



Association of Accounting Technicians of Sri Lanka

Level II Examination - January 2023

Suggested Answers

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING (AFC)

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 II Examination - January 2023

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING

SUGGESTED ANSWERS

Objective Test Questions (OTQs)
(Total 25 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 (2)

(02 marks)

1.2 (4)

Workings

Rent Account			
B/B/F	60,000	B/B/F	90,000
Cash	750,000	P&L	740,000
B/C/D	45,000	B/C/D	25,000
	855,000		855,000
B/B/F	25,000	B/B/F	45,000

(02 marks)

1.3 (4)

Workings

VAT Control Account			
Input VAT	128,000	B/B/F	15,000
Sales Return	3,600	Output VAT	288,000
B/C/D	171,400		
	303,000		303,000
		B/B/F	171,400

(02 marks)

1.4 (4)

(02 marks)

1.5 (3)

(02 marks)

1.6 (3)

Workings

	A	B	C
Partner's Old Profit-Sharing Ratio	2/3	1/3	
Partner's New Profit-Sharing Ratio	3/6	2/6	1/6
Sacrificing Ratio	1/6		

(02 marks)**1.7**

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes comprising a summary of significant accounting policies

(03 marks)**1.8**

	(Rs.)
Basic Salary (8 hrs X Rs.300)	2,400
Bonus (10.5hrs - 8 hrs) × 300 × 80%	600
Standard Working Hours	8 Hours
Total Working hours (2.5Minutes × 252units)/60= 10.5 Hours	
Total Earnings per day	3,000

(04 marks)**1.9**

	Dr	Cr
Cash Account (4,000,000 × 5)	20,000,000	
Application and Allotment Account (Cash Receiving with applications)		20,000,000
Application and Allotment Account (2,000,000 × 5)	10,000,000	
Cash Account (Return of Excess Money)		10,000,000
Application and Allotment Account	10,000,000	
Stated Capital (Share Allotment)		10,000,000

(03 marks)

1.10 400 units

Workings

$$\begin{aligned}\text{Economic Order Quantity (EOQ)} &= \sqrt{\frac{2DC_0}{Ch}} \\ &= \sqrt{\frac{2 \times 16,000 \times 10}{20 \times 10\%}} \\ &= \sqrt{160,000} \\ &= \underline{\underline{400 \text{ units}}}\end{aligned}$$

(03 marks)
(Total 25 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 04 – Financial Statements using Incomplete Records and Financial Statements for Not for Profit Organizations*****(a) Capital (Equity) = *Total Assets – Total Liabilities**

$$= 33,480,000 - (2,320,000 + 1,690,000)$$

$$= \underline{29,470,000}$$

***Total Assets (Rs. '000)**

Buildings (25,000 - 5,000)	20,000
Furniture (2,500 - 500)	2,000
Inventories	5,620
Cash and Bank Balances	1,580
Investments in FD	2,980
Trade Debtors	1,300
	33,480

(02 marks)**(b)**

$$\text{Total Sales} = 7,420/80 \times 100 = \underline{9,275}$$

60% - Cash 5,565

40% - Credit 3,710

Workings - Calculation of sales**(Rs. '000)**

Opening Stock	5,620
Add: Purchases	5,380
Less: Closing Stocks	(3,580)
Cost of Sales	7,420

❖ By applying the cost of sales formula sales can be calculated in the following way.

$$\text{Gross Profit} + \text{Cost of Sales} = \text{Sales}$$

$$20 + 80 = 100$$

$$= 7,420/80 \times 100 = \underline{9,275}$$

(02 marks)

(c)

(i)

Trade Debtors' Control Account		(Rs. '000)	
B/B/F	1,300	Cash (3,710 × 60% + 1,300)	3,526
Credit sales (9,275 × 40%)	3,710		
		B/C/D	1,484
	5,010		5,010
B/B/F	1,484		

(03 marks)

(ii)

Trade Creditors' Control Account		(Rs. '000)	
Cash (5,380 × 80% + 1,690)	5,994	B/B/F	1,690
		Credit purchase	5,380
B/C/D	1,076		
	7,070		7,070
		B/B/F	1,076

(03 marks)
(Total 10 marks)

Suggested Answers to Question Three:

Chapter 03 - Financial Statements for a Partnership

(a)

SMC Construction Partnership
Profit or Loss Appropriation Account
For the year ended 31st December 2022

