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இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2026
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் 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.	For paper I	
			Q. Nos.	Marks
1 st Examiner			01 - 30	
2 nd Examiner			31 - 50	
Addl. Chief			TOTAL	
E.M.F.				
Chief Examiner				

- Which of the following statements **best describes** the primary purpose of financial accounting in a firm?
 - (1) Provides financial information based on past transactions of the firm for the managers to make decisions.
 - (2) Provides financial information for the internal stakeholders of the firm to make economic decisions.
 - (3) Provides financial information about the firm on demand for investors, lenders and other creditors to make economic decisions.
 - (4) Provides financial information for the external stakeholders of the firm to make economic decisions.
 - (5) Provides financial information about the firm in accordance with accounting standards to meet income tax requirements.

(.....)
- Which of the following accounting concepts is **most** appropriate to explain the basis for the valuation of inventory of a firm at the lower of cost and net realizable value?

(1) Accruals	(2) Historical Cost	(3) Matching
(4) Prudence	(5) Realization	

(.....)
- Which of the following statement/s is/are **correct** in relation to the application of accounting concepts in a firm?

A - Rent paid in advance is recognized as an expense in the period it will be incurred in accordance with accruals and matching concepts.

B - The owner's personal electricity bill paid by the firm is recorded as drawing in the books of the firm in accordance with prudence and accruals concepts.

C - The effect of environmental pollution resulting from activities of the firm is not recognized in its financial statements in accordance with business entity and money measurement concepts.

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

(.....)

4. Madu Traders commenced a real estate business on 01.01.2025 by investing Rs. 15 million in cash and a motor vehicle worth of Rs. 10 million. The motor vehicle is depreciated over a period of 5 years. The business purchased lands costing Rs. 12 million on credit for the purpose of resale. Of which, a land costing Rs. 2 million was sold for Rs. 3 million on credit. Further, a land costing Rs. 4 million was used for the administrative activities of the business.

Which of the following accounting equation reflects the **net effect** of these transactions as at 31.12.2025?

	Non-current Assets (Rs.' Mn)	+ Current Assets (Rs.' Mn)	= Liabilities (Rs.' Mn)	+ Equity (Rs.' Mn)	
(1)	8	28	12	24	
(2)	12	24	12	24	
(3)	14	24	12	26	
(4)	20	16	12	24	
(5)	21	15	12	24	(.....)

- Use the following information to answer questions no. 5, 6, and 7.

Kumara Traders, a retail business, commenced its operations on 01.01.2026. This business is registered for Value Added Tax (VAT) and carries out all its cash transactions through a bank account. The following transactions have occurred during the month of January 2026 relating to the purchase and sale of goods.

- 1 Purchased goods from Saman Traders for Rs. 767 000 on credit (Inclusive of Rs. 117 000 VAT).
- 2 Sold goods costing Rs. 200 000 for Rs. 295 000 for cash (Inclusive of Rs. 45 000 VAT).
- 3 Sold goods costing Rs. 400 000 to Amitha Traders for Rs. 590 000 on credit (Inclusive of Rs. 90 000 VAT).
- 4 Returned goods sold to Amitha Traders for Rs. 59 000 (Inclusive of Rs. 9 000 VAT). The cost of these goods was Rs. 40 000.

5. The source documents used to record the above transactions 2, 3 and 4 respectively in the prime entry books of Kumara Traders:

- (1) Receipt, Invoice, Credit Note
- (2) Receipt, Invoice, Debit Note
- (3) Deposit Slip, Invoice, Credit Note
- (4) Deposit Slip, Invoice, Debit Note
- (5) Receipt, Invoice, Journal Voucher (.....)

6. The **correct** double entry to post the total of the Sales Journal of Kumara Traders for the month of January 2026 to the General Ledger:

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
(1) Trade debtors control account	531	
Sales account		450
VAT control account		81
(2) Trade debtors control account	500	
VAT control account	90	
Sales account		590
(3) Trade debtors control account	590	
Sales account		500
VAT control account		90
(4) Trade debtors control account	750	
VAT control account	135	
Sales account		885
(5) Trade debtors control account	885	
Sales account		750
VAT control account		135

(.....)

7. VAT control account balance as at 31.01.2026 and gross profit for the month ending 31.01.2026:

	VAT Control Account Balance (Rs.'000)	Gross Profit (Rs.'000)
(1)	Dr. 9	140
(2)	Dr. 18	150
(3)	Cr. 9	140
(4)	Cr. 9	150
(5)	Cr. 18	140

(.....)

● Use the following information to answer questions no. 8 and 9.

A business carries out all its cash transactions through a bank current account. The cash account balance as at 01.03.2026 agreed with the bank statement balance on this date. The debit balance of the cash account as at 31.03.2026 was Rs. 300 000 and it did not agree with the bank statement balance on this date. The following were identified as the reasons for this difference when examined the bank statement received on 04.04.2026.

- A - A cheque of Rs. 200 000 deposited on 31.03.2026 has been realized on 02.04.2026.
- B - A debtor has directly remitted Rs. 100 000 to the bank on 31.03.2026.
- C - A standing order payment of Rs. 60 000 has been made on 31.03.2026 for a loan installment by the bank (This payment includes an interest expense of Rs. 15 000).
- D - A cheque of Rs. 150 000 issued to a creditor on 30.03.2026 has been presented for payment on 03.04.2026.

Above A and B denote cash received from two debtors of the business to settle the outstanding balances. Further, direct remittances and standing order payments are adjusted in the cash account of the business only after the receipt of the bank statement.

8. The bank statement balance and the adjusted balance of cash account as at 31.03.2026:

	Bank Statement Balance (Rs.'000)	Adjusted Balance of the Cash Account (Rs.'000)	
(1)	250	290	
(2)	290	340	
(3)	290	355	
(4)	390	340	
(5)	390	355	(.....)

9. The decrease in the debtors control account balance and the total liabilities of the business as at 31.03.2026 due to the adjustments made to the cash account after receiving the bank statement:

	Decrease in the Debtors Control Account Balance (Rs.'000)	Decrease in Total Liabilities (Rs.'000)	
(1)	100	45	
(2)	100	60	
(3)	100	195	
(4)	300	45	
(5)	300	60	(.....)

10. Maya Traders, a sole proprietorship, reported a gross profit of Rs. 450 000 and a net profit of Rs. 280 000 for the year ending 31.03.2026. During the year, goods costing Rs. 25 000 were destroyed completely due to a fire and this has not been adjusted in the books of accounts. The cost of inventory as at 31.03.2026 was ascertained correctly as Rs. 40 000 based on the physical stock available on this date, for the preparation of financial statements. The net realizable value of this closing inventory was Rs. 35 000 on this date and no adjustment had been made in this respect in the financial statements.

The correct gross profit and net profit for the year ending 31.03.2026:

	Gross Profit (Rs.'000)	Net Profit (Rs.'000)	
(1)	425	275	
(2)	470	240	
(3)	475	250	
(4)	475	275	
(5)	480	275	(.....)

11. A manufacturing firm reported the following information for the year ending 31.03.2026.

	Rs.'000
Prime cost	490
Total manufacturing overheads	160
Total manufacturing cost	850
Finished goods inventory as at 01.04.2025	100
Finished goods inventory as at 31.03.2026	140
Sales	1 500

The work-in-progress inventory is adjusted at the total manufacturing cost.

