

(33) Accounting

Paper Structure

I Paper :-	02 Hours.	30 MCQ and 20 short answered questions. All questions should be answered. 02 marks for each answer. Altogether 100 marks.									
II Paper :-	03 Hours. (In addition to that extra 10 minutes are provided as reading time)	This paper consists of six questions. First and second questions are compulsory and 20 marks allocated for each. Total marks 40. Three questions should be selected from other four questions. 20 marks for each. Altogether 100 marks.									
Total Marks :		<table style="margin-left: 20px; border: none;"> <tr> <td>I Paper</td> <td>=</td> <td>100</td> </tr> <tr> <td>II Paper</td> <td>=</td> <td>100</td> </tr> <tr> <td>Total Marks</td> <td>=</td> <td>200 ÷ 2 = <u>100</u></td> </tr> </table>	I Paper	=	100	II Paper	=	100	Total Marks	=	200 ÷ 2 = <u>100</u>
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Important :

Answer all questions this paper itself each question carries 02 marks. Total Marks 100.

- Select the correct answer for questions No. 1-30 and write its number on the dotted line.
1. Different interested parties and their interests are given in column X and Y respectively

Party	Reason for interest
1. Owners	A – To ensure whether the income tax is paid properly
2. Employees	B – To decide things related to future developments
3. Customers	C – To ensure job security
4. Government	D – To ensure the ability of purchasing goods and services continuously
5. Managers	E – To get a return appropriate for their investments

Which of the following shows the sequential order of interests of each party if it is arranged according to the interest parties?

- | | |
|----------------------|----------------------|
| (1) B, A, D, E and C | (2) B, C, E, A and D |
| (3) E, C, D, A and B | (4) E, C, D, B and A |
- (.....)

2. Two transactions occurred in 'Sanhinda's business' on 01.04.2018 are as follows.

Cash purchases	Rs. 40 000
Credit purchases	Rs. 60 000

Which of the following statement shows the correct impact of the above transactions?

- | | |
|--|---------|
| (1) Increase of assets Rs. 60 000 – decrease of liabilities Rs. 60 000 | |
| (2) Increase of assets Rs. 60 000 – increase of liabilities Rs. 60 000 | |
| (3) Increase of assets Rs. 100 000 – increase of liabilities Rs. 100 000 | |
| (4) Decrease of assets Rs. 100 000 – increase of liabilities Rs. 100 000 | |
| (5) Increase of equity Rs. 100 000 – increase of assets Rs. 100 000 | (.....) |

3. Following is an extract of a purchase invoice of 'Thulani PLC'

Date	Supplier	Value (Rs.'000)
05.04.2018	Paboda PLC	400
	Trade discount 10%	(40)
		360
Conditions – 10% discount is entitled if due amount is settled within a month.		

The amount relevant for the above transaction was settled by Thulani PLC on 30.04.2018. Which of the following journal entry is correct in recording the above discount?

	Cr(Rs.)		Dr(Rs.)
(1)	Discount allowed account 36 000	Debtors control account	36 000
(2)	Creditors control account 36 000	Discount received account	36 000
(3)	Creditors control account 40 000	Discount received account	40 000
(4)	Discount allowed account 40 000	Debtors control account	40 000
(5)	Creditors control account 76 000	Discount received account	76 000 (.....)

4. Petty cash imprest of a business is Rs. 5 000 and at the beginning of each month petty cash imprest is reimbursed. During the month of January and February the chief cashier reimbursed a total of Rs. 7 400 to the petty cashier for the two months Separately.

What was the petty cash balance as at the beginning of the month of January prior to reimbursement if the petty cash balance at the beginning of February was Rs. 600?

(1)	Rs. 1 800	(2)	Rs. 2 000
(3)	Rs. 2 400	(4)	Rs. 3 000
(5)	Rs. 4 400		(.....)

5. There was a difference in the trial balance prepared as at 31.03.2018 in Chamod's business. Financial statements were prepared after recording the difference in a suspense account.

The drafted net profit in the income statement was Rs. 140 000. In later examinations the following errors and omissions were found.

- * Return outward of Rs. 16 000 has been recorded only in the creditors control account.
- * Payment of bank loan interest Rs. 4 000 has been credited to both interest account and cash account.
- * Bad debts written off of Rs. 2000 has not been recorded in debtors control account.

What is the correct net profit and balance existed in the suspense account respectively?

	Correct net profit (Rs.)		Balance existed in the suspense account (Rs.)
(1)	146 000	Credit	6 000
(2)	146 000	Debit	10 000
(3)	148 000	Credit	10 000
(4)	148 000	Debit	14 000
(5)	150 000	Credit	18 000 (.....)

6. Balance of the creditors control account prepared as at 31.03.2018 in Madhawa's business was Rs. 44 000. The total of the creditors list as at the same date was not agreed with the balance of creditors control account. The subsequent investigation revealed the following.
- Cancellation of discount received of Rs. 2 000 has been debited to the creditors control account since the cheque was dishonoured.
 - Discount received of Rs. 5 000 has been debited as Rs. 500 in relevant creditor's account.
 - A purchase invoice of Rs. 18 000 has been accounted as Rs. 8 000 in relevant creditor's account.

Balance of the adjusted control account and the total of the creditors list prior to correction as at 31.03.2018 are respectively?

- (1) Rs. 42 000 and Rs. 36 500
- (2) Rs. 42 000 and Rs. 36 500
- (3) Rs. 46 000 and Rs. 38 500
- (4) Rs. 48 000 and Rs. 42 500
- (5) Rs. 48 000 and Rs. 53 500 (.....)

7. Which of the following accounting concept is related in recognizing motor vehicles which was purchased by a retail business under lease agreement as property plant and equipment in the statement of financial position?

- (1) Business entity concept
- (2) Prudence concept
- (3) Substance over form concept
- (4) Matching concept
- (5) Money measurement concept (.....)

8. which of the following is an instance where business can violate the historical cost concept in recording transactions and events?

- (1) Measurement of a machine at the recognition according to LKAS – 16 (Property Plant and equipment)
- (2) Valuation of inventory under FIFO method
- (3) Valuation of year end inventory according to LKAS 2 (Inventories)
- (4) Recording employee wages
- (5) Purchase of goods on credit with the reselling purpose (.....)

9. Sanath's business earn income through renting out motor vehicles. Following information was relevant to rented motor vehicles for the year ended 31.03.2018.

	as at 31.03.2018	as at 01.04.2017
Rent advance recieved	250 000	200 000
Rent income receivable	350 000	400 000

Total rent received during the year ended 31.03.2018 was Rs. 1 300 000

Which of the following is the rent income for the year?

- (1) Rs. 110 000
- (2) Rs. 155 000
- (3) Rs. 1 200 000
- (4) Rs. 1 300 000
- (5) Rs. 1 450 000 (.....)

