GRAND FINAL MOCK EXAMINATION

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கல்விப் பொதுத் தராதரப் பத்திர (உயர் தரப் பரீட்சை, 2026
General Certificate of Education (Adv. Level) Examination, 2026

ගිණුම්කරණය I
கணக்கீடு I
Accounting I

33 E I

පැය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

Instructions:
* *Answer **all** questions.*
* *Select the correct answers for questions No. 1-30 and write its number on the dotted line.*
* *Write short answers for questions No. 31-50 on the dotted lines.*
* *Each question carries **equal** marks.*
* *Write your **Index Number** in the space provided above.*
* *Use of non-programmable calculators is allowed.*

Index No. : ....

For Examiner's Use Only

	Signature	Code No.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F.		
Chief		

For paper I	
Q. Nos.	Marks
01 - 30	
31 - 50	
TOTAL	

1. **Which one of the following statements best describes the role of financial accounting?**
   (1) **Communicating past and future financial information to the primary stakeholders of an entity.**
   (2) **Providing historical financial information to external stakeholders to facilitate their economic decision-making.**
   (3) **Providing forecast information required for the future economic decision-making of the internal stakeholders of an entity.**
   (4) **Providing both financial and non-financial information for inclusion in general purpose financial statements.**
   (5) **Providing information required to satisfy all the financial information needs of all stakeholders of an entity.** (............)

2. **Which accounting concept provides the basis for recognizing depreciable assets included under Property, Plant and Equipment in the Statement of Financial Position at their carrying amount?**
   (1) **Monetary Measurement Concept**
   (2) **Materiality Concept**
   (3) **Prudence Concept**
   (4) **Periodicity Concept**
   (5) **Going Concern Concept** (............)

3. **Which of the following accounting treatments is directly related to the Accrual Concept?**
   (1) **Recognising an impairment loss arising on credit sales as an expense of the relevant accounting period.**
   (2) **Recognising trade receivables in the Statement of Financial Position at their carrying amount.**
   (3) **Recognising investment income as other income in a retail business.**
   (4) **Not recognising goods sent to a customer on a sale or return basis as credit sales at the time they are dispatched.**
   (5) **Recognising all income in the Statement of Cash Flows on the cash basis.** (............)

<u>Use the following information to answer Questions (4), (5), (6) and (7).</u>
The following transactions took place during March 2026 in a business entity registered for Value Added Tax (VAT).

- 03.01 Owner introduced Rs. 500,000 in cash as additional capital.
- 03.06 Inventory costing Rs. 240,000 was sold on credit to Ravindu for Rs. 354,000 (inclusive of 18% VAT).
- 03.10 Inventory was sold for cash at a 33⅓ % mark-up on cost for Rs. 236,000 (inclusive of 18% VAT).
- 03.12 Ravindu returned ¼ th of the inventory sold to him on 03.06.
- 03.20 The balance due from Ravindu was received after allowing a cash discount of Rs. 15,500.

4. The source documents relevant for recording the transactions that occurred on 03.01, 03.06, 03.12 and 03.20, respectively, in the books of the business entity are:

(1) Journal Voucher, Sales Invoice, Debit Note, Receipt
(2) Receipt, Sales Invoice, Debit Note, Receipt
(3) Receipt, Sales Invoice, Credit Note, Receipt
(4) Journal Voucher, Sales Invoice, Credit Note, Receipt
(5) Receipt, Sales Invoice, Credit Note, Payment Voucher (…………)

5. The correct double entry to be posted to the General Ledger in respect of the transaction that occurred on 03.12 is:

(1) Trade Receivables Control Account Dr. Rs. 88,500
Sales Returns Account Cr. Rs. 75,000
VAT Control Account Cr. Rs. 13,500

(2) Trade Receivables Control Account Dr. Rs. 70,800
Sales Returns Account Cr. Rs. 60,000
VAT Control Account Cr. Rs. 10,800

(3) Sales Returns Account Dr. Rs. 88,500
VAT Control Account Cr. Rs. 13,500
Trade Receivables Control Account Cr. Rs. 75,000

(4) Sales Returns Account Dr. Rs. 60,000
VAT Control Account Dr. Rs. 10,800
Trade Receivables Control Account Cr. Rs. 70,800

(5) Sales Returns Account Dr. Rs. 75,000
VAT Control Account Dr. Rs. 13,500
Trade Receivables Control Account Cr. Rs. 88,500 (…………)

6. The net effect of all the above transactions on the accounting equation is:

	Assets (Rs. '000)	=	Liabilities (Rs. '000)	+	Equity (Rs. '000)
(1)	656.0	=	76.5	+	579.5
(2)	642.5	=	63.0	+	579.5
(3)	156.0	=	76.5	+	79.5
(4)	596.0	=	76.5	+	519.5
(5)	656.0	=	63.0	+	593.0

(…………)

7. Considering all the above transactions, what are the total expenses for March 2026 and the net increase/decrease in the cash balance during March 2026?

