



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL II EXAMINATION - JULY 2023

MODEL QUESTIONS

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING

1. The following information was extracted from ABC (Pvt) Ltd. on rent of several buildings:

Name of the account	As at 31.03.2023	As at 31.03.2022
Water bills paid in advance	50,000	120,000
Water bills payable	35,000	110,000

During the year ended 31st March 2022, the company paid Rs.900,000/- as rent. Based on the above information, rent expense for the year ended 31st March 2022 is:

- Rs.895,000
  - Rs.935,000
  - Rs.850,000
  - Rs.900,000
2. Sunil Ltd. is a Value Added Tax (VAT) registered company. The following information was extracted from the books of the company for the quarter ended 31st March 2023:

	Rs.000
Sales (Inclusive of VAT)	3,888
Purchases (Supported with tax invoices) (Exclusive of VAT)	1900
Sales return (Exclusive of VAT)	50
Credit Balance of VAT Control Account as at 01st March 2023	20

Applicable VAT rate is 8%.

Based on the above information, **calculate** the VAT credit balance as at 31st March 2023.

3. **X** and **Y** were in a partnership, sharing profit or losses in the ratio of **2 : 1** respectively. On 31st March 2023, **Z** joined the partnership and new profit and losses sharing ratio among **X**, **Y** and **Z** is **3 : 2 : 1** respectively.  
Based on the above information, **calculate** the sacrificing ratio of **X** and **Y**.

4. The following information is extracted from Shone (Pvt) Ltd.

Normal working hours per day	8 hours
Basic rate of pay per hour	Rs.300/-
Standard time allowed to produce 1 unit	2.5 minutes
Bonus	80% of the time saved at basic rate

**Calculate** the earning per day of a worker if he makes 252 units per day.

5. The following information was extracted from the books of accounts of XYZ Ltd. relating to Product A:

Annual Demand	16,000 units
Purchase price per unit	Rs.20
Ordering cost per order	Rs.10
Annual holding cost per unit	10% of purchase price

*You may use the following formula,*

Economic Order Quantity:

$$\sqrt{\frac{2DC_o}{C_h}}$$

Based on the above, **calculate** the Economic Order Quantity (EOQ) of Product A.

6. The following information is related to Material A of a manufacturing company:

Maximum Usage	400 units
Minimum Usage	150 units
Lead Time	4-8 months
Re-order Quantity	700 units

Re-order level of Material A is:

- i. 1,600 units
- ii. 3,200 units
- iii. 2,800 units
- iv. 1,300 units

7. The following information was extracted from Sandun Ltd. with reference to **Job No. 4000**:

Direct raw material	:	8,000 kilograms @ Rs.40/- per kilogram
Direct labour - Department I	:	300 hours @ Rs.800/- per hour
Direct labour - Department II	:	450 hours @ Rs.1,200/- per hour
Production overhead	:	75% on total direct labour cost

The company keeps a 20% profit on cost. **Calculate** the price to be charged on **Job No. 4000**.

8. The following information has been extracted from a manufacturing company for a period of 3 months:

	Budgeted	Actual
Production Overheads (Rs.)	1,200,000	1,100,000
No of machine hours	25,000	21,500

The production overhead is:

- i. Over absorbed by Rs.68,000/-
  - ii. Under absorbed by Rs.68,000/-
  - iii. Over absorbed by Rs.168,000/-
  - iv. Under absorbed by Rs.168,000/-
9. ABC Ltd. values its inventory using the First In First Out (FIFO) method. The following information was extracted from the records of company in relation to inventory:

Date	Description	Unit Price (Rs.)	Qty (Units)
01.01.2023	Balance	48	200
10.01.2023	Purchases	50	300
18.01.2023	Sales		300
22.01.2023	Purchases	49	200

**Calculate** the value of inventory as at 31st January 2023.

10. The following information was extracted from the records of Max (Pvt) Ltd. for the month of April 2023:

Inventory as at 01st April 2023	:	Rs. 170,000
Inventory as at 30th April 2023	:	Rs. 240,000
Purchases	:	Rs. 910,000
Gross Profit	:	40% on sales

**Sales** for the month ended 30th April 2023 was:

**Question No 02**

The Trial Balance of **Dream Zone (Pvt) Ltd.** as at **31<sup>st</sup> March 2023** is as follows: **(Rs.000)**

	<b>Dr.</b>	<b>Cr.</b>
Stated Capital (1,000,000 Ordinary Shares)		10,000
Retained Earnings as at 01 <sup>st</sup> April 2022		7,834
General Reserve as at 01 <sup>st</sup> April 2022		3,200
Plant and Equipment at cost:		
Motor vehicles	25,000	
Machinery	22,500	
Office Equipment	1,500	
Accumulated Depreciation as at 01 <sup>st</sup> April 2022:		
Motor vehicles		13,125
Machinery		3,000
Office Equipment		300
Inventory as at 31 <sup>st</sup> March 2023	1,050	
Trade Receivables	2,870	
Trade Payables		1,873
Cash in hand and at bank	1,057	
14% Debentures		5,000
Sales		31,520
Cost of Sales	15,391	
Salaries and Wages	1,800	
Electricity	400	
Office rent	600	
Telephone	900	
Office Maintenance	250	
Advertising	800	
Sales Commission to sales team	1,025	
Debenture Interest Paid	350	
Other Finance Expenses	29	
Income Tax Expense paid	330	
	<b>75,852</b>	<b>75,852</b>

The following additional information is also provided:

- (1) Net Realizable Value (NRV) of the inventory as at 31<sup>st</sup> March 2023 was Rs.950,000/-.
- (2) On 01<sup>st</sup> April 2022, the company issued 50,000, 14% debentures at Rs.100/- each. The interest is to be paid bi-annually.
- (3) A motor vehicle at a cost of Rs. 3 million met with an accident on 01<sup>st</sup> January 2013. This motor vehicle was purchased on 01<sup>st</sup> January 2019 and was completely condemned due to the accident. The insurance company has agreed to pay 80% of the cost of the motor vehicle on 31<sup>st</sup> March 2021 as the insurance claim. No entries were made in this regard.
- (4) Plant and Equipment (PE) are to be depreciated on the straight-line basis at cost and the useful lifetime of Plant and Equipment is as follows:

Motor Vehicles	04 years
Machinery	08 years
Office Equipment	05 years

- (5) The following accrued and prepaid expenses are to be accounted as at 31<sup>st</sup> March 2023:

	Rs.
Advertising prepaid	8,000
Audit fees payable	70,000

- (6) A customer who had a debtor balance of Rs.870,000 as at 31<sup>st</sup> March 2023 had become insolvent and the court confirmed the insolvency on 15<sup>th</sup> May 2023. Directors decided to write off that customer and further decided to provide an allowance of 10% on the balance of trade receivables as at 31<sup>st</sup> March 2023.
- (7) The Board of Directors decided to transfer an amount of Rs.450,000/- to General Reserve from retained earnings at the Board meeting held on 20<sup>th</sup> March 2023 and this has not yet accounted.
- (8) The income tax liability for the year of assessment 2022/23 was computed as Rs.527,000/- and this has not been accounted for. During the year, the company has paid Rs.330,000/- as the quarterly income tax installments
- (9) The financial statements were authorized for issue by the Board of Directors on 31<sup>st</sup> May 2023.

**You are required to:**

**Prepare** the following of **Dream Zone (Pvt) Ltd.** for the use of the management:

- (a) Statement of Profit or Loss and Other Comprehensive Income (Comprehensive Income) for the year ended 31<sup>st</sup> March 2023.
- (b) Statement of Financial Position as at 31<sup>st</sup> March 2023.