The **decrease** in work-in-progress inventory as at 31.03.2026 compared to the work-in-progress inventory as at 01.04.2025 and the gross profit ratio:

	Decrease in Work-in-progress Inventory (Rs.'000)	Gross Profit Ratio (%)
(1)	200	43
(2)	200	46
(3)	360	43
(4)	360	46
(5)	400	46

(.....)

12. Iresha Enterprises, a sole trader, does not maintain accounting records properly. Inventory and trade debtors balances of the entity as at 31.03.2026 and 31.03.2025 are given below.

	As at 31.03.2026 (Rs.)	As at 31.03.2025 (Rs.)
Inventory	60 000	40 000
Trade debtors	130 000	90 000

Additional information:

- All purchases and sales are made on credit basis.
- Total cash received from trade debtors during the year ending 31.03.2026 was Rs. 570 000.
- The entity maintains a gross profit ratio of 25%.

Sales and purchases for the year ending 31.03.2026:

	Sales (Rs.)	Purchases (Rs.)
(1)	530 000	377 500
(2)	530 000	417 500
(3)	570 000	447 500
(4)	610 000	447 500
(5)	610 000	477 500

(.....)

13. Which of the following statements is **correct** in relation to a partnership as per the Section 42 of Partnership Ordinance of 1890?

- (1) A partner is entitled to a 5% annual interest on a loan provided to the partnership.
- (2) A new partner can only be admitted when the number of existing partners is less than 20.
- (3) A partner is not entitled to receive a salary for the participation in the management.
- (4) A retiring partner is entitled to a share of goodwill of the partnership in the profit-sharing ratio.
- (5) A retiring partner is entitled to a minimum of 5% annual interest on the unsettled equity balance.

(.....)

14. Which of the following statements are **correct** as per the Section 24 of Partnership Ordinance of 1890 in the absence of a written, verbal or implied agreement as to the rights of the partners?

- A - Partners are entitled to receive an interest on the capital contributed to the partnership.
- B - Partners are entitled to receive a salary for the participation in the management of the partnership.
- C - Partners are entitled to receive profits and losses of the partnership equally.
- D - Partners are entitled to a 5% annual interest on a loan provided to the partnership.

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

(.....)

15. The following information relates to Saman and Vidura Partnership.

	Saman (Rs.'000)	Vidura (Rs.'000)
Capital balance as at 31.03.2026	5 000	3 000
Interest on capital (10% annual interest on year-end capital balance)	?	?
Annual salary	1 200	800
Profit share (The profit sharing ratio between Saman and Vidura – 3:2)	?	?

The partnership reported a profit of Rs. 7 000 000 for the year ending 31.03.2026.

The profit share of Saman and the total profit appropriated to Vidura respectively for the year ending 31.03.2026:

	Saman (Rs.'000)	Vidura (Rs.'000)	
(1)	2 520	1 680	
(2)	2 520	2 780	
(3)	4 200	2 800	
(4)	4 220	1 680	
(5)	4 220	2 780	(.....)

● Use the following information to answer questions no. 16 and 17.

The following information has been extracted from the draft financial statements of Hiruka PLC for the year ending 31.03.2026.

	Rs.'000
Gross profit	16 000
Other income	1 500
Operating expenses	7 500
Finance expenses	1 000
Income tax expense	1 200

Additional information:

Both buildings and machinery have been revalued for the second time on 31.03.2026 and for the first time on 31.03.2025. These revaluations have resulted in the following surpluses and deficits.

	Surplus / (Deficit) as at 31.03.2026 (Rs.'000)	Surplus / (Deficit) as at 31.03.2025 (Rs.'000)
Buildings	(1 500)	1 000
Machinery	1 200	(2 000)

The revaluation deficit of buildings Rs. 1 500 000 has been included in the operating expenses, and the revaluation surplus of machinery Rs. 1 200 000 has been included in the other income in preparing the draft financial statements for the year ending 31.03.2026.

16. The **correct** other comprehensive income for the year ending 31.03.2026 (Rs.'000):

(1) (1 000)	(2) (500)	(3) (300)	(4) 200	(5) 1 200	(.....)
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17. The **correct** profit for the year ending 31.03.2026 (Rs.'000):

(1) 6 600	(2) 7 800	(3) 8 300	(4) 8 800	(5) 9 300	(.....)
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18. Which of the following statement/s is/are **correct** as per 'LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors'?

- A - Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.
- B - A change in an accounting estimate is adjusted in financial statements of the current period and retrospectively in the relevant prior periods.
- C - Errors can arise in respect to the recognition, measurement, presentation or disclosure of elements of financial statements.

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

19. The financial statements of Akila PLC for the year ending 31.03.2026 were authorized for issue by the directors on 30.06.2026.

Which of the following events can be considered as the 'adjusting events' of this company as per 'LKAS 10 - Events after the Reporting Period'?

- A - A factory building reported in the Statement of Financial Position as at 31.03.2026 for Rs. 50 million was destroyed due to a fire occurred on 18.04.2026.
- B - A debtor with a balance of Rs. 800 000 as at 31.03.2026 was declared bankrupt on 25.05.2026.
- C - The sales of the company declined by Rs. 5 000 000 in the months of April and May 2026.
- D - An asset costing Rs. 1 500 000 acquired during the current year had not been recorded in the books. This was revealed in an investigation carried out on 15.06.2026.

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

20. Meheli PLC has filed a case against one of its suppliers during the year ending 31.03.2026, claiming damages of Rs. 5 000 000 for the supply of an inferior quality raw material. As per the opinion of Meheli PLC's lawyer, there is a high probability that the outcome of this case would be favourable towards the company.

The **correct** accounting treatment for this case in the financial statements of Meheli PLC for the year ending 31.03.2026 as per 'LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets':

- (1) A provision of Rs. 5 000 000 should be recognized in the financial statements.
 - (2) A contingent liability of Rs. 5 000 000 should be recognized in the financial statements.
 - (3) A contingent asset of Rs. 5 000 000 should be recognized in the financial statements.
 - (4) A contingent liability of Rs. 5 000 000 should be disclosed in the notes to the financial statements.
 - (5) A contingent asset of Rs. 5 000 000 should be disclosed in the notes to the financial statements.
- (.....)

21. The total equity of Kamal PLC as at 01.04.2025 was Rs. 16 000 000. The information relating to the company for the year ending 31.03.2026 is as follows.

	Rs.'000
Capitalization of retained earnings	4 000
Total comprehensive income for the year	5 000
Interim dividends paid for the ordinary shareholders	1 500
Cash collected with the applications for the public issue of ordinary shares	6 000

On 01.03.2026, the company called applications to issue 100 000 shares at Rs. 50 per share. The total issue price should be paid with the applications. Applications were received for 120 000 shares and the company allotted shares on 31.03.2026. The excess money received with the applications was returned on 05.04.2026.

The total equity as at 31.03.2026 (Rs.'000):

- (1) 19 500 (2) 24 500 (3) 25 500 (4) 28 500 (5) 29 500 (.....)

● Use the following information to answer questions no. 22 and 23.

The following information has been extracted from the books of Dilki PLC, a manufacturing company.

