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இலங்கை විභාග දෙපාර්තමේන්තුව / இலங்கைப் பரீட்சைத் திணைக்களம் / Department of Examinations, Sri Lanka

Open / Limited Competitive Examination for Recruitment to Grade Ii
of the Sri Lanka Accountants' Service - 2014

(01) Financial Accounting - Paper 1

Three hours

Answer all questions.

1. The trial balance of Siripura PLC as at 31.03.2014 is given below.

	Debit (Rs.'000)	Credit (Rs.'000)
Ordinary Share Capital (4000 shares)		20 000
Non Redeemable Preference Share capital (2000 shares)		10 000
Retained Earnings as at 01.04.2013		2 500
Cost of Sale/Sales	175 000	371 800
Bank loan		20 000
Distribution Expenses	15 000	
Administration Expenses	12 000	
Other Expenses	7 500	
Finance Expenses	2 500	
Income Tax Paid - 2013/2014	5 500	
- 2012/2013	1 600	
Property, Plant and Equipment		
Lands	150 000	
Buildings	12 000	
Motor Vehicles	10 500	
Provision for Depreciation as at 01.04.2013		
Building		1 200
Motor vehicles		1 900
Inventory as at 31.03.2014	2 000	
Trade debtors	5 000	
Trade creditors		6 000
Provision for Income Tax as at 01.04.2013		1 500
Bank	15 000	
Interim Dividends paid		
- Ordinary shares	4 000	
- Preference shares	2 000	
Investment	33 500	
Suspense account		18 200
	453 100	453 100

Additional Information.

- Net realizable value of the inventories as at 31.03.2014 was Rs. 1 800 000.
- The company had revalued its land on 31.03.2014 and the value of the land after revaluation is Rs. 200 000 000. This has not been recorded in the books of accounts.
- The company sold a motor vehicle purchased on 1st April 2009 for Rs. 1500 000 on 31st March 2014 for Rs. 800 000. The cash received has been recorded in the bank account and motor vehicles account. No other entries were made on the disposal of the vehicle.

- (iv) The rates of depreciation of non current assets of the company on cost on the straight-line methods are as follows:
- Motor vehicles - 25 % per annum
 - Building - 10% per annum
- (v) Bank loan obtained on 01st January 2014. Loan capital is re-payable in four equal quarterly instalments commencing from 1st April 2014.
- (vi) Bank balance shown in the trial balance was extracted prior to the preparation of bank reconciliation statement for the month of March 2014. Upon preparing the bank reconciliation the following were noted.
- Deposited but unrealized cheque of Rs. 5 000 000
 - Issued but not presented cheques of Rs. 3 000 000
 - Rs. 1 000 000 deposited by a debtor of business in the account has not been recorded in the books of the business.
 - Rs. 500 000 insurance payment made by the bank based on standing order has not been recorded in the business.
- (vii) The income tax liability for the year has been estimated as Rs. 8 500 000
- (viii) A part of the building of the business was destroyed on 20.04.2014 due to a fire and the value of loss was estimated as Rs. 200 000.
- (ix) It was discovered that the following errors have been occurred in the accounting process.
- a sales invoice of Rs 2 200 000 has been completely omitted from accounting record.
 - payment for advertising expenses Rs. 7 500 000 has been recorded in advertising expense account as Rs. 5 700 000
 - Rs. 10 000 000 rent income received has been correctly recorded in the bank account but debited to rent expense account.
- (x) The Board of Directors of the company has taken the following decisions at a board meeting on 30th May 2014.
- To pay dividend of Rs. 3 per share per year for the ordinary shares held on 31st March 2014.
 - To pay preference dividend of Rs. 2 per share per year for the year ended 31st of March 2014.
- (xi) The financial statements were authorised for issue on 10th June 2014 by the board of Directors.

Required:

Prepare the followings of Siripura PLC for publications;

- (1) Statement of Comprehensive Income for the year ending 31.03.2014.
- (2) Statement of Financial Position as at 31.03.2014.
- (3) Statement of changes in equity for the year ending 31.03.2014.
- (4) Notes and accounts for Property, Plant and Equipment.

