Association of Accounting Technicians of Sri Lanka

Level I Examination - July 2026

Question Paper and Suggested Answers

(1901) FINANCIAL ACCOUNTING (FAC)

Association of Accounting Technicians of Sri Lanka

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level I Examination - July 2026

(1901) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions
(Total 40 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 2

1.2 4

1.3 3

1.4 3

Closing capital = Assets − Liabilities = 8.5m − 2m = **6.5m**.

Profit = Closing Capital−Opening Capital−Additional Capital+Drawings=

6.5m−5m−0.5m+0.6m =**1.6m**.

1.5 2

1.6 1

1.7 2

1.8 4

1.9 3

1.10 1

1.11 TRUE

1.12 FALSE

1.13 FALSE

1.14 TRUE

1.15 TRUE

1.16 Reasons for moving to computerized accounting systems.

- Speed of the system is very high
- Reliability of the generated reports is very high
- Accuracy of the information which is generated was very high
- Unnecessary staff can be reduced and due to that cost reduction
- Analyzing capabilities are very high
- Mass capacity of storage
- Easy to manage the entity and generate reports
- Entity can generate up-to-date reports

1.17 Liabilities

A present obligation of the entity to transfer an economic resource as a result of past events.

1.18 Particulars included in a source document

- Date
- Name and address of the business
- Document number
- Name and address of the customer
- Details of goods (type, quantity, unit price)
- Total value
- Conditions on payment
- Signature and the official stamp of the authorized officer

1.19 Objectives / Importance of maintaining Prime Entry Books

- Recording to Ledger is easier since same kind of transactions are summarized and recorded in one particular document.
- Omissions and human errors can be minimized.
- Errors and omissions can be identified quickly.
- Business transactions can be maintained in a controlled manner.
- Accounting functions are easier since Prime Entry Books can be maintained using a separate staff.
- Easy and quick access to summarized business transactions.

1.20 Trade Receivables (Debtors) Control Account balance as at 31st March 2026 = Rs. 2,200,000

Dr. Trade Debtor Cr.

B/B/F	1,400	Cash	4,800
Sales	6,000	Bad Debt W/O	400
		B/C/D	2,200
	7,400		7,400
B/B/F	**2,200**		

(02 marks each, Total 40 marks)

End of Section A

Suggested Answers to Question Two:

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

(A)

Sehansa Traders
Purchase Day Book (Purchases Journal)

Date	Invoice No.	Supplier	Discount	Amount (Rs.)
01.05.2026	1245	BRC (Pvt) Ltd.	-	570,000
09.05.2026	14879	Shan Suppliers	920,000*5% **= 46,000**	874,000
19.05.2026	0025	CITY Distributors	-	475,000
23.05.2026	14885	Shan Suppliers	345,000*5% = **17,250**	327,750
31.05.2026		**Transferred to purchase Account**		**2,246,750**

(05 marks)

(B) (a)

Adjusted Cash Control A/c

Dr.			Cr.
B/B/F	185,000	Standing order – loan instalment	50,000
Direct Deposit	15,000	Bank charges	15,000
		B/C/D	135,000
	200,000		200,000
B/B/F	135,000		

(03 marks)

(b)

Bank Reconciliation Statement as at 31st March 2026

Balance as per cash book	**135,000**
Add:	
Unpresented cheques	25,000
Less:	
Unrealized cheques	(60,000)
Balance as per bank statement	**100,000**

(02 marks)

(Total 10 marks)

Suggested Answers to Question Three:

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

(a) **(Rs. ,000)**

	Motor vehicles	Inventory	+	Trade Receivables Debtors	+	Cash	=	Equity (Capital)	+	Liabilities
1	+2,000					+1,800		+3,800		
2		+1,700								+1,700
3		-700 -200		+1,100		+300		+400 +100		
4								-25 +25		
5						-1,615		+85		-1,700
6						-200		-200		
	+2,000	**+800**		**+1,100**		**+285**		**+4,185**		**0**

(07 marks)

(b) Profit for the month ended 31st December 2025.

Profit = Closing Capital −Opening Capital −Additional Capital +Drawings

360,000 = 4,185,000 – 3,800,000 – 25,000 + 0

(03 marks)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 4 - Part II - Manufacturing Cost Statements

Chamika Steel

Manufacturing Cost Statement / Manufacturing Account

For the year ended 31st March 2026

Rs. '000

Direct Material Cost		
Raw Material - Opening Stock	250	
(+) Raw material - Purchases	6,250	
Carriage inwards	100	
Cost of goods to be consumed	6,600	
Less: Closing Raw Material Stock	(400)	
Cost of raw material consumed	6,200	
Direct Wages	2,000	
	8,200	8,200
(+) Opening Work In Progress	0	
(-) Closing Work In Progress	(200)	
Prime Cost	8, 000	**8,000**
Production Overhead Cost		
Security Charges (900 X 80%)	720	
Electricity Expenses (400x 80%)	320	
Rent (800 x 60%)	480	
Machine Maintenance	50	
Factory Insurance	120	
Factory Manager Salary	720	
Depreciation - Plant & Machinery	200	
Depreciation – Motor Lorry	100	**2,710**
Total Manufacturing Cost		**10,710**
Profit Margin 18% on cost of Production		**1,927.80**
Cost Transferred to Trading Account		**12,637.80**

