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Limited / Open Competitive Examination for Recruitment to Class III
of the Sri Lanka Accountants' Service – 2016 (2018)

(01) Financial Accounting - Paper I

Answer all questions.

Three hours

1. The following table shows the balances of accounts in the books of Colombo PLC as at 31st March, 2017.

	Debit (Rs.)		Credit (Rs.)
Land - at Cost	250 000	Income from Investment	12 000
Building - at Cost	100 000	Provision for Bad debts as at 01.04.2016	2 000
Furniture - at Cost	30 000	Creditors	30 000
Debtors	50 000	Provision for depreciation as at	
Stocks at 31.03.2017	40 000	01.04.2016	
Cash at bank	15 000	- Buildings	5 000
Cash in hand	1 000	- Furniture	5 000
Cost of sales	300 000	Ordinary share capital	370 000
Salaries	15 000	10% Cum. Preference share capital	80 000
Miscellaneous Expenses	8 000	Reserves	20 000
Investment in shares	200 000	Bank overdraft	100 000
Interest Expenses	3 000	Sales	400 000
Bad debts	1 000	Retained earnings as at 01.04.2016	6 500
Repairs and maintenance	1 500		
Advance payment of income tax	16 000		
	1 030 500		1 030 500

Additional Information:

- The land was revalued at Rs. 350 000 on 01st January, 2017 by an expert valuer but it has not been recognized in the books although the directors have decided to adjust the revalued amount.
- Provision for bad debts is to be adjusted at 5% of debtors.
- Provision for taxation is to be made at 30% of profits.
- Market value of investments on 31st March, 2017 was Rs. 185 000.
- Directors of the company are entitled to a bonus of 5% on profits before tax.
- Depreciation is to be charged on: Buildings at 2%; and Furniture at 10% per annum on reducing balance method.
- Dividends on cumulative preference shares were in arrears for 5 years up to 31st March, 2016.
- Bills receivable for Rs. 6 500 maturing after 31st March, 2017 had been discounted.

Required :

The following financial statements (including notes) of Colombo PLC for publication as per LKAS 1 (Presentation of Financial Statements):

- Comprehensive Income Statement for the year ended on 31st March, 2017.
- Statement of Changes in Equity for the year ended 31st March, 2017.
- Statement of Financial Position as at 31st March, 2017.

(25 marks)

[See page two.

2. Income Statement and the Statement of Financial Position of Chilaw Traders are given below.

**Income Statement
for the year ended 31st March, 2017**

	Rs. '000	Rs. '000
Sales		300 000
less: Cost of sales		(258 000)
Gross profit		42 000
Operating expenses:		
- Selling and distribution	2 200	
- General administration	4 000	
- Rent for office	2 800	(9 000)
Gross operating profit		33 000
Depreciation		(10 000)
		23 000
Other Income:		
Interest on government securities		1 500
		24 500
Finance cost		
- Interest on bank overdraft	300	
- Interest on loan	4 200	(4 500)
Net income before tax		20 000
Income Tax 30%		(6 000)
Net income after tax		14 000

**Statement of Financial Position
as at 31st March, 2017**

	Rs. '000		Rs. '000
Creditors	6 000	Cash	5 000
Bills Payable	10 000	Investments (Government securities)	15 000
Accrued expenses	1 000	Debtors	20 000
Provision for taxation	13 000	Stock	30 000
Total current liabilities	30 000	Total current assets	70 000
Mortgaged Bank loan	70 000	Non-Current Assets	180 000
		Accumulated depreciation	(50 000)
Stated Capital	60 000		
Reserves	40 000		
	200 000		200 000

Additional Information:

Market price per share is Rs. 50

Required:

Calculate **two** ratios from each of following categories.

Profitability, Liquidity, Investment, Activity

(10 marks)

[See page three.]

3. Following transactions occurred during the month of December, 2017 at Kandy Traders.

- (i) One of the vehicles was sold at Rs. 2 million at the end of December and of which 80% was settled in cash and the balance 20% was received in a post dated cheque for one month.
That vehicle had been purchased in the beginning of January 2015 for Rs. 4 million. Depreciation was made at 20% per annum on cost.
- (ii) Total sales in December was Rs. 6 Mn. Out of which 70% was on credit and the balance was on cash. Average bad debts come around 5% on credit sales. Debtors' balances at the beginning and at the end of December were Rs. 3 Mn and 2.5 Mn respectively.
- (iii) Total purchases in December was Rs. 5 Mn. 50% of invoices were settled with 10% trade discount.
- (iv) Total operating expenses in December including Rs. 1 Mn of depreciation was Rs. 3 Mn. Out of that 80% was paid.
- (v) Income tax liability was estimated as Rs. 2 Mn. Out of that 70% has been paid in December.
- (vi) Bank arranged a finance leasing facility for Rs. 10 Mn in December to purchase a delivery van. Down payment of Rs. 500 000 was paid and the 1st instalment will be due on January 2018.
- (vii) Total value of the shares decided to issue in December was Rs. 20 Mn. It was oversubscribed by three times. No decision has been taken regarding this excess money.
- (viii) Value of the land acquired in December was Rs. 40 Mn. Settlement was made by issuing shares worth of Rs. 35 Mn and by paying the balance in cash.
- (ix) Loan account balance as at 01st December was Rs. 50 Mn. Interest on this loan is 15% per annum and it is charged to the current account of the business every month. In addition, bank charges of Rs. 25 000 was charged to the current account.
- (x) Dividends declared by the company was Rs. 5 Mn. Directors paid 60% of it in shares and the balance in cash in December.
- (xi) Cash and cash equivalent as at 01st December 2017 was an overdraft of Rs. 3 Mn.

Required:

Statement of Cash flow for the month ended 31st December, 2017.

(20 marks)

4. (a) Credit balance of the bank account of Galle Traders amounting to Rs. 50 000 (overdraft) was not agreed with the balance as per the Bank statement as at 31st December, 2017. Accounts Assistant confirms that two balances were not agree due to the following reasons.
- (i) Total value of the unrepresented cheques to the bank is Rs. 65 000.
 - (ii) Rs. 2 000 bank charges were not entered in the business cash book.
 - (iii) Direct credit from one of the customers to the bank account is Rs. 15 000.
 - (iv) Cheque issued to a customer for Rs. 20 000 was paid by the bank. It was recorded in the business cash book as Rs. 2 000.
 - (v) Value of cheques deposited but unrealized as at 31.12.2017 were Rs. 30 000.

Required:

- (1) Adjusted cash book balance as at 31st December 2017.
- (2) Bank reconciliation statement for the month of December, 2017.

(10 marks)

- (b) Transactions of Matara PLC with regard to investments in 18% Preference shares of Rs. 100 each for the year ended 31st December 2017 are as follows. Dividends are declared and paid at the end of March and September of each year.

- 15 January - Purchased 20 000, 18% Preference shares of Rs. 100 each for Rs. 3.5 Mn.
31 January - Sold 5 000 shares for Rs. 1 Mn cum dividends.
31 March - Received final dividends.
30 June - Purchased 10 000, 18% Preference shares of Rs. 100 for Rs. 1.5 Mn ex dividends.
30 September - Received interim dividends.
31 December - Market price per 18% Preference share of Rs. 100 was Rs. 220.