10. Following information was extracted from Dinidu PLC for the year ended 31.03.2018.

	Rs.'000
Trade payables as at 01.04.2017	80
Trade payables as at 31.03.2018	120
Return outwards	230
Purchases	9200
Discount received	100
Interest paid on late payments	40

Which of the following is the amount paid for trade payables for the year ended 31.03.2018?

- | | |
|-------------------|-------------------|
| (1) Rs. 7 700 000 | (2) Rs. 8 790 000 |
| (3) Rs. 8 870 000 | (4) Rs. 8 970 000 |
| (5) Rs. 9 200 000 | (.....) |

11. Randev company sells goods by keeping a 25% gross profit on cost. Following information relevant for the period from 01.04.2017 to 31.03.2018.

	Rs.'000
Opening inventory	- 300
Closing inventory	- 250
Purchases	- 1 200
Custom duties and carriage inwards	- 150
Commission on sales	- 200

Sales value for the year ended 31.03.2018 is

- | | |
|-------------------|-------------------|
| (1) Rs. 1 550 000 | (2) Rs. 1 750 000 |
| (3) Rs. 1 800 000 | (4) Rs. 1 950 000 |
| (5) Rs. 2 000 000 | (.....) |

12. Which of the following statement is **false** in relation to a not for profit making organization?

- | | |
|--|---------|
| (1) A surplus is identified when the income of that business exceeds expenses. | |
| (2) The fund creation by accumulating surpluses of it, is a part of equity. | |
| (3) Membership receivables are identified as assets of the business. | |
| (4) A separate fund can be maintained in a such business for special purpose. | |
| (5) Such business are not maintained their accounts under double entry system. | (.....) |

- **Use the following information to answer question No. 13 and 14.**

The current account of partners for the year ended 31.03.2018 in Chamath and Sudath's partnership is as follows.

Current Account			(Rs.)		
	Chamath	Sudath		Chamath	Sudath
31.03.2018 B/C/O			01.04.2017 B/B/F	80 000	60 000
			Salary	50 000	40 000
			Interest on capital (10%)	30 000	20 000
			Share of profits	60 000	30 000
		220 000	150 000		220 000

13. Which of the following would be the share of profit of Sudath for the year ended 31.03.2018 if this partnership functions according to section 24 of the Partnership ordinance of 1890?

- | | |
|-----------------|-----------------|
| (1) Rs. 45 000 | (2) Rs. 70 000 |
| (3) Rs. 90 000 | (4) Rs. 115 000 |
| (5) Rs. 185 000 | (.....) |

14. Sahan was joined to the partnership on 31.03.2018 as a new partner and he invested Rs. 100 000 as capital. The goodwill was estimated as Rs. 90 000 on that date. Chamath, Sudath and Sahan agreed to share profits and losses equally. They decided not to maintain a goodwill account and to adjust goodwill through capital accounts of partners.

Which of the following shows the correct equity of each partner after admission of the new partner?

	Chamath (Rs.)	Sudath (Rs.)	Sahan (Rs.)	
(1)	300 000	20 000	100 000	
(2)	330 000	200 000	70 000	
(3)	330 000	230 000	130 000	
(4)	360 000	320 000	100 000	
(5)	550 000	350 000	70 000	(.....)

15. Current Account credit balances of Amal and Kamal partnership as at 31.03.2018 were as follows.

- Amal	(Rs.)	140 000
- Kamal	(Rs.)	120 000

When preparing current accounts for the year ended 31.03.2018 revealed that following transactions were not adjusted. However, income statement of business prepared correctly.

- (i) Kamal was paid Rs. 25 000 building rent, on behalf of business from personal cash.
- (ii) Amal's annual life insurance premium of Rs. 12 000 has been paid by the business.
- (iii) Partners salary of Rs. 40 000, for each Amal and Kamal were not recorded in current accounts.

The correct current account balances of Amal and Kamal as at 31.03.2018, after rectifying the above errors are

	Amal (Rs.)	Kamal (Rs.)	
(1)	148 000	205 000	
(2)	168 000	185 000	
(3)	205 000	123 000	
(4)	205 000	148 000	
(5)	205 000	275 000	(.....)

- **Use the following information to answer questions No. 16 and 17.**

- i The following Information was extracted from the statement financial position of a company.

	As at 31.03.2018	As at 31.03.2017
	(Rs. '000)	(Rs. '000)
Stated capital - ordinary shares	4 000	3 000
Revaluation Reserve - Land	500	-
General Reserve	1 200	1 000
Retained earnings	2 500	2 000

- ii Income tax expense for the year ended 31.03.2018 was estimated as 10% on Profit before tax.
- iii Rs. 200 000 was paid as dividends for the year ended 31.03.2018 and transferred profit to general reserve from retained earnings during the year.
- iv On 31.03.2018 Land was revalued again. It was incurred a deficit of Rs. 300 000 in previous year revaluation. All transactions had been recorded correctly.

16. The profit before tax for the year ended 31.03.2018 was

(1)	500 000	(2)	810 000	
(3)	900 000	(4)	1 000 000	
(5)	2 500 000			(.....)

17. Amount to be shown in the other comprehensive income of company for the year ended 31.03.2018 is
- | | |
|-------------|-------------|
| (1) 200 000 | (2) 300 000 |
| (3) 500 000 | (4) 800 000 |
| (5) 900 000 | (.....) |
18. Which one is considered as changes in estimates as per LKAS 8 (Accounting policies, changes in Accounting Estimates and Errors)?
- A - Useful life time of asset
 B - Net Realizable value of Inventory
 C - Depreciation method of property plant and equipment
- | | |
|--------------------|------------------|
| (1) A Only | (2) A and B Only |
| (3) A and C Only | (4) B and C Only |
| (5) All A, B and C | (.....) |
19. Sumudu PLC which is registered for value added Tax (VAT), purchased Rs. 1 725 000 worth of machine on 01.04.2016. The price inclusive of 15% VAT. Estimated scrap value and useful life of this machine is Rs. 50 000 and 10 years respectively.
- Carrying amount of this machine as at 31.03.2018 as per LKAS 16 (Property, plant and Equipment) is
- | | |
|-------------------|-------------------|
| (1) Rs. 1 200 000 | (2) Rs. 1 210 000 |
| (3) Rs. 1 365 000 | (4) Rs. 1 390 000 |
| (5) Rs. 1 507 500 | (.....) |
20. The financial statements of Kalana PLC for the year ended 31.03.2018 were authorized by the directors on 15.06.2018. The following events took place in the company from 31.03.2018 to 15.06.2018.
- A - A of main production machine which existed on 31.03.2018 was destroyed on 10.05.2018 was incurred a loss of Rs. 500 000
 B - Declaration of the bankruptcy of a debtor who had purchased goods on credit on 28/02/2018 by a court of law on 05.04.2018
 C - Court order on the payment of employee compensation on 20.04.2018 for a case which was filed by an employee on 20.03.2018
 D - Proposed Rs. 400 000 as final dividends to ordinary share holders on 10.06.2018
- Adjusting event/s of financial statements for the year ended 31.03.2018 as per LKAS 10 (Events after the Reporting period) is/are
- | | |
|-------------------|-------------------|
| (1) A only. | (2) A and B only. |
| (3) B only. | (4) B and C only. |
| (5) C and D only. | (.....) |
21. Which of the following items correctly classified under operating, investing and financing activities respectively in accordance with LKAS 07 (Statement of cash flows)?
- | |
|--|
| (1) Cash payment to creditors, purchase of shares, obtaining a bank loan |
| (2) Receipt of cash from debtors, purchase of shares, receipt of dividends |
| (3) Receipt of interest income, cash sales, obtaining a bank loan |
| (4) Cash Purchase, sales of property, plant and Equipment, credit sales |
| (5) Payment of operating expenses, payment of bank loan, purchase of property, plant and equipment |
| (.....) |