(40 marks)

2. (i) State **two** benefits and **two** limitations of use of accounting ratios.
- (ii) State a similarity and a difference between bonus issue and right issue of a limited liability company.
- (iii) State **four** advantages of Computer Based Accounting systems.
- (iv) State **four** factors to be considered in acquiring an accounting software.
- (v) State **four** limitations of financial statements.

(10 marks)

(01) Financial Accounting - Paper 1

3. The summarised financial statements of Arunodaya PLC are given below.

Arunodaya PLC
Income Statement for the year ending 31.03.2014

	(Rs. '000)	(Rs. '000)
Sales		75 000
Cost of Sales		(40 000)
Gross profit		<u>35 000</u>
Other Income (Note - 01)		<u>10 000</u>
		45 000
Distribution Expenses	10 000	
Administration Expenses	15 000	
Finance Expenses - Interest	<u>5 000</u>	
		(30 000)
Profit before tax		<u>15 000</u>
Income tax		(5 250)
Profit for the year		<u>9 750</u>
Other comprehensive income		
Land revaluation surplus		<u>1 000</u>
Total comprehensive income for the year		<u><u>10 750</u></u>

Arunodaya PLC
Statement of Financial Position as at 31 March

	2014 (Rs. '000)	2013 (Rs.'000)
Property, Plant and Equipment (Note - 02)	200 000	213 000
Investment	57 000	40 000
Inventory	7 000	12 000
Trade debtors	25 000	50 000
Receivable investment income	5 000	7 000
Cash	<u>63 000</u>	<u>78 000</u>
	<u>357 000</u>	<u>400 000</u>
Stated ordinary share capital	112 000	100 000
Revaluation reserve	6 000	5 000
General reserve	1 750	3 000
Retained earnings	17 000	8 000
Bank Loan	200 000	259 000
Trade creditors	13 000	18 000
Accrued - Income tax	4 250	3 000
- Loan interest	<u>3 000</u>	<u>4 000</u>
	<u>357 000</u>	<u>400 000</u>

Arunodaya PLC
Statement of Changes in Equity
for the year ending 31.03.2014

(Rs' 000)					
	Ordinary Share capital	Re-value Reserve	General Reserve	Retained earning	Total
Balance as at 01.04.2013	100 000	5 000	3 000	8 000	116 000
Share Issuance	10 000	-	-	-	10 000
Total Comprehensive income for the year	-	1 000	-	9 750	10 750
General Reserve	-	-	750	(750)	-
Bonus share Issuance	2 000	-	(2 000)	-	-
Balance as at 31.03.2014	112 000	6 000	1 750	17 000	136 750

Notes :

Note 01

Other Income

	(Rs' 000)
Profit on disposal of motor vehicle	2 000
Investment income	8 000
	<u>10 000</u>

Note 02

Property, Plant & Equipment

	(Rs' 000)		
	Land	Building	Motor Vehicles
Cost as at 01.04.2013	100 000	60 000	90 000
Additions	-	10 000	-
Revaluation	1 000	-	-
Disposals	-	-	(20 000)
Balance 31.03.2014	<u>101 000</u>	<u>70 000</u>	<u>70 000</u>
Accumulated Depreciation as at 01.04.2013	-	12 000	25 000
Annual Depreciation	-	3 000	9 000
Disposals	-	-	(8 000)
Balance as at 31.03.2014	<u>-</u>	<u>15 000</u>	<u>26 000</u>
Carrying amount as at 31.03.2014	<u>101 000</u>	<u>55 000</u>	<u>44 000</u> = <u>200 000</u>

Required ;

The cash flow statement for the year ended 31.03.2014 as per LKAS-07 using direct method.

(20 marks)

4. The summarised financial statements of Amara PLC and Sama PLC for the year ending 31.03.2014 are given below.

Income statements for the year ended 31.03.2014.

