



Association of Accounting Technicians of Sri Lanka

Level I Examination – January 2023

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

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(101) FINANCIAL ACCOUNTING

SUGGESTED ANSWERS

Twenty (20) Compulsory Questions
(Total 40 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 (3)

1.2 (4)

1.3 (2)

1.4.2020 - Cost	- Rs. 5,000,000
Carrying Value as at 31.03.2021	- Rs. 3,750,000
Depreciation for the year ended 31.3.2022	- $3,750,000 \times 25\% =$ <u>Rs.937,500</u>

1.4 (2)

1.5 (4)

	Rs.
Balance as per Bank Statement	375,000
+ Unpresented Cheques	15,000
- Unrealized Deposits	(24,000)
Balance as per cash control account (cash book)	<u>366,000</u>

1.6 (2)

1.7 (1)

1.8 (2)

1.9 (1)

	Rs.
Capital as at 01 st April 2021	5,000,000
Drawings made during the year	(600,000)
Profit for the year	<u>1,400,000</u>
Net assets (7,500,000 - 1,700,000)	<u>5,800,000</u>

1.10 2

(02 marks each, Total 20 marks)

1.11 False

1.12 False

1.13 True

1.14 True

1.15 False

(02 marks each, Total 10 marks)

1.16.

Equity is the residual interest in assets of the entity after deducting all the liabilities.

(02 marks)

1.17. Difference between Financial Accounting and Management Accounting

Fact/Feature	Financial Accounting	Management Accounting
1.The parties who use the information	Internal & External parties	Only for the internal parties of the entity
2.The nature of the information	Only historical information is used	All the information of Historical, Present & Future information is used
3.The Reporting Period	For a particular period	For any period that is requested by the management
4.Legal Requirements	Various legal conditions & requirements are relevant	No any certain legal requirement
5.Information Format	Certain formats are relevant	No any certain formats and based on management requirements
6.Preparing Reports	Financial statements are prepared by considering the entire entity as a single unit	Management reports are prepared for internal divisions of the entity, departments and the branches separately

(02 marks)

1.18.

- 1 Business ethics is the usage of suitable organizational policies and practices on controversial fields such as controlling business activities, local trading, bribes, discrimination, corporate social responsibility etc. in simple terms; it is the usage of suitable organizational policies and practices to plan corporate functions in order to achieve goals and objectives of all parties interested in the business including owners.
- 2 Business ethics refers to contemporary organizational standards, principals, sets of values and norms.
- 3 Business ethics is the prescribed Code of Conduct for Businesses.

(02 marks)

1.19.

- 1 Debtors Control Software
- 2 Creditors Control Software
- 3 Sales Control Software
- 4 Inventory Control Software

(02 marks)

1.20.

- 1 It acts as a proof/ written evidence of the transaction.
- 2 It supports for recording transactions and events in prime entry books.
- 3 It assists validating the transactions.
- 4 It minimizes the possibility of errors.
- 5 It helps to finalize the accounts.
- 6 It uses as future references.

(02 marks)

(Total 40 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 3 - Prime Entry Books, Control Accounts and Trial Balance***

Aneesh Traders
Trial Balance as at 31st March 2022 **(Rs.'000)**

	Rs.	Rs.
Capital		5,000
Sales (3,200+3,350) (W1)		6,550
Purchases (2,100+2,890) (W2)	4,990	
Electricity (25+100)	125	
Machinery	3,000	
Depreciation (3,000,000 × 25% × 3/12)	187.5	
Accumulated Depreciation		187.5
Salaries & Wages	1,300	
Office Rent (600-100)	500	
Cash at Bank	350	
Trade Receivables	1,950	
Accrued Expenses		25
Prepayments	100	
Trade Payables		740
	12,502.5	12,502.5

W1

Trade Receivables		(Rs.'000)	
Sales	3,350	Cash	1,400
		B/C/D	1,950
	3,350		3,350

W2

Trade Payables		(Rs.'000)	
Cash	2,150	Purchases	2,890
B/C/D	740		
	2,890		2,890

(10 marks)

Suggested Answers to Question Three:

Chapter 4 - Part II - Manufacturing Cost Statements

**Kaluuwara Furnirue
Manufacturing Cost Statement / Manufacturing Account
For the year ended 31st March 2022**

	Rs.	Rs.
Direct Material Cost		
Raw Material - Opening Stock		600,000
Add : Raw material - Purchases	4,700,000	
Carrying inwards	185,000	4,885,000
Cost of goods to be consumed		5,485,000
Less : Closing Raw Material Stock		(650,000)
Cost of raw material consumed		4,835,000
Direct Labour costs		
Direct wages		600,000
Prime Cost		5,435,000
Overheads		
Rent (800,000 × 60%)	480,000	
Insurance	200,000	
Factory Manager's salary	680,000	
Electricity (720,000 × 75%)	540,000	
Water (300,000 × 40%)	120,000	
Depreciation - Plant & Machinery	350,000	
- Building	600,000	2,970,000
		8,405,000
Closing - Work in Progress		(250,000)
Total Manufacturing Cost		8,155,000
Profit 25%		2,038,750
Transferred to Trading Account		10,193,750

