General Certificate of Education (A/L) Examination - 2021 (2022)

33 - Accounting

Distribution of Marks

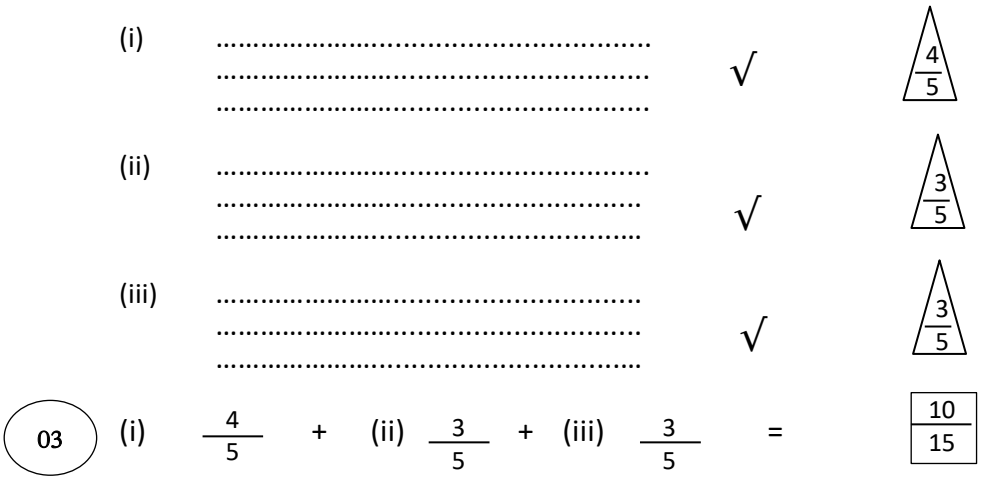
Paper I	**04 x 50**	**=**	**200**
Paper II		**=**	**200**
Total		**=**	**400 ÷ 4**
Final Marks		**=**	100

Common Techniques of Marking Answer Scripts.

It is compulsory to adhere to the following standard method in marking answer scripts and entering marks into the mark sheets.

1. Use a red color ball point pen for marking. (Only Chief/Additional Chief Examiner may use a mauve color pen.)
2. Note down Examiner's Code Number and initials on the front page of each answer script.
3. Write off any numerals written wrong with a clear single line and authenticate the alterations with Examiner's initials.
4. Write down marks of each subsection in a △ and write the final marks of each question as a rational number in a □ with the question number. Use the column assigned for Examiners to write down marks.

Example: **Question No. 03**



MCQ answer scripts: (Template)

1. Marking templets for G.C.E.(A/L) and GIT examination will be provided by the Department of Examinations itself. Marking examiners bear the responsibility of using correctly prepared and certified templates.
2. Then, check the answer scripts carefully. If there are more than one or no answers Marked to a certain question write off the options with a line. Sometimes candidates may have erased an option marked previously and selected another option. In such occasions, if the
3. Place the template on the answer script correctly. Mark the right answers with a '√' and the wrong answers with a 'X' against the options column. Write down the number of correct answers inside the cage given under each column. Then, add those numbers and write the number of correct answers in the relevant cage.

Structured essay type and assay type answer scripts:

1. Cross off any pages left blank by candidates. Underline wrong or unsuitable answers. Show areas where marks can be offered with check marks.

2. Use the right margin of the overland paper to write down the marks.
3. Write down the marks given for each question against the question number in the relevant cage on the front page in two digits. Selection of questions should be in accordance with the instructions given in the question paper. Mark all answers and transfer the marks to the front page, and write off answers with lower marks if extra questions have been answered against instructions.

4. Add the total carefully and write in the relevant cage on the front page. Turn pages of answer script and add all the marks given for all answers again. Check whether that total tallies with the total marks written on the front page.

Preparation of Mark Sheets.