	Total Expenses (Rs. ’000)	Net Change in Cash Balance (Rs. ’000)
(1)	390.0	Increase of 986.0
(2)	390.0	Increase of 1,001.5
(3)	345.5	Increase of 845.5
(4)	345.5	Increase of 986.0
(5)	405.5	Increase of 1,001.5

(…………)

8. According to the bank statement received by Sapumal's business, the balance as at 31 January 2026 was a credit balance of Rs. 186,000. On the same date, the Cash Account of the business showed a debit balance of Rs. 185,000.
   - As at 01 January 2026, the balance in the Cash Account was Rs. 65,000 higher than the balance shown in the bank statement on that date. There were no unpresented cheques as at 31 December 2025.
   - The following information was extracted from the bank statement for January 2026. These items had not been recorded in the Cash Account:
     - Direct remittance – Rs. 60,000
     - Payments made under standing orders – Rs. 23,000
     - Bank charges – Rs. 2,000
   - Cheques amounting to Rs. 240,000 were deposited during January 2026.
   - According to the bank statement for January 2026, the value of deposits, excluding the direct remittance, was Rs. 100,000.

   The balance of the adjusted Cash Account as at 31 January 2026 and the value of unpresented cheques as at that date, respectively, are:

	Adjusted Cash Account Balance (Rs.)	Unpresented Cheques (Rs.)
(1)	221,000	171,000
(2)	220,000	171,000
(3)	220,000	205,000
(4)	220,000	106,000
(5)	220,000	31,000

(...........)

<u>Use the following information to answer Questions (9) and (10).</u>

The draft net profit of Sadun Enterprises for the six-month period ended 31 March 2026 was Rs. 373,000. However, it was subsequently discovered that the following errors had occurred when recording transactions and preparing the final accounts for the period.

a) The total of the Returns Outwards Journal for December 2025 had been overcast by Rs. 10,000.

b) Commission income of Rs. 16,000, received in cash, had been posted twice to the Commission Income Account when posting to the ledger.

c) A bank loan instalment of Rs. 25,000, including interest of Rs. 5,000, was paid in cash on 31ST March 2026, but no entry had been made in the Bank Loan Account. The other entries had been correctly recorded.

d) Electricity charges of Rs. 7,200 for March 2026 remained unpaid as at 31 March. This amount had been debited to the Electricity Charges Account and credited to the Trade Payables Control Account.

e) Annual depreciation on Property, Plant and Equipment amounted to Rs. 60,000, and monthly rental income amounted to Rs. 6,000. Neither of these had been adjusted when calculating profit. No rental income relating to the period had been received in cash.

9. Which of the following correctly shows the balance in the Suspense Account before correcting the above errors and the net effect of the corrections on the liabilities of the business?

	Suspense Account Balance (Rs.)	Decrease in Liabilities (Rs.)
(1)	25 000 Dr	15 000
(2)	36 000 Dr	10 000
(3)	41 000 Dr	15 000
(4)	36 000 Cr	7 800
(5)	41 000 Cr	10 000

(...........)

10. **The correct net profit for the six-month period ended** 31 March 2026 **is:**

(1) Rs. 348,000	**(3) Rs. 345,800**	**(5) Rs. 359,000**
(2) Rs. 353,000	**(4) Rs. 340,800**	**(...........)**

11. **Use the following information relating to Asheni's sole proprietorship for the year ended 31 March 2026.**

	Rs 000
Total purchases	**2,400**
Sales	**5,200**

During the period:

- **Decrease in inventory – 200**
- **Decrease in trade payables – 200**
- **Increase in trade receivables – 300**

Additional information:

- **All sales were made on credit.**
- **Cash purchases during the year amounted to Rs. 400,000.**

The gross profit of the business for the year ended 31 March 2026, calculated on the cash basis and the accrual basis, respectively, is:

	Cash Basis (Rs. '000)	**Accrual Basis (Rs. '000)**
(1)	**2,400**	**2,600**
(2)	**2,700**	**2,600**
(3)	**2,900**	**2,800**
(4)	**2,700**	**2,800**
(5)	**2,300**	**2,600**

(...........)

