



Association of Accounting Technicians of Sri Lanka

Level I Examination - July 2022

Suggested Answers

(101) FINANCIAL ACCOUNTING (FAC)

Association of Accounting Technicians of Sri Lanka

No.540, Ven. Muruththettuve Ananda Nahimi Mawatha,

Narahenpita, Colombo 05.

Tel : 011-2-559 669

A publication of the Education and Training Division

Level I Examination - July 2022

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions
(Total 40 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 2

1.2 3

1.3 3

1.4 1

Cash Book Balance	Rs. 225,000
Unpresented Cheques	36,000
Bank Charges	(5,000)
Balance as per Bank Statement	<u>256,000</u>

1.5 3

1.6 2

1.7 4

1.8 3

	Rs.
Capital 1.4.2021	2,000,000
Drawings	(300,000)
Profit for the year	480,000
Liabilities	600,000
Balance as per Bank Statement	<u>2,780,000</u>

1.9 2

1.10 1

(02 marks each, Total 20 marks)

1.11 True

1.12 False

1.13 False

1.14 True

1.15 False

(02 marks each, Total 10 marks)

1.16.

- 1) Sales invoice
- 2) Purchase invoice
- 3) Receipt
- 4) Payment voucher
- 5) Journal Voucher
- 6) Debit Note
- 7) Credit Note

(02 marks)

1.17.

- 1) Forming self-motivated satisfied employees within the organization.
- 2) Creating satisfied customers.
- 3) Creation of a better and beneficial business relationship between the business and interested parties.
- 4) Possibility of acting within the rules and regulations that affect directly or indirectly to the business through improving brand awareness and enhancing goodwill etc..
- 5) Reducing unnecessary business costs.
- 6) It improves business reputation.
- 7) Helps in hiring good talent
- 8) Prevent malpractices.
- 9) Increase trust

(02 marks)

1.18.

Expenses are decrease in assets or increase in liabilities that result in decrease in equity, other than those distributions to the owners of the entity.

(02 marks)

1.19.

- 1) Quick Book
- 2) ACCPAC
- 3) SAGE
- 4) Tally
- 5) Peachtree / Sage 50
- 6) MYOB
- 7) Account Proprietorship

(02 marks)

1.20.

		Rs.
01.04.2020	Cost	800,000
20/21 (Y1)	Depreciation (800,000 × 20%)	(160,000)
31.03.2021	Carrying Value	640,000
21/22 (Y2)	Depreciation (640,000 × 20%)	128,000

(02 marks)

(Total 40 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 2 - Accounting Equation, Double Entry System and Accounting Concepts*****(A)**

- (1) Invested Rs.1,200,000/- in cash as initial capital to start a business.
- (2) Purchased goods for resale for cash worth Rs. 150,000/-.
- (3) Owner paid his personal mobile bill of Rs.40,000/- from the business account
- (4) Sold goods on credit, Rs. 80,000/- which were brought at a cost of 65,000/-
- (5) Purchased an office equipment on credit for Rs. 100,000 /-

(05 marks)***Chapter 5 - Bank Reconciliation Statements*****(B)****(a)**

Adjusted Cash Control Account			
B/B/F	560,000	Bank loan	120,000
Bank Charges	5,000	B/C/F	445,000
	565,000		565,000
	565,000		565,000

(03 marks)**(b)****Bank Reconciliation Statement as at 31.03.2022**

Balance as per cash book	445,000
Add:	
Unpresented cheques	125,000
	570,000
Less:	
Unrealized cheques	(180,000)
Bank balance as per bank statement	<u>390,000</u>

(02 marks)**(Total 10 marks)**

Suggested Answers to Question Three:

Chapter 4- Part II - Manufacturing Cost Statements

**Lassana Pots
Manufacturing Cost Statement / Manufacturing Account
For the year ended 31st March 2022**

	Rs.	Rs.
Direct Material Cost		
Raw Material - Opening Stock		800,000
Add : Raw material - Purchases	3,800,000	
Carrying inwards	350,000	4,150,000
Cost of goods to be consumed		4,950,000
Less : Closing Raw Material Stock		(850,000)
Cost of raw material consumed		4,100,000
Direct Labour costs		
Direct wages	700,000	
Incentives	250,000	950,000
		5,050,000
Other direct expenses		
Add : Opening Work in progress		235,000
Prime Cost		5,285,000
Overheads		
Insurance	125,000	
Factory manager's salary	420,000	
Electricity (620,000 × 80%)	496,000	
Water (400,000 × 90%)	360,000	
Depreciation - Plant & Machinery	250,000	
- Building	120,000	1,771,000
Total Manufacturing Cost		7,056,000
Profit 20%		1,411,200
Transferred to Trading Account		8,467,200

(10 marks)

Suggested Answers to Question Four:

Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance

Dusra Traders		(Rs.'000)
Trial Balance as at 31st March 2022		
Capital		7,000
Sales (3,200+3,350) (W1)		6,550
Purchases (1,200+2,740) (W2)	3,940	
Water & Electricity (300 + 29)	329	
Office Rent	275	
Machinery	2,500	
Depreciation	250	
Accumulated Depreciation		250
Salaries & Wages	2,100	
Cash at Bank	4,425	
Trade Debtors	950	
Accrued Expenses		29
Trade Creditors		940
	<u>14,769</u>	<u>14,769</u>

W1

Trade Receivables		(Rs.'000)
Sales	3,350	cash 2,400
		B/C/D 950
	<u>3,350</u>	<u>3,350</u>

W2

Trade Payables		(Rs.'000)
Cash	1,800	Purchases 2,740
B/C/D	940	
	<u>2,740</u>	<u>2,740</u>

(10 marks)

Suggested Answers to Question Five:

Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance

(a)

General Journal

	Description		Debit	Credit
1	Travelling Expenses Account Dr. Salaries & Wages Account Cr. <i>(Correcting the Salaries and Wages Account to which Rs.9,000/- paid for travelling expenses has been incorrectly debited)</i>		9,000	9,000
2	Suspense Account Dr. Sales Account Cr. <i>(Correcting the Sales Account from which a Sale value of Rs. 129,000 has been omitted from sales account)</i>		129,000	129,000
3	Insurance Account Dr. Suspense Account Cr. <i>(Correcting the Insurance Account from which Insurance premium paid amount was omitted)</i>		56,000	56,000
4	Return Inward Account (Sales Return Account) Dr. Trade Receivables Account Cr. <i>(Correcting the Return Inward Account)</i>		8,000	8,000
5	Overdraft Interest Account Dr. Interest Income Account Dr. Suspense Account Cr. <i>(Correcting the Overdraft interest expense which was recorded as interest income)</i>		21,500 21,500	43,000
6	Office Equipment Account Dr. Office Maintenance Account Cr. <i>(Correcting the purchase of computer which was recorded in Office Maintenance Account)</i>		120,000	120,000

7	Suspense Account	Dr.	15,000	
	Telephone Expenses Account	Cr.		15,000
<i>(Correcting the record of telephone expenses which was recorded twice in the respective ledger Account)</i>				

(07 marks)

(b)

Suspense Account			
Sales	129,000	B/ B/F	45,000
Telephone Expenses	15,000	Insurance	56,000
		Interest income	21,500
		OD Interest	21,500
	144,000		144,000

(03 marks)

(Total 10 marks)



End of Section B

Suggested Answers to Question Six:***Chapter 4 - Preparation of Income Statement and Statement of Financial Position***

(a)

Thimira Traders
Statement of Comprehensive Income
For the year ended 31st March 2022

(Rs.'000)

Sales		202,000
Cost of Sales:		
Opening Stock	13,950	
Purchases	124,000	
	137,950	
Closing Stock	(8,250)	(129,700)
Gross Profit		72,300
Distribution Expenses :		
Depreciation – Motor Vehicle (W1)	250	
Discounts given	4,000	
Travelling & Transport	7,200	
Bad Debts	200	(11,650)
Administration Expenses		
Depreciation - Machinery (W1)	200	
- Furniture (W1)	160	
Rent (2,800 - 400)	2,400	
Electricity (3,250 + 85)	3,335	
Salaries and Wages	42,000	(48,095)
Finance Expenses		
Bank Overdraft interest	500	
Loan Interest	1,100	(1,600)
Profit for the year		10,955

(11 marks)

(b)

Thimira Traders
Statement of Financial Position
As at 31st March 2022

(Rs.'000)

	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Machinery	2,000	600	1,400
Furniture & Fittings	800	480	320
Motor Lorry	1,000	250	750
	3,800	1,330	2,470
Current Assets			
Inventory		8,250	
Trade Receivables (20,200 - 200)		20,000	
Rent Pre-payments		400	
Cash in hand		95	28,745
Total Assets			31,215
Equity & Liabilities			
Equity			
Capital as at 1st April 2021		7,625	
Additional Capital		1,000	
Profit for the year		10,955	19,580
Non - Current Liabilities			
Bank Loan			7,500
Current Liabilities			
Trade Payables		3,000	
Accrued Electricity		85	
Bank Overdraft		1,050	4,135
Total Equity and Liabilities			31,215

W1

Depreciation

Building	1,000 * 25%	=	250
Machinery	2,000 * 10%	=	200
Furniture	800 * 20%	=	160
			<u>610</u>

(09 marks)

(Total 20 marks)



End of Section C

Notice:

These answers compiled and issued by the Education and Training Division of AAT Sri Lanka constitute part and parcel of study material for AAT students.

These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”. The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.



© 2021 by the Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka). All rights reserved. No part of this document may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka).