



**Association of Accounting Technicians of Sri Lanka**

**Level I Examination - January 2026**

**Suggested Answers**

**(101) FINANCIAL ACCOUNTING (FAC)**

**Association of Accounting Technicians of Sri Lanka**

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**A publication of the Education and Training Division**

Level I Examination - January 2026

(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions  
(Total 40 Marks)

SECTION - A

*Suggested Answers to Question One:*

1.1 4

1.2 1

1.3 4

1.4 2

$$\begin{aligned} \text{Assets} &= \text{Capital} + \text{Liability} \\ 4,850,000 &= (1,800,000 + 800,000 + 1,250,000 - 450,000) + \text{Liability} \\ 1,450,000 &= \text{Liability} \end{aligned}$$

1.5 3

1.6 1

1.7 2

1.8 3

1.9 1

$$\text{Balance as per the cash book} = 475,000$$

Add

$$\text{Unpresented cheques} = 45,000$$

Less

$$\text{Unrealized cheques} = (65,000)$$

$$\text{Bank Charges} = (1,000)$$

$$\text{Balance as per the bank statement} = \boxed{454,000}$$

**1.10** 3

**1.11** TRUE

**1.12** FALSE

**1.13** TRUE

**1.14** FALSE

**1.15** TRUE

**1.16** Assets are resources controlled by a business as a result of past events, from which future economic benefits are expected to flow to the business.

**1.17** i. Opening journal entries

ii. Purchase and sales of property, plant and equipment on credit

iii. Correction of errors

iv. Matching entries

v. Closing entries

vi. Transferring entries

**1.18** **Going Concern Concept**

*The going concern concept means that the financial statements are prepared on the assumption that an entity will continue in operation for the foreseeable future. Hence, it is assumed that there is no closure of business or risk of limitations on operations.*

**1.19** i. Income ii. Expenditure

**1.20** (a) Journal Voucher

(b) Cash Receipt

**(02 marks each, Total 40 marks)**

**End of Section A**

***Suggested Answers to Question Two:******Chapter 4 - Part II - Manufacturing Cost Statements***

**CAT Engineering**  
**Manufacturing Cost Statement / Manufacturing Account**  
**For the year ended 31st March 2025**

**Rs. '000**

<b>Direct Material Cost</b>		
Raw Material - Opening Stock	180	
(+) Raw material - Purchases	7,750	
Carriage inwards	230	
Cost of goods to be consumed	8,160	
Less: Closing Raw Material Stock	(520)	
Cost of raw material consumed		7,640
Direct Wages		2,400
		10,040
(+) Opening Work In Progress	190	
(-) Closing Work In Progress	(260)	70
<b>Prime Cost</b>		<b>9,970</b>
<b>Production Overhead Cost</b>		
Factory Insurance	240	
Electricity Expenses (350x 90%)	315	
Rent (900 x 65%)	585	
Machine Repairs	130	
Factory Manager's Salary	660	
Depreciation - Plant & Machinery	400	<b>2,330</b>
<b>Total Manufacturing Cost</b>		<b>12,300</b>
Profit Margin 20%		<b>2,460</b>
<b>Cost Transferred to Trading Account</b>		<b>14,760</b>

**(Total 10 marks)**

### Suggested Answers to Question Three:

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

**Sharma Traders**  
**Trial Balance**  
**as at 31st March 2025** **(Rs.'000)**

Description	Dr.	Cr.
Capital		2,000
Sales (4,000+3,900) (W1)		7,900
Purchases (1,250+6,100) (W2)	7,350	
Travelling	25	
Office Expense	5	
Casual Wages	35	
Coffee Machine	600	
Coffee Machine Depreciation (600,000 × 20% × 3/4)	90	
Coffee Machine Accumulated Depreciation		90
Salaries & Wages	500	
Rent (440+40)	480	
Rent Payable		40
Fixed Deposit	800	
Fixed Deposit Interest Income (800 × 8% × 1/4)		16
Fixed Deposit Interest Income receivable	16	
Security Expense	400	
Electricity and Water Expenses (300+25)	325	
Advertising Expenses	200	
Accrued Electricity and Water Expenses		25
Trade Debtors	1,400	
Trade Creditors		2,600
Cash	430	
Petty cash (80-25-35-5)	15	
	<b>12,671</b>	<b>12,671</b>

#### W1

Dr.	Trade Debtors	(Rs.'000)	Cr.
Sales	3,900	Cash	2,500
		B/C/F	1,400
	3,900		3,900
B/B/D	1,400		

**W2**

Dr.	Trade Creditor	(Rs.'000)	Cr.
Cash	3,500	Purchase	6,100
B/C/F	2,600		
	<u>6,100</u>		<u>6,100</u>
	B/B/D		<u>2,600</u>

**(10 marks)*****Suggested Answers to Question Four:*****Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance****(a) General Journal**

No.	Particulars	Debit (Rs.)	Credit (Rs.)
01	Computer / Office Equipment Account Purchases Account <i>(Being the purchase of computer wrongly debited to purchases account now correctly recorded as an asset.)</i>	Dr Cr 450,000	Cr 450,000
	Depreciation Expense – Computer Accumulated Depreciation – Computer <i>(Being depreciation on computer for the month of March 2025 provided at 20% per annum on straight-line basis.)</i>	Dr Cr 7,500	Cr 7,500
02	Sales Account Trade Receivable – Sampath <i>(Being cash received from debtor wrongly credited to sales account now rectified.)</i>	Dr Cr 12,000	Cr 12,000
03	Electricity Expense Suspense Account <i>(Being electricity expense for March 2025 accrued but not recorded, now rectified.)</i>	Dr Cr 3,500	Cr 3,500
04	Suspense Account Sales Account <i>(Being cash sale omitted from sales account now recorded.)</i>	Dr Cr 8,000	Cr 8,000
05	Suspense Account Rent Expense <i>(Being rent expense overstated, excess amount now corrected.)</i>	Dr Cr 27,000	Cr 27,000

06	Drawings Account Suspense Account <i>(Being cash withdrawn by proprietor for personal use not recorded earlier, now rectified.)</i>	Dr Cr	5,200	5,200
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(07 marks)

(b)

Dr.	Suspense Account		Cr.
Sales	8,000	B/B/F	26,300
Rent Expense	27,000	Electricity Expense	3,500
		Drawing	5,200
	<u>35,000</u>		<u>35,000</u>

(03 marks)

(Total 10 marks)

### Suggested Answers to Question Five:

#### Chapter 2 - Accounting Equation, Double Entry System and Accounting Concepts

(A)

	Office Equipment+	Inventory	+	Debtors	+	Cash	=	Equity (Capital)	+	Liabilities
1						+6,000,000	=	+6,000,000		
2	+1,000,000						=			+1,000,000
3		+3,500,000				-1,700,000	=			+1,800,000
4		-2,500,000		+3,500,000			=	+1,000,000		
5						-800,000	=	-800,000		
6						-100,000	=	-100,000		

(06 marks)

(B)

(a)

Dr.	Adjusted Cash Control A/c(Cash Book)		Cr.
B/B/F	48,000	Standing order – loan instalment	40,000
Direct Deposit (Debtors)	18,000	Bank charges	1,500
Interest Income	2,500		
		B/C/D	27,000
	<u>68,500</u>		<u>68,500</u>
B/B/F	27,000		

(02 marks)

(b)

**Bank Reconciliation Statement as at 31st December 2025**

Balance as per abjusted cash book	27,000	
<b>Add:</b>		
Unpresented cheques	10,000	37,000
<b>Less:</b>		
Unrealized cheques	(8,000)	
Balance as per Bank Statement		29,000

(02 marks)

**Alternative Answer**

**Bank Reconciliation Statement as at 31st December 2025**

Balance as per Bank Statement	29,000	
<b>Add:</b>		
Unpresented cheques	8,000	37,000
<b>Less:</b>		
Unrealized cheques	(10,000)	
Balance as per Bank Statement		27,000

(Total 10 marks)

**End of Section B**

(Total 20 Marks)

**SECTION - C**

***Suggested Answers to Question Six:***

**Chapter 4 - Preparation of Income Statement and Statement of Financial Position**

(a)

**Viskam Traders  
Statement of Comprehensive Income  
For the year ended 31st March 2025**

		(Rs.'000)
<b>Sales</b>		140,000
<b>Cost of Sales:</b>		
Opening Stock	12,000	
Purchases	72,000	
	84,000	
Closing Stock	(6,500)	
Cost of Sale		(77,500)
<b>Gross Profit</b>		<b>62,500</b>
<b><u>Distribution Expenses:</u></b>		
Sales Commission (3000+4000)	7,000	
Bad Debts	2,000	
Provision for doubtful debt	1,500	
Motor Vehicle Depreciation (W1)	1,000	
Travelling and Transport	1,400	
		<b>(12,900)</b>
<b><u>Administration Expenses</u></b>		
Building Depreciation (W1)	300	
Furniture Depreciation (W1)	1,000	
Office Equipment Depreciation (W1)	250	
Office Expense	1,350	
Security charges	600	
Insurance	220	
Telephone Charges	800	
Salaries and Wages	16,100	
Electricity	1,500	
Rent (6000-1200)	4,800	
		<b>(26,920)</b>
<b><u>Finance Expenses</u></b>		
Bank loan interest (4000 x 10% x 1/4)		<b>(100)</b>
<b>Profit for the year</b>		<b>22,580</b>

(11 marks)

(b)

**Viskam Traders**  
**Statement of Financial Position**  
**As at 31st March 2025**

(Rs.'000)

ASSETS	Cost	Accumulated Dep.	Carrying Value
<b>Non-Current Assets</b>			
Land	3,000	-	3,000
Building	3,000	2,700	300
Furniture & Fittings	5,000	3,500	1,500
Motor Vehicles	4,000	3,000	1,000
Office Equipment	1,000	500	500
	16,000	9,700	6,300
<b>Current Assets</b>			
Inventory		6,500	
Rent Prepayment		1,200	
Trade Receivables	(32000-2000-1500)	28,500	
Cash in hand		380	36,580
<b>Total Assets</b>			<b>42,880</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Capital as at 1st April 2024		5,200	
Profit for the year		22,580	27,780
Trade Payables		7,000	
12 Month Bank Loan		4,000	
Loan Interest Payables		100	
Sales Commission Payable		4,000	15,100
<b>Total Equity and Liabilities</b>			<b>42,880</b>

**(W1) Depreciation & Accumulated depreciation**

	Accumulated Depreciation as at 01/04/2024	Depreciation for the year	Accumulated Depreciation As at 31/03/2025
Building	2400	$3000 \times 10\% = 300$	2700
Motor Vehicle	2000	$4000 \times 25\% = 1000$	3000
Furniture & Fittings	2500	$5000 \times 20\% = 1000$	3500
Office Equipment	250	$1000 \times 25\% = 250$	500

**(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.



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