Ignore taxation, brokerage and other fees.

Required :

- (1) Prepare the 18%, Rs. 100 Preference share investment account for the year 2017.
- (2) Balance sheet extracts as at 31st December 2017 regarding this investment.

(15 marks)

(Total 25 marks)

5. (a) Jaffna Traders entered into a 5 year non-cancellable finance lease for machinery on 01st January 2015 for an annual lease rental of Rs. 420 000 payable at the end of each year.

Outright selling price of this machinery on 01st January 2015 was Rs. 1.5 million.

Required :

- (1) Calculate the total lease interest for the entire lease period.
- (2) Calculate the fractions to be used in allocating the lease interest to accounting years over the life of this lease, using the sum of the digits method.
- (3) Show Balance Sheet extracts of Jaffna Traders as at 31st December 2017, relating to the leasing arrangements. Depreciation on machinery is at 20% per annum on cost.

(05 marks)

- (b) Beta PLC's Head Office is in Colombo and it has a Branch in Trincomalee. The following trial balances have been extracted from the respective books of accounts of both the Head Office and the Branch as at 31st December, 2017.

	Head Office		Branch	
	Dr. (Rs.)	Cr. (Rs.)	Dr. (Rs.)	Cr. (Rs.)
Administrative expenses	135 000	-	9 000	-
Branch current account	46 000	-	-	-
Stated Capital	-	300 000	-	-
Cash at bank	19 000	-	2 000	-
Creditors	-	22 500	-	5 000
Debtors	15 000	-	20 000	-
Distribution expenses	30 000	-	12 000	-
Goods sent to branch	-	166 000	-	-
Head office current account	-	-	-	24 000
Plant and Machinery (net value)	383 000	-	38 000	-
Profit and loss account as at 01.01.2017	-	28 000	-	-
Provision for unrealized profits as at 01.01.2017	-	1 500	-	-
Purchases	225 000	-	154 000	-
Sales	-	350 000	-	215 000
Stock at cost or cost to branch as at 01.01.2017	15 000	-	9 000	-
	868 000	868 000	244 000	244 000

Additional information:

- (i) Stock as at 31st December 2017 was valued as follows:

	Rs.
- Head office at cost	20 000
- Branch stock - cost to branch	24 000
- Goods in transit - cost to branch	12 000

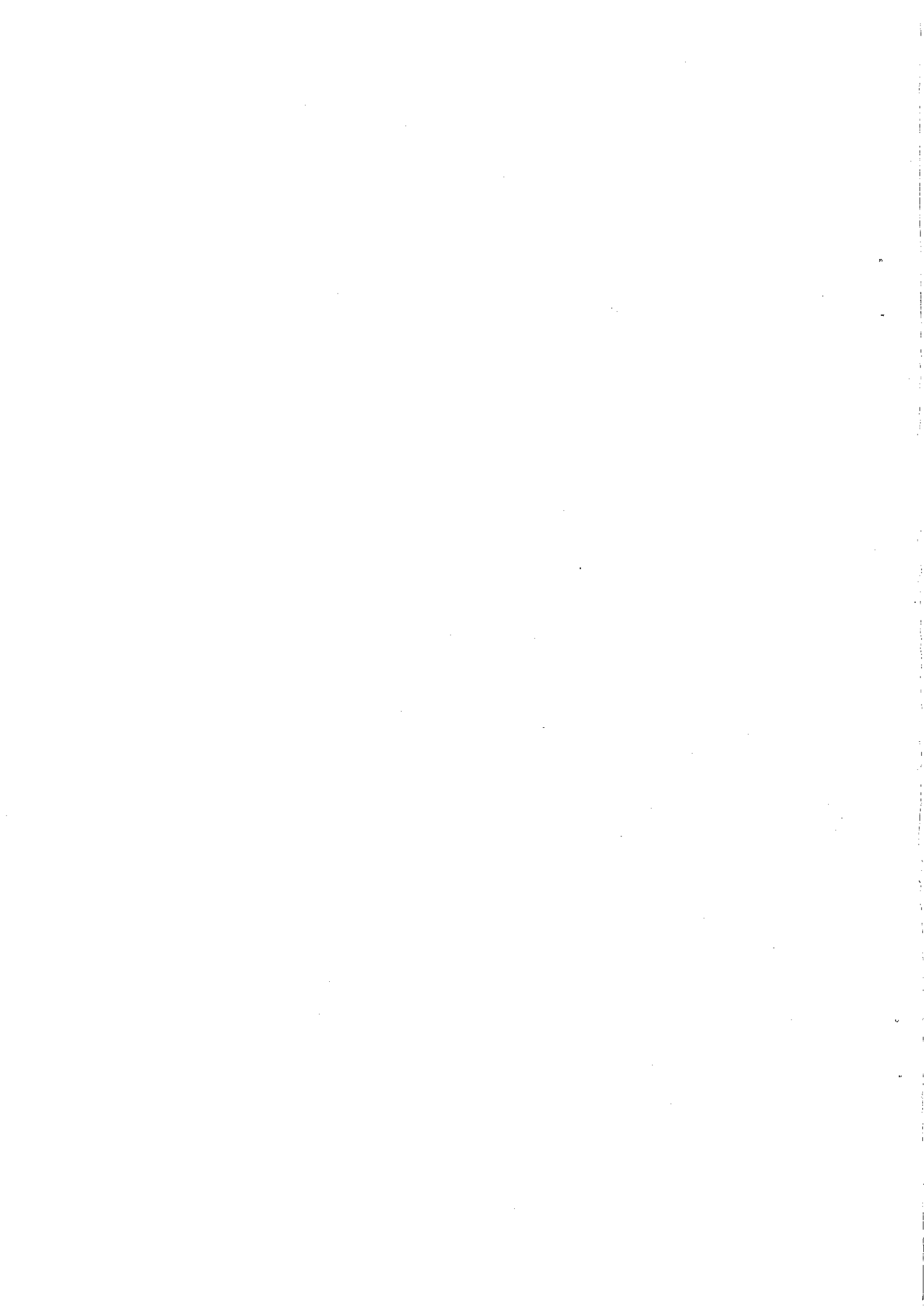
- (ii) Goods purchased by the head office are transferred to the branch at cost plus 20%.
 (iii) Branch had transferred Rs. 10 000 to the head office on 31st December 2017 but no record had been made in the Head Office's books of account.

Required :

Trading and profit and loss account of the Head Office, Branch and the combined Company for the year ended on 31st December 2017.

(15 marks)
(Total 20 marks)

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(02) Financial Accounting – Paper II

Three hours

Answer all the questions.

1. Anura, Binura and Chathura are partners of a business. Summarized account balances of the business as at 31st March 2017, prior to appropriation of profits are given below.

	Debit Rs. ('000)	Credit Rs. ('000)
Non Current Assets	1 750	–
Current Assets	550	–
Partners' Capital Accounts as at 01.04.2016		
- Anura	–	600
- Binura	–	400
- Chathura	–	400
Partners' Current Accounts		
- Anura	40	–
- Binura	–	180
- Chathura	–	100
Profit for the year	–	570
Current Liabilities	–	90
	2340	2340

Additional information ;

- (i) Anura, Binura and Chathura were sharing profits and losses equally until Chathura departed from the business on 31st December 2016.
- (ii) Anura and Binura agreed to continue the business by sharing profits and losses in the ratio of 2 : 1 respectively from 01st January 2017.
- (iii) Some of the selected information of partnership agreements are given in the table below.