For the year ending 31.03.2026 (Rs.'000):

Cost of sales	72 000
Operating expenses	28 000
Interest expenses	5 000
Income tax expense	2 500

As at 31.03.2026 (Rs.'000) As at 31.03.2025 (Rs.'000)

Current Assets:

Inventory	12 000	10 000
Pre-paid expenses	2 000	-
Trade debtors	22 000	18 000
Cash and cash equivalents	10 000	8 000

Current Liabilities : Trade creditors	20 000	28 000
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Additional information:

- Credit sales were 75% of total sales and gross profit ratio was 40% for the year ending 31.03.2026.
- Assume the number of working days per annum as 360.

22. The Inventory residence period and the Debt collection period respectively for the year ending 31.03.2026:

	Inventory Residence Period (Days)	Debt Collection Period (Days)	
(1)	50	60	
(2)	55	60	
(3)	55	80	
(4)	60	80	
(5)	60	88	(.....)

23. The Quick assets ratio and the Interest cover ratio respectively for year ending 31.03.2026:

	Quick Assets Ratio	Interest Cover Ratio (Times)	
(1)	1.6	3.0	
(2)	1.6	4.0	
(3)	1.7	3.0	
(4)	2.3	3.5	
(5)	2.3	4.0	(.....)

24. Which of the following statement/s is/are **correct** as to 'direct costs' and 'production and non-production overheads' of a business that manufactures multiple products?

- A - While direct costs are directly identifiable with a product, production overheads are absorbed into products.
- B - While all direct costs are variable in nature, all overheads are fixed in nature.
- C - While direct costs and production overheads are treated as product costs, non-production overheads are treated as period costs.

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

• Use the following information to answer questions no. 25 and 26.

The following information relates for the month of March 2026 to a raw material item regularly used in a manufacturing business. This business produces two products – A and B.

Date	Description
01.03.2026	Opening inventory - 3 000 kgs at Rs. 160 per kilogram
10.03.2026	Purchased 5 000 kgs at Rs. 200 per kilogram
16.03.2026	Issued 2 000 kgs for production of Product A
27.03.2026	Issued 3 000 kgs for production of Product B

25. The cost of raw materials issued to **Product A** and the cost of raw material inventory as at 31.03.2026 if Weighted Average Cost (WAC) method is used in inventory measurement:

	Cost of Raw Materials Issued (Rs.'000)	Cost of Raw Material Inventory-31.03.2026 (Rs.'000)	
(1)	320	600	
(2)	370	555	
(3)	555	370	
(4)	555	555	
(5)	560	600	(.....)

26. The cost of raw materials issued to **Product B** and the cost of raw material inventory as at 31.03.2026 if First-in First-out (FIFO) method is used in inventory measurement:

	Cost of Raw Materials Issued (Rs.'000)	Cost of Raw Material Inventory-31.03.2026 (Rs.'000)	
(1)	480	560	
(2)	480	600	
(3)	560	560	
(4)	560	600	
(5)	880	600	(.....)

27. The following information has been extracted from the payroll of Nuwan Traders for the year ending 31.03.2026.

- The employee and employer contributions to Employee Provident Fund (EPF) are 10% and 15% respectively. In addition, the employer contribution to Employee Trust Fund (ETF) is 3%.
- EPF and ETF contributions are calculated based on the gross salary of employees.
- Total contribution remitted to the EPF Fund for the current year was Rs. 750 000.
- During the current year, Rs. 70 000 was deducted from employees' salaries as the contribution to the insurance scheme.

The total labour cost of Nuwan Traders for the year ending 31.03.2026 (Rs.'000):

- (1) 3 000 (2) 3 450 (3) 3 540 (4) 3 610 (5) 3 840 (.....)

28. Nimal Enterprises is a business engaged in the manufacturing of tyres. The business operates two production cost centres, namely; Machining and Finishing, and a service cost centre - Maintenance. Which of the following statement/s is/are **correct** in relation to accounting for production overheads of Nimal Enterprises?
- A - Production overheads are allocated and apportioned to relevant cost centers.
 B - The overhead absorption rates are calculated for all three cost centers.
 C - Maintenance cost center's overheads are re-apportioned to Machining and Finishing cost centers.
- (1) A only. (2) B only. (3) C only.
 (4) A and C only. (5) B and C only. (.....)
29. Which of the following statements are **correct** with respect to the cost-volume-profit (CVP) analysis of a manufacturing firm?
- A - Total contribution and total fixed cost of the firm are equal at the break-even point.
 B - The break-even point reflects the minimum level of activity required to cover the total cost of the firm.
 C - The contribution earned beyond the break-even point contributes to recover the fixed cost of the firm.
 D - The break-even point of the firm reduces when the sales price increases while all other factors remain constant.
- (1) A and C only. (2) B and C only. (3) A, B and D only.
 (4) A, C and D only. (5) B, C and D only. (.....)
30. Which of the following statement/s is/are **correct** as to the evaluation of long-term investment projects?
- A - A positive net present value (NPV) of a project reflects that the project earns a return higher than its expected rate of return.
 B - When a firm is required to choose a project out of two projects, the project with the higher positive NPV is selected.
 C - When the payback period is used to evaluate a project, the entire cashflows of the project is always considered.
- (1) A only. (2) B only. (3) A and B only.
 (4) B and C only. (5) All A, B and C. (.....)

• **Write short answers for questions No. 31 - 50 on the dotted lines.**

31. State whether each of the following statements is **True (T)** or **False (F)** as to the use of accounting information by the stakeholders of a firm.

Statement	True / False
A - Only external stakeholders use financial accounting information in making economic decisions.	
B - Managers also use non-financial information in assessing performance of a firm.	
C - Managers use management accounting information in planning and controlling activities of a firm.	
D - The Inland Revenue Department uses the financial statements and other relevant information of a firm in assessing the accuracy of its tax liability.	

32. Ruwan commenced a consultancy service business by investing Rs. 750 000 in cash on 01.01.2025. The following balances were reported as at 31.12.2025.

Assets (Rs.'000)	=	Liabilities (Rs.'000)	+	Equity (Rs.'000)
880		180		700

The following information relates for the year ending 31.12.2025.

- The assets of this business have increased by Rs. 420 000 due to obtaining a bank loan of Rs. 320 000 and the service income earned.
- The assets have decreased by Rs. 290 000 due to the settlement of Rs. 140 000 of the bank loan, owner's cash drawings of Rs. 70 000, and operating and financing expenses paid in cash.

State the following for the year ending 31.12.2025.

- (a) Profit (Rs.'000) :
- (b) Total service income (Rs.'000) :
- (c) Total expenses (Rs.'000) :

● Use the following information to answer questions no. 33 and 34.

The following transactions have been carried out by Nadeeka Traders, a wholesale rice trader, during the month of January 2026.

- A - Purchased 5 000 kgs of rice for Rs. 1 200 000 on credit from Sumudu Rice Mills.
- B - Sold 2 500 kgs of rice to Amila Traders on credit for Rs. 750 000.
- C - Received a cheque from Amila Traders for the settlement of the full amount due after deducting a 5% cash discount.
- D - Provided 50 kgs of rice for the personal use of the owner. The cost of this rice was Rs. 12 000.
- E - Paid Rs. 120 000 on 01.01.2026 for renting a weighing machine for a period of 6 months.