Except for the subjects with a single question paper, final marks of two papers will not be calculated within the evaluation board this time. Therefore, add separate mark sheets for each of the question paper. Write paper 01 marks in the paper 01 column of the mark sheet and write them in words too. Write paper II Marks in the paper II Column and wright the relevant details. For the subject 51 Art, marks for Papers 01, 02 and 03 should be entered numerically in the mark sheets.

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G.C.E. (A/L) Examination - 2021 (2022)
33 - Accounting
Paper I

Question	Answer
1	5
2	3
3	2
4	4
5	4
6	5
7	3
8	3
9	3
10	4
11	4
12	2
13	2
14	2
15	3
16	5
17	4
18	5
19	4
20	4
21	4
22	4
23	3
24	3
25	3
26	4
27	4
28	4
29	3
30	2

(04 Marks for each right answer for Questions 1 -30, Total Marks 120)

31. A - F / False (01)
B - T / True (01)
C - T / True (01)
D - T / True (01)

32. A - No Change (01)
B - Increase (01)
C - Increase (01)
D - Decrease (01)

33. A - Cash Payments Journal (01)
B - General Journal (01)
C - Sales Journal (01)
D - Sales Journal / General Journal (01)

34. (a) Rs. 558 000 (02)
(b) Rs. 558 000 (02)

35. A - Entity (01)
B - Periodicity (01)
C - Money Measurement (01)
D - Matching (01)

36. A - T / True (01)
B - T / True (01)
C - T / True (01)
D - F / False (01)

37. (a) Rs. 420 000 02
(b) Rs. 200 000 02

38. (a) Rs. 2 000 02
(b) Rs. 4 200 02

39.
(a) Profit and Loss Appropriation A/C Dr 1 800
Current A/C - Manjula Cr 1 800 02

(b) Profit and Loss Appropriation A/C Dr 800
Current A/C - Sanjula Cr 800 02

40. A - Financing 01
B - Investing /Operating 01
C - Operating 01
D - Investing 01

41. (a) Adjusting event 02
(b) Rs. 75 000 02

42. (a) Rs. 1 500 02
(b) Rs. 1 000 02

43. (a) Faithful representation 01
(b) Present obligation 01
(c) Current value 01
(d) Economic resource

44. (a) Rs. 6 800 000 02
(b) Rs. 4 200 000 02

45. (a) 6 times (02)
(b) 60 days (02)

46. (a) Rs. 7 500 (02)
(b) Rs. 9 500 (01)
(c) Rs. 3 500 (01)

47. (a) Product and Period Cost/ Direct and Indirect Cost (02)
(b) Variable cost and Fixed cost (02)

48. (a) 200 Units (02)
(b) Rs. 16 000 (02)

49. (a) Rs. 240 000 (02)
(b) Rs. 90 (02)

50. (a) Rs. 5 650 000 (01)
(b) Rs. 1 650 000 (01)
(c) Rs. 200 000 (01)
(d) Rs. 60 000 (01)

(80 Marks)

Question No.	**1 - 30**	**120 Marks**
	31 - 50	**80 Marks**
		200 Marks

Question No. 1

(1)

Eranga PLC

Statement of Profit or Loss and Other Comprehensive Income (01)

for the year ending 31st March 2021.

Rs.'000

	Notes		
Sales		60 000	
Cost of Sales		38 500	
Gross profit		(01) **21 500**	
Other income	01	1 000	(01) **WR 1**
Distribution cost		(6 900)	(03) **WR 2**
Administration expenses		(7 100)	(01) **WR 3**
Other expenses		(1 600)	(01) **WR 4**
Finance cost		(1 200)	
Profit before tax	02	5 700	
Income tax expenses	03	(1 500)	(02)
Profit for the period		**4 200**	
Other comprehensive income			
Change in land revaluation surplus		(01) 5 000	
Total comprehensive income		(01) **9 200**	

Note 01: Other income	**Rs. 000**
Gain on disposal of motor vehicle	Rs. 1 000

Note 02: Profit for the year has been calculated after charging expenses including the following:

	Rs.'000
Directors remuneration	1 200
Auditors' fee	300
Depreciation	5 950
Allowance for impairment	600
Revaluation deficit	1 000

(01 Mark for any two items - Maximum (02) Marks)

Note 03: Income tax

Current year tax expense	1 600	**01**
Over provision	(100)	**01**
Income tax expense	**1 500**	

Workings in Rs.'000:

WR 1 Other Income		
Cost of the asset	5 000	
Accumulated depreciation	(2 000)	
Carrying amount	3 000	
Disposal proceeds	4 000	**01**
Gain on disposal	**1 000**	
WR 2 Distribution cost		
Balance	7 200	
Interim dividend	(400)	**01**
Over provision of depreciation	(500)	**01**
Allowance for impairment	600	**01**
Total	**6 900**	
WR 3 Administrative expenses		
Balance	6 800	
Auditors fees	300	**01**
Total	**7 100**	
WR 4 Other expenses		
Balance	600	
Revaluation deficit	1 000	**01**
Total	**1 600**	

(14 Marks)

(2)

Eanga PLC
Statement of Changes in Equity
for the year ending 31.03.2021

Rs.'000

	Stated capital - ordinary shares	**Retained earnings**	**Revaluation reserve**	**Total**
Balance as at 01.04.2020	38 000	12 500	-	50 500
Total comprehensive income		01 4 200	5 000	9 200
Interim dividends		(400)	01	(400)
Balance as at 31.03.2021	**38 000**	**16 300**	**5 000**	**59 300**

(02 Marks)

(3)

Ranga PLC
Statement of Financial Position
as at 31st March 2021 (01)

	Note		Rs.'000	
Non-current assets				
Property, plant and equipment	04	(01)	50 000	
Right- of-use asset	05	(01)	6 000	
Current assets				
Inventory			4 250	*
Trade receivables			6 800	(01)
Cash and cash equivalents			500	*
Total assets			**67 550**	
Equity				
Stated capital - ordinary shares			38 000	*
Reserves				
Revaluation reserve			5 000	(01)
Retained earnings		(01)	16 300	
Non-current liabilities				
Lease liability		(01)	2 949	
Current liabilities				
Lease liability			551	(01)
Trade payables			4 250	*
Income tax payable			200	(01)
Audit fees payable			300	(01)
Total of Equity and Liabilities			**67 550**	

***01 Mark for every two items (02) Marks**

Note 4: Property, plant and equipment

(Rs.'000)

Cost/value	**Land**	**Buildings**	**Motor vehicle**	**Office equipment**	**Total**
Balance as at 01.04.2020 (01)	10 000	18 000	24 000	6 300	58 300
Additions				1 200 (01)	1 200
Revaluation Surplus/(Deficit)	5 000 (01)			(1 000) (01)	4 000
Transfer of Accumulated Depreciation				(1 500) (01)	(1 500)
Disposals			(5 000) (01)		(5 000)
Balance as at 31.03.2021	**15 000**	**18 000**	**19 000**	**5 000**	**57 000**
Accumulated Depreciation					
Balance as at 01.04.2020	(01)	2 100	1 700	750	4 550
Additions		900	4 300	750	5 950 (01)
Transfer of Accumulated Depreciation				(1 500) (01)	(1 500)
Disposals			(01) (2 000)		(2 000)
Balance as at 31.03.2021		**3 000**	**4 000**	**-**	**7 000**
Carrying amount as at 31.03.2021	**15 000**	**15 000**	**15 000**	**5 000**	**50 000**

Note 05: Right-of-use asset **(Rs.'000)**

Cost	**Right-of-use asset**
Down payment	2 500
Lease liability	3 500 (01)
Balance as at 31.03.2021	6 000

Note 06: Non-adjusting event

A building with a carrying amount of Rs. 5 000 000 was fully destroyed due to a fire occurred on 15.05.2021. (01)