22. Following transactions were occurred in a limited liability company.
 A - Reserved capitalization
 B - Made a right issue and all the existing shareholders obtained shares.
 C - Transferred part of profit from retained earnings to general reserves.
 D - Generated a surplus from buliding revaluation for first time.

Which of the above transactions and events were caused to increase equity?

- (1) A and B only (2) B and D only
 (3) C and D only (4) A, B and D only
 (5) All A, B, C and D (.....)

23. Current ratio of Sahan PLC as at 31.03.2018 was 2 : 1. While other factors remain constant, which of the following transaction leads to a 'increase' in this ratio?

- (1) Purchase of goods on credit
 (2) Cash payment to creditors
 (3) Settlement of a non current liability
 (4) Goods returned by debtors
 (5) Purchase of a motor vehicle on credit for business use. (.....)

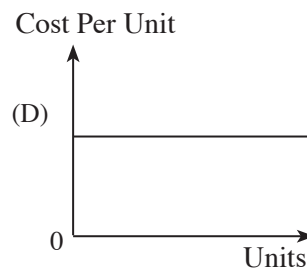
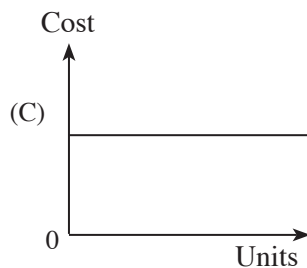
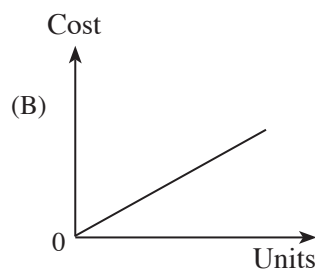
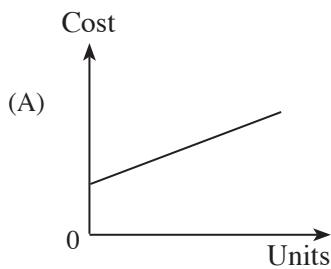
24. Following information extracted from financial statements of Sunamya PLC.

As at 31.03.2018	Rs.'000	for the year ended 31.03.2018	Rs.'000
Stated ordinary share capital	6 000	Cost of sales	16 000
Retained earnings	4 000	Gross profit	8 000
Liabilities	2 000		

Total asset turnover ratio of Sunamya PLC : (Times)

- (1) 0.33 (2) 0.5
 (3) 1 (4) 1.33
 (5) 2 (.....)

25. Which of the following graphs/included unit and total variable costs out of the graphs depict the behaviour of cost?



- (1) A, B and C only (2) A, B and D only
 (3) B and C only (4) B and D only
 (5) C and D only (.....)

26. Which of the following cost items, would be classified as overhead cost?
 A Salaries of sewing machine operators
 B Salaries of security employees of a security firm
 C Manager's salary of a furniture manufacturing firm
 D Salaries of sales staff of a textile shop
- (1) A and C Only (2) A, B and C Only
 (3) B and D Only (4) B, C and D Only
 (5) C and D Only (.....)
27. The following statements are related to documents of material control of a manufacturing firm.
 A - Debit Note is used for returning inventory to stores from manufacturing centers
 B - 'Goods Received Note' is issued to stores by an entity at the point of receipt, after checking goods received from suppliers.
 C - 'Material Requestion Note' is issued to stores requesting materials by the manufacturing centers.
 D - 'Purchase order' is issued to purchase department by stores for informing purchase of materials.
- Which of the above statements are correct?
- (1) A and B Only (2) A, B and C Only (3) A and C Only
 (4) B and C Only (5) All A, B, C and D Only (.....)
28. The following information relates to raw material of 'PM'
 Weekly Average Consumption 40kg
 Weekly Minimum Consumption 30kg
 Re-order quantity 280kg
 Lead Time 06 weeks to 09 weeks
- The **Maximum stock Level** and **Minimum stock level** of raw material 'PM' are
- (1) 360 kg and 120 kg
 (2) 360 kg and 150 kg
 (3) 375 kg and 180 kg
 (4) 550 kg and 120 kg
 (5) 550 kg and 150 kg (.....)
29. The following information relates to a manufacturing company.
 Purchase Price Per Unit - Rs. 125
 Ordering Cost - Rs. 150
 Holding Cost Per Unit per annum - 10% on purchase price
 Monthly demand - 5000 units
- The Economic order quantity (EOQ) of this raw material is (Units)
- (1) 800 (2) 1 000
 (3) 1 200 (4) 1 500
 (5) 1 600 (.....)

30. Following information are related to two investment projects namely X and Y considered by a company. Standard pay back period of the firm the 03 years. The company has Rs. 200 000 for this investment.

	Project X	Project Y
Initial investment (Rs.)	200 000	200 000
Pay back period (years)	4	2
Net present value (Rs.)	60 000	52 000

Following Statements are related with the above projects.

- A - Project X is suitable on payback period method
- B - Project Y is suitable on payback period method
- C - Project X is suitable on net present value method
- D - Project Y is suitable on net present value method
- E - Both projects are suitable on net present value and pay back period method

Which of the above statements are correct?

- (1) A and C only
- (2) A and D only
- (3) B and C only
- (4) B and D only
- (5) E only

- Provide short answers for questions No. 31-50 on the given space.