	Amara PLC (Rs' 000)	Sama PLC (Rs' 000)
Sales	2 250	2 000
Cost of Sales	<u>(1 450)</u>	<u>(1 500)</u>
Gross profit	800	500
Expenses	<u>(450)</u>	<u>(300)</u>
Profit before tax	350	200
Income tax	<u>(150)</u>	<u>(100)</u>
Net profit for the year	<u>200</u>	<u>100</u>

Statement of Financial Position as at 31.03.2014

	Amara PLC (Rs.'000)	Sama PLC (Rs.'000)
Property, Plant & equipment	800	1 600
Inventory	100	200
Trade debtors	130	100
Cash	<u>170</u>	<u>100</u>
	<u>1 200</u>	<u>2 000</u>
Stated ordinary share capital	500	1 000
Retained earnings	360	400
Bank loan	140	200
Trade creditors	80	220
Accrued expenses	<u>120</u>	<u>180</u>
	<u>1 200</u>	<u>2 000</u>

Additional information:

- Loan interest of Rs. 100 000 each includes in the expenses of Amara PLC and Sama PLC.

Required:

The following ratios for both companies;

- (1) Gross Profit Ratio
- (2) Net Profit Ratio
- (3) Current Ratio
- (4) Quick Asset Ratio
- (5) Interest Cover Ratio
- (6) Return on Equity Ratio
- (7) Return on Total Assets Ratio

(15 marks)

5. (i) Total of the debtors ledger accounts balances of Chaturanga's business as at 31.03 2014 was Rs. 75 000 (debit). It was agree with the balance as per debtors control account as at that date. The following information is provided in relations to April 2014.

	Rs
Credit Sales	125 000
Cash Sales	210 000
Cash received from debtors	100 000
Provision for doubtful debts	7 500
Discount allowed	10 000
Return Inwards	5 000
Bad debts	4 000
Interest Charged from debtors due to late settlement	9 000

The balance as per debtors control account as at 30.04.2014 did not agree with the total of the debtors ledgers account balances. The following matters were revealed in the subsequent investigation.

- (a) Rs. 2 000 bad debts written off has not been recorded in the debtors ledger.
- (b) Rs. 3 000 discount allowed has been recorded in the wrong side of the relevant debtor account in the debtors ledger.
- (c) Rs. 10 000 sales invoices has not been recorded in the relevant debtor account in the debtors ledger.

Required;

- (1) Debtors Control Account for the month of April 2014.
 - (2) A statement of reconciling balance as per debtors control account with the total of debtors ledger account balances.
- (ii) The bank overdraft balance of Chatura's business as at 31.07.2014 was Rs. 40 000 as per the bank statement. The bank balance as per the cash book of the business on that date was not agreed with that. The following are the reasons for such differences.
- (a) Cheque deposited but not realized Rs. 15 000.
 - (b) Cheque issued but not presented for payment of Rs. 10 000.
 - (c) Rs. 12 000 deposited by a customer Ajantha has not been recorded in the cash book of the business.
 - (d) A payment of Rs. 4 000 made by the bank for telephone bill of the business has not been recorded in the cash book of the business.
 - (e) Rs. 18 000 interest income credited to bank account for a fixed deposit of the business has not been recorded in the cash book of the business.
 - (f) The bank charge Rs. 1 000 has not been recorded in the cash book of the business.

Required;

- (1) Cash book/Bank account for the month of July 2014 with necessary adjustment.
- (2) Bank reconciliation statement for July 2014.

(15 marks)

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Open / Limited Competitive Examination for Recruitment to Grade III
of the Sri Lanka Accountants' Service – 2014

(02) Financial Accounting - Paper II

Three hours

Answer all questions.

1. (i) Roshan, Chaturanga and Sandaruwan are partners of RCS Associates and they were sharing profits and losses in the ratio of 3:2:1 respectively. According to the partnership agreement partners are entitled to receive 10% interest on capital. Further, Roshan and Sandaruwan were entitled to receive monthly salary of Rs. 20,000 and Rs. 15,000 respectively.

The trial balance of the partnership as at 31.03.2014 is given below.