12. **Which of the following statements regarding the maintenance of ledgers in a business entity is correct?**
    (1) When subsidiary ledgers are maintained, accounts in the General Ledger are maintained under the self-balancing system.
    (2) Since control accounts are maintained in the General Ledger, it is not necessary to maintain the personal accounts of trade receivables and trade payables in any ledger.
    (3) At the end of an accounting period, the totals of the Schedules of Balances of the subsidiary ledgers are transferred to the relevant control accounts in the General Ledger.
    (4) The balances of the adjusted control accounts in the General Ledger are presented in the Statement of Financial Position.
    (5) The totals of the Schedules of Balances of the subsidiary ledgers can always be regarded as correct balances.

(...........)

Use the following information to answer Questions (13) and (14).

The following cost information was computed for Siyatha Products for the year ended 31 March 2026. The business commenced operations on 01 April 2025.

- **Cost of production per unit – Rs. 108**
- **Closing inventory of finished goods (at cost) as at 31 March 2026 – Rs. 172,800**
- **Cost of sales – Rs. 691,200**

Additional information:

1. **The cost of production machinery of the business was Rs. 1,400,000. Although depreciation on machinery should have been charged at 10% on cost, it had been omitted when calculating the cost of production.**
2. **The employer's contribution to the Employees' Provident Fund (EPF) relating to production employees' wages, amounting to Rs. 36,000, had not been adjusted.**
3. **20% of the units produced during the year remained in inventory as at 31 March 2026.**

13. The number of units produced during the year ended 31 March 2026 and the cost of production per unit after considering all costs, respectively, are:
    (1) 8,000 units; Rs. 125.50
    (2) 1,600 units; Rs. 122.00
    (3) 8,000 units; Rs. 130.00
    (4) 8,000 units; Rs. 112.50
    (5) 6,400 units; Rs. 130.00
    (...........)

14. The correct cost of sales for the year ended 31 March 2026 is:
    (1) Rs. 1,040,000
    (2) Rs. 900,000
    (3) Rs. 832,000
    (4) Rs. 867,600
    (5) Rs. 831,200
    (...........)

15. The following information relating to membership subscriptions of "Janahitha" Sports Club has been provided.

	31.03.2026 Rs. '000	31.03.2025 Rs. '000
Subscriptions in arrears	18	25
Subscriptions received in advance	–	32
Life membership subscriptions	162	202

Subscriptions received in cash during the year 2025/2026 were as follows:

- Relating to the year 2024/2025 – Rs. 18,000
- Relating to the year 2025/2026 – Rs. 122,000
- Relating to the year 2026/2027 – Rs. 10,000

It was decided to write off the subscriptions in arrears relating to the year 2024/2025 that remained outstanding as at 31 March 2026.

The subscriptions in arrears as at 31 March 2026 stated above do not include the subscriptions in arrears relating to the year 2024/2025.

The total subscription income to be recognised for the year ended 31 March 2026 is:
    (1) Rs. 212,000
    (2) Rs. 172,000
    (3) Rs. 165,000
    (4) Rs. 205,000
    (5) Rs. 179,000
    (...........)

Use the following information to answer Questions (16) and (17).

Dinithi, Anuththara and Prarthana are partners of a trading business sharing profits and losses in the ratio of 2 : 2 : 1, respectively. The partners are entitled to interest on capital at 10% per annum on the opening capital balances.

The following information relates to the partners' equity for the year 2025/2026.

Partner	Current Account Balance as at 01.04.2025 (Rs. '000)	Capital Account Balance as at 31.03.2026 (Rs. '000)	Interest on Capital for 2025/2026 (Rs. '000)	Share of Profit (Rs. '000)	Drawings (Rs. '000)
Dinithi	800 Cr.	3,425	350	220	170
Anuththara	700 Cr.	3,425	350	220	70
Prarthana	750 Cr.	2,650	250	110	110

- Prarthana decided to retire from the partnership on 31 March 2026. The capital account balances shown above are after adjusting goodwill through the partners' Capital Accounts on that date. No other adjustments relating to the retirement have been made.
- A motor vehicle with a cost of Rs. 2,000,000 and accumulated depreciation of Rs. 350,000 as at 31 March 2026 was transferred to Prarthana at its carrying amount. The partners agreed to transfer the value to her Loan Account.
- Dinithi and Anuththara agreed to continue the business as equal partners.

16. **The total equity of the partnership as at 1 April 2025 and as at 31 March 2026, before making any adjustments relating to Prarthana's retirement, respectively, is:**

	As at 01.04.2025 (Rs. '000)	As at 31.03.2026 (Rs. '000)
(1)	11,750	12,550
(2)	11,750	12,400
(3)	12,550	11,450
(4)	11,750	12,900
(5)	12,400	11,750

(...........)

17. The **total value of goodwill of the partnership as at the date of Prarthana's retirement** and the **balance of Prarthana's Loan Account as at 01 April 2026**, respectively, are:

	Goodwill (Rs. '000)	Loan account balance (Rs. '000)
(1)	375	2000
(2)	750	3650
(3)	375	3650
(4)	750	2650
(5)	750	2000

(...........)

