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THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

SUGGESTED SOLUTIONS

01104 – Financial Accounting

Certificate in Accounting and Business I Examination
March 2013

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

PAPER 'A'

ANSWERS FOR MULTIPLE CHOICE QUESTIONS

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Answer No. 01

**Haymal's Business
Manufacturing Account for the year ended 31 March 2012**

| | |
|--------------------------------|---------------------|
| Raw materials | |
| Stock - 1 April 2011 | 16,400 |
| Add: Purchases | 193,200 |
| Import duty & carriage inwards | <u>4,650</u> |
| | 214,250 |
| Less: closing stock | (23,700) |
| Purchase returns | <u>(8,200)</u> |
| Cost of raw materials consumed | 182,350 |
| Wages | <u>48,400</u> |
| Prime cost | 230,750 |
| Factory overheads | |
| Factory rent | 8,400 |
| Plant depreciation | 7,187.50 |
| Electricity | 20,580 |
| Security | 3,150 |
| Insurance | 3,600 |
| Maintenance wages | 1,716 |
| Machinery maintenance | 11,380 |
| Other factory overheads | 12,480 |
| Add: opening WIP | 4,100 |
| Less: closing WIP | <u>(2,200)</u> |
| Cost of goods manufacturing | 301,143.50 ===== |

(5 marks)

Haymal's Business
Statement of Comprehensive Income for the year ended 31 March 2012

| | | |
|--|-------------------|---------------------|
| Sales | | 419,600 |
| Less: sales returns | | <u>(13,600)</u> |
| | | 406,000 |
| Less: cost of sales | | |
| Stock of F.G. – 1 April 2011 | 73,800 | |
| Add: cost of goods manufactured | <u>301,143.50</u> | |
| | 374,943.50 | |
| Less: closing stock (7,500+2,000-200 = 9,300) | (9,300) | |
| goods stolen | <u>(2,000)</u> | <u>(363,643.50)</u> |
| | | 42,356.50 |
| Other Income | | |
| Interest income | 1,000 | |
| Over provision for bad debts | <u>2,685</u> | |
| Discount received | 3,800 | 7,485 |
| Administration expenses | | |
| Depreciation – office building | 1,250 | |
| Equipment – depreciation | 1,350 | |
| Electricity | 10,290 | |
| Security | 2,520 | |
| Insurance | 2,700 | |
| Maintenance wages | 1,144 | |
| Salaries | 6,250 | |
| Other administration expenses | <u>11,500</u> | <u>(37,004)</u> |
| Selling and distribution cost | | |
| Other selling expenses | 14,600 | |
| Bad debts | 8,000 | |
| Depreciation of motor vehicles | 3,640 | |
| Electricity | 3,430 | |
| Security | 630 | |
| Insurance | 2,700 | |
| Sales promotion | 9,200 | |
| Discounts | <u>2,630</u> | <u>(44,830)</u> |
| Finance | | |
| Other expenses | | |
| Loan interest | 6,850 | |
| Reduction in value of inventories | 2,600 | |
| Loss on stocks theft | 500 | |
| Loss on sale of plant | 3,125 | |
| Bank charges | 80 | |
| Disallowed input VAT | 2,220 | <u>(15,375)</u> |
| | | <u>(47,367.50)</u> |
| | | ===== |

(14 marks)

Haymals Business
Statement of Financial Position as at 31 March 2012

| Non-current Assets | Cost | Acc. Dep | W.D.V |
|---------------------------------------|----------------|-------------------|--------------------|
| Land | 57,500 | - | 57,500 |
| Plant & machinery | 42,500 | 32,413 | 10,087.50 |
| Office building | 25,000 | 13,250 | 11,750 |
| Motor vehicles | 18,200 | 15,440 | 2,760 |
| Equipment | <u>5,400</u> | <u>4,050</u> | <u>1,350</u> |
| | | | <u>83,447.50</u> |
| | | | |
| Fixed Deposit | | | 25,000 |
| Current Assets | | | |
| Inventories | | 32,600 | |
| Insurance receivable | | 1,500 | |
| Indent receivable | | 1,000 | |
| Cash at bank | | 1,420 | |
| Trade receivables | 90,300 | | |
| Less: provisions for bad debts | <u>(4,515)</u> | 85,785 | |
| Staff loan | | <u>2,800</u> | <u>125,105</u> |
| | | | <u>233,552.50</u> |
| Capital account | | | 150,000 |
| Current account | | 22,400 | |
| Add: profit/(loss) | | <u>(47,367.5)</u> | <u>(24,967.50)</u> |
| | | | 125,032.50 |
| Non Current Liabilities | | | |
| Long term loan | | | 40,000 |
| Current Liabilities | | | |
| Accrued expenses | | 4,300 | |
| Trade payables | | 45,900 | |
| VAT payable | | <u>18,320</u> | <u>68,520</u> |
| | | | <u>233,552.50</u> |

(11 marks)

Answer No 02

(a) Assets Revaluation account as at 31 March 2012

| Revaluation Account | | | |
|----------------------------|------------------|-----------------|------------------|
| Office Equipment | 100,000 | Land | 280,000 |
| Furniture & Fittings | 350,000 | Building | 460,000 |
| Trade Debtors | 40,000 | Equipment | - |
| Anne | 325,000 | Motor Vehicles | 500,000 |
| Biyana | 260,000 | Trade Creditors | 30,000 |
| Carmel | <u>195,000</u> | | |
| | 1,270,000 | | 1,270,000 |

(4 marks)

(b) Partners Capital and Current Accounts

| Capital Accounts | | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Anne | Biyana | Carmel | | Anne | Biyana | Carmel |
| Motor Vehicle | | | 1,200,000 | Balance | 1,800,000 | 1,700,000 | 2,000,000 |
| | | | | Revaluation Gain | 325,000 | 260,000 | 195,000 |
| | | | | Goodwill | 1,250,000 | 1,000,000 | 750,000 |
| Cash | | | 1,499,000 | Advertising | | | 79,000 |
| Loan Account | | | 2,225,000 | Current Account | - | - | 1,900,000 |
| Closing Balance | <u>3,375,000</u> | <u>2,960,000</u> | <u>-</u> | | | | |
| | <u>3,375,000</u> | <u>2,960,000</u> | <u>4,924,000</u> | | <u>3,375,000</u> | <u>2,960,000</u> | <u>4,924,000</u> |
| Goodwill | 1,500,000 | 1,500,000 | | Balance b/f | 3,375,000 | 2,960,000 | - |
| Closing Balance | <u>1,875,000</u> | <u>1,460,000</u> | <u>-</u> | | | | |
| | <u>3,375,000</u> | <u>2,960,000</u> | <u>-</u> | | <u>3,375,000</u> | <u>2,960,000</u> | <u>-</u> |
| | | | | Balance b/f | 1,875,000 | 1,460,000 | |

| Current Accounts | | | | | | | |
|-------------------------|------------------|------------------|------------------|---------|------------------|------------------|------------------|
| | Anne | Biyana | Carmel | | Anne | Biyana | Carmel |
| Capital Account | - | - | 1,900,000 | Balance | 2,500,000 | 2,450,000 | 1,900,000 |
| Closing Balance | <u>2,500,000</u> | <u>2,450,000</u> | <u>-</u> | | | | |
| | <u>2,500,000</u> | <u>2,450,000</u> | <u>1,900,000</u> | | <u>2,500,000</u> | <u>2,450,000</u> | <u>1,900,000</u> |

(6 marks)

(c) Statement of Financial Position as at 31.03.2012 of Anne and Biyana new partnership

ABC Partnership
Statement of Financial Position as at 31.03.2012

| | | |
|--|------------------|--------------------------|
| Property, Plant & Equipment | | |
| Land | | 1,000,000 |
| Building | | 2,500,000 |
| Equipment | | 3,100,000 |
| Motor Vehicles | | 1,625,000 |
| Office Equipment | | 325,000 |
| Furniture & Fittings | | <u>1,000,000</u> |
| | | 9,550,000 |
| Current Assets | | |
| Inventories | | 49,000 |
| Trade Debtors | 740,000 | |
| Provision for doubtful debts as at 01 April 2011 | <u>50,000</u> | 690,000 |
| Prepaid | | |
| Rent for Showroom | | 1,080,000 |
| Advanced paid for reservations | | 1,300,000 |
| Cash in Hand | | 175,000 |
| Cash at Bank | | <u>51,000</u> |
| | | <u>12,895,000</u> |
| Capital Accounts | | |
| Anne | 1,875,000 | |
| Biyana | <u>1,460,000</u> | 3,335,000 |
| Current Accounts | | |
| Anne | 2,500,000 | |
| Biyana | <u>2,450,000</u> | 4,950,000 |
| Non Current Liabilities | | |
| Long Term Bank Loan (18%) | | 1,200,000 |
| Loan Account - Carmel | | 1,780,000 |
| Current Liabilities | | |
| Trade Creditors | 1,015,000 | |
| Utility Charges payable | 80,000 | |
| Rent payable | 90,000 | |
| Loan Account - Carmel | <u>445,000</u> | <u>1,630,000</u> |
| | | <u>12,895,000</u> |