33. State the prime entry book used to record each of the above transactions A, B, C and D.

Transaction	Prime Entry Book
A	
B	
C	
D	

34. Write the following journal entries by considering above transactions 'D' and 'E'.

- (a) To record the owner's goods drawings
- (b) To adjust the rent expenses of the weighing machine for the month of January 2026

Description	Dr. (Rs.'000)	Cr. (Rs.'000)
(a)		
(Recording the owner's goods drawings for the month of January 2026)		
(b)		
(Adjusting the weighing machine rent expense for the month of January 2026)		

35. State the appropriate classification for each of the following accounts maintained in the general ledger of a firm.

Account	Classification
A - Drawings	
B - Return outwards	
C - Provision for compensation	
D - Accumulated depreciation	

36. State the accounting concept that is **most appropriate** to each of the following situations of Bimal Enterprises, a wholesale trader.

Situation	Accounting Concept
A - Reporting a land purchased in year 2022 for Rs. 2 million at the same value in year 2026.	
B - Recognizing the amount due from the sale of goods on credit for Rs. 310 000 as trade receivables and revenue.	
C - Recognizing a motor vehicle acquired under a five-year lease agreement as a right-of-use asset.	
D - Presenting the portion of a long-term bank loan payable in the next financial year as a current liability.	

37. Haritha Society, a not-for-profit organization, received the following donations during the year ending 31.03.2026.

A - Received a donation of Rs. 1 500 000 from a local company on 15.10.2025 to construct a library building for this society. Paid Rs. 200 000 for the construction activities of the library building on 01.12.2025.

B - Received Rs. 500 000 from a foreign company on 01.03.2026 to make a short film on environmental protection. As per the agreement signed with a film director in this respect on 15.03.2026, it was agreed to pay the director's fee of Rs. 150 000 in 2 instalments. The first payment of Rs. 75 000 was made on 31.03.2026.

The policy of the society is to recognize donations as the income to the extent to which it is used to make payments during an accounting year.

Identify the following with respect to the above donations.

- (a) Donation income recognized for the year ending 31.03.2026 (Rs.'000) :
- (b) Net increase in equity as at 31.03.2026 (Rs.'000) :

● Use the following information to answer questions no. 38 and 39.

Lal and Kamal carried out a partnership business and Nimal was admitted as a new partner on 01.04.2025. Extracts of partners' capital and current accounts for the year ending 31.03.2026 is given below.

Capital Accounts (Rs.'000)

	Lal	Kamal	Nimal		Lal	Kamal	Nimal
				Balance B/F 01.04.2025	10 000	5 000	-
				Cash	-	-	?
Goodwill	600	360	240	Goodwill	720	480	-

Current Accounts (Rs.'000)

	Lal	Kamal	Nimal		Lal	Kamal	Nimal
				Balance B/F 01.04.2025	400	200	-
				Salaries	2 500	2 000	1 800
Cash	1 000	1 000	1 000	Interest on capital	?	?	376

Additional information:

- The partners are entitled to 10% annual interest on the year-end capital balance.

38. State the following as of the date Nimal was admitted as a partner.

- (a) Goodwill of the partnership (Rs.'000) :
- (b) The amount of cash brought by Nimal (Rs.'000) :

39. Identify the following for Lal, Kamal and Nimal partnership:

- (a) Profit sharing ratio :
- (b) Drawings for the year ending 31.03.2026 (Rs.'000) :
- (c) Total interest on capital balances (Rs.'000) :

40. Indicate the **most appropriate** qualitative characteristic of accounting information relating to each of the following statements as per the Conceptual Framework for Financial Reporting 2018.

- A - The information provided in financial statements can influence the economic decisions of its users.
- B - The information provided in the financial statements should be neutral, complete, and free from errors.
- C - The information should be made available to the users before losing their importance.
- D - The information should enable the users to identify and understand the similarities in and differences among items in the financial statements.

41. Complete the following sentences using the appropriate terms as per 'LKAS 16 - Property, Plant and Equipment.'
- A - The cost of an asset less its residual value is identified as the and the depreciation is the allocation of this amount over the useful life of the asset.
- B - An entity should choose either or as its accounting policy for measurement after recognition of property, plant and equipment.
42. Sanuga PLC purchased a machine for Rs. 12 000 000 on 01.04.2022 and estimated its useful life and residual value as 10 years and Rs. 2 000 000 respectively. The company revalued the machine on 31.03.2024 for Rs. 6 000 000. On this date, it was estimated that its residual value is zero and there is no change in its remaining useful life. Subsequently on 01.04.2025, the remaining useful life of the machine was revised as 5 years and its residual value was estimated as zero.
- Indicate following for this machine:
- (a) Revaluation surplus/(deficit) as at 31.03.2024 (Rs.'000) :
- (b) Depreciation for the year ending 31.03.2025 (Rs.'000) :
- (c) Depreciation for the year ending 31.03.2026 (Rs.'000) :
43. State whether each of the following statements is **True (T)** or **False (F)** as per 'LKAS 2 – Inventories.'
- | Statement | True / False |
|--|--------------|
| A - Inventories should be measured at cost and net realizable value whichever is lower. | |
| B - Cost of inventories should be determined using cost formulas even when the specific identification method can be used. | |
| C - Inventories are written down to net realisable value usually on item-by-item basis. | |
| D - Both cost of conversion and selling cost are included in measuring the cost of inventory. | |
44. Akmal PLC entered into a lease agreement on 01.04.2025 to acquire a motor vehicle. On this date, the company made an initial payment of Rs. 6 000 000 and incurred an initial direct cost of Rs. 250 000. The present value of lease payments is Rs. 15 000 000. The first lease installment of Rs. 2 300 000 including the lease interest of Rs. 800 000 was paid on 31.03.2026.
- The following net cash flows with respect to this lease for the year ending 31.03.2026 as per 'LKAS 7 - Statement of Cash Flows':
- (a) Net cashflows from investing activities (Rs.'000) :
- (b) Net cashflows from financing activities (Rs.'000) :
45. State whether each of the following statements is **True (T)** or **False (F)** with respect to accounting ratios of a company.
- | Statement | True / False |
|--|--------------|
| A - Higher inventory turnover ratio indicates that inventories are managed efficiently by a company. | |
| B - Earnings per share (EPS) represents the portion of a company's profits distributed to its ordinary shareholders. | |
| C - The net profit after tax for the period is used in calculating the return on equity ratio of a company. | |
| D - The debt-to-equity ratio shows the proportion of debt capital of a company as a percentage of its total capital. | |
46. Complete the following sentences relating to material management of a firm.
- A - The economic order quantity is the order quantity of an inventory item at which the total of its annual ordering cost and annual holding cost is
- B - The Stores Department prepares a to confirm the materials received from a supplier.
- C - When the stock level of a material reaches its level, the Stores Department issues a to the Purchasing Department.

47. The estimated annual demand of a regularly used fabric item in a garment factory is 400 000 meters. Its ordering cost is Rs. 25 000 per order and annual holding cost is Rs. 50 per meter. The estimated daily consumption and the lead time based on past experiences of the factory are as follows.

	Minimum	Maximum
Daily consumption (meters)	1 100	2 300
Lead time (days)	3	7

Re-order quantity of this fabric is determined based on the economic order quantity (EOQ).

State the following for this fabric item.