Use the following information to answer Questions (18) and (19).

The total comprehensive income of Nishshanka Public Limited Company for the year ended 31 March 2026 was Rs. 2,900,000.

The following information was considered in calculating the total comprehensive income:

Revenue:	Rs. '000
Sale of goods	11,000
Rendering of services	1,400
Other income	1,000
Operating expenses	2,800
Income tax expense	700

Additional information

a. **The gross profit for the year 2025/2026 was Rs. 4,000,000. The amount recognised as other income represents the revaluation surplus arising from the first revaluation of the company's motor vehicles on 31 March 2026.**
b. **The buildings of the business were revalued for the second time on 01 April 2025, and a revaluation surplus of Rs. 1,800,000 was recognised. A revaluation surplus of Rs. 1,500,000 had been recognised on the first revaluation carried out on 01 April 2024.**
c. **A revaluation surplus of Rs. 600,000 had been recognised when the land of the business was revalued for the first time on 01 April 2024. A revaluation deficit was recognised when the land was revalued for the second time on 01 April 2025.**

18. **The revaluation deficit recognized on the second revaluation of land on 01 April 2025 was:**

(1) Rs. 2,400,000 **(3) Rs. 1,400,000** **(5) Rs. 600,000**
(2) Rs. 400,000 **(4) Rs. 1,800,000**

(...........)

19. The total income and total expenses for the year ended 31 March 2026, respectively, are:

	Total Income (Rs. '000)	Total Expenses (Rs. '000)
(1)	15,800	12,900
(2)	16,200	13,300
(3)	15,200	12,300
(4)	15,200	11,300
(5)	15,900	13,000

(...........)

20. According to LKAS 2 – Inventories, which of the following statements is incorrect?

(1) In determining the cost of purchase, trade discounts and rebates shall be deducted from the purchase price.
(2) Storage costs shall never be included in the cost of inventories.
(3) When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised.
(4) When measuring inventories at the lower of cost and net realisable value, both cost and net realisable value may be determined either on an item-by-item basis or on a group basis.
(5) Fixed production overheads shall be allocated to units of production on the basis of the actual level of production.

(...........)

21. According to LKAS 7 – Statement of Cash Flows, which of the following correctly shows the classification of the following cash flows?

A – Cash paid to acquire long-term debentures of another public limited company.
B – Interest received in cash at the end of the first year on those debentures.
C – Lease instalment paid, excluding the interest element.
D – Commission income received in cash

	A	B	C	D
(1)	Financing	Investing	Financing	Investing
(2)	Investing	Investing	Financing	Investing
(3)	Financing	Investing	Financing	Operating
(4)	Investing	Investing	Financing	Operating
(5)	Investing	Investing	Operating	Investing

(...........)

22. According to LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, which of the following statement/statements is/are correct?

A – A change in an accounting policy may be made only when such a change is required by an accounting standard.
B – Changes in accounting estimates should not result in any changes to the financial statements of prior periods.
C – Prior-period errors should be corrected retrospectively by adjusting the financial statements of prior periods affected by the errors.
D – A change in the depreciation method from the straight-line method to the diminishing-balance method is a change in accounting policy.

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

(...........)

23. The accounting year of Malan Public Limited Company ended on 31 March 2026. The preparation of the financial statements was completed on 25 May 2026, and the financial statements were authorised for issue by the Board of Directors on 05 June 2026.

The following events occurred after 31 March 2026.

1. A building existing as at 31 March 2026 was completely destroyed by a fire on 18 April 2026. The carrying amount of the building on that date was Rs. 1,550,000.
2. On 30 April 2026, the court declared bankrupt a debtor whose outstanding balance of Rs. 850,000 was included in Trade Receivables as at 31 March 2026.
3. Inventories purchased on 05 April 2026 at a cost of Rs. 25,000 were sold on 10 May 2026 for Rs. 325,000.
4. On 26 May 2026, judgment was delivered in respect of a legal action filed on 01 December 2025 by an employee who had been dismissed by the company. Accordingly, the company paid compensation of Rs. 350,000 to the employee on that date. No provision had been recognised in respect of this matter as at 31 March 2026.

According to LKAS 10 – Events after the Reporting Period, after considering the above events, the effect on the profit for the year ended 31 March 2026 and on the total assets of the company as at that date, respectively, is:

	Effect on Profit	Effect on Total Assets
1.	Decrease by Rs. 2,400,000	Decrease by Rs. 2,150,000
2.	Decrease by Rs. 1,200,000	Decrease by Rs. 1,200,000
3.	Decrease by Rs. 1,200,000	Decrease by Rs. 2,750,000
4.	Decrease by Rs. 2,400,000	Decrease by Rs. 2,400,000
5.	Decrease by Rs. 1,200,000	Decrease by Rs. 850,000

(...........)

