

**EXAMINER'S REPORT**  
**LEVEL I EXAMINATION - JANUARY 2026**  
**(101) FINANCIAL ACCOUNTING**

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**SECTION A**

**Question No. 01**

Question No. **1.1** to **1.10**, it was required to select the most correct answer out of the choices given and from question No. **1.11** to **1.15**, it was required to state “True” or “False” for the given statements and from question No. **1.16** to **1.20**, it was required to state the answer with the question number in the answer booklet provided.

The following are some of the common errors / weaknesses of the answers given by the candidates for each sub section:

- 1.1** This question asked “Which one of the following is an accounting output”. Although a significant number of candidates had given the correct answer (4) “Statement of Income”. However, some candidates had mentioned the incorrect answer (1) “Trial Balance” as the answer.
- 1.2** It was asked “Which one of the following is not a Prime Entry Book”. A significant number of candidates had given the correct answer (1) “Ledger”, while some candidates had given the incorrect answers (3) “General Journal”.
- 1.3** It was asked "Which one of the following is a principle of the Code of Ethics adopted by an Accounting Technician". Most of the candidates had given the correct answer number (4) “All of the above”.
- 1.4** It was asked "Amount of the liabilities as at 31st March 2025 of **Perera Traders** based on the information provided". Most of the candidates had correctly calculated and submitted the correct answer (2) “Rs.1,450,000/- “while some candidates had incorrectly calculated and submitted the incorrect answer (1) “Rs.3,050,000/- “based on their incorrect calculated.
- 1.5** It was asked “Based on the given information, which one of the most appropriate transaction for the given accounting equation”. Most of the candidates had submitted correct answer (3) “Sold goods costing of Rs.65,000/- for Rs.90,000/- on credit” while some candidates had incorrectly submitted it as (1) “Sold goods costing of Rs.65,000/- for Rs.90,000/- in cash”.
- 1.6** The question asked, “From the given stakeholders, who are primary interested in the profitability and stability of company while ensuring the safeguard of their investment”. Most of the candidates had submitted the correct answer (1) is “Shareholders” and earned marks.

- 1.7** The question asked, “Which one would be the correct way of recording given transaction in business ledger accounts”. Most of the candidates had given the correct answer (2).
- 1.8** The question asked, “What is the accounting concept of Revenue (Income) is recognized in the particular accounting period irrespective of the receipts of cash”. Most of the candidates had given the correct answer (3) “Accrual Concept”, while some candidates had given the incorrect answers such as (1) or (4).
- 1.9** This question asked, “about the balance appeared in the Bank’s Statement as at 31<sup>st</sup> December 2025, based on the given information”. Most of the candidates had correctly calculated and submitted the correct answer (1) “Rs.454,000/- “while some candidates had incorrectly calculated and submitted the incorrect answer (2) “Rs.494,000/-” based on their incorrect calculation.
- 1.10** This question tested the candidates’ knowledge of accounting concepts. It was asked “The accounting concept relating to the treatment is an electricity bill of the owner of the business was paid by the business and it was considered as drawings of the business”. Most of the candidates had submitted the correct answer (3) “Entity Concept”, while some others had submitted incorrect answers (2) or (4).

**1.11 to 1.15** It was required to state on the answer booklet provided whether the given statements are “True” or “False”. Most of the candidates had correctly understood the statements made in relation to questions **1.11**, **1.13** and **1.14** and written the correct answers.

Most of the candidates had not correctly understood the statements made in relation to questions **1.12** and **1.15** and submitted wrong answers.