	Up to 31st December, 2016	From 01st January, 2017
Partners' Monthly Salaries (Rs.)	Anura : 40 000 Binura : 30 000 Chathura : 20 000	Anura : 50 000 Binura : 50 000
Interest on Capital	10% per annum based on the beginning capital balance	Not entitled.
Telephone Allowance per month (Rs.)	Not entitled	5 000 for each partner

- (iv) Interest on capital balance had not been paid.
- (v) Salaries for partners are paid in arrears of one month. However, all the partners including Chathura had been paid their salaries as per the old agreement up to the month of February 2017 by mistake.
- (vi) Goodwill of the partnership was estimated as Rs. 600 000 at the time when Chathura departed from the partnership. It was agreed to adjust the goodwill in the capital accounts instead of recognizing it as an asset.
- (vii) Goods with a cost and the selling price of Rs. 20 000 and Rs. 30 000 respectively had been taken away by Chathura from the business. The agreement is to treat these types of sales as normal sales. However, no entries had been made in this regard.
- (viii) The business is carried out in a building belonging to Anura and it had been agreed to pay a monthly rent of Rs. 40 000 for the use of building. One year rent is paid in advance on 1st January of every year and the latest entire payment has been recognized as expense.
- (ix) Rs. 200 000 had been paid to Chathura in cash on the day he departed from the business and the balance amount due to him was agreed to be settled in six months without any interest. The amount paid to Chathura had been mistakenly recognized as an expense.
- (x) Binura is paid a special allowance of Rs. 100 000 per annum for his expertise in manufacturing of goods. During the year, Rs. 70 000 had been paid to him and this amount was debited to his current account. No any other entries have been made related to this matter.
- (xi) Depreciation recognized for the year amounted to Rs. 110 000 and it was an understatement by Rs. 90 000.
- (xii) Partners' Telephone allowance was not paid and had not been recognized.
- (xiii) Net realizable value of inventory as at 31.03.2017 was Rs. 60 000. However, the inventory included in current assets had been recognized at cost which was Rs. 70 000.
- (xiv) Other cash withdrawals by partners during the year and presented under current assets were as follows.

Anura	Rs. 30 000
Binura	Rs. 25 000
Chathura	Rs. 20 000
- (xv) Anura had settled, the opening debit balance of Rs. 40 000 appeared in his current account in cash as per the partnership agreement. However, this amount had been credited to debtors control account.
- (xvi) Total current assets as at 01.04.2016 including a cash balance of Rs. 45 000 was Rs. 480 000. The cash balance as at 31.03.2017 was Rs. 70 000.
- (xvii) Total current liabilities as at 01.04.2016 was Rs. 125 000.
- (xviii) Assume that profits have been accrued evenly throughout the year.

Required ;

- (1) A statement showing how the profit for the year was corrected
- (2) Appropriation accounts for the period of nine months ended 31.12.2016 and three months ended 31.03.2017 separately
- (3) Statement of Financial Position as at 31.03.2017
- (4) Partners' Current Accounts
- (5) Partners' Capital Accounts
- (6) Net cash flow from operating activities during the year ended 31.03.2017

(40 marks)

2. Trial balance of 'Best' Manufacturers as at 31.03.2017 is given below.

Account Head	Dr. Rs. ('000)	Cr. Rs. ('000)
Land	5 000	-
Buildings	4 000	-
Motor Vehicles	2 000	-
Machinery	7 000	-
Accumulated Depreciation - Buildings	-	200
- Motor Vehicles ...	-	800
- Machinery	-	2 500
Accounts Receivable	900	-
Inventory - Raw Materials	370	-
- Finished Goods	620	-
- Work in Progress	200	-
Salaries - Indirect (Factory)	5 450	-
Salaries - Direct (Factory)	12 300	-
Salaries - Office	2 080	-
Building Maintenance	200	-
Rates	30	-
Motor Vehicle Insurance	40	-
Machine Repairs	120	-
Overtime Pay (factory workers)	4 000	-
Purchases of Raw Materials	25 000	-
Salary Advances	40	-
EPF Payments	4 800	-
ETF Payments	590	-
Salary Advances Recovered	-	340
Salary Advances Given	350	-
EPF Payable	-	325
ETF Payable	-	53
Motor vehicle running expense	950	-
Fuel and energy for the factory	800	-
Electricity	600	-
Communication Expenses	280	-
Royalty Paid	2 500	-
Accounts Payable	-	482
Packing Materials	80	-
Stated Capital	-	25 000
Retained Earnings	-	22 000
Sales	-	30 000
Cash Balance	1 400	-
	81 700	81 700

Additional information ;

(i) Cost of Inventory as at 31st March 2017 : (Work in progress is measured at Prime Cost)

Finished Goods – Rs. 410 000

Work in Progress – Rs. 540 000

Raw Materials – Rs. 130 000

(ii) Around 20% of the building is used for office.

(iii) All the salaries are paid before the end of each month. EPF and ETF contributions are paid before the 15th of the following month. A summary of the pay sheet for the month of March 2017 is given below. Only the net pay has been recognized as salary expense for the month of March 2017.

	Factory Rs. ('000)	Office Rs. ('000)
Gross Salary	1 500	200
Deductions		
- EPF	150	20
- Salary Advances	25	-
Net Pay	1 325	180
Employer's Contribution		
- EPF	225	30
- ETF	45	6

(iv) Salary advance account shows the balance as at 01.04.2016

(v) EPF payable and ETF payable accounts show the balances as at 01.04.2016

(vi) Royalty of 10% on total sales value for manufacturing technology is required to be paid

(vii) 50% of expenses relating motor vehicles should be recognized as manufacturing cost

(viii) Entire communication expense is regarded as administrative expense whereas 75% of electricity is used for the factory

(ix) Depreciation for the year should be recognized as follows:

Buildings Rs. 100 000

Machineries Rs. 400 000

Motor Vehicles Rs. 300 000

Required:

(1) Manufacturing account for the year ended 31st March 2017

(2) Journal entries to record the following adjustments

EPF and ETF

Salary Advances

Royalty Expense

Depreciation

(3) Salary Advance Account for the year ending 31st March 2017

(20 marks)

3. A welfare society has been formed by a group of government accountants. This Society has 800 members and monthly subscription is Rs. 100 per member. A canteen is also run by the society. Assets and Liabilities of society as per the books as at 31st March are given below.

	31.03.2017 Rs.	31.03.2016 Rs.
Furniture	65 000	65 000
Television	40 000	40 000
Bank Balance – Society	61 500	126 500
Fixed Deposits in Banks	2 500 000	2 000 000
Savings Account Balance	24 000	10 000
Bank Balance – Canteen	607 000	(76 000)
Subscription Receivable	3 000	8 000
Inventory of Food Items	2 100 000	1 750 000
Payable to Service Suppliers	12 000	9 000
Subscription Received in Advance	6 000	-

Additional information ;

- (i) Fixed deposit is maintained on annual renewable basis at the current interest rate. The deposit matured on 01.01.2016 and then it was renewed with an amount of Rs. 2 million at an interest of 12% per annum. Another Rs. 500 000 was deposited on 01.01.2017 and the interest rate then offered was 13% per annum. Bank accrues interest on annual basis but the society has not recognized the interest income from 01.01.2016.
- (ii) Passbook for the savings account shows a balance of Rs. 28 500 as at 31.03.2017 and the society has accounted all the deposits and withdrawals made correctly.
- (iii) All payments and receipts in relation to canteen operations are made through the bank account maintained for the canteen. A summary of this account is given below.