31. State the relevant accounting elements of the following ledger accounts.

Account	Element
(i) Goodwill
(ii) Accrued Subscription
(iii) Drawings
(iv) Provision for employee compensation

32. Sales journal prepared in Deshan's business for the month of January 2018 is as follows.

Sales Journal

Date	Invoice No.	Customer	Value Rs.'000	VAT Rs.'000	Total value Rs.'000
01/05	434	Vimukthi	800	120	920
01/20	435	Rahuman	600	90	690
01/31		Post to general ledger	1 400	210	1 610

Write the journal entry to record the posting sales of January from journal to the general ledger.

General Journal

Date	Discription	Debit Rs.'000	Credit Rs.'000
.....

33. Dumindu PLC is a company which sells motor vehicles and the value of stocks of this company was Rs. 500 million as at 31.03.2018. A stock worth Rs. 100 million included in that was estimated to sell at Rs. 75 million due to a technical problem of such vehicles. In order to sell at that price, company has to incur a modification cost of Rs. 15 million.

- (a) Calculate the net realizable value of the above stock as at 31.03.2018. Rs.
 (b) Write the journal entry to record the amount stock written off.

General Journal

Date	Description	Debit Million	Credit Million
.....

34. The trial balance of Prashan's business as at 31.03.2018 did not agree and subsequent investigation revealed the following.

- (1) Total of the discount column Rs. 6 000 of cash payment journal has been credited to both discount received account and debtors control account.
- (2) Credit purchase of Rs. 50 000 from Dulanga has been recorded in his account of creditors ledger as Rs. 500.
- (3) Dishonor of a deposited cheque of Rs. 20 000 which was properly recorded in the general journal has not been recorded in cash account but this was properly recorded in the debtors control account.

* State on which side of the trial balance the difference was occurred and the amount of the difference.
 column value Rs.....

35. Following information relevant for the year ended 31.03.2018 of Susil's business.

	Rs.'000
Equity as at 31.03.2018	670
Assets and liabilities as at 01.04.2017	
Non current assets	500
Current assets	50
Total liabilities	185
Goods drawings during the year ended 31.03.2018	50

During the year ended 31.03.2018 Susil invested Rs. 140 000 as additional capital using his personal bank account.

Profit for the year ended 31.03.2018 is Rs.

36. Gold Motors PLC acquired a motor vehicle worth Rs. 5 000 000 on 01.04.2017 from Kelani PLC on a finance lease.

Lease term period is 7 years it is paid with equal installments.

The first installment paid on 31.03.2018 was Rs. 1 000 000 (Inclusive lease Interest was of Rs. 120 000)

Lease interest of the second year - Rs. 100 000

State the values relevant for the following items that should be disclosed in statement of financial position of Gold motors PLC as at 31.03.2018.

1. Non current liabilities : Rs.
2. Current liabilities : Rs.

Use the following information to answer questions No. 37 and 38.

- It was identified that the sales for the year ended 31.03.2018 and market value of inventories in the ware house as at 31.03.2018 of a business were Rs. 2 500 000 and Rs. 150 000. In the above calculation, the following factors were not considered.
 1. A stock of which the invoice value of Rs. 125 000 was sent on sale or return basis during the month of march 2018. No entry was made in relation to this dispatching. Only 50% of stocks were sold as at 31.03.2018 selling price was decided by adding 25% on cost. Allowed time period to return the stock has not been expired.
 2. Cost of the stocks as at 31.03.2018 in the warehouse was Rs. 250 000.

37. Sales income which should be recognized in the income statement for the year ended 31.03.2018 is Rs.

38. Closing stock value which should be recognized in the statement of financial position as at 31.03.2018 is Rs.

39. Following information is relevant to a business which manufactures furniture for three months ended 31.03.2018.

	Rs.
Purchase of timber (1000 square feets)	250 000
Paint	30 000
Sand papers	5 000
Carpenter's wages (per furniture)	1 500
Cost of the machine	800 000

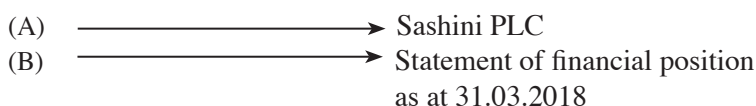
Useful lifetime of machines is 20 years and no residual value.

There were no material stock as at 01.01.2018 and the stock as at 31.03.2018 included 200 square feets of timber. Annual building rent is Rs. 60 000. 10 square feets of timber is needed to produce an item of furniture.

Calculate the prime cost and production overhead cost for the three months period ended 31.03.2018.

1. Prime cost Rs.
2. Production overhead cost Rs.

40. Given below is an extract of the statement of financial position of Sashini PLC.



		(Rs.'000)	
(C) →	Non-current Assets Property Plant and Equipment		xxx
	Current Assets Closing Inventory		xxx
(D) →	Trade receivables		xxx

State an accounting concept applied at each point denoted by letters (A), (B), (C) and (D)

Point	Accounting Concept
A	-----
B	-----
C	-----
D	-----

41. Vidu, Sidu and Mala commenced a partnership business on 31.3.2017 investing total capital as Rs. 1 200 000. Current accounts for the year ended 31.03.2018 as follows,

Current Accounts				(Rs.)			
	Vidu	Sidu	Mala		Vidu	Sidu	Mala
B/B/F	-	15 000	-	B/B/F	20 000	-	30 000
Drawings	20 000	-	-	Salary	40 000	40 000	40 000
	150 000			Interest on capital	50 000	40 000	30 000
B/C/D		105 000	120 000	Profit shares	60 000	40 000	20 000
	170 000	120 000	120 000		170 000	120 000	120 000

Calculates the followings:

1. Percentage of Interest on Capital
 2. Net Profit of Partnership for the year ended 31.03.2018 Rs.
 3. Net assets of partnership as at 31.03.2018 Rs.
42. Mention Five Recognition criterials on Revenue Recognition according to SLFRS 15 (Revenue from contracts with Customers)
1.
 2.
 3.
 4.
 5.
43. Renuka PLC issued 400 000 ordinary shares at a price of Rs. 25 each during the year ending 31.03.2018. Applications for 500 000 shares with the full amount were received. The company allotted the all shares proportionately and excess money was returned to the applicants.

- (a) Write the journal entries for the 'Receipts of cash with applications' and "Rejections of excess applications." (Narration is not required)

Description	Dr.	Cr.
1. (Receipt of application money)
2. (Return of excess money)

- (b) Balance of stated ordinary share capital account as at 31.03.2018: Rs.
44. A manufacturing company use the 'First - in - First - out' (FIFO) method to price the raw material item. The following information pertains to a raw material item for the month of March 2018.

Date	Description	Units	Unit Cost (Rs.)
01.03.2018	Balance	600	12
12.03.2018	Purchases	1000	10
15.03.2018	Issued	800	?
20.03.2018	Purchases	1000	11
28.03.2018	Issued	900	?