24. On 01 April 2025, Satheel Limited entered into a lease agreement to obtain the right to use a motor vehicle. The following information relates to the lease:

	Rs. '000
Initial payment	2,000
Initial measurement of the lease liability	7,000
Initial direct costs incurred	600

Additional information:

- The motor vehicle has a useful life of 8 years and an estimated residual value of Rs. 1,600,000 at the end of its useful life.
- The lease term is 6 years, and ownership of the motor vehicle will not be transferred to the lessee at the end of the lease term.

According to SLFRS 16 – Leases, the annual depreciation charge on the right-of-use asset for the year ended 31 March 2026 is:

(1) Rs. 1,600,000 (3) Rs. 1,000,000 (5) Rs. 1,400,000
(2) Rs. 1,200,000 (4) Rs. 960,000

(...........)

25. The total equity of Malki Public Limited Company as at 01 April 2025 was Rs. 9,900,000, including Retained Earnings of Rs. 1,900,000.

Additional information:

- During the year, the company made a rights issue of 50,000 ordinary shares at Rs. 50 per share, and the proceeds were duly received by the company.

- The profit for the period for the year ended 31 March 2026 was Rs. 2,000,000, while the total comprehensive income amounted to Rs. 2,800,000.
- Rs 1000 000 worth of retained earnings was capitalized during the year
- On 17 March 2026, a transfer was made from Retained Earnings to the General Reserve.

If the balance of the Retained Earnings Account after all adjustments as at 31 March 2026 is Rs. 2,400,000, the total equity of the company as at 31 March 2026, after considering all the above transactions, is:

(1) Rs. 10,500,000 (3) Rs. 16,700,000 (5) Rs. 13,700,000
(2) Rs. 15,200,000 (4) Rs. 14,700,000 (...........)

26. The following information relates to Imasha Limited for the year ended 31 March 2026:

	Rs.
Inventory as at 31 March 2026	120,000
Inventory as at 01 April 2025	160,000
Inventory holding period	60 days
Gross profit ratio	30%

- The number of working days for the year is 360 days.

The sales revenue for the year ended 31 March 2026 is:

(1) Rs. 840,000 (3) Rs. 1,200,000 (5) Rs. 1,092,000
(2) Rs. 960,000 (4) Rs. 800,000 (...........)

27. A manufacturing company requires 2 units of raw material "P" to produce one unit of its finished product.
- Minimum monthly production: 2,500 units
- Maximum monthly production: 3,750 units
- Minimum lead time for raw material "P": 2 months
- Average lead time for raw material "P": 4 months

The re-order level and the minimum inventory level of raw material "P", respectively, are:

	Re-order Level (units)	Minimum Inventory Level (units)
(1)	45,000	20,000
(2)	22,500	20,000
(3)	45,000	10,000
(4)	90,000	40,000
(5)	57,500	20,000

(...........)

28. The following estimated information relates to a manufacturing company for the quarter ending 30 September 2026:

Estimated cost per unit

Cost component	Rs.
Prime cost	60
Production overheads:	
– Processing Department	15
– Finishing Department	25
Estimated cost per unit	100

- The production of one unit requires 3 machine hours in the Processing Department and 2 labour hours in the Finishing Department.

- **The budgeted total machine hours of the Processing Department are 840,000 hours, while the budgeted total labour hours of the Finishing Department are 400,000 hours.**
- **Factory rent of Rs. 1,440,000 relating to the quarter has not been considered in estimating the cost per unit.**
- **The floor area occupied by each department is as follows:**

Department	Floor area
Processing Department	35,000 m²
Finishing Department	25,000 m²

After considering all the above cost items, the estimated cost per unit is:

(1) Rs. 110 (2) Rs. 120 (3) Rs. 112 (4) Rs. 106 (5) Rs. 115

(...........)

29. The following information relates to "Nanasri" Manufacturing Company at an activity level of 50,000 units:

	Rs. '000
Total contribution	2,500
Sales revenue	6,000
Sales value at the break-even point	3,600

The company's variable cost per unit and total fixed cost, respectively, are:

	Variable Cost per Unit (Rs.)	Total Fixed Cost (Rs. '000)
(1)	50	3,500
(2)	50	1,500
(3)	70	3,000
(4)	70	1,500
(5)	30	3,000

(...........)

30. The following statements relate to capital investment decisions:

A – The proceeds of a long-term bank loan obtained to commence a project should be treated as an initial cash inflow of the project.