- (a) Economic order quantity (EOQ) : meters
 (b) Re-order level : meters
 (c) Maximum stock level : meters
48. A manufacturing business produces a single product. The following cost estimates have been made at the activity level of 50 000 units for this product.

	Rs.'000
Direct raw material cost	5 250
Direct labour cost	7 500
Other direct cost	?
Production overheads	1 250
Administrative and selling overheads	2 700

Additional information:

- All direct costs are variable costs.
- Other direct costs are estimated as 25% of the total prime cost.
- Production overheads are absorbed on direct labour hour basis.
- The budgeted direct labour hours to produce 50 000 units are 125 000.
- Administrative and selling overheads are fixed up to the activity level of 50 000 units.

State the following.

- (a) Estimated prime cost per unit (Rs.) :
 (b) Estimated total production cost per unit (Rs.) :
 (c) Total cost at the activity level of 35 000 units (Rs.'000) :
49. A manufacturing company produces a single product and its expected sales for the period are 15 000 units. The total variable cost at the break-even point of 6 000 units is Rs. 300 000. The selling price per unit of the product is Rs. 80.

Identify the following.

- (a) Contribution per unit (Rs.) :
 (b) Total fixed cost (Rs.'000) :
 (c) Margin of safety in value (Rs.'000) :
 (d) Profit at the activity level of 10 000 units (Rs.'000) :

50. RDK Limited is considering the feasibility of two investment projects – 'Alpha' and 'Beta'. The following information is given for these two projects.

	Alpha	Beta
Initial investment (Rs.'000)	(2 250)	(2 250)
Lifetime of the project (Years)	5	5
Present value of annual net operating cash flows (Rs.'000)	2 000	1 800
Present value of the residual value to be received at the end of Year 5 (Rs.'000)	124	217

Assume there is no working capital requirement for these projects.

Identify the following.

- (a) Net Present Value (NPV) of each project (Rs.'000):
 Alpha :
 Beta :
 (b) Recommendation based on NPV :
 (c) Reason for this recommendation :

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Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
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අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2026
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2026
General Certificate of Education (Adv. Level) Examination, 2026

ගිණුම්කරණය II
கணக்கீடு II
Accounting II

33 E II

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

අමතර කියවීමේ කාලය - මිනිත්තු 10 යි
மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
Additional Reading Time - 10 minutes

Use additional reading time to go through the question paper, select the questions you will answer and decide which of them you will prioritise.

Use of non-programmable calculators is allowed.

Instructions:

- * Answer five questions only, including questions one and two.
- * Begin each answer on a fresh sheet of paper.
- * Relevant workings should be attached to the answer script.
- * This questions paper carries 200 marks.

1. Nimali PLC manufactures and sells computers, and also provides maintenance services for the computers sold. Its summarized trial balance as at 31.03.2026 is given below.

	Dr. (Rs.'000)	Cr. (Rs.'000)
Property, plant and equipment - Cost.....	235 000	
Property, plant and equipment - Accumulated depreciation as at 01.04.2025.....		40 000
Right-of-use asset.....	62 500	
Raw materials inventory as at 01.04.2025	2 500	
Trade payables.....		13 680
Cash and cash equivalents	41 800	
Sales revenue.....		488 000
Maintenance service revenue		14 400
Unearned maintenance service revenue as at 01.04.2025		5 000
Total manufacturing cost	244 700	
Distribution cost.....	35 500	
Administrative expenses	43 500	
Finance cost.....	1 500	
Lease liability.....		40 608
Repairing expenses paid under warranty	2 250	
Provision for warranty as at 01.04.2025.....		2 750
Income tax paid	12 500	
Provision for income tax as at 01.04.2025		1 650
Stated capital - Ordinary shares (Issued at Rs. 10 per share)		70 000
Retained earnings as at 01.04.2025.....		25 662
Interim dividends paid	20 000	
	701 750	701 750

Additional information:

Before preparing the financial statements for the year ending 31.03.2026, the following information should be taken into consideration.

- (i) The company has capitalised retained earnings on 31.03.2026 by issuing 1 share for every 7 shares held on this date at a consideration of Rs. 10 per share. No entry has been made in this respect in the books of accounts.

- (ii) The provision for warranty as at 31.03.2026 has been estimated as Rs. 2 950 000.
- (iii) The composition of the cost and the accumulated depreciation of property, plant and equipment shown in the trial balance is as follows.

	Cost (Rs.'000)	Accumulated Depreciation as at 01.04.2025 (Rs.'000)
Manufacturing plants	150 000	25 000
Office equipment	85 000	15 000
	<u>235 000</u>	<u>40 000</u>

- A new manufacturing plant was acquired for Rs. 50 000 000 on 01.10.2025 and it has been properly accounted.
 - An office equipment costing Rs. 25 000 000 purchased on 01.01.2024 was sold on 01.01.2026 for Rs. 8 000 000. This sales proceeds have been debited to cash account and credited to sales revenue account. However, no other entry has been made in this respect in the books of accounts.
 - Property, plant and equipment are depreciated at 20% per annum on cost on the straight-line method. However, depreciation has not been provided for the current year.
 - The office equipment is used for administrative activities.
- (iv) The following has not been considered in calculating the total manufacturing cost shown in the trial balance.
- The opening and closing raw material inventory
 - Depreciation for the current year
- (v) The cost of raw material inventory as at 31.03.2026 was Rs. 2 200 000. There were no opening or closing work-in-progress inventory in the current year.
- (vi) The company earns revenue from both sale of computers and providing maintenance services. As per the sales agreement, the company is required to deliver the computers sold to the customers. The information relating to these activities are provided below.
- Upon entering into the sales agreement, the company collects both the sales value of the computers and the maintenance service fee.
 - There were no opening finished goods inventory as at 01.04.2025.
 - The selling price per computer is Rs. 400 000. During the current year, the company manufactured 1 200 computers and entered into agreements to sell all these computers. Of which, only 1 100 computers had been delivered to the customers during the current year and the remaining 100 computers were held in the company's stores as at 31.03.2026. However, the sales value of all 1 200 computers has been recognized as the sales revenue of the current year.
 - Maintenance service revenue shown in the trial balance represents the total maintenance service fees collected from the customers. However, only 25% of the performance obligations relating to these maintenance services have been fulfilled as at 31.03.2026.
 - All maintenance services relating to previous year's unearned maintenance service revenue has been provided during the current year.
- (vii) The company has obtained the right-of-use of a motor vehicle under a lease agreement on 01.04.2025 for a 4-year period. The present value of total lease payments as at 01.04.2025 was Rs. 62 500 000 and it has been correctly accounted. The first annual lease instalment of Rs. 21 892 000 was paid on 31.03.2026 and it has been debited to lease liability account and credited to cash account. However, no other adjustment has been made in this respect. Lease interest applicable for years ending 31.03.2026 and 31.03.2027 are Rs. 9 375 000 and Rs. 7 500 000 respectively. The useful life of the motor vehicle is 10 years, and its ownership will be transferred to the company at end of the lease term. This motor vehicle is used for the delivery of computers to the customers.
- (viii) The income tax paid shown in the trial balance includes Rs. 1 900 000 paid for the previous year. The total income tax liability for the year ending 31.03.2026 was estimated as Rs. 13 500 000.

