



**Association of Accounting Technicians of Sri Lanka**

**Level I Examination - January 2024**

**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 - January 2024**

**(101) FINANCIAL ACCOUNTING**

**SUGGESTED ANSWERS**

**Twenty (20) Compulsory Questions**  
(Total 40 Marks)

**SECTION - A**

*Suggested Answers to Question One:*

1.1 (3)

1.2 (2)

1.3 (2)

1.4 (3)

1.5 (4)

1.6 (4)

1.7 (3)

1.8 (1) [4500-3700+200-300]

1.9 (2)

1.10 (3)

1.11 True

1.12 False

1.13 False

1.14 True

1.15 False

1.16 (1) Journal voucher



**(2) Sales invoice**

**1.17**

$$\frac{\text{Cost of Machinery - Residual Value}}{\text{Useful life time}} = \frac{6,000,000 - 1,000,000}{5}$$

Depreciation = 1,000,000

**1.18**

- |                     |                        |
|---------------------|------------------------|
| 1. Land             | 8. Plant and Machinery |
| 2. Building         | 9. Motor Vehicles      |
| 3. Goodwill         | 10. Furniture          |
| 4. Office Equipment | 11. Patents            |
| 5. Computers        | 12. Brand Names        |
| 6. Fixed deposits   | 13. Trade Marks        |
| 7. Leased Property  | 14. Investment         |

**1.19**

1. Historical information of events and transactions
2. No adjustments to inflation/inflation conditions are not considered
3. Due to the time laps doesn't reflect market value
4. Inability to produce entire information of transaction and events
5. Reports are prepared for specific fixed time period.
6. No discussion on non-financial issues.
7. Comparability issues.
8. No submission of separate information for internal units/ departments.
9. Submissions of information considering the entire business as one entity.

**1.20** It states that when preparing the financial statements of a business all expenses incurred to generate income shall be compared only with those incomes.

Example: Adjusting closing inventory in cost of sales

Recognizing depreciation as an expense

Provision for doubtful debts

*(02 marks each, Total 40 marks)*



*End of Section A*

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

**Nazeer Machine Works**  
**Manufacturing Cost Statement / Manufacturing Account**  
**For the year ended 31st March 2023**

(Rs. '000)

<b>Direct Material Cost</b>		
Opening Inventories	850	
(+) Material purchases	3,500	
Carrying inwards	75	4,425
Less: Closing Raw Material Stock		(250)
Cost of raw material consumed		4,175
<b>Direct Labour costs</b>		
Direct Labour	1,500	
Incentives (100 x 10,000)	1,000	2,500
<b>Prime Cost</b>		<b>6,675</b>
<b>Production Overhead Costs</b>		
Security charges (500 x 90%)	450	
Electricity Expenses (520 x 85%)	442	
Factory Manager's salary	370	
Depreciation – Plant & Machinery	320	
- Motor Lorry	560	<b>2,142</b>
(+) Opening – Work in Progress		225
(-) Closing – Work in Progress		(425)
<b>Total Manufacturing Cost</b>		<b>8,617</b>
Profit Margin 20%		1,723.40
<b>Cost transferred to Trading Account</b>		<b>10,340.40</b>

**(Total 10 marks)**

## Suggested Answers to Question Three:

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

**Ravi Super**  
**Trial Balance as at 31st March 2023**

(Rs.'000)

Description	Dr.	Cr.
Capital		4,850
Sales (3,200+5225) (W1)		8,425
Purchases (1850+5000) (W2)	6,850	
Electricity and water expenses (255+10)	265	
Electricity and water bill payables		10
Delivery Van	3,000	
Depreciation (3,000,000 × 25% × 6/12)	375	
Accumulated Depreciation		375
Salaries & Wages	1,200	
Office Expenses	15	
Travelling expenses	12	
Printing & Stationery expenses	25	
Trade Debtors	2,400	
Trade Creditors		2,100
Cash	1,570	
Petty Cash (100-15-12-25)	48	
	<b>15,760</b>	<b>15,760</b>

#### W1

**Trade Debtor**

Sales	5225	Cash	2825
		B/C/F	2400
	<u>5225</u>		<u>5225</u>
B/B/D	<u>2400</u>		

W2

Trade Creditor			
Cash	2900	Purchase	5000
B/C/F	2100		
	5000		5000
	5000	B/B/D	2100
<i>(Total 10 marks)</i>			

***Suggested Answers to Question Four:***

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

(a)