B – The time value of money is considered when calculating the accounting rate of return.

C – The period required for the total cash inflows of a project to equal its total cash outflows is known as the payback period.

D – When evaluating a project using the net present value method, it is more appropriate to accept the project when the present value of cash inflows is equal to the present value of cash outflows.

Which of the above statements is/are correct?

(1) C and D only (3) B, C and D only (5) A and C only

(2) C only (4) D only

(...........)

31. The following are some recent environmental influences:

A – Increase in the prices of imported goods due to the war situation in the Middle East.

B – Introduction of new Sri Lanka Financial Reporting Standards by revising the Sri Lanka Accounting Standards.

C – Emergence of new accounting software, improving the efficiency of providing accounting information.

D – Enactment of the **National Audit (Amendment) Act, No. 19 of 2025 by Parliament.**

Identify the component of the accounting environment to which each of the above environmental influences belongs, and write the relevant letter against the appropriate environmental component.

Environmental component	**Relevant letter**
(1) Technical and professional environment	………………………………
(2) Economic and political environment	………………………………
(3) Technological environment	………………………………
(4) Legal environment	………………………………

32. During the year ended 31 March 2026, the assets of Gayathri's sole proprietorship increased by Rs. 2,600,000, while its liabilities decreased by Rs. 700,000. However, in determining these changes, a bank loan of Rs. 500,000 obtained on 01 October 2025 had not been taken into account.

The following information relates to the year 2025/2026:

- **Additional capital introduced by Gayathri – Rs. 150,000**
- **Monthly cash drawings by Gayathri – Rs. 25,000**
- **Goods withdrawn by Gayathri for personal use on 01 January 2026 – Rs. 105,000**

The net profit/(loss) of Gayathri's business for the year ended 31 March 2026 is:(Rs. '000) …………………………

Use the following information to answer Questions (33) and (34).

The following transactions took place in a VAT-registered business. None of these transactions has been recorded in the books of account.

1. **In settling a Trade Payables balance of Rs. 300,000, the owner issued a cheque from his personal current account after deducting a cash discount of Rs. 20,000.**
2. **A long-term loan of Rs. 1,500,000 was obtained at the beginning of the year at 12% per annum and the interest is not yet paid.**
3. **Goods were sold on credit for Rs. 177,000 (inclusive of VAT at 18%). The cost of sales of those goods was Rs. 120,000.**
4. **The cheque issued to the trade payable in transaction (1) was dishonoured, and consequently the cash discount received was also cancelled.**

33. After recording the above transactions correctly, state the net effect on each of the following items together with the amount.

Item	**Effect *(Increase / Decrease / No change)***	**Amount (Rs. '000)**
A – Equity	....	....
B – Liabilities	....	....

34. Write the double entries required to record Transactions (3) and (4).

Transaction No.	**Particulars**	**Dr. (Rs. '000)**	**Cr. (Rs. '000)**
3	....	....	....
	....	....	....
	....	....	....
	....	....	....
4	....	....	....
	....	....	....
	....	....	....
	....	....	....

35. Indicate whether each of the following statements relating to accounting concepts is True (T) or False (F).

Statement	**True (T) / False (F)**
A – According to the matching concept, the annual depreciation charge on a right-of-use asset is recognised as an expense against the income of the relevant period.	………………………
B – The periodicity concept provides the basis for recognising trade receivables and trade payables of a business.	………………………
C – The basic assumption of the business entity concept is that every accounting entity has a continuous existence.	………………………
D – The historical cost concept is preserved when property, plant and equipment are presented under the revaluation model.	………………………

36. State the correct type of account to which each of the following General Ledger accounts belongs.

General Ledger Account	**Type of Account**
A – General Reserve Account	…………………………………
B – Accumulated Depreciation Account	…………………………………
C – Provision for Income Tax Account	…………………………………
D – Dividends Paid Account	…………………………………

37. No adjustments relating to inventories had been made by Tharuli Public Limited Company as at 31 March 2026. According to the physical inventory count carried out on that date, inventories costing Rs. 188,000 were available in the warehouse.
The following additional information relates to inventories:

- **a) Inventories costing Rs. 14,500, relating to a credit purchase invoice dated 28 March 2026, were still in transit as at 31 March 2026.**
- **b) In March 2026, inventories with an invoice price of Rs. 40,000 were sent to a customer on a sale or return basis. These inventories had been invoiced at a mark up profit of 1/3rd on cost. The customer informed the company that 75% of the inventories had been sold, and the relevant transaction had been properly recorded. The period allowed for the return of the remaining inventories held by the customer had not expired as at 31 March 2026.**
- **c) After determining the correct cost of inventories as at 31 March 2026, their net realisable value was estimated. The estimated selling price of the total inventories was Rs. 225,000, while the estimated costs of completion and costs necessary to make the sale amounted to Rs. 25,000.**

