



Association of Accounting Technicians of Sri Lanka

Level II Examination - January 2024

Suggested Answers

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING (AFC)

Association of Accounting Technicians of Sri Lanka
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A publication of the Education and Training Division

Level II Examination - 2024 January

(201) ADVANCED FINANCIAL ACCOUNTING & COSTING

SUGGESTED ANSWERS

Objective Test Questions (OTQs)
(Total 25 Marks)

SECTION - A

Suggested Answers to Question One:

1.1 (3)

(02 marks)

1.2 (2)

Maximum Stock Level = Re-order level + re-order qty - (minimum usage x Minimum Lead time)
 $= (3,000 \times 6) + 4,500 - (1,200 \times 4) = 17,700$

(02 marks)

1.3 (3)

(02 marks)

1.4 (1)

(02 marks)

Workings

Overhead absorption rate per machine hour = $\frac{200,000}{10,000}$
Rs.20 per Machine hour

Total Overhead Absorbed = Rate per hour x Actual Hours
 $= 20 \times 12,000 \text{ hrs}$
 $= 240,000$

OH cost Over Absorbed = $240,000 - 210,000$
 $= \underline{\underline{30,000}}$

1.5 (1)

(02 marks)

1.6

- (1) False
- (2) True
- (3) False
- (4) False

(04 marks)

1.7

1. Partners are entitled to introduce capital equally.
2. Partners should share profit and loss equally.
3. Partners are not entitled to interest for employed capital.
4. An interest of 5% can be charged on the loan provided by a partner in addition to the capital.
5. All partners are entitled to take part in the management but are not entitled to remuneration for actions in the partnership business.
6. An admission of a new partner or resignation of an existing partner can be done only with the consent of all the existing partners.
7. All the books and documents must be kept at the business place and every partner has a right to examine those.
8. Partners are entitled to reimburse the expenses incurred on partnership activities.
9. Any decision, which can be affected, to the composite and the nature of the partnership should be made with the consent of all the partners.
10. General matters should be solved by majority consent.

(02 marks)**1.8****Workings**

	Saman	Amal	Bimal
Partner's Old Profit-Sharing Ratio	1/2	1/2	-
Partner's New Profit-Sharing Ratio	3/6	2/6	1/6
Sacrificing Ratio		1/6	

(03 marks)**1.9**

	Rs.
Basic Salary	2,200,000
Other Allowances	700,000
Gross Salary	2,900,000
Less: Deductions	
Loan Deductions	(97,000)
APIT deductions	(352,000)
EPF employee contribution (2,200,000X8%)	(176,000)
Net Salary	2,275,000

(03 marks)

1.10

- Under/overvaluation of inventory that requires adjustment to the net realizable value
- Client going bankrupt after the reporting date, triggering the need to write off bad debt
- Settlement of litigation after the reporting date as a result of an event during the reporting period
- If there is a sign for a loss in value of an asset at the end of the period, you should do an impairment check and adjustments should be made, if any, to reports that have been impaired since the end of the period.
- The determination after the reporting period of the cost of assets purchased or proceeds from assets sold before end of the reporting period.
- Fraud and errors identified after the reporting date that affect the financial statements

(03 marks)

(Total 25 marks)



End of Section A

Suggested Answers to Question Two:***Chapter 04 - Preparation of Financial Statements based on Incomplete Records***

(a)

E-Grocery
Statement of Profit and Loss
For the Month Ended 31st March 2023

Sales		770,000
Less: Cost of Sales (W1)		
Opening Inventory	240,000	
Add: Purchase	560,000	
Less: Closing Inventory	(184,000)	(616,000)
Gross Profit		154,000
Less: Expenses		
Salaries	25,000	
Water & electricity	6,500	
Motor Bicycle Depreciation (W2)	14,000	
Office Equipment Depreciation (W3)	5,000	(50,500)
Net Profit		103,500

Workings**W1: Cost of Sales**

GP Margin of 20% on selling price

Cost of sales	(770,000/100X80)	616,000
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Cash A/C