	Rs.
Balance as at 01.04.2016	(76 000)
Sales	14 000 000
Cash received from the Society	85 000
Payments to Supplies of Goods	(8 000 000)
Salaries	(1 351 300)
Building Rent	(240 000)
Rent for Equipment and Utensils	(600 000)
Electricity	(135 000)
Water	(12 700)
Telephone Charges	(63 000)
Transfers to the Society	(3 000 000)
Balance as at 31.03.2017	607 000

- (iv) As per the Bank Statements of the Canteen account, it was revealed that bank charges and interest amounted to Rs. 4 050.

(v) A summary of Bank Account for the Welfare Society is given below.

	Rs.
Balance as at 01.04.2016	125 500
Cash received from Canteen	3 000 000
Subscription Received	971 000
Deposits in the savings account	(14 000)
Administrative expense	(115 000)
Fixed Deposit	(500 000)
Welfare expenses	(3 316 500)
Newspapers bills	(5 500)
Cash Transfers to the Canteen	(85 000)
Balance as at 31.03.2017	<u>61 500</u>

(vi) Furniture and television are stated at cost. No depreciation had been provided from the beginning. It was estimated that the fair values of furniture and television as 70% and 30% of each cost respectively. Society decided to recognize them at their fair values.

Required:

- (1) A statement to show the profit or loss from the canteen for the year ended 31st March 2017.
- (2) Income statement of the society for the year ended 31st March 2017.
- (3) A statement to show how the accumulated fund of the society changed from 31.03.2016 to 31.03.2017. (20 marks)

4. (a) Following information relate a construction contract awarded to Entrust Construction Limited.

	Rs.('000)
Contract Price Awarded	5 000 000
Estimated Total Cost	3 600 000

Other information related to this contract is as follows:

	31.03.2016	31.03.2017
	Rs.('000)	Rs.('000)
Cost incurred up to date	1 300 000	2 650 000
Value of work certified	1 750 000	3 450 000
Progress payment received	800 000	2 000 000
Retention on revenue	10%	10%

Both parties to the contracts agreed to change the contract price as Rs. 5.4 billion as at 31.12.2016. Revised cost estimates reveals that further cost of Rs. 2 billion will have to be incurred to complete the construction.

Required:

- (1) Construction Contract Account, Contract Receivable Account and Retention Money Account for the years ended 31.03.2016 and 31.03.2017.
- (2) Extracts of the statements of financial position as at 31.03.2016 and 31.03.2017.

(10 marks)

5. Given below are the details of transactions between head office and a branch during the year ended 31st March 2017.

	Cost Rs. ('000)	Selling Price Rs. ('000)
Inventory at the Branch as at 01.04.2016	10 000	15 000
Goods sent to the Branch by the Head office	120 000	180 000
Goods returned by the Branch	5 000	7 500
Sales made by the Branch	—	135 000
Goods returned by the customers to the Branch	2 000	3 000
Goods returned by the customers to the Head office	4 000	6 000
Stock at the Branch as at 31.03.2017	20 000	30 000

Required:

(Assume that centralized accounting system is used.)

- (1) Branch Stock Account for year ended 31.03.2017
- (2) Profit earned by the Branch during the year ended 31.03.2017

(10 marks)

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(03) Cost and Management Accounting

Three hours

Answer all questions.

1. A Government Department uses a job costing system to identify costs with individual services. Hours worked by staff are used as the basis for charging overhead costs to each client services.

The management has decided to refine its overhead charging system by differentiating between the hours of senior and junior staff. A premium of 50% is to be applied to the hourly overhead rate for senior staff compared with junior staff.

Information for the month ended 31st December, 2017 is as follows:

	Budgeted	Actual
Total Senior staff hours	15 000	20 000
Total Junior staff hours	40 000	45 000
Overheads per month Rs. million	8.75	11.25

Required:

- (1) Calculate for the month ended on 31st December, 2017 the overhead absorption rates to be applied to:
 - (i) Senior staff hour
 - (ii) Junior staff hour

(05 marks)
- (2) Explain briefly, why overhead absorbed using predetermined rates may differ from actual overhead incurred for the same period.

(04 marks)
- (3) Most of the commercial organizations wish to apply Activity Based Costing (ABC) method to address the drawback of the traditional overhead allocation method. State **three** advantages of applying ABC method for the government organizations.

(06 marks)

(Total 15 marks)

2. The Green Vegetable Gardener (GVG) runs a vegetable cultivation in up-country. Manager has given the following data relating to the current season.

	Potatoes	Cabbages	Leeks	Carrots
Area occupied (acres)	25	20	30	25
Harvest per acre (Metric tons)	10	15	08	12
Selling price per Metric ton Rs. '000	80	60	75	100
Variable cost per acre Rs. '000:				
Fertilizers	100	75	40	75
Seeds	25	25	30	35
Pesticides	75	25	30	55
Direct wages	160	220	300	375

Total Fixed cost per season is Rs. 1 500 000. In order to provide an adequate market service, the GVG must produce each season at least 60 metric tons of each vegetable mentioned above.

Required:

- (1) The optimum production plan and profit or loss according to this production plan (16 marks)
- (2) Two limitations of Break-Event Analysis (04 marks)

(Total 20 marks)

[See page two.

3. Chilaw Property Developers (CPD) values, advertises and sells residential property on behalf of its customers. The company has been in business for only a short time and is preparing a cash budget for the first four months of 2018.

Expected sales of residential properties are as follows.

Month	December 2017	2018			
		January	February	March	April
Number of sales units	10 (Actual)	15	20	25	30

The average price of each property is Rs. 5 million and CPD charges a fee of 5% of the value of each property sold. CPD receives 2% in the month of sale and the remaining 3% in the next month after sale. The company employed 10 staff members who are paid on a monthly basis. The average salary per employee is Rs. 100 000 per month. If more than 25 properties are sold in a given month, each employee is paid in that month a bonus of 50% for each additional property sold.

Variable expenses are incurred at the rate of 1% of the value of each property sold and these expenses are paid in the month of sale. Total Fixed overheads of Rs. 500 000 per month including Rs. 100 000 monthly depreciation are paid in the month in which they arise. Last year CPD obtained a loan of 10 million at an interest rate of 15% per annum with 3 years grace period. But the Loan interest is to be paid each month.

Company income tax rate is 30% and VAT 15% respectively. An outstanding income tax liability of Rs. 2.5 million in 2017 is due to be paid in January, 2018. In the same month CPD intends to dispose a vehicle with a net book value of 2 million, for Rs. 2.3 million. The Bank balance and cash balance at the end of December 2017 were overdraft of Rs. 200 000 and Rs. 50 000 respectively.