	Rs. ('000)	(Rs. '000)
Capital account balances as at 01.04.2013.		
- Roshan	-	5 000
- Chaturanga	-	4 000
- Sandaruwan	-	3 500
Current account balances as at 01/04/2013		
- Roshan	-	200
- Chaturanga	-	100
- Sandaruwan	50	-
Inventories as at 01/04/2013 at cost	780	-
Purchase	6 600	-
Land and building at cost	7 500	-
Office equipments at cost	2 500	-
Motor vehicles at cost	2 700	-
Investment.....	500	-
Provision for depreciation as at 01.04.2013		
- Buildings	-	600
- Office equipment	-	700
- Motor vehicles	-	850
Sales	-	15 250
Interest expense	150	-
Rent.....	440	-
Sales return	250	-
Discount allowed and received	160	60
Selling expenses	1 350	-
Office expenses	3 750	-
Debtors and Creditors	4 200	1 415
Bad and doubtful debts	420	-
Carriage inwards	180	-
Goodwill.....	500	-
Loan account - Sandaruwan		300
Drawings		
- Roshan	250	-
- Chaturanga.....	300	-
- Sandaruwan	175	-
Bank overdraft	-	780
	32 755	32 755

Additional information ;

- (a) Sandaruwan retired from the partnership on 31.03.2014 and Roshan and Charuranga decided to continue the partnership by sharing profit and losses equally. It was decided that total amount belongs to Sandaruwan is transferred to his loan account.
- (b) According to the new partnership agreement, partners are not entitled any salary as profit distribution and interest on capital will be 12% per annum.
- (c) The goodwill of the partnership agreement as at 31.03.2014 was valued as Rs. 800 000 and it was decided not to keep the goodwill account in the books of the partnership.
- (d) It was decided to write off Rs. 200 000 as bad debts.
- (e) Accrued office expenses as at 31.03.2014 was Rs. 55 000 and Rs. 75 000 of the selling expenses are relevant to year ending 31.03.2015.
- (f) The inventories as at 31.03.2014 was valued at cost of Rs. 865 000 and the net realizable value was estimated as Rs. 985 000.
- (g) Cost of the land of the partnership business is Rs. 5 000 000 and property plant and equipment are depreciated based on straight line method as follows.
 - Building – 5% per annum
 - Office equipments – 20% per annum
 - Motor vehicles – 10% per annum
- (h) Investment shown in the trial balance represents fixed deposit made on 01.10.2013 for 3 years at interest rate of 9% per annum.

Required ;

- (1) Income statement for year ending 31.03.2014.
- (2) Profit and loss appropriation account for year ending 31.03.2014.
- (3) Partners' capital accounts and current accounts.
- (4) Statement of financial position (Balance sheet) as at 31.03.2014.

(32 marks)

- (ii) Sanath and Mahela were carrying a partnership by sharing profit and losses in the ratio of 2:1 respectively. On 31.03.2014 they decided to dissolve the partnership and the statement of financial position on that date is given below.

(Rs. '000)	
Non Current Assets	
Property, plant and equipment	7 500
Investments	1 250
Current Assets	
Inventories	750
Trade Debtors	810
Cash and bank	390
	10 700
Equity	
Capital accounts	
- Sanath	4 750
- Mahela	3 250
Current accounts	
- Sanath	245
- Mahela	325
Non-current Liabilities	
Loan account - Mahela	1 500
Current liabilities	
Trade creators	630
	10 700

Additional information ;

- (a) A motor vehicle with a carrying amount of Rs. 2 400 000 was taken over by Sanath for an agreed amount of Rs. 2 800 000. Trade debtors were collected subject to 5% discount. Rs. 500 000 inventories were written off and all other assets except cash and bank were sold for Rs. 8 200 000.
- (b) All the liabilities were settled in full. 10% discount was received from the creditors.
- (c) Dissolution expenses incurred was Rs. 800 000.