1/3/2023 B/B/F	95,000	Salary	25,000
Cash Sales (770,000X60%)	462,000	Purchase	560,000
Credit card Receivables	344,850	31/3/2023 B/B/D	316,850
	901,850		901,850
31/3/2023 B/B/F	316,850		

Credit Cards Receivables

1/3/2023 B/B/F	55,000	Cash	344,850
Sales (770,000X40%)	308,000	31/3/2023 B/B/D	18,150
	<u>363,000</u>		<u>363,000</u>

W2: Motor Bicycle A/C

1/3/2023 B/B/F	159,000	P&L	14,000
		31/3/2023 B/B/D	145,000
	<u>159,000</u>		<u>159,000</u>
31/3/2023 B/B/F	145,000		

W3: Office Equipment A/C

1/3/2023 B/B/F	75,000	P&L	5,000
		31/3/2023 B/B/D	70,000
	<u>75,000</u>		<u>75,000</u>
31/3/2023 B/B/F	70,000		

(07 marks)

(b) Equity Balance as at 31st March 2023

Assets – Liabilities = Equity

$$145,000 + 70,000 + 184,000 + 18,150 + 316,850 - 6,500 = \text{Rs. } 727,500$$

Alternative Answer:

Opening Equity (159,000 + 75,000 + 240,000 + 55,000 + 95,000)	624,000
Net profit for the year	103,500
Equity as at 31st March 2023	727,500

(03 marks)
(Total 10 marks)

Suggested Answers to Question Three:

Chapter 03 - Financial Statements for a Partnership

(a)

Ceylon Handlooms Partnership
Profit and Loss Appropriation Account
For the Year Ended 31st December 2023 **(Rs.000)**

Net Profit		8,000,000
Less: Interest on loan provided by Hasith (1,000,000X15%X6/12)		(75,000)
Building Rent (50,000X12)		(600,000)
Adjusted net profit		7,325,000
Partner's Remuneration		
Hasith (50,000X12)	600,000	
Visith (75,000X12)	900,000	
Nesith (125,000X12)	1,500,000	(3,000,000)
Interest on Capital		
Hasith (2,000,000X5%)	100,000	
Visith (2,500,000X5%)	125,000	
Nesith (3,000,000X5%)	150,000	(375,000)
		3,950,000
Share of Profit		
Hasith (3,950,000X2/5)	1,580,000	
Visith (3,950,000X2/5)	1,580,000	
Nesith (3,950,000X1/5)	790,000	(3,950,000)
		0

(05 marks)

(b)

Partner's Current A/C							
	Hasith	Visith	Nesith		Hasith	Visith	Nesith
B/B/F	-	300,000	-	B/B/F	150,000	-	800,000
Drawings	-	-	1,500,000	Partner's Salary	600,000	900,000	1,500,000
				Interest on Capital	100,000	125,000	150,000
				Interest on Loan	75,000	-	-
				Building rent	-	600,000	-
B/B/D	2,505,000	2,905,000	1,740,000	Share of Profit	1,580,000	1,580,000	790,000
	2,505,000	3,205,000	3,240,000		2,505,000	3,205,000	3,240,000
				B/B/F	2,505,000	2,905,000	1,740,000

(05 marks)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 04 - Financial Statements Using Incomplete for Not For Profit Organizations

(a)

Receipts and Payments A/C			
1/4/2022 B/B/F	5,890,000	Medical Equipment	300,000
Membership subscription (W1)	3,340,000	Nurses Fees (200X1,000hrs)	200,000
		Electricity	96,000
		Building Rent (10,000X12)	120,000
31/3/2023 B/B/D		Surgical consumables	7,200,000
		31/3/2023 B/C/D	1,314,000
	9,230,000		9,230,000
1/4/2023 B/B/F	1,314,000		

(04 marks)

(b)

Neeroga Medical Association Income and Expenditure A/C For the Year Ended 31 st March 2023			
Medical Equipment Dep. (W2)	510,000	Membership Subscription	3,000,000
Nurses Fees	200,000	Donation (surgical consumables and medicines)	150,000
Electricity (W3)	98,000		
Building Rent	120,000		
Surgical consumables and medicines (W4)	6,350,000	Deficit	4,128,000
	7,278,000		7,278,000