Required:

The following financial statements of Nimali PLC for the publication purpose as per 'LKAS 1-Presentation of Financial Statements':

- (1) Statement of Profit or Loss and Other Comprehensive Income for the year ending 31.03.2026
- (2) Statement of Financial Position as at 31.03.2026
- (3) Statement of Changes in Equity for the year ending 31.03.2026
- (4) Notes for revenue, profit before tax, property, plant and equipment, right-of-use assets and inventory.

(Total 40 marks)

2. (a) Malith Enterprises is a manufacturing firm. The following information relates to raw material 'X' used by this firm.

- Annual demand - 16 000 units
- Reorder quantity [equal to Economic Order Quantity (EOQ)] - 2 000 units
- Ordering cost - Rs. 500 per order
- Annual holding cost per unit is equal to 10% of the purchase price per unit.
- Maximum consumption for a week - 360 units
- Maximum stock level - 3 320 units
- Minimum stock level - 720 units
- Reorder level - 2 520 units
- Minimum lead time - 5 weeks

Required:

The following for raw material 'X':

- | | |
|---|---|
| (1) Average stock level (units) | (5) Annual ordering cost |
| (2) Maximum lead time (weeks) | (6) Annual holding cost per unit |
| (3) Minimum consumption per week (units) | (7) Purchase price per unit |
| (4) Number of orders to be placed during a year | (8) Annual total cost if EOQ is ordered |
- (10 marks)

- (b) A garment factory producing Shirts and Trousers consists of two production departments, namely; 'Cutting' and 'Sewing' and a service department - 'Stores'. Both production departments are located in the same building, and the Stores is located in a separate building.

The expected activity level for next period is 70 000 units and the information as to the budgeted production overheads at this level is as follows.

Description	Total (Rs.'000)	Production Departments (Rs.'000)	Stores (Rs.'000)
Insurance premium for production machines.....	40	40	-
Stores maintenance cost.....	160	-	160
Salaries for production managers.....	320	320	-
Depreciation of production machines.....	360	360	-
Indirect wages.....	400	350	50
Depreciation of buildings.....	480	400	80
Electricity cost.....	80	?	?
Salaries of security guards.....	240	?	?
Operating cost of the information system.....	420	?	?
Other production overheads.....	500	?	?

Additional information:

- (i) The insurance premium for production machines: Rs. 27 500 for Cutting Department and Rs. 12 500 for Sewing Department.
- (ii) The other information relevant to the production and service departments:

	Cutting	Sewing	Stores
Total number of employees..... (Including production managers and security guards)	96	71	11
Number of production managers.....	10	6	-
Number of security guards.....	6	5	1
Total kilowatt hours.....	10 000	7 000	3 000
Floor area of buildings (square meters).....	3 000	1 000	500
Carrying amount of production machines (Rs.'000).....	1 900	1 700	-
Number of reports to be generated from the information system....	24	24	24
Total budgeted machine hours.....	5 000	1 000	-
Total budgeted direct labour hours.....	500	4 000	-

- (iii) Other production overheads are apportioned between the two production departments and the Stores in the ratio of 7:3 respectively. The other production overheads apportioned to production departments are distributed between Cutting and Sewing departments in the ratio of 4:3 respectively.
- (iv) The total overheads of the Stores is re-apportioned between Cutting and Sewing departments in the ratio of 5:3 respectively.

- | | Shirts | Trousers |
|----------------------|--------|----------|
| Direct labour hours: | | |
| Cutting | 2 | 1 |
| Sewing | 1 | 0.5 |
| Machine hours: | | |
| Cutting | 2 | 2 |
| Sewing | 1 | 1 |

- | | Shirts (Rs.) | Trousers (Rs.) |
|---------------------------|--------------|----------------|
| Direct raw materials cost | 500 | 600 |
| Direct labour cost | 480 | 430 |

- (1) Overhead Analysis Sheet clearly showing the bases of apportionment
- (2) Overhead absorption rates for Cutting and Sewing departments
- (3) Total production cost per unit of a shirt and a trouser (*show each cost item separately*)
- (4) If a profit ratio of 25% is maintained on the total production cost:
 - (i) Selling price of a shirt and a selling price of a trouser
 - (ii) Total profit when 25 000 trousers are sold

- 1 Invested Rs. 600 000 each by Sarath and Raju in cash as their capital.
- 2 Purchased 3 computers of Rs. 300 000 each to use in administrative activities on 01.04.2026. In this respect, Rs. 360 000 was paid by Raju and the balance Rs. 540 000 was paid by the business. It was agreed to consider the amount paid by Raju as a loan given by him to the business. (Assume that there is no VAT related to this purchase.)
- 3 Purchased goods for Rs. 590 000 on credit from Amal Enterprises (Inclusive of Rs. 90 000 VAT).
- 4 Returned goods purchased on credit from Amal Enterprises for Rs. 59 000 due to defects (Inclusive of Rs. 9 000 VAT).
- 5 Paid Rs. 511 000 to Amal Enterprises after receiving a cash discount of Rs. 20 000.
- 6 Sold goods for Rs. 177 000 for cash (Inclusive of Rs. 27 000 VAT). Cost of these goods was Rs. 120 000.
- 7 Sold goods for Rs. 354 000 on credit to Sunimal Enterprises (Inclusive of Rs. 54 000 VAT). The cost of these goods was Rs. 240 000.
- 8 Returned goods sold on credit for Rs. 29 500 to Sunimal Enterprises (Inclusive of Rs. 4 500 VAT). The cost of these goods was Rs. 20 000.
- 9 Received Rs. 300 000 from Sunimal Enterprises after allowing a cash discount of Rs. 24 500.
- 10 Provided goods costing Rs. 30 000 and Rs. 20 000 to Sarath and Raju respectively for their personal use.
- 11 Paid the monthly loan interest on Raju's loan.
- 12 Provided monthly depreciation on computers. (The estimated useful life of a computer is 5 years and the residual value is zero.)

Required:

- (1) Show the impact of transaction numbers 1 to 12 (with values) using the accounting equation and state (+) if the value increases or (-) if the value decreases in front of each value. VAT on purchases, purchase returns, sales and sales returns should be recorded in the VAT control column in the accounting equation. (In answering this question, use a format similar to the one given below.)

(Rs.' 000)

Transaction No.	Assets =				Liabilities +			Equity
	Property, plant, and equipment	Inventory	Trade receivables	Cash	Raju's loan	Trade payables	VAT control	
1								
2								

Balance as at 30.04.2026								

- (2) Profit of the partnership for the month ending 30.04.2026 showing the calculation based on the equity column.

- (3) Profit shares of Sarath and Raju for the month ending 30.04.2026 separately.

(25 marks)

- (b) 'Ranmini' sports club was commenced on 01.04.2025. The following information relates to the sports club for year ending 31.03.2026.

(i) **Life membership:**

- 4 members obtained the life membership by depositing Rs. 500 000 each in the bank account of the sports club on 01.04.2025. The policy of the sports club is to recognize the life membership fee equally as income over a period of 10 years. .

(ii) **Annual subscription:**

- The annual subscription per member is Rs. 60 000. This amount can be paid monthly on equal payments of Rs. 5 000. It is also required to pay an entrance fee of Rs. 10 000 at the time of joining the club. The policy of the sports club is to recognise entrance fee as the income in the year of receipt.
- The information of the members who have obtained the membership during the current year are as follows.