Required;

1. Realization Account
2. Partners' Capital Account
3. Cash and Bank Account

(08 marks)

(Total 40 marks)

2. The following transactions were occurred in the Beta PLC during the year ending 31.03.2014.

- (i) A motor vehicle was acquired under a finance lease agreement on 01.04.2013. The fair value of the motor vehicle on this date Rs. 4 500 000. The down payment of Rs. 1 000 000 was paid on date of agreement and balance was agreed to pay in five (05) equal annual instalment of Rs. 800 000 commencing from 31.03.2014. The lease interest included in the first and second annual lease rentals are Rs. 420 000 and Rs. 370 000 respectively. First annual instalment was paid on due date. Useful life of the motor vehicle is 5 years.
- (ii) The company makes sales with warranty period one year and total sales made subject to warranties was Rs. 8 000 000. It was estimated that provision for the warranty as at 31.03.2014 as 5% of the total sales. The balance of provision for warranty as at 31.03.2013 was Rs. 350 000 and company made payment of Rs. 280 000 during the year ending 31.03.2014 as warrant expenses.
- (iii) The company has sent goods invoiced at Rs. 2 000 000 to the agent on sale or return basis. Goods were invoiced by adding 25% profit markup to the cost. 60% of these goods were remained unsold with the agent as at 31.03.2014.
- (iv) A machinery purchased for Rs. 1 500 000 on 01.04.2011 was estimated a useful life of 8 years with a residual value of Rs. 300 000. However on 01.04.2013 the useful life and residual value of the asset were revised as 7 years from the date of purchase and Rs. 200 000 respectively.
- (v) Business has filed a case against a supplier asking a compensation of Rs. 1 000 000 for the supply of inferior material on 01.03.2014. The company lawyers are in the opinion that lawsuit is very much favourable to the business and it is highly probable to receive the compensation.

Required:

1. Income Statement extracts for year ending 31.03.2014 in relation to above transactions.
2. Statement of Financial Position (Balance Sheet) extracts for the year ending 31.03.2014 in relation to above transaction.
3. If the profit for year calculated without considering any of the above transaction is Rs. 2 100 000, a statement of calculating the accurate profit for the year.

(15 marks)

3. The statement of financial position of Kandy Sports Club as at 31.03.2014 is given below.

(Rs. '000)

	Cost	Accumulated Description	Carrying Amount
Non current Assets			
Sports and office equipment	950	180	770
Furniture	600	120	480
	1 550	300	1 250
Current Assets			
Inventories	-	150	-
Subscription in arrears	-	125	-
Trade Debtors	-	200	-
Cash and Bank	-	450	925
			2 175
Equity			
Accumulated Fund	-	-	1 150
Deferred Income	-	-	450
Current Liabilities			
Trade Creditors	-	420	-
Subscription received in advance	-	95	-
Accrued expenses	-	60	575
			2 175

The summary of receipts and payment made during the year ending 31.03.2014 is given below.

	(Rs. '000)		(Rs. '000)
Receipts		Payments	
Annual subscription	2 250	Purchases	950
Life subscription	400	Furniture	800
Donations	475	Rent	240
Cash sales	750	Payment for creditors	670
Collection from debtors	600	Electricity and telephone	440
Income from sport matches	550	Expenses on sport matches	410
Income from annual sport day	400	Salaries	650
		Sport organizing expenses	330
		Refreshments	200
		Sport equipments	450
		Other expenses	125

Additional information ;

- The sports club introduced a life membership system during the year ending 31.03.2013. It was decided to recognize the life membership fee over 10 years to income and expenditure account. The deferred income shown in the statement of financial position represent remaining life membership fee.
- The subscription arrears and received in advance as at 31.03.2014 were Rs. 230 000 and Rs. 180 000 respectively. Further, it was decided to write off Rs. 45 000 subscription in arrears at beginning of the year.
- Sales, purchases, inventories, debtors and creditors are relevant to restaurant maintains by the sports club for its members.
- Inventories as at 31.03.2014 was valued at cost of Rs. 230 000 and net realizable value of Rs. 195 000.
- Non-current assets are depreciated on cost as follows
Sports and office equipment - 10% per annum
Furniture - 20% per annum

(f) Non-current assets were purchased during the year on the following dates.

Sports and office equipment - 01.07.2013

Furniture - 01.10.2013

(g) Accrued expenses as at 31.03.2013 represent accrued rent. The rent of the building is Rs. 25 000 for a month.

(h) 40% of the rent of the building is relevant to the restaurant. Further salaries of the restaurant employees is Rs. 350 000.