(24 Marks)

(Total 40 Marks)

Question No. 1

Section	**(1)**	**(2)**	**(3)**	**Total**

Question No. 2

(a)

(1) **Payroll for the month of May 2021**

Rs.'000

Employee No.	Basic Salary	Fees for extra teaching hours	Internet allowance	Fixed Allowance	Gross Salary	EPF (10%)	Deductions		Total Deduction	Net Salary	EPF (15%)	ETF (3%)
							Loan installment	Salary advance				
1	100	30	5		135	13	40		53	82	19.5	3.9
2	100	90	5		195	19		25	44	151	28.5	5.7
3	100		5	50	155	15	60		75	80	22.5	4.5
	300	**120**	**15**	**50**	**485**	**47**	**100**	**25**	**172**	**313**	**70.5**	**14.1**
	(01)	(02)	(01)	(01)		(02)	(01)	(01)			(02)	(02)

(Full marks if all items in a column are correct (Excluding the totals)

(13 Marks)

(2)

Salaries Control Account **Rs.'000**

EPF Payable	* 47	Salary expenses	(01) 485
Staff loan	* 100		
Salary advance	* 25		
Cash / Salaries payable	* 313		
	485		**485**

*** 01 mark for every two items based on student's Payroll (02) Marks**

(03 Marks)

(16 Marks)

(b)

(1) Overhead Analysis Sheet

Rs.'000

Description	**Basis of Apportionment**	**Total**	**Processing**	**Bottling**	**Stores**
Production manager's salary	Direct	710	384	326 (01)	
Storekeeper's salary	Direct	300			300 (01)
Indirect wages	No. of employees/ (6:5:1) (01)	1 200	600	500	100 (01)
Electricity charges	Kilowatt hours/ (4:3:1) (01)	240	120	90	30 (01)
Rent	Floor area/ (15:5:4) (01)	480	300	100	80 (01)
Depreciation on machinery	Machinery cost/ (3:1) (01)	120	90	30	(01)
		3 050	1 494	1 046	510
Re-apportionment of stores overheads	3:2		(01) 306	(01) 204	(510)
Total production overheads		**3 050**	**1 800**	**1 250**	-

(12 Marks)

(2) Overhead absorption rate per hour (Rs.)

	Processing	**Bottling**
	30 (02)	**25** (02)
	per machine hour	**per labour hour**
Working:		
Total production overheads (Rs'000)	**01** 1 800	**01** 1 250
Number of hours (in '000)	60 **01**	50 **01**
Overhead absorption rate (Rs.)	**30**	**25**

(04 Marks)

(3) Total cost per bottle of Mango Juice = Rs. 300 (03)

Working:			**Rs.**
Direct material			115]
Direct labour			50] **01**
Production overheads:			
Processing	(2 hrs X Rs. 30)	**01** 60	
Bottling	(3 hrs X Rs. 25)	**01** 75	
			135
Total cost			**300**

Total cost per bottle of Orange Juice = Rs. 345 (03)

Working:			**Rs.**
Direct material			70]
Direct labour			60] **01**
Production overheads:			
Processing	(3hrs X Rs. 30)	**01** 90	
Bottling	(5hrs X Rs. 25)	**01** 125	
			215
Total cost			**345**

(06 Marks)

(4) Selling price per bottle of Mango Juice = Rs. 375 (02)

Working:		**Rs.**
Total production cost	**01**	300
Profit margin - Total production cost x 25%	**01**	75
Selling price		**375**

(02 Marks)

(24 Marks)

(Total 40 Marks)

Question No. 2

Part	1	2	3	4	Total
(a)	13	03	-	-	16
(b)	12	04	06	02	24

Question No. 3

(1) **Rs.'000**

Transaction No.	Assets				Liabilities		Equity	
	Equipment	Inventory	Trade receivables	Cash	Trade payables	Accrued expenses		
1	+750			+500			+1 250	03
2		+200			+200			01
3		-40			-40			01
4		-60	+100				+40	02
5		+6	-10				-4	02
6				-152	-160		+8	02
7		-3					-3	02
8			-10	+9			-1	02
9						+7	-7	01
10				-5			-5	01
11		-20		+35			+15	02
12	-15						-15	01
Closing balance*	**735***	**83***	**80***	**387***	**0***	**7***	**1 278**	01