Required:

- (1) Cash Budget for the period from January to April, 2018 in monthly basis. (10 marks)
 - (2) Budgeted Income Statement for the 04 month ended 30th April 2018. (07 marks)
 - (3) State **three** factors to be considered by CPD when planning ways to invest any cash surplus by its cash budgets. (03 marks)
- (Total 20 marks)*

4. Following information for last month relates to process for the Lanka Manufactures, where all the material is added at the beginning of the process and the FIFO method of valuation is used.

Opening work in progress : 3 000 litres (40% is completed in respect of conversion costs) valued in total at Rs. 380 000 (Rs. 300 000 for direct materials; Rs. 80 000 for conversion cost).

Cost incurred : Direct materials Rs. 1 600 000 for 20 000 litres of input; Rs. 2 000 000 for conversion cost.

Normal loss : 10% of the input all losses, which are incurred evenly through the process, can be sold for Rs. 150 per litre.

Actual output : 16 000 litres were transferred from this process as finished goods to warehouse.

Closing work in progress : 5 000 litres. (30% is completed in respect of conversion cost).

Required:

Prepare the process account for last month in Rupee value and litres. (10 marks)

5. (a) Galle Traders purchased 5 000 kg of raw materials in December 2017. Stock level at the beginning and at the end of December were 1 000 kg and 800 kg respectively. Standard material requirement is 5 kg per production unit.

Total Direct labour cost paid for the month is Rs. 600 000 for 6 000 direct labour hours. Standard time required per unit is 5.5 hours and standard rate per labour hour is Rs. 110. Actual production in December was 1 000 units.

Required:

- (1) Raw material price variance
- (2) Raw material usage variance
- (3) Labour rate variance
- (4) Labour efficiency variance

(08 marks)

- (b) The following information is obtained from the record of Jaffna Traders.

	Budgeted	Actual
Unit selling price (Rs.)	30	28
Sales (units)	9 000	12 000
Variable cost per unit (Rs.)	20	23
Total fixed overhead cost (Rs.)	75 000	80 000

Required:

- (1) Sales price variance
- (2) Sales volume variance
- (3) Fixed overhead cost volume variance

(07 marks)

(Total 15 marks)

6. (a) State **three** advantages and **two** disadvantages of creating budget centres in order to secure employee motivation towards the achievement of goals of an organization. (10 marks)
- (b) Explain with examples how a Zero Base Budgeting could reach the public sector organizational goal. (05 marks)
- (c) State **three** problems which have made it difficult in practice to introduce Performance Based Budgeting system in public sector organizations. (05 marks)

(Total 20 marks)

* * *

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Limited / Open Competitive Examination for Recruitment to Class III
of the Sri Lanka Accountants' Service – 2016 (2018)

(04) Auditing and Investigations

Answer **all** questions.

1. It is important for the auditor to understand the entity and its environment before developing the audit plan.
 - (i) List **four** main areas of the entity on which the auditor should obtain sufficient understanding. (06 marks)
 - (ii) List **five** matters to be considered by an auditor when preparing an overall audit strategy. (05 marks)
 - (iii) Briefly explain the auditor's responsibility in planning an audit, in relation to fraud and error. (03 marks)
 - (iv) Explain the **three** components of Audit Risk. (06 marks)

2. Audit evidence is the sufficient and appropriate information used by the auditor in arriving at conclusions on which the auditor's opinion is based.
 - (i) State **four** factors you should consider in determining reliability of evidence gathered in an audit. (04 marks)
 - (ii) Briefly explain the audit procedures that an auditor could perform to obtain audit evidence. (06 marks)
 - (iii) Enumerate the Provisions in the Constitution of the Democratic Socialist Republic of Sri Lanka with regard to obtaining audit evidence of the Auditor General in auditing of state institutions. (06 marks)
 - (iv) List **four** areas that an external auditor is required to evaluate in order to determine whether the work of the internal auditor is likely to be adequate for the purpose of the audit. (04 marks)

3.
 - (i) State the **five** fundamental principles a Chartered Accountant is required to comply with as per the Code of Ethics for Professional Accountants of Sri Lanka. (05 marks)
 - (ii) On recurring audits the auditor may decide not to send a new engagement letter each period. However, there are circumstances which require a new or additional engagement letter.
List **four** circumstances that require a new or additional engagement letter. (06 marks)
 - (iii) Briefly explain the **three** types of modified audit opinions. (06 marks)
 - (iv) Briefly explain the audit risk and the business risk. (03 marks)

4. List audit procedures to be performed on the following items included in the financial statements.
 - (i) Leases
 - (ii) Deferred taxation
 - (iii) Inventories
 - (iv) Investments

(05×4=20 marks)

[See page two.

5. Write short notes on;

- (i) Borrowing cost
- (ii) Related party
- (iii) Substantive Tests
- (iv) Contingent Liability
- (v) Fair value

(04×5=20 marks)

* * *

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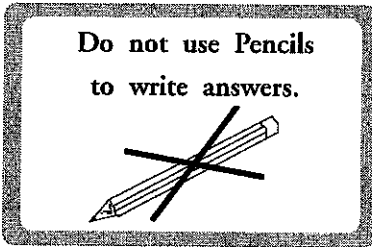
Limited / Open Competitive Examination for Recruitment to Class III
of the Sri Lanka Accountants' Service - 2016 (2018)

(05) General Intelligence and Comprehension

Three hours

Instructions to candidates

Very Important



* Answer scripts where the numbers are not written as indicated below will not be marked/evaluated.

1 2 3 4

Write your Index Number here and on pages three and five.

.....

Checked as correct

.....

Invigilator's Initials

Important :

- * This paper consists of 02 questions in Part A and 50 questions in Part B on 12 pages.
- * Answer all questions on this paper itself.
- * The time allocated is three hours.
- * Commence answering only after the Centre Supervisor's announcement.
- * Calculators are not allowed.
- * Instructions given should be strictly followed in answering this paper and marks will not be awarded for answers not in accordance with these instructions.
- * Even if you are not attempting the paper hand it over to the Supervisor.
- * Write the answers clearly and legibly in blue or black ink only and not in pencil.
- * It is an offence to remove this paper from the examination hall or turn out photocopies of the same.
- * Answer scripts with illegible figures, illegible handwriting, those where erasing fluid has been used and written in pencil will not be marked / evaluated.

For Examiner's use only

Part	Page	Question No.	Marks Awarded
A	2	1(i)	
	3	1(ii)	
	4	2	
B	5	1-10	
	6	11-15	
	7	16-23	
	8	24-30	
	9	31-35	
	10	36-40	
	11	41-45	
	12	46-50	
Total			

Final Score

In figures	
In words	
Marking Examiner	
Checked by	

Part A – Comprehension

- Answer all questions on this paper itself.

1. (i) Read the following text and provide **brief answers** for the questions given below.

The high levels of inflation observed during some months in 2016 as well as in the first quarter of 2017 were mainly due to the adverse impact of weather related disruptions, tax adjustments and rising international commodity prices, but the increasing demand pressures of the economy were evident in core inflation remaining at elevated levels. Movements in external sector balances reflected the continued domestic demand for imports from certain sectors of the economy, weak external demand for the limited basket of domestic products, persistent failure of the country to attract increased direct investment flows as well as the impact of rising global interest rates particularly on the government securities market. These developments resulted in the balance of payments (BoP) recording a deficit for the second consecutive year in spite of improvements in earnings from tourism and other service exports as well as workers' remittances. The Central Bank's heavy intervention in the foreign exchange market continued in the first four months of the year resulting in a broadly stable exchange rate during this period. However, the exchange rate was increasingly allowed to reflect market conditions thereafter by limiting Central Bank intervention to dampen the pressure on the exchange rate arising from outflows of foreign investments from the government securities market.