(10 marks)

Suggested Answers to Question Four:

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

(A)

- (1) Owner introduced Rs.,2,000,000/- in cash as initial capital to the business.
- (2) Purchase of furniture worth of Rs. 750,000/- by paying Rs.150,000/- in cash.
- (3) Purchased goods for Rs.300,000/- on credit terms.
- (4) Paid Rs. 450,000/- to Trade Creditors.
- (5) Sold Rs. 145,000/- worth of stocks for Rs. 180,000/- on credit terms.

(05 marks)

Chapter 5 - Bank Reconciliation Statements

(B)

(a)

Adjusted Cash Control A/c			
B/B/F	250,000	Insurance	50,000
Direct deposit/Debtors	38,000	Bank Chargers	500
		B/C/D	237,500
	<u>288,000</u>		<u>288,000</u>

(02 marks)

(b)

Bank Reconciliation Statement as at 31st March 2022

Balance as per cash book	237,500
Add:	
Unpresented cheques	75,000
Bank Error	2,500
	<u>315,000</u>
Less:	
Unrealized cheques	(120,000)
Balance as per bank statement	<u>195,000</u>

(03 marks)

(Total 10 marks)

Suggested Answers to Question Five:

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

(A)

(a)

General Journal

	Description		Debit	Credit
1	Sales Account Trade Receivable Control Account <i>(Being correcting the Sales Account)</i>	Dr. Cr.	135,000	135,000
2	Other Creditors Account (AT Cooray Ltd) Office Equipment Account <i>(Being correcting the purchase of office equipment on credit terms recorded twice)</i>	Dr. Cr.	117,000	117,000
3	Rent Expense Account Rent Income Account Suspense Account <i>(Being correcting the rent expense Account)</i>	Dr. Dr. Cr.	65,000 65,000	130,000
4	Telephone Expenses Account Suspense Account <i>(Being correcting the telephone expenses Account)</i>	Dr. Cr.	9,000	9,000
5	Furniture & Fittings Account Office Maintenance Account <i>(Being correcting the furniture purchase account)</i>	Dr. Cr.	220,000	220,000

(05 marks)

(b)

Suspense Account

B/ B/F	139,000	Rent	130,000
		Telephone	9,000
	<u>139,000</u>		<u>139,000</u>

(02 marks)

(B)

Trade Receivable Control A/C

B/B/F	5,500,000	Sales Return	500,000
Sales	3,650,000	Cash	1,800,000
		Bad Debts	10,000
		B/C/F	6,840,000
	<u>9,150,000</u>		<u>9,150,000</u>

(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)

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

(Rs.'000)

Sales		252,000
Cost of Sales:		
Opening Stock	12,150	
Purchases	177,000	
Import Duty	1,500	
	190,650	
Closing Stock	(7,750)	(182,900)
Gross Profit		69,100
Distribution Expenses :		
Depreciation – Motor Vehicle (W1)	125	
Bad Debts	75	
Transport	4,800	(5,000)
Administration Expenses		
Depreciation - Machinery (W1)	600	
- Computers (W1)	450	
Rent	6,000	
Water (150+22)	172	
Electricity (3,450+75)	3,525	
Salaries and Wages	45,000	
Telephone & Internet	500	(56,247)
Finance Expenses		
Interest on loan (1,200+100)	1,300	(1,300)
Profit for the year		6,553

(11 marks)

(b)

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

(Rs.'000)

	Cost	Accumulated Dep.	Carrying Value
Non-Current Assets			
Machinery	3,000	2,100	900
Computers	1,800	900	900
Motor Vehicles	2,000	125	1,875
	6,800	3,125	3,675
Current Assets			
Inventory		7,750	
Trade Receivables	20,200-75	20,125	
Cash in hand		85	27,960
Total Assets			31,635
Equity & Liabilities			
Equity			
Capital as at 1st April 2021		11,385	
Additional Capital		2,000	
Profit for the year		6,553	19,938
Non-current Liabilities			
Bank loan			5,500
Current Liabilities			
Trade Payables		6,000	
Accrued Expenses (75+22)		97	
Interest Payables		100	6,197
Total Equity and Liabilities			31,635

W1 - Depreciation

	Acc. Depreciation 1.4.2021	Charge for the year	Acc. Depreciation 31.03.2022
Machinery	1,500	600	2,100
Computers	450	450	900
Motor Vehicle		125	125
	1,950	1,175	3,125

Depreciation Charge for the year

Machinery	$3,000 \times 25\%$	= 600
Computers	$1,800 \times 25\%$	= 450
Motor Vehicle	$2,000 \times 25\% \times 1/4$	= 125

(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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