			(Rs. '000)
Profit for the year			23,200
Adjustment			
Add: Partners' Salary (85 × 3 × 12)		3,060	
Less: Interest on Loan - Malindu (1,000 × 15% × 1/2)		(75)	2,985
Profit before appropriation			26,185
Partners' Salary	Sumudu	1,020	
	Malindu	1,020	
	Chamindu	1,020	(3,060)
Interest on Capital	Sumudu	240	
	Malindu	180	
	Chamindu	144	(564)

Profit Share	Sumudu	11,280.50	
	Malindu	5,640.25	
	Chamindu	5,640.25	(22,561)
			-

(06 marks)

(b) **Partners' Current Account**

(Rs'000)

	Sumudu	Malindu	Chamindu		Sumudu	Malindu	Chamindu
B/B/F	500	-	400	B/B/F	-	1,500	-
				Salary	1,020	1,020	1,020
				Loan	-	75	-
				Interest			
				Interest on Capital	240	180	144
B/C/D	12,040.50	8,415.25	6,404.25	Profit Share	11,280.50	5,640.25	5,640.25
	12,540.50	8,415.25	6,804.25		12,540.50	8,415.25	6,804.25
				B/B/F	12,040.50	8,415.25	6,404.25

(04 marks)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 04: Financial Statements using Incomplete Records and Financial Statements for Not for Profit Organizations

(a)

**Care for the Innocents
Income and Expenditure Account
For the year ended 31st December 2022**

(Rs.'000)

Income		
Membership Subscription fees	205	
Donations	2,950	
Income from selling souvenirs	1,295	4,450
Less: Expenses		
Staff Salary	1,620	
Vaccination	894	
Medicines	224	
Rental, Electricity, and water (216 + 36)	252	

Fuel	348	
Equipment rental	412	
Depreciation on VET Mobile Service Vehicle (W1)	650	(4,400)
Surplus for the year		50

W1 - Depreciation

Annual depreciation = $3,250 \times 20\% = 650$

(06 marks)

(b)

Membership Fee Account

B/B/F (4 × 1,000)	4,000	Cash	206,000
P & L	205,000		
B/C/D (3 × 1,000)	3,000	B/C/D (205-199) × 1,000	6,000
	212,000		212,000

(04 marks)
(Total 10 marks)

Suggested Answers to Question Five:

Chapter 06 – Accounting for Material and Labour

(A)

STORES LEDGER: AVCO									
Date	Receipts			Issues			Balance		
	Quantity	Unit price	Value	Quantity	Unit price	Value	Quantity	Unit price	Value
1/2/2022							800	10.75	8,600
5/2/2022	120	12	1,440				920	10.91	10,040
12/2/2022				200	10.91	2,182	720	10.91	7,858
17/2/2022				150	10.91	1,636.50	570	10.91	6,221.50
22/2/2022	300	15	4,500				870	12.32	10,721.50
28/2/2022				200	12.32	2,464	670	12.32	8,257.50
Closing Inventory Value									8,257.50

(06 marks)

(B)

Mihiri : Employee No. 7890

Basic Salary	85,000
Food Allowance (2,500 × 4)	10,000
Uniform Allowance	10,000
Overtime Payments	15,500
Gross Salary	120,500

Deductions	
Loan Installment (12,000 + 1,800)	(13,800)
EPF @ 8% (120,000 × 8%)	(9,640)
Net Salary	97,060

(04 marks)
(Total 10 marks)

Suggested Answers to Question Six:

Chapter 07 - Accounting for Overhead and Costing Methods

(a)

Overhead Absorption Sheet

Item	Basis	Cost (Rs.)	Departments		
			Production		Service
			Sewing	Finishing	Technical
Indirect Materials (Rs.)	Allocation	850,000	325,000	450,000	75,000
Indirect Labor (Rs.)	Allocation	1,015,000	390,000	500,000	125,000
Staff Welfare	Number of Employees (3:1:1)	250,000	150,000	50,000	50,000
Machine Depreciation	Machine Values (3:2:1)	720,000	360,000	240,000	120,000
Electricity	Usage of Electricity (KW) (6:3:1)	120,000	72,000	36,000	12,000
Rent	Floor Area Occupied (Square Feet) (1,600:720:480)	280,000	160,000	72,000	48,000
Machine Maintenance	Machine Values (3:2:1)	360,000	180,000	120,000	60,000
		3,595,000	1,637,000	1,468,000	490,000
Re-apportionment					
Service: Technical	55%, 45%		269,500	220,500	(490,000)
Total Overhead Costs of Production Centers		3,595,000	1,906,500	1,688,500	-