- (a) What is the outcome of limiting the Central Bank intervention?

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- (b) What is the factor that influenced a high level of inflation during the year 2016-2017?

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- (c) How did the stable exchange rate continue during the first four months of the year 2016?

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- (d) What factors are reflected in the movements of external sector balances?

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.....
.....

- (e) Under what circumstances did the balance of payments (BoP) record a deficit for the second consecutive year?

.....
.....
.....

(15 marks)

[See page three.

(ii) Read the following text and provide **brief answers** for the questions given below.

The importance of private sector participation in provisioning of social infrastructure has been rapidly increasing during the last few years with the rising purchasing power of the middle income group in the society. With increased purchasing power, consumers tend to demand efficient and high quality health and education services. Social goods, such as primary and secondary education and health, have higher social returns than private returns and hence, private investments are likely to fall short of what is required by the economy. As a result, state intervention has become prominent in the provision of such social infrastructure. While ensuring that low income groups have sufficient access to these facilities, the government also needs to enhance the provision of these services by facilitating the private sector to meet the increased demand by high and middle income groups. Therefore it is imperative for the government to develop the institutional frameworks, such as quality assurance guidelines, regulatory and monitoring mechanisms and legal frameworks that are applicable across both private and state sector institutions while providing other complementary resources, such as institutional support for the private sector to take-on social infrastructure projects. This is necessary in order to ensure that private institutions balance their profit making objectives and social responsibilities, thereby contributing to the economy at large.

(a) Why is it necessary for the government to develop institutional framework for both private and public sector institutions?

.....

.....

.....

(b) Under what circumstance has the importance of private sector participation in providing social infrastructure been rapidly increased during the last few years?

.....

.....

.....

(c) What are the benefits that have been expected by the private sector through state intervention for providing social infrastructure facilities?

.....

.....

.....

(d) What is the reason for private sector investments are likely to fall short of what is required by the economy?

.....

.....

.....

(e) What are the services that the consumers tend to demand with the increased purchasing power?

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.....

.....

(15 marks)



Part B - General Intelligence

- In questions from No. 1 to 5, each question carries four choices containing different words/pairs of words. Out of them, words/pairs of words belonging to three choices can be grouped into a certain category **in relation to the financial management field**. Write the **number** of the remaining choice **on the dotted line** provided against each question.

1. (1) objective (2) goal (3) plan (4) target (.....)
2. (1) receipt (2) bill (3) voucher (4) invoice (.....)
3. (1) wealth (2) property (3) value (4) asset (.....)
4. (1) money notes (2) cash cheques (3) gift vouchers (4) credit cards (.....)
5. (1) grant (2) fund (3) prize (4) award (.....)

- Questions from No. 6 to 10 are based on the following information.

According to the results obtained at the ranking of local financial institutions, Dhanapala prepared a document containing information of four institutions *A, B, C, D* that he needed. All these four institutions were of the District in which he lived. Dhanapala recorded under each institution other than the Island rank, the ranks of the Province and the District in which he lived. Shown below is an extract of information taken from a copy of his document. In it, the marks *, ●, @, ❖ and # represent the numbers that were not clear in the copy. Ranks have been numbered in such a way that the best institution gets number 1. There were no institutions that got equal places in ranking.

Institution	Island Rank	Provincial Rank	District Rank
A	*	4	❖
B	15	3	2
C	1	@	#
D	●	20	7

Accordingly, write the **number** of the choice that contains the correct answer for each of the following questions, **on the dotted line** provided against each question.

6. What are the ranks depicted by @ and # respectively?
(1) 1, 1 (2) 1, 2 (3) 1, 3 (4) 2, 3 (.....)
7. How many institutions have been ranked higher than the institution *B* and located in the Province in which Dhanapala resides yet which are not located within the District in which he resides?
(1) 0 (2) 1 (3) 3 (4) 12 (.....)
8. What is the District rank depicted by ❖?
(1) 1 (2) 3 (3) 4 (4) 5 (.....)
9. If the number of institutions ranked in the Island as better than *A* is five times the number of institutions ranked as better than *A* in the Province in which Dhanapala lives, what is the rank depicted by * ?
(1) 12 (2) 13 (3) 16 (4) 20 (.....)
10. Which of these numbers **cannot** be the rank depicted by ● ?
(1) 30 (2) 32 (3) 50 (4) 52 (.....)

- Questions from No. 11 to 15 are based on the following information.

The table below shows the agenda of seven activities originally proposed for a meeting on Financial Progress Review.

Time Interval	Work Scheduled
9.00 a.m. - 9.05 a.m.	A
9.05 a.m. - 9.15 a.m.	B
9.15 a.m. - 9.30 a.m.	C
9.30 a.m. - 9.50 a.m.	D
9.50 a.m. - 10.00 a.m.	E
10.00 a.m. - 10.25 a.m.	F
10.25 a.m. - 10.30 a.m.	G

The sequence of the activities of the proposed agenda was amended due to the observations of the officer in charge, in order to conduct the meeting more effectively. In the amendment, the time intervals were unchanged and remained as mentioned in the table and the following conditions were considered.

- * The time allocated for some activities may differ from the original proposal.
- * B is the closest activity after G but that has to be completed during a lesser period than G.
- * Between A and C, four of the given activities should be completed.
- * C takes a long time than G.
- * As soon as D is completed, activity F should begin.

Accordingly, write the **correct answer** to each of the questions below, **on the dotted line** given against the question.

- Which activity has **not changed** its position in the sequence? (.....)
- Which is the activity that has changed its position, but time allocation has not changed? (.....)
- Find **two** activities that should have been due earlier than they were in the proposed agenda, but both activities should be near to each other in both proposed agenda and the amended agenda. Write them in the **proper order**. (.....)
- Which is the activity that had to have **maximum number of minutes** in the amended agenda than that had in the proposed agenda? (.....)
- Which is the activity for which the **maximum time period** had to be allocated before 10.00 a.m. in the amended agenda? (.....)

- Questions from No. 16 to 20 are based on the following information.

An employee spent the money he received, from Monday to Friday only on transport, stationery and food. Information as regards them are recorded erroneously in the table below. There are **only four values that are erroneous** and these places could be identified based on the facts shown after the table.

Day	Monday Received Rs.	Transport Cost Rs.	Stationery Cost Rs.	Cost of Food Rs.	Total Expenditure Rs.	Balance from the Received Rs.
Monday	1000	250	200	350	800	300
Tuesday	1200	350	250	400	1000	200
Wednesday	1000	250	150	400	800	300
Thursday	1500	400	200	450	1050	450
Friday	1300	350	250	350	850	450
Total	6100	1600	950	1950	4500	1700



In the table,

Only one value related to Wednesday is incorrect.

Only one Rs. 1000 mentioned in the column 'Money Received' has to be corrected.

On Monday 'Total Expenditure' and the 'Balance' are correct.