(a) What is the correct cost of inventories to be recognised as at 31 March 2026? …………………………………………

(b) State the net effect of the inventory adjustment on the profit for the year ended 31 March 2026.………………………

38. Ama and Ima are partners of a partnership business sharing profits and losses in the ratio of 2 : 1, respectively. The composition of equity as at 01 April 2025 was as follows:

Partner	**Capital Account (Rs. '000)**	**Current Account (Rs. '000)**
Ama	**3,800**	**200**
Ima	**2,400**	**300**

- **On 31 March 2026, Chanu was admitted to the partnership with a one-fourth share of profit. Chanu introduced a motor vehicle valued at Rs. 2,500,000 and cash amounting to Rs. 500,000 as capital on that date. Goodwill was adjusted through the partners' Capital Accounts. After making the relevant adjustments, the balance of Chanu's Capital Account as at 01 April 2026 was Rs. 2,550,000.**

- **During the year ended 31 March 2026, as a result of the relevant adjustments, the balance of Ama's Current Account increased by Rs. 125,000, while the balance of Ima's Current Account increased by Rs. 175,000.**

(a) State the balances of the partners' Capital Accounts as at 01 April 2026.

Ama: Rs. '000 ……………………………………………………………………………

Ima: Rs. '000 ……………………………………………………………………………

(b) What is the total equity of the partnership as at 01 April 2026? Rs. '000 ………………………

39. Complete the following statements relating to the accounting of a partnership business.

A – In the absence of a written partnership agreement, the provisions of Section ……………………………… of the Partnership Ordinance should be followed.

B – When there is a change in the ownership of a partnership, the adjustment of goodwill through the partners' Capital Accounts does not result in a change in the total ……………………………… of the business.

C – When an ……………………………… of a partnership business is paid personally by a partner, it should be …………………………………………………………….

40. According to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets, indicate whether each of the following statements is True (T) or False (F).

Statement	**True (T) / False (F)**
A – If the recognition criteria for a provision are satisfied, it may be recognised as an expense in the Statement of Profit or Loss.	**……………………**
B – A provision may be recognised for a possible future operating loss if the amount can be measured reliably.	**……………………**
C – Since contingent liabilities are not recognised in the Statement of Financial Position, they need not be measured.	**……………………**
D – A contingent asset may be recognised in the financial statements only when an inflow of future economic benefits is expected.	**……………………**

41. On 01 January 2026, Vijith Public Limited Company entered into a contract with a customer. The performance obligations included in the contract and their relative stand-alone selling prices are as follows:

Performance obligation	**Relative stand-alone selling price (Rs.)**
Supply of a production machine	**180,000**
Installation service	**30,000**
Maintenance service	**90,000**

- **The customer is able to obtain the installation and maintenance services from other suppliers in the market.**
- **In order to obtain all the benefits specified above, the customer agreed to the contract. The machine was delivered to the customer's premises and the installation was completed on 31 January 2026.**
- **The total transaction price of the contract was Rs. 240,000, and it was paid by the customer on 31 January 2026.**
- **According to the terms of the maintenance service, six maintenance services are to be provided over a period of one year, at intervals of two months. The first maintenance service was provided on 31 March 2026.**

- The company does not offer discounts on the sale of the production machine.

According to SLFRS 15 – Revenue from Contracts with Customers, state the amount of revenue to be recognised by Vijith Public Limited Company as at 31 March 2026 and the amount of unearned revenue as at that date.

A – Revenue to be recognised (Rs.) ………………………………………………………………

B – Unearned revenue (Rs.) ……………………………………………………………

42. Complete the following statements according to the Conceptual Framework for Financial Reporting (2018).

A-- If information contained in the financial statements is capable of making a difference to the decisions made by users of that information, such information is considered to be …………………………………………….

B-- An ………………………………………… is a …………………………………………………… that has the potential to produce economic benefits.

C-- To provide a faithful representation, information should be complete ,……………………………………, and should be free from error.

43. The following information relates to the cash flows of Nanda Public Limited Company for the year ended 31 March 2026.

	Rs. '000
Cash and cash equivalents as at 01 April 2025	1,530
Cash and cash equivalents as at 31 March 2026	5,000
Profit before tax	1,150
Income tax and interest paid	300
Net cash flow from investing activities	(500)
Net cash generated from financing activities	2,070

During the year 2025/2026:

- **Increase in current assets (excluding cash and cash equivalents) – Rs. 250,000**
- **Decrease in current liabilities (excluding accrued tax and interest) – Rs. 150,000**
- **Interest expense for the year – Rs. 550,000**

What was the depreciation charge on Property, Plant and Equipment for the year ended 31 March 2026?