General Journal				
	Description		Debit	Credit
1	Accrued Security Account <span style="float: right;">Dr.</span> Security Expense Account Cr. <i>(Being correcting the security Bill Payable recorded twice)</i>		35,000	35,000
2	Suspense Account <span style="float: right;">Dr.</span> Interest Income Account Cr. Interest Expense Account Cr. <i>(Being correcting Interest income debited in interest expense Account)</i>		5,500	2,750  2,750
3	Trade Payable Account <span style="float: right;">Dr.</span> Purchase Account Cr. <i>(Being correcting Purchase Day book overstated)</i>		20,000	20,000
4	Office Equipment Account <span style="float: right;">Dr.</span> Office Expenses Account Cr. <i>(Being correcting the purchase of Office equipment recorded in office expense Account)</i> Office Equipment Depreciation account Dr.		250,000	250,000
			50,000	

	Office Equipment Accumulated Depreciation account Cr. <i>(Being correcting the Office equipment depreciation)</i>		50,000
5	Suspense Account Dr. Sales Account Cr. <i>(Being correcting the Sales Account)</i>	265,000	265,000
6	Suspense Account Telephone Expenses Account Cr. <i>(Being correcting the telephone expenses Account Overstated)</i>	Dr. 9,000	9,000

(07 marks)

(b)

Suspense Account			
Interest Expense	2,750	B/B/F	279,500
Interest Income	2,750		
Sales	265,000		
Telephone Expense	9,000		
	<u>279,500</u>		<u>279,500</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	+	Cash	=	Equity	+	Liabilities
1	+800,000				+1,200,000		+2,000,000		
2			+650,000						+650,000
3			-260,000		+350,000		+90,000		
4					-250,000		-250,000		



5	-200,000	-200,000
---	----------	----------

*(05 marks)*

**(B) (a)**

**Adjusted Cash Control A/c**

B/B/F	225,000	Standing order - rent	55,000
Overdraft interest	12,500	Bank charges	5,000
		B/C/D	177,500
	<b>237,500</b>		<b>237,500</b>

*(03 marks)*

**(b)**

**Bank Reconciliation Statement as at 31st December 2023**

Balance as per Bank Statement	277,500
Add:	
Unrealized Cheques	28,000
Less:	
Unpresented Cheques	(128,000)
<b>Balance as per Adjusted cash book</b>	<b>177,500</b>

*(02 marks)*

*(Total 10 marks)*

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

(a)

**Nihal Electricals**  
**Statement of Comprehensive Income**  
**For the year ended 31st March 2023**

(Rs.'000)

Sales		62,900
Cost of Sales:		
Opening Stock	2,800	
Purchases	38,000	
	40,800	
Closing Stock	(9,270)	(31,530)
<b>Gross Profit</b>		<b>31,370</b>
<b>Distribution Expenses:</b>		
Bad Debts	50	
Transport	900	(950)
<b>Administration Expenses</b>		
Depreciation (W1)		
Plant and Machinery	1,400	
Furniture and Fittings	800	
Office Equipment	75	
Insurance (260 x 1/4)	65	
Water	2,500	
Salaries and Wages	11,000	
Electricity (7850+135)	7,985	
Telephone charges	350	
Office Rent (2200+200)	2,400	(26,575)
<b>Finance Expenses</b>		
Bank loan interest (1000 x 20% x 1/2)	100	
Bank charges	40	(140)
<b>Net Profit for the year</b>		<b>3,705</b>

(11 marks)

(b)

**Nihal Electricals**  
**Statement of Financial Position**  
**As at 31st March 2023**

(Rs.'000)

ASSETS	Cost	Accumulated Dep.	Carrying Value
<b>Non-Current Assets</b>			
Plant and Machinery	7,000	3,600	3,400
Furniture and Fittings	4,000	1,400	2,600
Office Equipment	1,000	75	925
	12,000	5,075	6,925
<b>Current Assets</b>			
Inventory		9,270	
Trade Receivables	(9500-50)	9,450	
Prepaid Insurance		195	
Cash at bank		3,500	
Cash in hand		460	22,875
<b>Total Assets</b>			<b>29,800</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Capital as at 1st April 2022		8,760	
Profit for the year		3,705	12,465
<b>Non-current Liabilities</b>			
Bank loan			1,000
<b>Current Liabilities</b>			
Trade Payables		15,900	
Accrued expenses (135+200)		335	
Bank loan Interest Payables		100	16,335
<b>Total Equity and Liabilities</b>			<b>29,800</b>

**(W1) Depreciation & Accumulated depreciation**

	Opening balance Accumulated Depreciation	Depreciation for the year	Closing balance Accumulated Depreciation
Plant and Machinery	2200	$7000 \times 20\% = 1400$	3600
Furniture and Fittings	600	$4000 \times 20\% = 800$	1400
Office Equipment	0	$1000 \times 15\% \times 6/12 = 75$	75

**(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).*