(i) Debtors and creditors balances as at 31.03.2014 were Rs. 375 000 and Rs. 325 000 respectively.

Required:

1. Income Statement of the restaurant for the year ending 31.03.2014 in order to calculate the profit of the restaurant.
2. Income and expenditure account for the year ending 31.03.2014.
3. Statement of Financial Position (Balance Sheet) as at 31.03.2014.

(20 marks)

4. (i) Sigma Construction PLC is business undertakes construction contracts. The following information is relevant to a construction contract undertaken by the business on 01.09.2012.

	(Rs.'000)
The contract price agreed	2 500
Total estimated cost	1 800
As at 31.03.2013	
Total cost incurred up to date	850
Value of cost of work certified	1 000
Total progress payments received up to date	600
As at 31.03.2014	
Total cost incurred up to date	1 950
Value of cost of work certified	2 240
Total progress payments received up to date	1 750

Due to change in specifications total estimated cost and contract price was increased by Rs. 200 000 and Rs. 300 000 respectively during the year ending 31.03.2014.

Required:

1. Income statement extracts for year ending 31.03.2013 and 31.03.2014.
2. Statement of financial position extracts as at 31.03.2013 and 31.03.2014.

(08 marks)

- (ii) Isurusiri Company operates its head office at Colombo and the branch at Kandy. Following balance were extracted as at 31.03.2014.

	Head Office		Branch	
	Debit (Rs.)	Credit (Rs.)	Debit (Rs.)	Credit (Rs.)
Opening stock - at cost	100 000	-	-	-
- at invoice price	-	-	72 000	-
Provision for unrealized profit as at 01.04.2013	-	14 400	-	-
Purchases	1 960 000	-	-	-
Goods sent to branch	-	860 000	-	-
Goods received from head office	-	-	800 000	-
Sales	-	1 940 000	-	1 232 000
Other Income	-	128 000	-	72 000
Distribution cost	75 500	-	89 100	-
Administrative expenses	45 500	-	55 200	-
Finance expenses	62 000	-	32 000	-

Additional information

- (a) Head office invoices goods to branch at an invoice price by adding 25% profit mark-up to the cost.
 (b) Value of the closing stock as at 31.03.2014.

Head office - at cost	120 000
Branch - at invoice price	48 000

Required

Income statement for the year ended 31.03.2014 in the head office branch and Company in the columnar form.

(07 marks)

(Total 15 marks)

5. Following balance were extracted from the Mahanama Traders which manufactures and sells garments items as at 31.03.2014.

	Debit Rs. ('000)	Credit Rs. ('000)
Machinery - Cost/Accumulated Depreciation	1 200	300
Building - Cost/Accumulated Depreciation	800	200
Motor vehicle - Cost / Accumulated depreciation	750	150
Stock at 01/04/2013		
- Raw material	110	-
- Works in progress	72	-
- Finished goods	224	-
- Package material	45	-
Purchase of raw material	975	-
Purchase of Finished goods	165	-
Purchase of package material	210	-
Carriage inwards of material	44	-
Sales		3 315
Salaries and wages	450	-
Electricity	180	-
Rent	90	-

Additional information ;

(a) Stock as at 31.03.2014 is also available.

	Rs.
Raw material	166 000
Works in progress	88 000
Package material	33 000
Finished goods	210 000

(b) Works in progress in valued at the prime cost

(c) Composition of salaries and wages are as follows.

Factory - Direct	30%
Factory - Indirect	30%
Distribution	40%

(d) 30% of the electricity and 40% of the rent are relevant to factory.

(e) Packaging is done at sales section prior to sales.

(f) Property, plant and equipments are depreciated annually on the reducing balance method as follows.
Depreciation for the current year has not been calculated.

Buildings	12%
Motor vehicles	10%
Machinery	20%

(g) Carrying amount of factory building is Rs. 200 000.

Required ;

Manufacturing account for the year ended 31.03.2014.

(10 marks)

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Open/Limited Competitive Examination for Recruitment to Grade III
 of the Sri Lanka Accountants' Service - 2014

Three hours

(03) Cost and Management Accounting

Answer all questions.

