for the damage caused to him. The lawyers of the company were in the view that there is a high probability that the company will be found liable to pay compensation in full. Finally the court ordered to pay Rs.3 million on 31st May 2023.
2. At the same time, **Sino Ltd.** has sued against the equipment supplier to claim Rs.9 million as compensation. The company lawyers believe that there is a high probability to succeed and receive Rs.9 million as compensation. Final decision was not given by the court till 15th June 2023.
3. At the end of March 2023, **Sino Ltd.** has started operations at a new mineral site. As part of obtaining permission of start the operation, the company has a legal obligation to remove the site preparation and landfilling of extracted area. This obligation has a present value of Rs.100 million.

Assuming that the Financial Statement are authorized on 15th June 2023

You are required to:

Explain the impact of the above scenarios on the financial statements for the year ended 31st March 2023 of **Sino Ltd.** as per LKAS 37 – Provisions, Contingents Liabilities and Contingent Assets.

17