(5 marks)
(Total 15 marks)

Answer No. 03

| | | | | | |
|-----|------|---|---|--------------|-----------|
| (a) | (i) | Acc. Dep as at 01/04/2011 | = | 18 m | |
| | | Dep for the year 2011/2012 | = | <u>3 m</u> | (30/10) |
| | | Acc. Dep as at 31/03/2012 | = | <u>21 m</u> | |
| | | Cost of the plant | = | 30 m | |
| | | Acc. Dep 31/03/2012 | = | <u>21 m</u> | |
| | | Net book value 31/03/2012 | = | <u>9 m</u> | |
| | | Fair value as at 31/03/2012 | = | 25 m | |
| | | Revaluation surplus 31/03/2012 | = | 25 – 9 = 16m | |
| | (ii) | Depreciation for the year ending 31/03/2012 | = | 30/10 = 3m | (3 marks) |

(3 marks)

(2 marks)

(b)

Adjusted Cash Balance

| | |
|---|------------------|
| Balance as per cash book | (437,400) |
| Cheque issued incorrectly recorded in cash book | (108,000) |
| Casting error | 280,000 |
| O/D interest | (53,000) |
| Cheques dishonoured | (350,000) |
| Direct deposits | 750,000 |
| Unrecorded receipts | <u>1,200,000</u> |
| Adjusted cash book balance | <u>1,281,600</u> |

(7 marks)

Bank Reconciliation Statement as at 31 March 2012

| | |
|-------------------------------|--------------------|
| Adjusted cash bank balance | 1,281,600 |
| Less: Erroneous bank deposits | (600,000) |
| Less: Unrealised deposits | <u>(8,700,000)</u> |
| Balance as per bank statement | <u>(8,018,400)</u> |

(3 marks)

(Total 15 marks)

Answer No. 04

**Universal Sports (US) Club
Income & Expenditure Account for the year ended 31 March 2012**

| | |
|--|-----------------------|
| Income | |
| Members Subscription | 275,000 |
| Profit on Bar | 310,000 |
| Investment Income | 12,000 |
| Donation for Weight Lifting Tournament | 46,000 |
| | 643,000 |
| Less: Expenses | |
| Rent | 68,000 |
| Newspapers Expenses | 4,000 |
| Gymnasium Instructor Fees | 120,000 |
| Weight Lifting Tournament expenses | 43,000 |
| | |
| Depreciation - Gymnasium Equipment | 140,000 |
| Depreciation - Sports Equipment | 18,000 |
| Excess over Expenditure | <u>250,000</u> |

**Universal Sports (US) Club
Bar Trading Profit & Loss Account for the period ended 31 March 2012**

| | |
|------------------------------|-----------------------|
| Turnover/ Sales | 875,000 |
| Less: Cost of Sales | |
| Opening Stocks | 50,000 |
| Add: Purchases | 305,000 |
| | 355,000 |
| Less: Closing Stock | 70,000 |
| Cost of Sales | 285,000 |
| Gross Profit | 590,000 |
| | |
| Bar Expenses | 128,000 |
| Bar Rent | 102,000 |
| Depreciation – Bar Equipment | 50,000 |
| Profit on Bar | <u>310,000</u> |

(10 marks)