- 1.16** It has been requested to provide a definition of the term “an Asset”. A significant number of candidates failed to provide a complete and correct answer to this question. Many of them had given incomplete answers and had not paid attention to the definitions. Some other candidates had answered that assets are the sum of capital and liabilities.
- 1.17** It has been requested to state two (02) types of transactions recorded in the General Journal. Although, it was stated that the answer should indicate the types of transactions, the candidates had provided examples of transactions that were recorded in the general journal.
- 1.18** It has been requested to briefly explain the “Going Concern Concept”. Most of candidates failed to provide a complete and correct answer to this question. Many of them had given incomplete answers that going concern means that the business has existed for more than a year or the answer given was that the business would continue even though there was no owner of the business.
- 1.19** It has been requested to state the two (02) elements of Statement of Income. Most of the candidates had given the correct answers as Income and expenditure.

**1.20** Instructions were given to identify the relevant source document used to record each transaction related to (a) and (b). Most candidates were given correct answers as Journal Voucher and Receipt, while a small number of candidates had given incorrect answers. Examples for (a) General Ledger, Invoice, Debit Note and for (b) Invoice, Credit Note.

## SECTION B

This section consisted of 4 compulsory questions. Each question had been given 10 marks.

### **Question No. 02**

This question tested the knowledge and understanding of the candidates regarding the preparation of the Manufacturing Cost Statement (Manufacturing Account) for the year ended 31<sup>st</sup> March 2025.

Most of the candidates had submitted correct answers to this question and the following weaknesses were observed:

- (1) Some candidates are not aware of the manufacturing accounts, and they have been used different formats and different calculations for the question
- (2) Although it is clearly stated that the work in progress at the beginning and end of the year is "valued at primary cost", some candidates had adjusted it to the cost of production without adjusting it to primary cost.
- (3) Although direct wages should be adjusted to primary costs, some candidates considered it as a general expense.
- (4) The closing stock of raw materials had been mixed up with the opening stock of raw materials and submitted.
- (5) The closing work in progress had been mixed up with the opening work in progress and submitted.
- (6) Some candidates had not properly calculated the 20% profit margin on the cost of production.
- (7) Cost of Raw materials consumed were not mentioned in the calculated primary cost and total production costs.
- (8) The given percentages had not been used to apportion the electricity, water and rent in between factory and office. Production Overheads had not been apportioned in between the factory and the office.

### Question No. 03

This question tested the candidates' knowledge on preparing the Trial Balance after preparing the Ledger Accounts. Most of the candidates had submitted correct answers and the following weaknesses were generally observed.

- (1) Instead of preparing the Trial Balance, some candidates had prepared only the ledger accounts.
- (2) It was observed that some candidates did not have sufficient knowledge on the double entry principle.
- (3) In the Trial Balance, certain asset and expense balances that should have been shown as debit balances were shown as credit balances, and certain liability and income balances that should have been shown as credit balances were shown as debit balances.
- (4) Sales on credit and purchases on credit were not correctly calculated through the Trade Debtors and Trade Creditors control accounts.
- (5) Cash sales, sales on credit and cash purchases and purchases on credit were recorded as separate items in the Trial Balance.
- (6) Depreciation of the automated coffee machine purchased for 09 months on 01 st April 2025 had not been calculated correctly.
- (7) The correct Petty Cash balance of Rs.15,000 /- after deducting petty cash expenses paid from the amount transferred to the Petty Cash Book had not been stated in the Trial Balance.
- (8) The petty cash expenses had not been classified individually and had been stated in the trial balance as a total of those expenses.
- (9) The interest income for 03 months in respect of the fixed deposit opened on 01st October 2025 at an annual interest rate of 8% had not been calculated correctly.
- (10) Electricity and water bill charges had not been correctly calculated with the accrued expenses for the accounting period.
- (11) Rent charges had not been correctly calculated with the accrued expenses for the accounting period.

## Question No. 04

The examiner has tested the knowledge and the understanding about the Journal Entries and the Preparation of Suspense Account. Most candidates are attempted for the question and identifies the following weakness from the answers.

The Question consists two parts as **A** and **B** for General Journal and Suspense Account respectively.