Only one value in the column 'Stationery Cost' and only one value in the row 'Total' are incorrect. Accordingly, write the **number** of the choice that contains the correct answer for each of the following questions, **on the dotted line** given against the question.

16. In which column is an **incorrect** value mentioned in relation to Wednesday?
(1) Money Received (2) Transport Cost
(3) Total Expenditure (4) Balance from the Money Received (.....)
17. What is the error in the column 'Money received'?
(1) Total recorded as Rs. 6100.
(2) Money received on Monday not recorded as Rs. 900.
(3) Money received on Monday not recorded as Rs. 1100.
(4) Money received on Wednesday not recorded as Rs. 1100. (.....)
18. How can the error in the column 'Stationery Cost' be corrected?
(1) Amending the amount related to Monday as Rs. 100.
(2) Amending the amount related to Wednesday as Rs. 50.
(3) Amending the amount related to Friday as Rs. 150.
(4) Amending the amount mentioned in the row 'Total' as Rs. 1050. (.....)
19. What is the 'Balance from the Money Received' at the end of the five days?
(1) Rs. 1700 (2) Rs. 1600 (3) Rs. 1550 (4) Rs. 1500 (.....)
20. If the cost of food on Thursday was Rs. 500 and it was entered into the corrected table, and then whole table was corrected accordingly, how many more values had to be amended?
(1) 3 (2) 4 (3) 5 (4) 6 (.....)
- For each question from No. 21 to 25, find the choice having the correct answer and write its **number on the dotted line** against the question.
21. A second article, twice the price of the first one is bought with four times the discount given to the former. If the discount rate for the first article was 10%, what is the discount rate for the second?
(1) 5% (2) 10% (3) 20% (4) 40% (.....)
22. Dayawathi found that when she was trying to place all the 1000 rupee notes she had in her purse, placing one in each of the envelopes, she was short of one envelope. Thereafter she tried to place two notes in each envelope and found that she was left with one envelope. Find the amount of money that Dayawathi had in her purse in 1000 rupees notes and the number of envelopes she had at the beginning **respectively**?
(1) 3, 4 (2) 4, 3 (3) 3, 4 000 (4) 4 000, 3 (.....)
23. Two clocks A and B running at uniform speed, yet defective, were set to read 12.00 at a particular instant and made to run simultaneously. When for the first time A read 1.00, B read for the first time 1.15. When B was showing 2.00 o'clock for the first time what was the time shown in clock A?
(1) 1.36 (2) 1.48 (3) 2.12 (4) 2.24 (.....)



24. It was needed to paste stamps to the value of Rs. 10 in a certain document. If this was to be done using only the stamps of Rs. 1, Rs. 2, Rs. 5 and Rs. 10, in how many ways can stamps be selected?
(1) 8 (2) 9 (3) 10 (4) 11 (.....)

25. The only elder sister of a person is Kamala. The only younger sister is Geetha. The only younger brother is Raju. The only elder brother is Siripala. Geetha who is the younger sister of four of them always used to tell lies. She says that she has three brothers and one sister. According to this information, which of the following statements is true?
(1) Siripala has an equal number of brothers and sisters.
(2) Kamala has two younger sisters.
(3) Raju has two elder brothers.
(4) The number of sisters Geetha has, is 1. (.....)

● Questions from No. 26 to 30 are based on the following information.

Out of seven employees numbered from 1 to 7, only numbers 2, 4 and 6 are ladies. The manner in which a certain job of work has been assigned to them to be performed on five days of a week is given below.

- * Work should be commenced on Monday and completed on Friday. Three employees should be assigned on each day.
- * Number 1 should not work on Monday but number 2 has to work on Monday.
- * Everybody gets a day off after the day he/she works.
- * Only number 3 should work on 3 days and each of all the others should work only on 2 days.
- * On Wednesday, of the ladies, only number 2 and 4 should work and on all other days only one lady should work.
- * Number 6 and 7 should always work together.
- * Only two persons should be given the opportunity to work on the first day and the last day.

Accordingly, write the **number of the choice** that contains the correct answer for each of the following questions, **on the dotted line** provided against each question.

26. What are the two days that number 3 should **not** work?
(1) Monday, Wednesday (2) Tuesday, Thursday
(3) Tuesday, Friday (4) Thursday, Friday (.....)
27. Which of the following days should be a day that number 4 should work?
(1) Monday (2) Tuesday (3) Thursday (4) Friday (.....)
28. What are the two days that number 6 should work?
(1) Tuesday, Thursday (2) Tuesday, Friday
(3) Monday, Wednesday (4) Wednesday, Friday (.....)
29. Who are the three who should work on Friday?
(1) Number 1, 3 and 4 (2) Number 2, 3 and 4
(3) Number 3, 4 and 5 (4) Number 4, 5 and 7 (.....)
30. What are the two days that the same team should work?
(1) Monday, Wednesday (2) Tuesday, Thursday
(3) Tuesday, Friday (4) Wednesday, Friday (.....)



- Questions from No. 31 to 35 are based on the following information.

The financial provisions under the heads of expenditure V_1 , V_2 , V_3 , V_4 and V_5 are Rs. 20 million, Rs. 30 million, Rs. 150 million, Rs. 750 million, Rs. 2 billion but **not in that order**. Provision received under the head of expenditure V_1 is equal to 20% of the provision under the head of expenditure V_5 . 60% of the total provisions under the heads of expenditure V_2 and V_4 are received under the head of expenditure V_2 . The programmes **A, B, C, D, E, F, G** and **H** are supposed to be executed under these heads of expenditure in the manner as mentioned below.

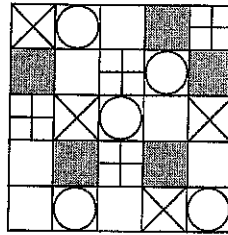
- * **A** and **D** has to be executed under the same head of expenditure.
- * **E, F, G** and **H** should be executed under different heads of expenditure.
- * Under one head of expenditure, none of the above eight programmes can be executed.
- * The highest number of programmes including **H** should be executed under the head of expenditure which received the minimum provision.
- * For each of the programmes **G** and **B**, a minimum cost of Rs. 800 million is required.
- * Only one of these programmes is executed under provision of Rs. 150 million.
- * The programme **E** cannot be executed under the provisions V_1 or V_2 .

Accordingly, write the **number** of the choice that contains the correct answer for each of the following questions, **on the dotted line** given against the question.

31. Under which head of expenditure should the programmes **A** and **D** be executed?
(1) V_1 (2) V_2
(3) V_3 (4) V_4 (.....)
32. What is the financial provision provided to the head of expenditure under which the programme **E** is executed?
(1) Rs. 20 million (2) Rs. 150 million
(3) Rs. 750 million (4) Rs. 2 billion (.....)
33. What is the programme that has to be executed under the head of expenditure which is provided a provision of Rs. 150 million?
(1) **E** (2) **F**
(3) **G** (4) **H** (.....)
34. What is the head of expenditure, under which **no** programme can be executed?
(1) V_1 (2) V_2
(3) V_3 (4) V_4 (.....)
35. According to the information provided, under which head / heads of expenditure could the programme **C** be planned to execute?
(1) V_3 only. (2) V_4 only.
(3) V_5 only. (4) V_4 or V_5 (.....)