**Universal Sports (US) Club
Balance Sheet as at 31 March 2012**

| | |
|---|------------------|
| Non Current Assets | |
| Gymnasium Equipment | 1,520,000 |
| Sports Equipment | 80,000 |
| Bar Equipment | 60,000 |
| | |
| 12% Fixed Deposits | 100,000 |
| | |
| Current Assets | |
| Bar Stock | 70,000 |
| Bar Debtors | 110,000 |
| Prepaid Rent | 12,000 |
| Members Subscription –Receivable | 20,000 |
| Cash & Bank | 40,000 |
| | <u>2,012,000</u> |
| | |
| Accumulated Fund | 1,667,000 |
| Add: Excess | <u>250,000</u> |
| | 1,917,000 |
| Bar Creditors | 60,000 |
| Accrued Bar expenses | 10,000 |
| Members Subscription –Received in Advance | <u>25,000</u> |
| | <u>2,012,000</u> |

(2 marks)

Workings

| <u>Opening Accumulated Fund</u> | |
|---|------------------|
| | 2011 |
| Gymnasium Equipment | 1,400,000 |
| Sports Equipment | 90,000 |
| 12% Fixed Deposits | 100,000 |
| Bar Stock | 50,000 |
| Prepaid Rent | 6,000 |
| Cash & Bank | 56,000 |
| Bar Debtors | 85,000 |
| Members Subscription -Receivable | <u>10,000</u> |
| | 1,797,000 |
| Bar Creditors | 76,000 |
| Accrued Bar expenses | 14,000 |
| Members Subscription -Received in Advance | 40,000 |
| Accumulated Fund | 1,667,000 |

| | |
|-----------------------------------|---------|
| <u>Members Subscription</u> | |
| Amount received | 250,000 |
| Add; Opening Received in advance | 40,000 |
| Less; Opening Receivable | 10,000 |
| Add; Closing Receivable | 20,000 |
| Less; Closing Received in advance | 25,000 |
| Bar Expenses to P & L | 275,000 |
| | |

| | |
|-----------------------------|-----------|
| <u>Gymnasium Equipment</u> | |
| Balance as at 31 March 2011 | 1,400,000 |
| Add; Purchases | 260,000 |
| | 1,660,000 |
| Less; Closing balance | 1,520,000 |
| Depreciation | 140,000 |
| | |
| <u>Sports Equipment</u> | |
| Balance as at 31 March 2011 | 90,000 |
| Add; Purchases | 8,000 |
| | 98,000 |
| Less; Closing balance | 80,000 |
| Depreciation | 18,000 |

| | |
|---------------------------|---------|
| <u>Bar Expenses</u> | |
| Amount paid | 132,000 |
| Add; Opening Prepayments | |
| Less; Opening Accruals | 14,000 |
| Add; Closing Accruals | 10,000 |
| Less; Closing Prepayments | |
| Bar Expenses to P & L | 128,000 |
| | |

| | |
|---------------------------|---------|
| <u>Rent</u> | |
| Amount paid | 176,000 |
| Add; Opening Prepayments | 6,000 |
| Less; Opening Accruals | - |
| Add; Closing Accruals | - |
| Less; Closing Prepayments | 12,000 |
| Bar Expenses to P & L | 170,000 |

| | |
|-----------------------------|---------|
| <u>Bar Creditors</u> | |
| Balance as at 31 March 2011 | 76,000 |
| Add; Purchases | 269,000 |
| | 345,000 |
| Less; Amount paid | 285,000 |
| Less; Closing balance | 60,000 |

| | |
|-----------------------------|---------|
| <u>Bar Debtors</u> | |
| Balance as at 31 March 2011 | 85,000 |
| Add; Sales | 875,000 |
| | 960,000 |
| Less; Amount Received | 850,000 |
| Less; Closing balance | 110,000 |

| | |
|------------------|---------|
| <u>Purchases</u> | |
| Credit | 269,000 |
| Cash | 36,000 |
| | 305,000 |

| | |
|-----------------------------|---------|
| <u>Bar Equipment</u> | |
| Balance as at 31 March 2011 | - |
| Add; Purchases | 110,000 |
| | 110,000 |
| Less; Closing balance | 60,000 |
| Depreciation | 50,000 |

B. Briefly Explain the advantages of committees in the context of modern organization

- (i). Consolidation of power and authority
- (ii). Delegation of power and authority to subcommittees
- (iii). Coordination of activities
- (iv). Follow-up and taking immediate actions whenever required

(3 marks)

(Total 15 marks)



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