- (a) Calculate the cost of issued material value for production for the month of march 2018. Rs.
- (b) What is the cost of inventory as at 31.03.2018, if weighted average method (WAC) is used for issuing inventories? Rs.

45. The following information relates to employees wages of a company.
 - The employer and employee contributions to EPF are 15% and 10% respectively.

	31.03.2018 (Rs.)	01.03.2018 (RS.)
EPF Payable	150 000	125 000
Employees Loan account - Saman	90 000	100 000

Additional Information:

- (1) The company has given an interest free loan to Saman on 28.02.2018. First installment of loan has been deducted from the salary of month of march 2018.
- (2) It is the practice of the company to pay, the employees salaries and Employee provided Fund (EPF) of each month, during the 5th of the following months.
- (3) EPF calculates on Gross salary.

Calculate the followings for the month ended 31.03.2018.

- (1) EPF expense Rs.
- (2) Net salary Rs.

46. The following information relates for a furniture manufacturing company which has two production departments as 'Cutting' and 'Finishing' and a service department of 'Stores'. Overhead cost related with above departments are as follows.

	Cutting	Finishing	Stores
Manufacturing overhead cost (Rs.'000)	1450	1150	100
Working hours	Machine hours 500	Labor hours 600	-

Additional Information:

- (1) Overhead cost of the stores department should be re-apportioned between cutting and finishing departments equally.
- (2) Prime cost of Almirah is Rs. 9000.
- (3) 2 machine hours and 5 direct labor hours are required for production, from cutting and finishing departments respectively.

Calculate the followings:

- (a) Overhead absorption rate.
 - Cutting department (Based on machine hours) Rs.
 - Finishing department (Based on Labor hours) Rs.
- (b) Total manufacturing cost of an Almirah Rs.

47. The following information relates to Biumali PLC.

Description	Rs. 000
- Profit for the year ended 31.03.2018	1 000
- Interim dividend for the year 2018	600
- Stated ordinary share capital as at 31.03.2018	4 000
- Retained earnings as at 01.04.2017	3 000
- Interest expense for the year ended 31.03.2018	300
- Income tax expense for the year ended 31.03.2018	200

Calculate the followings:

- (a) Interest coverage ratio (Times)
- (b) Return on equity (based on year - end equity)

48. The Following information relates to 'Assembly' and 'Finishing' departments of Nipuna PLC when produce a single product.

	Assembly	Finishing
- Hours required for producing one unit	4 machine hours	5 Direct labour hours
- Overhead absorption rate	Rs. 60 Per machine hour	Rs. 10 per Labour hour
- Prime cost per unit is Rs. 710.		
- The company maintains a profit margin of 50% on manufacturing cost.		
- Annual non - manufacturing overhead cost is Rs. 12 000 000.		
- Annual production and sales is 200 units.		

Calculate the followings:

- (a) Manufacturing cost per unit Rs.
- (b) Profit/Loss Per unit Rs.

49. A certain company produces and sales product 'P' Total contribution is equal to total fixed cost when selling 32 000 units. Rs. 60 000 additional fixed cost should be incurred if exceeding 40 000 production units. Total fixed cost at the level of 42 000 units is Rs. 220 000.

- (a) Total fixed cost of the firm, when producing 32 000 units Rs.
- (b) Profit or loss of production and sales of 50 000 units Rs.

50. 'Sara Book Publishers' has decided to sell the existing machine, which carrying amount is Rs. 180 000 and expected to purchase a new machine. Disposal value of the existing machine is Rs. 150 000. Purchase price of the new machine is Rs. 600 000. The residual value of the new machine after 5 years useful life would be Rs. 100 000.

- (a) List **two** cash flow items with value relevant to the evaluation of an investment.
-
-
- (b) List **two** non cash items with value, irrelevant to the evaluation of an investment.
-
-

* * *

(33) Accounting

Paper II

Important :

- * Answer **five** questions only, including questions **one** and **two**.

1. **Diyatha PLC, sells mobile phones and computers. Trial balance prepared as at 31.03.2018 is given below.**

Description	Debit (Rs.'000)	Credit (Rs.'000)
Property, plant and equipment - cost	30 000	
Stocks as at 01.04.2017	1 000	
Purchases	23 000	
Trade receivables	12 200	
Distribution cost	1 000	
Administration expenses	3 800	
Other expenses	550	
Interest on bank loan	450	
Salary	2 000	
Income Tax	1 600	
Value added tax (VAT)	500	
Dividends	800	
Building rent	1 200	
3 months treasury bills (acquired on 31.03.2018)	1 000	
Cash	3 500	
Sales		34 500
20% Bank loan		2 000
Allowance for expected losses on trade receivables		500
Provision for depreciation on PPE-as at 01.04.2017.....		3 300
Stated capital- ordinary shares		23 000
Revaluation reserves- 01.04.2017		3 000
Retained earnings - 01.04.2017		5 500
Employee provident fund payables (EPF)-employer con:		200
Trade Payables		4 500
Lease creditor		5 700
Provision for income tax as at 01.04.2017		400
(for the year ended 31.03.2017)		400
	82 600	82 600

Additional Information:

Before preparation of the financial statements for the year ending 31.03.2018, adjustments have to be made for the following.

- (i) The cost and net realizable value of inventory of goods as at 31.03.2018 were as follows.

	Cost (Rs.'000)	Net realizable value (Rs.'000)
Computers	5 000	6 000
Mobile phones	3 000	2 500

- (ii) 15% value added tax (VAT) included in all purchases and sales values.
- (iii) Business premises of the company is carrying out in a building which was acquired on rent. Annual building rent is agreed at Rs. 600 000 from 01.04.2017 on wards and paid rent for two years at once.

- (iv) Rs. 200 000 was paid to directors as fuel and telephone allowances for the year ended 31.03.2018 and this has been included in administration expenses. Another Rs. 300 000 should be paid for fuel to the directors.
- (v) The composition of property, plant and other relevant information are given below.

Asset	Cost/ Fair value as at 01.04.2017 (Rs. '000)	Accumulated Depreciation as at 01.04.2017 (Rs. '000)	Useful life time
Land	15 000	-	-
Motor vehicle (Acquired under finance lease)	12 000	2 400	5
Office equipment	2 000	500	8
Furniture	1 000	400	5
	30 000	3 300	

Property, plant and equipment are depreciated on straight line basis. Depreciation has not been provided for the current year.

- (vi) Company lands were revalued on 31.03.2018 for Rs. 10 000 000 by a professional valuer. A surplus of Rs 3 000 000 was reported when this asset was revalued for the first time on 31.03.2016 and this is represented by revaluation reserve.
- (vii) Company motor vehicle was acquired on 01.04.2016 on finance lease. This motor vehicle used for the delivery of goods and the lease term is 4 years. Annual lease installment of Rs. 3 750 000 paid at the end of the year has been debited to the lease creditors's account. Lease interest has not been accounted and lease interest of this year and next two years are as follows.