- Under each of the questions from No. 36 to 40 four figures are given. Putting three of them together, a figure similar to a part of the large figure given below can be made. You may rotate the figures as you please.



Accordingly, out of the figures given in each question, select the figure that is **not** needed to form a figure similar to a part of the large figure and write the **number** of the relevant choice **on the dotted line** given against the question.

36.



(1)



(2)



(3)



(4)

(.....)

37.



(1)



(2)



(3)



(4)

(.....)

38.



(1)



(2)



(3)



(4)

(.....)

39.



(1)



(2)



(3)



(4)

(.....)

40.



(1)



(2)



(3)



(4)

(.....)



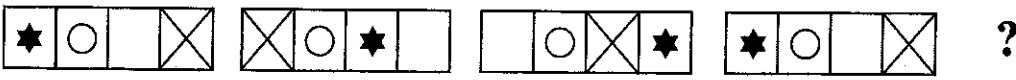
- Under each of the questions from No. 41 to 45 four statements are given. Out of them, three statements are consistent with each other in relation to a certain fact. Although the remaining statement also may not be false, there is no evidence to prove that it is consistent with two other statements.



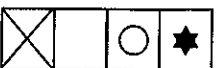

Select the **inconsistent** statement and write its **number on the dotted line** given against each question.

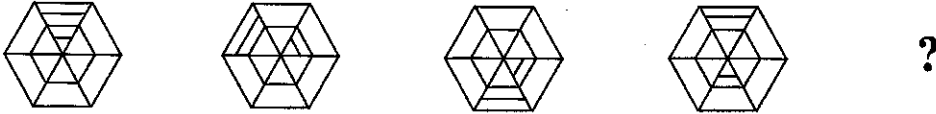
41. (1) The examination is held on Tuesday.
(2) Thursday is the Poya day.
(3) The examination is held on the twenty seventh.
(4) The Poya day is the day following the day after the examination. (.....)
42. (1) The most expensive biscuits are brought by Sunil and the least expensive biscuits are brought by Kamala.
(2) Although the biscuits brought by Nimal are not much expensive, they are of a new taste.
(3) Although the biscuits brought by Sunil are not as tasty as the tastiest biscuits brought by Nimal, they are more expensive.
(4) Biscuits brought by Nimal are more expensive and also tasty than the biscuits brought by Kamala. (.....)
43. (1) The ascending order of *A, B, C* and *E* is *B, C, A, E*.
(2) The descending order of *A, C, D* and *E* is *D, E, A, C*.
(3) The ascending order of *A, B, C* and *D* is *B, C, A, D*.
(4) The descending order of *B, C, E* and *F* is *E, C, B, F*. (.....)
44. (1) Devi, Mala and Ramya are Raju's elder sisters in ascending order. David is his elder brother.
(2) Mala and Ramya are Devi's elder sisters in ascending order and David is her elder brother and Raju is her younger brother.
(3) Ramya is David's elder sister while Mala and Devi are his younger sisters and Raju is his younger brother.
(4) Ramya and David are elder to Mala, while after her Devi, and thereafter Raju, have been born. (.....)
45. (1) The only staff officer recruited to an institution was the youngest lady who appointed last.
(2) Except the officer appointed last as a staff officer in an institution, all other staff officers are male.
(3) All male officers serving in an institution are older than the lady staff officer serving in it.
(4) The newest and the youngest person of an institution is the only lady staff officer who is serving at present. (.....)

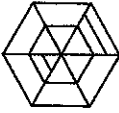
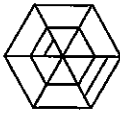
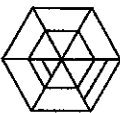
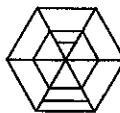


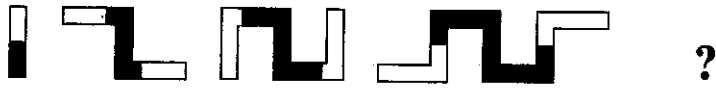
- In each of the questions from No. 46 to 50, a row of figures is given. The figures are arranged according to a pattern from left to right. Out of the choices given, select the figure that fits into the place shown with mark ? in the row and write its number, on the dotted line provided against each question.





46.  ?

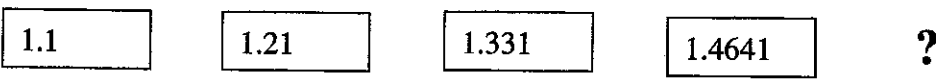
(1)  (2)  (3)  (4)  (.....)

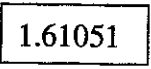
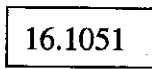
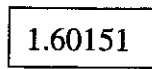
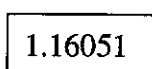
47.  ?


(1)  (2)  (3)  (4)  (.....)





48.  ?

(1)  (2)  (3)  (4)  (.....)

49.  ?

(1)  (2)  (3)  (4)  (.....)

50.  ?

(1)  (2)  (3)  (4)  (.....)

* * *



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முழுப் பதிப்புரிமையடையது]
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இலங்கை பரீட்சைத் திணைக்களம் / Department of Examinations, Sri Lanka

Limited / Open Competitive Examination for Recruitment to Class III
of the Sri Lanka Accountants' Service – 2016 (2018)

(06) Public Financial Management

Three hours

Answer all questions.

1. "Parliament shall have full control over public finance. The authority for incurring expenditure out of Consolidated Fund, in terms of the annual budget estimates, shall receive after the Appropriation Bill is passed by Parliament and Appropriation Bill becomes an Act, (Appropriation Act) and the Minister of Finance issues warrants".
 - (i) Briefly explain the "Consolidated Fund".
 - (ii) How is the balance of the Consolidated Fund derived at a given time?
 - (iii) What is the "maximum borrowing limit" as per the Appropriation Act?
How is it calculated?
 - (iv) What are the **two** institutions that involve in execution of the all borrowing activities, in respect of the Annual Budget Operations? (05 × 4 = 20 marks)
2.
 - (i) In terms of F.R. 103(1), briefly explain the actions to be taken when the government property is lost or damage. (10 marks)
 - (ii) In terms of F.R. 138 explain, the main aspects that an accountant required to be concerned when certifying a voucher in respect of any transaction. (10 marks)
3.
 - (i) In terms of the Budget Estimates, the government expenditure is divided into two broader expenditure categories as Recurrent Expenditure and Capital Expenditure. What are the main components of each category? Briefly explain **five** of those expenditures. (10 marks)
 - (ii) Name **five** Treasury Departments which involve in execution of the Government Budget. (05 marks)
 - (iii) Briefly explain the functions of **two** of those Treasury Departments, you have named above. (05 marks)
4.
 - (i) Explain the importance of monthly reconciliation of Departmental books of accounts with the Treasury books of accounts. (05 marks)
 - (ii) What do you mean by the "settlement of Imprest Balance" at the end of the financial year? (05 marks)
 - (iii) Explain the role of the Auditor General with regard to control of public finance. (10 marks)
5.
 - (i) "Public procurement (tender activities) is the integral part of the Public Financial Management." Based on the fundamental principles of the public procurement, describe this statement. (10 marks)
 - (ii) Briefly explain the difference between the following pairs of words.
 - (a) Chief Accounting Officer and Accounting Officer
 - (b) Responsibility and Accountability(05 × 2 = 10 marks)

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