Date	Number joined	Subscription paid (Rs.'000)	Entrance fees paid (Rs.'000)
01.04.2025	20	1 200	200
01.07.2025	15	750	150

- 10 members joined on 01.07.2025 paid the subscription for a one-year period and the balance 5 members paid subscription only for 6 months.

(iii) **Donations:**

- The sports club received a donation of Rs. 400 000 from the Sports Ministry on 01.10.2025 to provide training for school children. This donation has been given for a 4 year period starting from 01.10.2025. The annual training expense is Rs. 100 000. This expense has been incurred evenly during the year.
- A Sri Lankan residing overseas, donated gym equipment worth of Rs. 750 000 on 01.11.2025.
- The policy of the sports club is to recognize donations as income to an amount equal to the expenses incurred during a year in relation to the donations.

(iv) **Other:**

- Payments made in cash during the current year: The purchase of sports equipment on 01.07.2025 for a cost of Rs. 800 000 and the payment of operating expenses Rs. 630 000 including school children training expenses.
- Both sports equipment and gym equipment are depreciated at 20% per annum on cost. The sports equipment was available for use from the date of purchase, and the gym equipment was available for use from 01.12.2025.

Required:

The following in relation to 'Ranmini' Sports Club:

- (1) Subscription Account for the year ending 31.03.2026
- (2) Income Statement for the year ending 31.03.2026
- (3) Composition of equity as at 31.03.2026

(15 marks)
(Total 40 marks)

4. (a) Ajantha Traders, a wholesale business, purchases and sells goods on both credit basis and for cash. This business is registered for value added tax (VAT) and sells goods by keeping a 20% profit margin on sales price.

The following information relates for the month ending 31.01.2026.

- (i) Balances of assets and liabilities as at 01.01.2026:

	Rs.'000
Property, plant and equipment - Carrying amount	4 800
Inventory	300
Trade debtors	950
Trade creditors	700
VAT payable	36
Cash	150

- (ii) On 18.01.2026, received money from the trade debtors outstanding as at 01.01.2026.
 (iii) On 22.01.2026, paid the amount due to trade creditors and VAT payable as at 01.01.2026.
 (iv) The information relating to the credit purchases and credit sales during the month of January 2026:

Purchase Journal (Rs.'000)

Date	Description	Amount	Purchases	VAT
08.01.2026	Aloka Traders	590	500	90
18.01.2026	Samitha Traders	826	700	126
Total		1 416	1 200	216

- The trade creditors provide a 30-day credit period from the date of purchase of the goods to settle the outstanding balances and 10% discount is given if the full amount is settled within 15 days.
- The balance due to Aloka Traders was settled on 20.01.2026.

Sales Journal (Rs.'000)

Date	Description	Amount	Sales	VAT
12.01.2026	Kumudu Traders	1 062	900	162
20.01.2026	Sanka Traders	708	600	108
Total		1 770	1 500	270

- Ajantha Traders allow its trade debtors to settle the amount due within a 30-day credit period from the date of sale, and a 10% discount is allowed if the full amount is settled within 15 days.
- The full amount due from Kumudu Traders was received on 22.01.2026. Sanka Traders agreed to settle the amount due in two equal instalments and the first instalment was received on 30.01.2026.

- (v) The cash purchases and cash sales during the month of January 2026:

	Amount (Rs.'000)
Cash purchases on 25.01.2026 (Inclusive of Rs. 54 000 VAT)	354
Cash sales on 28.01.2026 (Inclusive of Rs. 72 000 VAT)	472

- (vi) The operating expenses incurred for the month ending 31.01.2026 were Rs. 520 000. This includes monthly depreciation of Rs. 50 000 on property, plant and equipment. The balance was paid in cash.

Required:

- (1) The following prime entry books for the month of January 2026:
 - (i) Cash Receipts Journal
 - (ii) Cash Payments Journal
- (2) Journal entries to post the totals of the Cash Receipts Journal and the Cash Payments Journal to the general ledger (Narration is required)
- (3) The following accounts in the general ledger for the month of January 2026:
 - (i) Cash Account
 - (ii) Sales Account
 - (iii) Purchases Account
 - (iv) VAT Control Account
- (4) Cost of inventory as at 31.01.2026 and gross profit for the month ending 31.01.2026

(25 marks)

- (b) Malki PLC is considering a project to purchase a new machine to expand its operations. The cost of this machine is Rs. 28 000 000. The useful life and the residual value of the machine are 5 years and Rs. 3 000 000 respectively. Further, a working capital of Rs. 4 000 000 is required, at the beginning of the project and it is expected to recover in the final year of the project.

The information relating to this project is as follows:

- (i) The expected annual production for Years 1 and 2 is 4 500 units in each year. The annual production is expected to increase by 20% in Year 3 and remain at the same level until the project is completed. The selling price per unit will be Rs. 6 000 during the project period. It is expected that all units produced during a year will be sold in the same year.
- (ii) The direct production cost will be Rs. 3 000 per unit for the first three years. Thereafter, it is expected to increase to Rs. 3 300 per unit.
- (iii) The annual production overheads of the project including depreciation, are estimated as Rs. 6 800 000. The machine will be depreciated on straight-line method.
- (iv) This machine is expected to locate in a building of the company, which has been rented out to a third party. As a result, the company will lose a rent income of Rs. 1 000 000 every year.
- (v) This project is exempted from income tax.
- (vi) The required rate of return of the project is 10% and its discounting factors are as follows.

Year	1	2	3	4	5
Discounting Factor (at nearest two decimal places)	0.91	0.83	0.75	0.68	0.62

Required:

- (1) The estimated initial and annual cash inflows and cash outflows of the project (*showing each cashflow item separately*)
- (2) The Net Present Value (NPV) of the project
- (3) Recommendation to invest in the project based on the NPV
- (4) Accounting Rate of Return of the project (*based on the average investment*)

(15 marks)

(Total 40 marks)

5. (a) The following information has been extracted from the Financial Statements of Dayan PLC, a trading company.

For the year ending 31.03.2026:	(Rs.'000)
Sales.....	6 400
Cost of sales.....	3 840
Other income.....	80
Administrative, selling and distribution expenses.....	990
Finance cost.....	110
Income tax expense.....	420
Profit for the year.....	1 120
As at 31.03.2026:	(Rs.'000)
Non-current assets.....	5 250
Current assets.....	3 750
Total Assets.....	9 000
Ordinary share capital.....	2 800
Retained earnings.....	2 200
Non-current liabilities - Bank loan.....	1 500
Trade payables.....	1 750
Accrued expenses.....	750
Total Liabilities and Equity.....	9 000

Additional information:

Number of ordinary shares issued as at 31.03.2026 was 28 000 and the dividends paid during the year was Rs. 280 000.

Required:

The following ratios for the year ending 31.03.2026:

- (1) Gross Profit Ratio
- (2) Net Profit Ratio
- (3) Earnings per Share
- (4) Dividends per Share
- (5) Debt to Equity Ratio
- (6) Current Ratio
- (7) Return on Equity Ratio

(10 marks)

[See page eight]

(b) The doctors - Jabir, Kabir and Sameer are owners of a partnership and this partnership operates a private hospital. The terms of the partnership agreement are as follows.