Year	Lease Interest (Rs. '000)
2017/2018	900
2018/2019	600
2019/2020	300

- (viii) The Company sells goods with an one year sales warranty from this year on wards. It was reliably estimated that Rs. 500 000 should be provided for this as at 31.03.2018.
- (ix) Employee provident fund (EPF) contributions of employer and employee are 15% and 10% respectively. Employer contribution of Employee trust fund (ETF) is 3% Employer contribution to the above two funds for the entire year was not provided yet.
- (x) Rs. 600 000 paid for the previous year and payments for the first three quarters of the current year are included in the income tax. The income tax liability of the final quarter of the current year is estimated as Rs. 700 000. This has not yet been adjusted.
- (xi) A debtor with a balance of Rs. 200 000 as at 31.03.2018 has been declared bankrupt on 25.04.2018. It is estimated that the allowance for expected losses on trade receivables should be Rs. 100 000. The board of directors of the company authorized the financial statement on 15.05.2018.
- (xii) Directors decided on 31.03.2018 to create a general reserve using Rs. 2 500 000 from retained earnings and to pay Rs. 2 000 000 worth dividends to ordinary share holders.
- (xiii) Out of the bank loan balance as at 31.03.2018 Rs. 500 000 should be settled during the year ended 31.03.2019.

Required:

The following financial statements (including notes) of Diyatha PLC for publication purpose.

- (1) Statement of profit or loss and other comprehensive income for the year ending 31.03.2018.
- (2) Statement of changes in equity for the year ending 31.03.2018
- (3) Statement of financial position as at 31.03.2018 (20 Marks)

2. (a) A company manufactures and sells a product called 'x'. Variable cost of the product is Rs. 140 Contribution sales ratio is 30% and present activity level is 1 800 units. The total fixed cost is Rs. 90 000.

Required :

- (1) Contribution per unit
- (2) Number of units at the break even point
- (3) Profit or loss at the current activity level
- (4) Mark the followings at the current activity level in a sketch of a break-even chart.
 - (a) Margin of safety in units
 - (b) sale income
- (5) The price at which an unit can be sold to earn a 50% contribution from selling price.

(05 Marks)

- (b) 'Araliya PLC' engaged in manufacturing and selling shoes. It has two cost centers namely assembling and finishing. Information related to manufacturing 100 pairs of shoes for school children during the month of march 2018 are as follows.

- (i) Information about raw materials

Description	Maximum consumption	Minimum consumption	Average consumption
Monthly raw material consumption (in units)	120	?	100
Lead time (days)	?	10	15

Date	Description	Quantity (units)	Price per unit (Rs.)
03/01	Purchase	1 000	80
03/10	Issues	800	
03/15	Purchase	1 000	100
03/20	Issues	800	
03/29	Purchase	1 000	120

- * There was not a balance of stocks as at 1st of March.
- * First - in - first - out (FIFO) method is used for issuing and pricing of products.
- * Raw materials issued for the production during the period were used for the production.

- (ii) Information about employee salary:

Name of employee	Job of the employee	Basic Salary (Rs.)	Incentive (Rs.)	Overtime Payment (Rs.)	Welfare Contribution (Rs.)
Jayalath	Production employee	30 000	5 000	-	1 000
Samith	Production employee	30 000	5 000	-	1 000
Laksiri	Production office assistant	23 600	-	2 000	1 000

- (iii) Information about production overhead cost:

Item	Total	Assembling division	Finishing division
Indirect wages (Rs.)	25 600		
Indirect material (allocated)(Rs.)	26 400	11 200	15 200
Electricity-for lighting (Rs.)	60 000		
Rent (Rs.)	108 000		
Floor area (m)	6 000	2 000	4 000
Machine hours	2 000	2 000	-
Labour hours	2 800	-	2 800

- * Indirect wages should be equally divided among assembling and finishing departments.
- * Production overheads are absorbed based on machine hours in the assembling division and labour hours in the finishing division.
- * In order to produce a pair of shoes 2 machine hours and 3 labour hours are spent.

Required:

- (1) Re-order level
- (2) Maximum stock level
- (3) Cost of raw material consumed
- (4) Direct labour cost
- (5) Overhead analysis sheet of two divisions
- (6) Overhead absorption rate per labour and machine hours
- (7) Total production cost of a pair of shoes

(15 Marks)
(Total 20 marks)

3. (a) Saranga Dissanayake has started a transport service called 'Sahana office transport' on 01.01.2018 by investing Rs. 100 000. Transactions related for the three months ended 31.03.2018 are given below.

- 01/01 - Payment of Rs 5 000 for printing receipts
- 01/02 - Invested a motor vehicle of Rs. 1 200 000 which was used by Saranga. It was estimated that salvage value is not available at the end of useful life time is 10 years
- 02/07 - Incurred a fuel expense of Rs. 10 000 for a personal tour of Saranga.
- 02/10 - Receipt of other income Rs.50 000
- 03/07 - Vehicle maintenance expense Rs. 20 000 (Out of that Rs. 5 000 has not yet been paid)
- 03/31 - Receipt of service income for the first quarter Rs. 600 000
Fuel expense for the first quarter is Rs. 200 000 and only Rs. 150 000 was paid.
- 03/31 - Paid Rs. 75 000 as driver's salary (monthly salary Rs. 25 000)

Required :

- (1) Show the impact of these transactions (with value) in the accounting equation.(Use a format similar to one given below)

Date	Assets	Liabilities	Equity

- (2) Income statement for the quarter ended 31.3.2018 (05 Marks)

- (b) (i) The extracts of cash receipts and cash payments journal for the month of March 2018 of Somasudara's business are as follows.

Cash receipts :

Date	Description	Cheque No.	Discount Allowed (Rs.)	Value (Rs.)
03/01	Sales	250250	-	80 000
03/10	Receipt - Sisira	375750	800	9 200
03/28	Building rent	-	-	10 000
	Total		800	99 200

Cash Payments :

Date	Description	Cheque No.	Discount Allowed (Rs.)	Value (Rs.)
03/08	Sirimal	301302	1 500	18 000
03/12	Salary	301303	-	10 000
03/20	Jayasiri	301305	2 000	48 000
03/28	Purchases	301306	-	40 000
	Total		<u>3 500</u>	<u>116 500</u>

(ii) Bank statement send for the month ended 31.03.2018

Date	Description	Debit (Rs.)	Credit (Rs.)	Balance (Rs.)
03/01	Balance	-	-	25 000
03/01	Deposit - cheque 250250	-	80 000	105 000
03/12	cheque - 301303	10 000	-	95 000
03/21	Deposit - Cash	-	10 000	105 000
03/29	cheque - 301306	40 000	-	65 000
03/30	Bank charges	1 000	-	64 000
03/30	Deposit (Kumari) 17973	-	22 000	86 000
03/31	Insurance installment	6 000	-	80 000

(iii) Balances as at 01.03.2018 and extracts of prime entry books for the month of March of Somasundara's business are as follows.