### (a)

- (1) Refer to the first point, the most of candidates has not correctly calculated and record the depreciation, due to lack of knowledge on the depreciation calculation for a period.
- (2) Most of candidates fails to answer for the transaction of drawing due to lack of knowledge
- (3) It is not clear presentation for Debit and Credit Transactions
- (4) Most student has used Cash Book for the each and every Journal Entries.
- (5) Most candidates fail to answer for Accrued Expenses adjustment, since the lack of knowledge on Accrual Accounting.

### (b)

- (1) The Opening Balance of the Suspense Account did not mention correctly.
- (2) Most of the Candidates are not properly mentioned debit and credit sides to transfer transactions

## Question No. 05

This question consists of two sub-parts **(A)** and **(B)**.

The examiner has tested the knowledge and the understanding about the Accounting Equations and the Bank Reconciliations. Most of the candidates have attempted for the question and identified the undermentioned weakness.

The Question consists two parts as **A** and **B** for Accounting Equations and Bank Reconciliations respectively.

## **Part A**

Most of the candidates were attempt this part of the question and answered correctly. However, some of candidate did not have knowledge of general equation. That means why we are preparing equation. Also, in the question, examiner has given the equation to answer but some candidates have used their own equations to submit their answers. As a result of that they have lost their marks.

It was also, noted that some candidates tried to answer via the journal entries an ledger accounts. But those were not tested under this question and accordingly, they were losing marks irrespective of their accounting knowledge, since they have failed to answer the question properly.

## **Part B**

With the **part B**, the examiner has tested the knowledge on the Bank Reconciliation. The most of the candidate were attempt to this part and answered correctly. However, it was noticed that some candidates did not have knowledge on the adjusted cash book and the elements of the Bank reconciliations.

## **SECTION C**

### **Question No. 06**

This Question was to test the preparation of financial statements of a Sole Proprietorship Business and consists of 2 parts **(a)** and **(b)**. Part **(a)** was to test the preparation of Statement of Comprehensive Income and Part **(b)** was to test the preparation of Statement of Financial Position. The overall performance was at a satisfactory level. Commonly observed errors and omissions are as follows:

#### **(a) Statement of Comprehensive Income:**

- (1) Some candidates have calculated gross profit incorrectly due to an incorrect closing stock entry.
- (2) Some students ignored the sales commission adjustment and used only the trial balance figure, while some candidates who calculated it correctly and recorded it incorrectly as an income.
- (3) Some candidates did not calculate depreciation for the year accurately.
- (4) The prepaid portion of stores rent was not considered; the full amount paid was posted to the Profit or Loss account.
- (5) Bank loan interest for the applicable three-month period was not calculated.
- (6) Some candidates incorrectly calculated the provision for trade debtors, failing to account for opening and closing balances as well as bad debts.

**(b) Statement of Financial Position:**

- (1) Some candidates had not presented the land separately from the building balance in the non-current assets.
- (2) Some candidates did not account for depreciation for the year and used the accumulated depreciation from the trial balance as the final figure.
- (3) Trade receivables were misstated because candidates did not deduct bad debts written off and the allowance for doubtful debts.
- (4) Some candidates did not report the correct accrued loan interest under current liabilities.

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**General points to be considered to improve the performance level of candidates:**

- (1) Study the new syllabus fully and thoroughly. Pay more attention to new subject matters.
- (2) Read the question several times and answer only what is asked in the question. Do not write unnecessary things.
- (3) Refer Self-Study Texts, Pilot Papers, letters, Journals, etc. relevant to this subject.
- (4) Identify basic theoretical concepts correctly and build necessary skills to answer questions.
- (5) Hand writing should be legible and question numbers should be written correctly.
- (6) Follow the instructions given in the question paper and exhibit calculations and workings correctly.
- (7) Improve the knowledge by practicing more past papers.
- (8) Manage your time efficiently.
- (9) Before handing over the answer script, check whether the question numbers, etc. have been stated correctly.
- (10) Face the examination with a good preparation and with the utmost hope of passing the examination.

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