(07 marks)

(b)

Overhead Absorption rate per Direct Labor hour: Sewing department

$$\begin{aligned} &= \frac{\text{Total Budgeted Overheads}}{\text{Total Budgeted Labor Hours}} \\ &= \frac{1,906,500}{12,000} \\ &= \underline{158.875} \end{aligned}$$

Overhead Absorption rate per Direct Labor hour: Finishing department

$$\begin{aligned} &= \frac{\text{Total Budgeted Overheads}}{\text{Total Budgeted Labor Hours}} \\ &= \frac{1,688,500}{8,000} \\ &= \underline{211.06} \end{aligned}$$



(03 marks)

(Total 10 marks)

End of Section B

Suggested Answers to Question Seven:

Chapter 02 – Financial Statements for a Limited Liability Company

(a)

C-Lanka (Pvt) Ltd.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st March 2022 (Rs.'000)

Sales		33,540
Cost of Sales		(13,416)
Gross Profit		20,124
Other Income		
Profit on Motor Vehicle Disposal (W1)		1,525
		21,649
Distribution Expenses		
Depreciation - Motor vehicles (W2)	2,750	
Allowance for trade receivables (W3)	93.85	
Fuel Expenses	732	
Advertising and Marketing expenses	725	
Sales Commission	1,006	(5,306.85)
Administration Expenses		
Rent Expenses (37×3)	111	
Depreciation - Building (10,000/25)	400	
Depreciation - Office Equipment (2,550/5)	510	
Water & Electricity (432+30)	462	
Office Maintenance	365	
Salaries, EPF and ETF	9,084	
Administration Expenses	89	(11,021)
Other Expenses		
Inventory write off	87	(87)
Finance Expenses		
Bank Charges	12	
Loan Interest	1,076	(1,088)
Profit Before Tax		4,146.15
Income tax for the year		(827)
Profit for the year		3,319.15

(13 marks)

(b)

C-Lanka (Pvt) Ltd.
Statement of Financial Position
As at 31st March 2022

(Rs. '000)

Non-Current Assets		
Property, Plant and Equipment (W4)		21,870
Current Assets		
Inventory	3,500	
Trade Receivables	6,037	
(-) Allowance @ 5%	(301.85)	5,735.15
Prepaid Rent (333-111)	222	
Cash in hand and at bank	1,274	10,731.15
Total Assets		32,601.15
Equity & Liabilities		
Stated Capital	26,000	
General Reserves	350	
Retained Earnings (-2,836 +3,319.15-350)	133.15	26,483.15
Non-Current Liabilities		
Bank Loan	4,650	4,650
Current Liabilities		
Trade Payables	1,225	
Electricity Payable	30	
Income Tax Payable (827-625)	202	
EPF & ETF Payable	11	1,468
Total Equity and Liabilities		32,601.15

(12 marks)

Workings

W1

Motor Vehicles Disposal Account

Motor Vehicle	4,000	Depreciation	2,000
P & L	1,525	Cash	3,525
	<u>5,525</u>		<u>5,525</u>

W2 - Depreciation

Motor Vehicle = $(12,000 - 4,000) / 4 = 2,000$

Building = $(4,000 / 4) \times 9/12 = 750$

W3

Provision for Bad Debts Account

		B/B/F	208
		P&L	93.85
B/C/D (6,037 × 5%)	301.85		
	<u>301.85</u>		<u>301.85</u>

W4 - Property, Plant and Equipment

Costs				
Type of the asset	Balance as at 01/04/2021	Additions/ revaluation	Disposal	Balance as at 31/03/2022
Land	10,000			10,000
Buildings	10,000			10,000
Motor Vehicles	12,000		(4,000)	8,000
Office Equipment	2,550			2,550
Total	34,550	-	(4,000)	30,550
Accumulated Depreciation				
Type of the asset	Balance as at 01/04/2021	Charge for the year	Disposal	Balance as at 31/03/2022
Buildings	2,000	400		2,400
Motor Vehicles	4,000	2,750	(2,000)	4,750
Office Equipment	1,020	510		1,530
Total	7,020	3,660	(2,000)	8,680
Written Down Value				21,870

(Total 25 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)