Description	(Rs.)		
	Sisira	Kumari	Amal
Debtors balances as at 2018.03.01	15 000	48 000	1 200
Sale journal	30 000	60 000	-
Return inwards journal	800	2 200	-
General journal (bad debts write off)	1 500	-	500
	Sirimal	Jayasiri	Premasiri
Creditors balances as at 2017.04.01	30 000	53 000	65 000
Purchase journal	20 000	80 000	-
Return outward journal	7 000	3 000	-

Additional Information:

- * Balance as at 31.03.2018 in cash control account was Rs. 16 700
- * Total of expenses column in the cash payment journal Rs.10 000 has been recorded as Rs. 1 000 in the cash control account.
- * The bank has informed that the cheque issued on 20.03.2018 was dishonored .Creditor has informed that the discount offered was cancelled.

Required:

- (1) Correct balance of the cash control as at 31.03.2018
- (2) Bank reconciliation statement for the month of March 2018
- (3) Debtors control and creditors control accounts for the month of March 2018

(15 Marks)
(Total 20 marks)

4. (a) Following transactions and balances were taken from 'Nikethana' business who engaged with buying and selling of 'Art Creations'

Balances as at 01.04.2018	Rs. '000
Cash	180
Trade payables	60
Payable VAT	15
Payable Electricity bill	5

Cash payments and credit transactions of the business. during the month of April 2018

- 04/02 - Payment of Insurance Rs. 10 000 (Voucher No: 081, cheque No: 623750)
 04/03 - Payment of electricity bill Rs. 11 000 (voucher No.083, cheque No:623751)
 Electricity bill relevant for month of April Rs. 6 000.
 04/06 - Purchase of art creations Rs. 160 000. (Voucher No. 083, cheque No:623752)
 04/08 - Credit purchase of Art creations from Lasath Rs. 85 000.Trade Discount Rs.5 000.
 (Invoice No: 072)
 04/15 - Credit purchase of Art creations from Akash Rs. 60 000.T (Invoice No: 073)
 04/20 - Discount received Rs. 2 000. when settling a due of Rs. 50 000 to Akash.
 (voucher No: 084, cheque No:623753)
 04/25 - Discount received Rs. 3 000, when settling a due of Rs. 80 000 to Lasath.
 (voucher No:085, cheque No: 623754)

Additional Information:

- (1) Above business is registered for VAT and 15% VAT applicable for purchases and sales.
- (2) VAT is not included in above sales and purchases figures.
- (3) Total Amount of cash receipt journal as at 30th April 2018 was Rs. 400 000

Required:

- (1) Record the above transactions in the following Journals. (prime entry books)
 - (i) Cash payment journal
 - (ii) Purchase journal
 - (2) The following accounts in the General ledger:
 - (i) Cash Account
 - (ii) Purchase Account
 - (iii) Trade payable Account
 - (iv) VAT Receivable Account
- (10 Marks)

- (b) 'Nuwanesa' children Association was established on 01.04.2017, with the objective of improving the reading skills of children.

Monthly subscription per member is Rs. 2 000. Income of the life time membership is recognized as income within 10 years.

- * Initial members of the Association was 25 and put of them 10 members are life members.
- * During the year 2017/2018, 5 members paid their subscriptions for 10 months and rest of members paid for full year.
- * On 01.07.2017 another 10 members joined to the association paying full year subscriptions.
- * On 01.10.2017, Rs. 20 000 worth of cash and Rs. 50 000 worth of furniture were received as donations to association, Furniture should be depreciated 10% on straight line method.
- Monthly building rent of association is Rs. 1 000 and has been paid for 10 months during the period.

- Following payments were made during the year.
For Magazine Rs. 1 500
For electricity Rs. 3 000
Stationary Rs. 2 000
- A magazine was launched to the writing skill of members of the association and printing and other cost were incurred Rs. 5 000. Received Rs. 4 000 from Advertisements from sponsors and Rs. 4 000 from sales of magazines.

Required:

- (1) Income statement for the year ended 31.03.2018
 - (2) Extracts of statements financial position as at 31.3.2018 related with subscriptions.
- (05 Marks)

(c) Following information related to property, plant and equipment of Jayali Public Limited as at 31.03.2017

Assets	Cost/ revalued Amount (Rs.'000)	Carrying Amount (Rs.'000)	useful life time (years)	Scrap value (Rs.'000)
Land	5 000	-	-	-
Building	5 400	1 500	40	200
Machines	2 200	800	5	200
Motor Vehicles	1 500	1 080	10	100

- Business is depreciate their all depreciable assets on straight time method.
- Following transactions occurred during the year ended 31.03.2018
 - (1) On 01.04.2017 Land was revalued for Rs. 5 500 000, A deficit of Rs. 300 000 was incurred from a revaluation made before 2 years.
 - (2) Modification of building was made on 01.04.2017 by spending Rs. 500 000. Due to this Modification remaining useful life time was increased by 20 years and, scrap value estimation was not changed.
 - (3) On 01.04.2017 Machine was purchased on a finance leasing and related information are as follows.

Fair value of machine	Rs. 1 200 000
Down payment	Rs. 400 000
lease installment	Rs. 300 000
Lease period	4 years
Useful life time of machine	5 years
Scrap value of machine	Rs. 200 000
- Lease interest included in first and second installment were Rs. 160 000 and Rs. 140 000 respectively. First installment was paid on 31.03.2018.
- Lease installment should be paid at the end of each financial year.

Required:

- (1) Extracts to statement of profit loss and other comprehensive income for the year ended 31.03.2018 using following format.

Distribution Cost
Administration expense
Other expense
Finance Cost
Other comprehensive income	
Land revaluation surplus

- (2) Extracts of statement of financial position as at 31/3/2018 showing all amounts related to lease liability.

(5 Marks)

(Total 20 Marks)

5. (a) Asha, Usha and Esha are carrying out a partnership business agreeing to following conditions.

- Profit sharing ratio among Asha, Usha and Esha 3:2:1 respectively.
- Monthly salary of Asha, Usha and Esha were Rs. 3 000, Rs. 4 000 and Rs. 5 000 respectively.
- Interest on capital for opening capital balance of partner 5%

Following account balances were related to partners as at 01.04.2017

	Asha (Rs.)	Usha (Rs.)	Esha (Rs.)
Capital Accounts	300 000	200 000	100 000
Current Accounts	30 000	20 000	(10 000)
6% Loan Account	-	-	100 000

Draft profit for the year ended 31.03.2018 was Rs. 320 000.