1. Three joint products are produced by passing chemicals through two consecutive processes by Lanka Chemical products Ltd. Output from process 1 is transferred to process 2 from which the three joint products are produced and immediately sold. The data regarding the processes for April 2014 is given below.

	Process 1 Rs.	Process 2 Rs.
Direct material (2 500 kg at Rs. 4/= per Kg)	10 000	-
Direct Labour	6 250	6 900
Overheads	4 500	6 900
Normal loss	10% per unit	Nil
Scrap Value of loss	Rs. 2 per kg.	-
Output	2 300 kgs.	joint products A - 900 kgs. B - 800 kgs. C - 600 kgs.

There were no opening or closing stocks in either process and the selling prices of the output from process 2 were.

Joint product A Rs. 24 per kg.

Joint product B Rs. 18 per kg.

Joint product C Rs. 12 per kg.

you are required;

- Prepare an account for process 1 together with any Abnormal Loss or Gain Accounts.
- Calculate the Profit attributable to each of the joint products by apportioning the total costs from process 2.
 - According to weight of output
 - By the market value of production

(25 marks)

2. Multi Products Ltd, is in the process of planning to manufacturing and market a new product. The company is planning to commence production in July 2014 and relevant information are given below.

- (i) The standard production cost per unit of the product based on normal annual production level of 50 000 units is calculated as follows.

	Rs.
Direct materials	20
Direct wages	10
Variable overhead	20
Fixed overhead	5
Total Cost	55

Fixed overheads are assumed to be incurred throughout the year uniformly. Fixed overheads includes depreciation of machinery and factory building amounting to Rs. 70 000.

- (ii) The company has forecasted the sales for the last six months of year 2014 as follows:

Month	Number of units	Price (Rs.)
July	1 000	80
August	3 000	70
September	3 400	80
October	4 000	70
November	4 000	80
December & there after	3 500	80

60% of the sales is on credit and the balance is an cash basis. 50% of the debtors settled their debts during the month in which the sales are effected and the balance is settled the following month.

- (iii) Selling expenses are estimated at 5% of gross sales and they are settled in the month following that in which they are incurred.
- (iv) The company policy on the finished goods at the end of each month from July 2014 is that the closing stocks at the end of the months should represents 50% of the next month sales. No work in progress is held.
- (v) The company's rule with regard to raw materials stock is that at the end of each month a minimum of 50% of the following months production requirement of raw materials should be in stock. Payments for raw materials are to be made in the month following that in which purchases are made .
- (vi) Wages are paid during the month in which they are incurred.
- (vii) 25% of the variable overheads are paid during the same month, where as the balance is settled in the following month.
- (viii) Fixed overheads are paid in the same month in which they are incurred.

you are required:

- (a) Prepare a monthly cash budget for the last six months period ending 31 December 2014 using the above information.
- (b) Calculate the debtors balance and total creditors balance as at 31 December 2014.

(25 marks)

3. The Summary of Production budget of a factory with a single product for a one year period is as follows.

Production quantity	: 160 000 units
Production Costs	:
Direct materials	: 224 000 kg at Rs. 8.20 per kg
Direct labour	: 144 000 hours at Rs. 9.00 per hours
Variable overheads	: Rs. 633 000
Fixed overheads	: Rs. 2 016 000

Variable overheads are absorbed at a predetermined direct labour hour rate. Fixed overhead are absorbed at a predetermined rate per unit of output.

During the one year period the actual production was 143 000 units, which incurred the following costs :

Direct materials	: 203 450 kg costing Rs. 1 627 600
Direct labour	: 130 000 hours costing Rs. 1 183 000
Variable overheads	: Rs. 578 000
Fixed overheads	: Rs. 2 001 000

You are required to compute the followings;

- (i) Standard unit cost
- (ii) Material prices variance
- (iii) Material usage variance
- (iv) Direct Labour rate variance
- (v) Labour efficiency variance
- (vi) Variable overheads expenditure variance
- (vii) Variable overheads efficiency variance
- (viii) Fixed overheads expenditure variance
- (ix) Fixed overheads volume variance
- (x) Total cost variance

(26 marks)

4. You are given the following data relevant to the XY Company.

Year	Sales Rs.	Profit Rs.
2013	360 000	24 000
2014	420 000	29 000

You are required to compute the followings ;

- (i) P/V ratio
- (ii) Break - event point
- (iii) When sales are Rs. 540 000, Profit
- (iv) Profit sales required to earn a profit of Rs. 36 000
- (v) Margin of safety in year of 2014

(13 marks)

5. Plastic Manufacturing Company manufactures a special product "A". The following particulars were collected for the year 2013.