……………………………………………………………………………………………

44. Indicate whether each of the following statements relating to Cost Accounting is True (T) or False (F).

Statement	True (T) / False (F)
A – Product costs and period costs are two classifications of costs according to their function.	……………
B – The Goods Received Note (GRN) and the Material Requisition Note (MRN) are source documents used in preparing the Stores Ledger.	……………
C – Inventory level control is an inventory control technique used in cost control.	……………
D – The predetermined overhead absorption rate plays an important role in allocating production overheads to units of production.	……………

45. The following information relates to a Public Limited Company as at 31 March 2026.

Current ratio	**3 : 1**	**Average inventory**	**Rs. 40,000**
Current assets	**Rs. 180,000**	**Inventory turnover ratio**	**8 times**
Inventory as at 01 April 2025	**Rs. 32,000**	**Gross profit ratio**	**20%**

(a) What is the quick ratio of the company as at 31 March 2026?………………………………….
(b) What was the sales revenue for the year ended 31 March 2026?…………………………………………………..

46. The following information relates to the salaries and wages of a business for January 2026**.**
Net salaries and wages – Rs. 1,740,000
Deductions:

- **Recovery of employee loans – Rs. 160,000**
- **Salary advances – Rs. 70,000**
- **Trade union subscription – Rs. 10,000**

The employee's contribution to the Employees' Provident Fund (EPF) is 10% of gross salaries and wages. There were no other deductions relating to January 2026.
The employer contributes 15% and 3% of gross salaries and wages to the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF), respectively.

(a) What is the total amount to be recognised as an expense in the Statement of Profit or Loss in respect of salaries and wages for January 2026?……………………………………………………………………
(b) Write the double entry (including the amount) required to record the employer's contribution to the Employees' Trust Fund (ETF)
……………………………………………………………………………………………………
……………………………………………………………………………………………………

47. The following Budgeted information relates to a product manufactured by a manufacturing entity consisting of two production departments and one service department.

Cost per unit	**Rs.**
Direct materials	**150**
Direct labour	**120**
Direct expenses	**30**
Production overheads	**150**
Total cost per unit	**450**

- **Each unit requires 4 machine hours in the Processing Department and 2 labour hours in the Finishing Department.**
- **Production overheads of the Processing Department are absorbed on the basis of machine hours at a budgeted overhead absorption rate of Rs. 20 per machine hour.**
- **The budgeted total machine hours of the Processing Department are 20,000 hours, while the budgeted total labour hours of the Finishing Department are 10,000 hours.**
- **The budgeted total production overheads of the Service Department amount to Rs. 150,000.**

(a) What is the budgeted total production overhead of the Finishing Department?……………………………
(b) What is the budgeted total production overhead allocated to the product? ……………………………………

48. Dulansa Public Limited Company is a manufacturing business. The following cost information relates to the year ended 31 March 2026.

Units produced	**50,000**
Total cost (Rs. '000)	**15,000**
Variable production overhead per unit	**Rs. 70**
Total production overheads (Rs. '000)	**5,000**

Additional information:

- **Total variable cost is 60% of the total cost.**
- **Prime cost consists only of variable costs.**
- **All Non production overheads are Fixed costs**

Calculate the following.

(a) Total prime cost (Rs. '000)……………………………

(b) Total production cost (Rs. '000)…………………………………………….

(c) Total non-production overheads (Rs. '000)……………………………………………….

49. Anuja Public Limited Company is currently operating at 75% of its maximum production capacity of 2,000 units.The following cost information relates to the current level of activity.

	Rs.
Direct material cost per unit	**200**
Direct labour cost per unit	**150**
Total variable production overheads	**225,000**
Total fixed production overheads	**600,000**

- **The list selling price per unit is Rs. 1,200.**
- **A trade discount of Rs. 200 per unit is currently allowed on every unit sold.**

(a) Calculate the break-even point (in sales value)…………………………………

(b) Calculate the profit earned at the current level of activity…………………………………

50. Asheni Public Limited Company intends to purchase a new automated machine incorporating modern technology in order to expand its production activities. The machine has an estimated useful life of 5 years and an estimated residual value of Rs. 200,000. The annual depreciation charge is estimated at Rs. 300,000.The estimated net profits of the project are as follows.

Year	**Net Profit (Rs. '000)**
1	**300**
2	**450**
3	**400**
4	**150**
5	**125**

Calculate the following.

(a) Estimated cost of the machine (Rs.)…………………………………………

(b) Accounting Rate of Return (ARR)………………………………………………………

(c) Payback Period…………………………………………………………

50 x 04 = 200 MARKS