When drafting above net profit, following errors and omissions were occurred.

- (i) Interest on loan which was given by Esha was not yet adjusted.
- (ii) Salary paid for 6 months to partners, was included in employees salaries.
- (iii) Business was carried out in Usha's building and monthly rent is Rs. 10 000. Paid rent of Rs. 40 000 was entered only in books of accounts.
- (iv) A motor vehicle was acquired on 01.04.2017 by paying Rs. 700 000 together with a land having a carrying amount of Rs. 800 000. Exchange value of building exchanged was Rs. 1 000 000. Motor vehicles are depreciated 20% on straight line basis. No entries were made other than recording cash payment made. Depreciation was not adjusted for this motor vehicle.
- (v) No entries were made in relation to the goods drawings of Asha, Usha and Esha of during the year ended 31.03.2018 as Rs. 8 000, Rs. 6 000 and Rs. 4 000 respectively.
- (vi) On 31.03.2018 Esha retired from the partnership and goodwill of partnership was estimated as Rs. 240 000, Goodwill should be adjusted through the partners capital accounts. After retirement of Esha, Asha and Usha agreed to continue the business sharing profit and loss equally. It was agreed to maintain the amount payable to Esha as a loan to the partnership. No any records in this regard.

Required:

For the year ended 31.03.2018,

- (1) A statement showing the correct profit of the partnership
- (2) Profit and loss appropriation account
- (3) Partners current accounts
- (4) Partners capital accounts

(10 marks)

(b) Following information related to Pabodha manufacturing business for the year ended 31.03.2018

(i) Closing raw material value Rs. 80 000 (material 4000 kg)

(ii) Other information related with manufacturing for the year ended 31.03.2018

Purchase of raw materials (materials 50000kg)	1 000 000
Carriage inwards of raw materials and custom duties	200 000
Total overhead cost	5 050 000
Non- manufacturing overhead cost	800 000

(iii) 2 kg of raw materials are required to produce one unit.

(iv) One labour hour is required to produce one unit and, Rs. 100 paid for a labour hour.

(v) Other direct expense to produce one unit is Rs. 50.

(vi) During the year 25000 units were produced and 20000 units were sold at a fixed selling price per unit of Rs. 500.

(vii) No opening and closing work in progress.

Required:

- (1) Raw material stock value as at 31.03.2018
- (2) Prime cost during the year ended 31.03.2018
- (3) Total manufacturing cost for the year ended 31.03.2018
- (4) Manufacturing cost per unit during the year ended 31.03.2018
- (5) Profit or loss for the year ended 31.03.2018

(05 marks)

(c) A company is considering to acquire a new solar power generating machine of 'A' for fulfilling the electricity requirement from solar power. Total purchase and installation cost of machine would be Rs. 300 000. Salvage value and useful life time estimations of the machine are Rs. 50 000 and 5 years. Existing average annual Operating expenses of company is Rs. 100 000. Estimated average annual Operating expenses including depreciation for the next 5 years and discount rate for 15% given below.

Year	1	2	3	4	5
Average annual electricity consumption cost (Rs.)	70 000	65 000	60 000	60 000	55 000
Discount Factor 15%	0.87	0.75	0.65	0.57	0.49

Required:

- (1) Pay back period of the project
- (2) Net present value (NPV) of the project
- (3) Recommendation as to selection of the project based on the NPV

(05 Marks)

(Total 20 marks)

6. 'Sunamya' public Limited Company commenced on 01.04.2017 and it is a tax free company. Following information relates to this company.

(i) Information extracted from statement of financial position as at 31.03.2018.

	Rs.'000
Stated capital- ordinary shares (Rs:100 per share)	1 000
Total Equity	1 200
Current Liabilities	300
Non Current Liabilities	?

(ii) Accounting ratios for the year ended 31.3.2018.

- Gross profit ratio 40%
- Net profit ratio 20%
- Inventory turnover ratio - 4 times
- Total assets turnover ratio - 0.5 times

(iii) During the period dividend payment or reserve transfers were not occurred.

Required:

Calculate the followings for Sunamya PLC.

- (1) For the year ended 31.03.2018
 - Net Profit
 - Sales
 - Earnings per ordinary share
- (2) As at 31.03.2018
 - Inventory
 - Non-current liabilities

(06 marks)

(b) The followings information relates to two companies which engaged in sales of electric equipment.

(i) Description	Biumali PLC Rs.'000	Hiumali PLC Rs. '000
Opening trade receivables	600	400
Closing trade receivables	400	600
Opening Inventory	300	400
Closing inventory	500	200
Purchase of inventory during the year	8 200	8 800
Gross profit ratio on cost	20%	50%

- (ii) All sales and purchase are on credit basis
- (iii) Assume 360 days for a year

Required:

- (1) For each company, calculate the following ratios.
 - (i) Inventory residence period
 - (ii) Trade receivables turnover ratio
- (2) According to the above calculations, in a shorter period, true
 - (i) The company which sells their inventory
 - (ii) The company which collects cash from trade receivables

(c) The summarized statement of financial position of Dasun PLC as at 31.03.2018 and 31.03.2017 are given below.

(Rs.'000)

	31.03.2018	31.03.2017
Non- Current Assets		
Property plant and equipment	15 800	14 100
Accumulated depreciation	(1 200)	(800)
	14 600	13 300
Current Assets		
Inventory	1 500	1 400
Trade Receivables	1 800	2 000
Cash balance	410	510
	18 310	17 210
Equity		
Stated capital- ordinary shares	9 500	8 000
Revaluation reserve	600	400
General reserve	500	1 000
Retained earnings	3 100	1 200
	13 700	10 600
Non- current liabilities		
Bank loan	2 400	4 800
Current liabilities		
Trade payables	1 750	1 600
Tax payable	250	100
Finance expense payable	210	110
	18 310	17 210

Statement of changes in equity for the year ended 31.03.2018

(Rs.'000)

	Ordinary shares	Revaluation reserve	General Reserves	Retained earnings	Total
Balance 01.04.2017	8 000	400	1 000	1 200	10 600
Issue of shares	1 000				1 000
Reserves capitalization	500		(500)		-
Total comprehensive income		200		2 100	2 300
Dividend paid				(200)	(200)
	9 500	600	500	3 100	13 700

Additional information:

- (1) During the year, motor vehicle cost of Rs. 1 200 000 has been sold for Rs. 500 000 with a profit of Rs. 100 000 and a new machine was purchased.
- (2) During the year, income tax paid was Rs. 125 000 and interest paid was Rs. 50 000.

Required:

Statement of cash flows of Dasun PLC for the year ended 31.03.2018 as per LKAS 07(Statement of cash flows).

(10 Marks)
(Total 20 Marks)