Monthly demand of "A"	:	2 000 units
Cost of placing an order	:	Rs. 100
Annual carrying cost per unit	:	Rs. 26
Normal usage	:	100 units per week
Minimum usage	:	40 units per week
Maximum usage	:	150 units per week
Re-order period	:	4 to 6 weeks

using above information, calculate following;

- (i) Re Order Quantity (ROQ)
- (ii) Re Order Level (ROL)
- (iii) Minimum Stock Level
- (iv) Maximum Stock Level
- (v) Average Stock Level

(11 marks)

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Open / Limited Competitive Examination for Recruitment to Grade III
 of the Sri Lanka Accountants' Service – 2014

(04) Public Financial Management

Answer **all** questions.

Three hours

1. (i) "Composition of Public Debt." Explain briefly. (10 marks)
 (ii) Financing of the total expenditure of the Budget estimates is shown by "Financing details".
 What are those financing details? Describe each of them briefly. (10 marks)
2. Describe in brief the role of the following in relation to public financial management.
 - (i) Minister of Finance
 - (ii) Auditor General
 - (iii) Committee on Public Accounts
 - (iv) National Planning Department (05×4=20 marks)
3. (i) "The Ministry of Finance and Planning has introduced an innovative approach to the process of budget preparation from the last few years". Describe this process in brief. (08 marks)
 (ii) Describe in brief the role of the departments in the Ministry of Finance and Planning in relation to implementation, supervision and monitoring of the Annual Budget Estimates after being passed in the Parliament. (12 marks)
4. (i) Describe the matters to be considered by an accounting officer in delegation of functions for financial control in terms of FR 135. (08 marks)
 (ii) Describe the provision made in the FR 625 regarding the accounting of foreign aid grants received in the form of materials and equipment. (06 marks)
 (iii) What are the books to be maintained in the Treasury in terms of FR 420. (06 marks)
5. (i) Describe in brief the matters included in the supplements incorporated into the Procurement Guidelines for the purpose of accelerating the development activities of the government. (12 marks)
 (ii) Describe in brief the following:
 - (a) Report of the Committee on Public Enterprises (04 marks)
 - (b) Annual Appropriation Account (04 marks)

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(05) Auditing and Investigations

Answer **all** questions.

Three hours

1. (i) Explain the terms “Internal Audit” and “ Internal Check” . (10 marks)
(ii) Enumerate **five** items of work carried out by the internal Auditor which can be used by the External Auditor (10 marks)
2. Explain following stated in the standards published under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
 - (i) Relationship between Materiality and Audit Risk. (06 marks)
 - (ii) Expected aims from Internal controls related to accounts. (08 marks)
 - (iii) Inherent limitations in internal controls. (06 marks)
3. (i) Enumerate provisions in the Constitution of the Democratic Socialist Republic of Sri Lanka with regard to the role of the Auditor General in auditing of state institutions. (10 marks)
(ii) What are the rights given to Auditor General in the Constitution to perform his role. (10 marks)
4. How do you vouch/ verify following items in the Financial Statements for audit at the year end.
 - (i) Provision for depreciation calculated for fixed Assets.
 - (ii) Employee Salaries.
 - (iii) Bank overdraft.
 - (iv) Provision for doubtful debts.
 - (v) Long term Investments.(20 marks)
5. Write short notes on.
 - (i) Analytical Procedures.
 - (ii) Financial Act No. 38 of 1971.
 - (iii) Internal Control questionnaire.
 - (iv) Performance Audit.
 - (v) Audit and Investigation.(20 marks)

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