



TERTIARY AND VOCATIONAL EDUCATION COMMISSION
COMMON WRITTEN EXAMINATION



All rights reserved

NVQ Level 05 - Semester I		
Quantity Surveying		
Financial Accounting	F45C002M06	Three Hours
Answer All Questions		

Question 1

On 1st January 2014 a business purchased a laser printer cost at Rs. 30,000. The printer has an estimated life of 4 years after which it will have Rs.7,200.00 residual value. Find the annual depreciation charge using;

- i. Straight line method.
- ii. Reducing Balance methods (depreciated at 30%)

(Total Marks 2 X 10 = 20)

Question 2

Write short notes on followings:

- (a) Money Measurement concept
- (b) Accrual Concept
- (c) Realization Concept
- (d) Consistency Concept

(Total Marks 4 X 2.5=10)

Question 3

Following balances were extracted from the books of Negambo traders as at 31.12.2018

	Rs.'000
Building at cost	740
Provision for depreciation – Building	60
Plant at cost	220
Provision for depreciation – Plant	110
Land at cost	235
Bank Overdraft	50
Sales	1,800
Insurance	50
Purchases	1,105
Discount Received	90
Returns inwards	35
Electricity	105
Inventory 1 January 2018	160
Trade payable	250
Trade Receivable	320
Administration Expenses	80



TERTIARY AND VOCATIONAL EDUCATION COMMISSION

COMMON WRITTEN EXAMINATION



General Provision for doubtful debts at 1.01.2018	10
Directors Remuneration	70
Retained earnings at 1 January 2018	50
Capital	??

Additional information as at 31 December 2018:

- (a) Closing inventory has been counted and is valued at Rs.75,000
- (b) December 2018 electricity bill was received on 10th January 2019 with the value of Rs.10,000.
- (c) General provision for doubtful debts is to be stated as 5% of trade receivables as at 31.12.2018.
Any expenses connected with receivables should be charged to administration expenses.
- (d) Depreciation on Fixed assets to be provided:
Plant 20% per annum on cost
Building 5% per annum on cost
- (e) Insurance premium paid for Fire and burglary includes Rs.10/- relevant for next year

You required to

1. Prepare trial balance and find the Capital account balance as at 31.12.2018 (5 Marks)
2. Write journal entries (3 Marks)
3. Prepare Profit and loss account for the year ended 31.03.2018 (10 Marks)
4. Prepare Balance sheet of Negambo Traders as at 31.12.2018 (7 Marks)

Total (25 Marks)

Question 4

Perera & Company Considering to invest in 2 Machines namely A and B. However due to finance constraints, only one machine could be considered, based on the Net present value of the machines.

	Machine A Rs.'000	Machine B Rs.'000
Initial Cost of the project	15	28
Residual value of the project at the end of 5th year	1	3
Profit generated per annum	10	13
Running expenditure for 1st year	5	6
Incremental value of the running cost for next 4 years	5% from previous year	4% from previous Year
Depreciation per annum on straight-line method	20%	20%
Company cost of capital	10%	10%

(Calculations to be done for two decimals)

Required to calculate the net present value (NPV) of the investments and recommend which Machine could be considered by the Perera & Co. to invest

(Total Marks 14)



TERTIARY AND VOCATIONAL EDUCATION COMMISSION
COMMON WRITTEN EXAMINATION



Question 5

Most recent financial statements of ABC Traders are given below

STATEMENT OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH

	2018	2017
	Rs.'000	Rs.'000
Revenue	25,500	17,250
Cost of sales	<u>(14,800)</u>	<u>(10,350)</u>
Gross Profit	10,700	6,900
<u>Less:</u>		
Administration Expenses	(2,100)	(1,450)
Finance Cost	(650)	(100)
Distribution expenses	<u>(2,700)</u>	<u>(1,850)</u>
Profit before taxation	5,250	3,500
Income tax expenses	<u>(2,250)</u>	<u>(1,000)</u>
Profit for the year	<u>3,000</u>	<u>2,500</u>

BALANCE SHEET

AS AT 31 MARCH

	2018		2017
	Rs.'000		Rs'000
<u>Non-current Assets</u>			
Property, plant and equipment	11,500		5,400
Trade Marks	<u>6,200</u>		<u>—</u>
	17,700		5,400
<u>Current Assets</u>			
Inventory	3,600	1,800	
Trade receivable	2,400	1,400	
Bank balance	<u>—</u>	<u>3,250</u>	
	<u>6,000</u>		<u>6,450</u>
Total Assets	<u>23,700</u>		<u>11,850</u>
Equity	5,000		5,000
Retained earnings	<u>4,500</u>		<u>1,500</u>
	9,500		6,500
<u>Long-term Liabilities</u>			
Bank Loans	9,000		2,000
<u>Current Liabilities</u>			
Bank overdraft	200	—	
Trade payables	2,800	2,150	
Income tax payables	<u>2,200</u>	<u>1,200</u>	<u>3,350</u>
Total equity and liabilities	<u>23,700</u>		<u>11,850</u>

Calculate under mentioned ratios for 2 years

- Profit before income tax
- Profit before income tax and Interest
- Gross profit
- ROCE
- Gearing
- Current Ratio
- Quick assets ratio

(Total Marks 8x2=16)



TERTIARY AND VOCATIONAL EDUCATION COMMISSION
COMMON WRITTEN EXAMINATION



Question 6

XYZ company produces three products A, B and C. For the coming accounting period budgets are to be prepared based on the following information

Sales Budget

Product A 1,000 at Rs 3000/- each

Product B 2,000 at Rs. 5000- each

Product C 3,000 at Rs 8000/- each

Budgeted usage of Raw materials in Kgs.

	RM 1	RM 2	RM 3
Product A	20	25	30
Product B	5	10	15
Product C	8	12	20

Finished goods inventory budget

	Product A	Product B	Product C
Opening	300	600	500
Closing	400	500	700

Raw material inventory budget

	RM 1	RM 2	RM 3
Opening	750	850	900
Closing	800	600	850

	A	B	C
Expected hours per unit	1	2	3
Expected labour hourly rate	Rs.200	Rs.200	Rs.200

Additional information

50 numbers of the finish products shall waste in the process of each product for the year prepare

(a) Sales budget

(b) Production budget

(c) Material usage budget in quantity

(d) Material purchases budget

(e) Labour budget in value

(Total Marks 15)