(Total 10 marks)

Suggested Answers to Question Five:

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

(a)

Tran No.	Account	Debit (Rs.)	Credit (Rs.)
1	**Office Equipment A/c** **Computer Maintenance A/c** *Rectifying the error of wrongly debiting the printer cost to the Computer Maintenance Account.*	**80,000**	 **80,000**
	Depreciation A/c **Accumulated Depreciation A/c** *Rectifying the error of depreciation on the printer not being recorded for the year*	**20,000**	 **20,000**
2	**Purchases A/c** **Suspense A/c** *Rectifying the error of omitting the cash purchase from the Purchases Account.*	**25,000**	 **25,000**
3	**Suspense A/c** **Travelling Expense A/c** *Rectifying the error of recording travelling expenses twice in travelling expense A/c*	**5,000**	 **5,000**
4	**Electricity Expenses A/c** **Suspense A/c** *Rectifying the error of understating electricity expenses by Rs. 22,500 in electricity expense A/c*	**22,500**	 **22,500**
5	**Trade Receivables A/c** **Sales A/c** *Rectifying the error of understating the Sales Day Book by 4,000*	**4,000**	 **4,000**

(05 marks)

(b)

Debit (Rs.)		**Suspense Account**	Credit (Rs.)
Balance B/F	42,500.00	Purchases	25,000.00
Travelling Expenses	5,000.00	Electricity Expenses	22,500.00
	47,500.00		47,500.00

(02 marks)

(c)

Adjusted profit for the year ended 31st December 2025.

	Net Profit as per the draft financial statement		250,000
(+)			
	Maintenance expense	80,000	
	Travelling expense	5,000	
	Sales	4,000	89,000
(-)			
	Depreciation	(20,000)	
	Purchase	(25,000)	
	Electricity	(22,500)	(67,500)
	Adjusted Profit		**271,500**

(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)

Pawan Traders
Statement of Comprehensive Income
For the year ended 31st March 2026

(Rs.'000)

Sales		154,000
Sales Return		(2,000)
Cost of Sales:		152,000
Opening Stock	6,000	
Purchases	80,000	
	86,000	
Closing Stock	(3,500)	
Cost of Sale		(82,500)
Gross Profit		**69,500**
Distribution Expenses:		
Bad Debts Write Off	1,000	
Provision for doubtful debt (W2)	3,500	
Motor Vehicle Depreciation (W1)	500	**(5,000)**
Administration Expenses		
Building Depreciation (W1)	400	
Office Equipment Depreciation (W1)	1,225	
Office Maintenance (3050-200)	2,850	
Security charges	770	
Insurance	355	
Audit fee	60	
Telephone Charges	450	
Salaries and Wages	26,000	
Electricity	1,600	
Office Rent	4,500	**(38,210)**
Finance Expenses		
Bank loan interest (3000 x 12% x 1/12)		**(30)**
Net Profit for the year		**26,260**

(11 marks)

(b)

Pawan Traders
Statement of Financial Position
As at 31st March 2026

(Rs.'000)

ASSETS	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Land	4,000	-	4,000
Building	4,000	2,400	1,600
Motor Vehicle	2,500	1,750	750
Office Equipment	5,000	2,625	2,375
	15,500	6,775	8,725
Current Assets			
Inventory		3,500	
Trade Receivables (W2)		31,500	
Cash in Hand and at Banks		1,550	36,550
Total Assets			**45,275**
Equity & Liabilities			
Equity			
Capital as at 1st April 2025		14,100	
Profit for the year		26,260	40,360
Non-Current Liabilities			
Bank Loan		1,500	1,500
Current Liabilities			
Trade Payables		1,825	
Bank Loan		1,500	
Audit Fee Payable		60	
Bank loan Interest Payables		30	3,415
Total Equity and Liabilities			**45,275**

(W1) Depreciation & Accumulated depreciation

	Opening balance	Depreciation for the year	Closing balance
	Accumulated Depreciation		**Accumulated Depreciation**
Building	2000	4000 x 10% = 400	2400
Motor Vehicle	1250	2500 x 20% = 500	1750
Office Equipment	1400	4800 x 25% = 1200	2600
Office Equipment New (1/10/2025)	0	200 x 25% x 6/12 =25	25

<u>(W2) Provision for doubtful debt (10%)</u>

Trade Receivable	36,000
Bad Debt	(1,000)
	35,000
Provision for bad debt (10%)	3,500
Net Trade Receivable	**31,500**

(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.