- Profits and losses are shared among Jabir, Kabir and Sameer in the ratio of 3:2:1 respectively.
- Partners are entitled to receive 10% interest per annum on the opening capital balances.
- Each partner is entitled to receive an annual salary of Rs. 2 400 000 for taking part in the management of the partnership.
- Apply the provisions in the Partnership Ordinance of 1890 for the matters not covered in this agreement.

The trial balance of the partnership as at 31.03.2026 prepared by a trainee accounts assistant is as follows.

	Dr. (Rs.'000)	Cr. (Rs.'000)
Capital accounts as at 01.04.2025:		
Jabir.....		7 000
Kabir.....		5 000
Sameer.....		4 000
Current accounts as at 01.04.2025:		
Jabir.....		1 000
Kabir.....		400
Sameer.....	200	
Loan given by Jabir on 01.04.2025.....		2 000
Property, plant and equipment – Carrying amount....	24 000	
Office equipment.....	500	
Revenue from hospital services.....		45 000
Other income.....		1 200
Cost of providing hospital services.....	15 000	
Administrative expenses.....	16 400	
Marketing expenses.....	4 500	
Income tax paid.....	100	
Bank overdraft.....		3 100
Inventory as at 31.03.2026 at cost.....	6 200	
Trade receivables.....	2 300	
Suspense account.....		500
	<u>69 200</u>	<u>69 200</u>

Additional information:

- Each partner has been paid a salary of Rs. 2 000 000 in cash during the current year and this amount has been erroneously included in the administrative expenses.
- The cost of closing inventory Rs. 6 200 000 which was considered in calculating the cost of providing hospital services has been obtained from the stores ledger. The items costing Rs. 1 200 000 obtained by Jabir for his personal use from the business has not been adjusted in the stores ledger. The cost of closing inventory as at 31.03.2026 ascertained based on the physical stock was Rs. 5 000 000.
- The total fees charged to a family member of Kabir warded in this hospital for one-month period was Rs. 400 000. Kabir agreed to pay Rs. 300 000 to settle this fee and the balance amount was treated as a discount allowed to the patient with the consent of other partners. However, none of these transactions have been recorded in the books of accounts. The partnership considers the discounts allowed to customers as a marketing expense.
- Rs. 200 000 charged from the patients examined by Kabir during the month of March 2026 has been erroneously recorded as other income of the partnership. As agreed with the other partners, 75% of this amount should be considered as personal income of Kabir and the balance 25% should be treated as revenue of the partnership.
- Income tax payments of Rs. 100 000 shown in the trial balance represent the personal income tax of Sameer paid by the partnership.
- The office equipment shown in the trial balance has been purchased on 01.04.2025 from Jabir's personal funds for the business. The cost of this equipment has been debited to office equipment account and credited to a suspense account. The depreciation of this equipment for the current year is Rs. 50 000 and it is not yet accounted for. The partnership considers depreciation on property, plant and equipment as administrative expenses.
- Sameer retired from the partnership on 31.03.2026 and the goodwill of the partnership was estimated on this date as Rs. 3 000 000. Thereafter, Jabir and Kabir agreed to carry out the partnership sharing profits and losses in the ratio of 3:2 respectively. Further, Sameer agreed to treat the total amount due to him from the partnership on this date as a loan given to the business.

Required:

- (1) Income Statement of the partnership for the year ending 31.03.2026 (*including the appropriations to the partners*)
- (2) Capital Accounts and Current Accounts of partners for the year ending 31.03.2026
- (3) Statement of Financial Position of the partnership as at 31.03.2026

(30 marks)

(Total 40 marks)

6. (a) The following information has been extracted from the Statements of Financial Position of Amali PLC.

	As at 31.03.2026 (Rs.'000)	As at 31.03.2025 (Rs.'000)
Property, plant and equipment - Carrying amount.....	30 500	26 800
Inventory	2 500	3 500
Trade receivables.....	12 500	11 250
Prepaid operating expenses	1 500	1 000
Cash and cash equivalents	2 000	600
Total Assets.....	49 000	43 150
Stated capital - Ordinary shares	25 000	17 500
Retained earnings	15 000	12 000
Trade payables.....	7 500	11 750
Income tax payable.....	800	1 400
Accrued operating expenses.....	700	500
Total Liabilities and Equity.....	49 000	43 150

Additional information:

- (i) All sales and purchases of the company are made on credit basis.
- (ii) The total sales for the year ending 31.03.2026 were Rs. 43 500 000.
- (iii) Total operating expenses and the income tax expense for the year ending 31.03.2026 were Rs. 9 250 000 and Rs. 1 500 000 respectively. The operating expenses include Rs. 3 500 000 depreciation for the current year on property, plant and equipment. Further, the revaluation of property, plant and equipment carried out for the first time on 31.03.2026 resulted in a deficit of Rs. 3 000 000 and it is also included in the operating expenses.
- (iv) An office equipment with a carrying amount of Rs. 1 750 000 was sold for Rs. 2 600 000. The gain on sale of this office equipment is recognised as other income. It is the only item in the other income for the current year. Further, the company has purchased a motor vehicle for cash during the current year.
- (v) The company capitalized retained earnings of Rs. 2 500 000 during the current year. Further, the company made a public issue of shares during the current year and collected cash for the full amount of the share issue.
- (vi) The company paid an interim dividend of Rs. 2 000 000 on 01.01.2026.
- (vii) The gross profit ratio of the company for the year ending 31.03.2026 was 40%.

Required:

The following for Amali PLC for the year ending 31.03.2026 as per 'LKAS 7 - Statement of Cash Flows':

- (1) Statement of Cash Flows (*Use indirect method to show the cash flows from operating activities.*)
- (2) Cash flows from operating activities using *direct method*.

(20 marks)

- (b) A community centre in Jaffna is planning to celebrate its 75th Anniversary in January 2027. The total number of members of the community centre is 150. The community centre is organizing a sports festival to celebrate this anniversary.

(i) The estimated costs for the sports festival:

	Rs.
Garlands for 8 special invitees	1 500 per garland
Refreshment expenses for 8 special invitees	1 000 per invitee
Hiring cost of chairs	600 per chair
Prizes for the winners of the sports festival	50 000
Hiring cost of the sound system	44 000
Cost of a souvenir	2 000
Cost of a food pack per member	850
Cost of a water bottle per member	150

- (ii) A souvenir will be presented to each special invitee and every member participating in the sports festival.
- (iii) It has been decided to hire 160 chairs for this festival.
- (iv) It is expected to charge a fee of Rs. 5 000 from each paper member participating in the sports festival.

Required:

- (1) Total fixed cost of the sports festival
- (2) Variable cost per member
- (3) Contribution per member
- (4) The number of members required to participate in the sports festival to cover its total cost
- (5) The number of members required to participate in the sports festival if a surplus of Rs. 50 000 is expected from the sports festival
- (6) The fee to be charged from each member to cover the total cost if 100 members participate in the sports festival
- (7) The expected surplus if all 150 members participate in the sports festival and a fee of Rs. 5 500 is charged from each member
- (8) The fee to be charged from each member to cover the total cost if 100 members participate in the sports festival and the cost of the souvenir can be reduced to Rs. 1 750

(20 marks)

(Total 40 marks)

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