Workings

W1

Members' Subscription A/C			
1/4/2022 B/B/F	20,000	Receipts and Payment	3,340,000
Income and Expenditure (150X20,000)	3,000,000	31/3/2023 B/C/D	80,000
31/3/2023 B/C/D	400,000		
	3,420,000		3,420,000
1/4/2023 B/B/F	80,000	1/4/2023 B/B/F	400,000

W2**Medical Equipment A/C**

1/4/2022 B/B/F	3,000,000	Income and Exp. (Dep)	510,000
Receipts and Payments	300,000		
		31/3/2023 B/C/D	2,790,000
	<u>3,300,000</u>		<u>3,300,000</u>
1/4/2023 B/B/F	2,790,000		

W3**Accrued Electricity A/C**

Receipts and Payments	96,000	1/4/2022 B/B/F	9,000
31/3/2023 B/C/D	11,000	Income and Expenditure	98,000
	<u>107,000</u>		<u>107,000</u>
		1/4/2023 B/B/F	11,000

W4**Inventory A/C (Surgical Consumables and Medicines)**

1/4/2022 B/B/F	255,000	Income And Expenditures	6,350,000
Donation (surgical consumables and medicines)	150,000	31/3/2023 B/C/D	1,255,000
Receipts and Payments	7,200,000		
	<u>7,605,000</u>		<u>7,605,000</u>
1/4/2023 B/B/F	1,255,000		

(06 marks)
(Total 10 marks)

Suggested Answers to Question Five:

Chapter 07 - Accounting for Overheads & Costing Methods

(a)

Overhead Absorption Sheet

Item	Basis	Total (Rs.)	Production		Service
			1	2	
Indirect Materials	Allocation	1,400,000	575,000	485,000	340,000
Electricity	Usage of Electricity (Kilowatts) (2,800:1,523:427)	380,000	224,000	121,840	34,160
Rent	Floor Area Occupied (Square Feet) (14.8:6.2:1)	368,500	247,900	103,850	16,750
Staff Welfare	No. of Employees (28:13:5)	69,000	42,000	19,500	7,500
Employees Supervision	No. of Employees (28:13:5)	138,000	84,000	39,000	15,000
Depreciation of Machinery	cost of machinery (8,960:4,810:1,700)	154,700	89,600	48,100	17,000
		2,510,200	1,262,500	817,290	430,410
Re-apportionment					
Service Department	55%, 45%		236,726	193,685	(430,410)
Total Overhead Costs of Production Departments (A)			1,499,226	1,010,975	-

(07 marks)

(b)

Direct Labour Hours (B)	4,000	2,000
Overhead Absorption Rate (A)/(B)	374.81	505.49
	Per direct labour Hour	Per direct labour Hour

(03 marks)
(Total 10 marks)

Suggested Answers to Question Six:

Chapter 09 – Costing Methods

(a)

Job Cost Sheet - RMX600

		Rs.
Direct Raw Materials	(3,800Kg X Rs.1,600)	6,080,000
Direct Labor: Department 1	(250hrs X Rs.2,000)	500,000
Direct Labor: Department 2	(400hrs X Rs.1,800)	720,000
Prime Cost		7,300,000
Production Cost	(1,220,000X150%)	1,830,000
Total Cost		9,130,000
Add: 25% on the selling price	(9,130,000/75*25)	3,043,333
Price to be charged		12,173,333

(05 marks)

(b)

Chapter 06 – Accounting for Labor

<u>No. of Hours saved</u>		Hours
Normal working hours for the week	(8 hours X 5 days)	40
Standard hours to produce 275 shirts	(275shirtsX15minuts)/60	68.75
No. of hours saved		28.75
<u>Earnings</u>		Rs.
Normal working hours	(40hours X Rs.300)	12,000
Premium bonus	(28.75X80%)X Rs.300	6,900
Total Earnings		18,900

(05 marks)
(Total 10 marks)

End of Section B

Suggested Answers to Question Seven:

Chapter 02 – Financial Statements for a Limited Liability Company

(a)

Global Trading (Pvt) Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st March 2023

(Rs.'000)

Sales		38,325
Cost of Sales (12,694 +75)		(12,769)
Gross Profit		25,556
Other Income		
Motor Vehicle Disposal Gain (W1)	2,000	2,000
		27,556
Distribution Expenses		
Motor vehicles depreciation (W2)	1,968.75	
Bad debts (W6)	400	
Bad Debt Provision (W6)	187.5	
Transport Expenses	459	
Advertising Expenses	1,182	
Sales Commission Expenses	1,526	(5,723.25)
Administration Expenses		
Office Equipment Depreciation (W3)	2,871	
Water and Electricity (136+25)	161	
Office Maintenance	381	
Salaries, Wages, EPF and ETF	10,339	
Office Rent (725-175)	550	
Other Administrative Expenses	304	(14,606)
Finance Expenses		
Bank Charges	16	
Loan Interest (W7)	300	(316)
Profit Before Tax		6,910.75
Income tax for the year		(2,560)
Profit for the year		4,350.75

(13 marks)

(b)

Global Trading (Pvt) Ltd
Statement of Financial Position
As at 31st March 2023

(Rs.'000)

Non-Current Assets		
Property, Plant and Equipment (W4)		7,733.25
Current Assets		
Inventory	4,275	
Trade Receivables (7,890 – 390.50)	7,495.50	
Office Rent Prepayment	175	
Cash at Bank	8,201	20,146.50
Total Assets		27,879.75
Equity & Liabilities		
Stated Capital	5,000	
Retained Earnings (9,550+4,350.75-1,800)	12,100.75	17,100.75
Non-Current Liabilities		
Bank Loan (20%)	6,000	6,000
Current Liabilities		
Accrued Interest (W7)	300	
Trade Payables	3,219	
Electricity Payable	25	
Income Tax Payable (W5)	1,110	
EPF and ETF Payables	125	4,779
Total Equity and Liabilities		27,879.25

Workings

W1

Motor Vehicles Disposal A/C

PPE	3,000	Cash	3,500
P & L	2,000	Acc. Depreciation	1,500
	<u>5,000</u>		<u>5,000</u>

W2: Motor Vehicles Depreciation

Disposed vehicle (3,000/4*9/12)	562.50
New vehicle (4,500/4*3/12)	281.25
Existing vehicle (4,500 / 4)	1,121.00
Motor Vehicle Depreciation	1,968.75

W3: Office Equipment Depreciation

(14,355/5)

2,871.00**W4: Property, Plant and Equipment**

Costs				
<i>Type of the asset</i>	<i>Balance as at 01/04/2022</i>	<i>Additions/ revaluation</i>	<i>Disposal</i>	<i>Balance as at 31/03/2023</i>
Motor Vehicles	7,500	4,500	(3,000)	9,000
Office Equipment	14,355	-	-	14,355
Total	21,855	4,500	(3,000)	23,355
Accumulated Depreciation				
<i>Type of the asset</i>	<i>Balance as at 01/04/2022</i>	<i>Charge for the year</i>	<i>Disposal</i>	<i>Balance as at 31/03/2023</i>
Motor Vehicles	3,671	1968.75	(1,500)	4,139.75
Office Equipment	8,611	2,871	-	11,482
Total	12,282	5,680	(1,500)	15,621.75
Written Down Value				7,733.25

W5:**Income Tax Payable A/C**

Income Tax Paid	1,450	P&L	2,560
B/B/D	1,110		
	2,560		2,560
		B/B/F	1,110

W6: Bad Debt Provision

	Rs.
Trade Receivables Balance	8,290
Less: Bad Debts	(400)
Balance	7,890
Provision @ 5%	394.5
	7,495.5

Bad Debt Provision A/C

		BBF	207
BBD	94.5	P&L	187.5
	<u>394.5</u>		<u>394.5</u>
		BBF	394.5
W7: Loan Interest			
(6,000X20%)X3/12	<u>300</u>		

(12 marks)
(Total 25 marks)



End of Section C

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