*** (01 Mark each for two balances - 03 Marks)**

(24 Marks)

(2) Revised cash balance		**Rs.'000**	
Cash account balance as at 30.04.2021	01	387	
Bank charges		(1)	01
Standing order payment		(5)	01
Direct deposit of a customer		20	01
Revised balance of cash account as at 30.04.2021		**401**	

Bank Reconciliation Statement			
Revised cash account balance as at 30.04.2021	01	401	
Add: Unpresented cheque		5	01
Bank statement balance as at 30.04.2021	01	**406**	

(07 Marks)

(4) **Income Statement**
for the month ended 30th April 2021
Rs.'000

Sales		135	(01)
Sales return		(10)	(01)
		125	
Less: Cost of sales			
Purchases	200*		
Purchase returns	(40)*		
Donations	(3)*		
Closing inventory	(83)*	74	Alternative: Cost of sales = 60 + 20 - 06 = 74
Gross profit		51	
Other income			
Discount received		8	(01)
Expenses			
Donations	3*		
Discount allowed	1*		
Electricity expenses	7*		
Maintenance expenses	5*		
Depreciation	15*		
Bank charges	1*	(32)	*01 Mark for every two items (05) Marks
Net profit		(01) **27**	

(09 Marks)

(Total 40 Marks)

Question No. 3

Section	**1**	**2**	**3**	**Total**
Marks Allocated	24	07	09	**40**

Question No. 4

(a)

(1) Initial cash outflows **Rs. 7 300 000** (04)

Working		
Initial Cash outflows	**Rs.'000**	
Cost of the machine	6 500	01
Transportation cost	50	01
Installation cost	200	01
Working capital	550	01
Total outflows	**7 300**	

(2) Cash inflows for each year:

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	
Cash inflows - Rs.'000								
Incremental operating cash inflow		1550	1800	1950	2250	2050	1750	(02)
Residual value							750	(01)
Recovery of working capital							550	(01)
Total inflows	**0**	**1 550**	**1 800**	**1 950**	**2 250**	**2 050**	**3 050**	

(04 Marks)

(3) NPV of the project Rs.'000:

Net cash flow	**(7 300)**	**1 550**	**1 800**	**1 950**	**2 250**	**2 050**	**3 050**
Discounting factor 12%	1	0.89	0.79	0.71	0.64	0.57	0.51
Present value	**(7 300)**	**1 380**	**1 422**	**1 384**	**1 440**	**1 168**	**1 556**
							8 350
Net present value	(01) 1 050						

(4) Recommendation **(01 Mark)**

◯ Accept the project as NPV is positive

(01 Mark)

(10 Marks)

(b)

(1)

(i) **Cash Receipts Journal (Rs.'000)**

Description	Discount	Amount	Analysis			
			Sales	VAT	Trade Debtors	Other
Opening Debtors		150			150*	
Sales		324	300*	24*		
Kasun	60*	588			588*	
Amila	40*	392			392*	
Prabath		600			600*	
Delivery charges		54				54*
Total	**100**	**2 108**	**300**	**24**	**1 730**	**54**

***Any two items 01 Mark each – Maximum (04) Marks**

Total amounts – 01 Mark for any two total amounts – Maximum (02) Marks

(ii) **Cash Payments Journal (Rs.'000)**

Description	Discount	Amount	Trade Creditors	Purchases	Expenses	Other
Creditors		250	250*			
VAT		20				20*
Purchases		500		500*		
Nadan Traders	5*	600	600*			
Operating expenses		198			198*	
Total	**5**	**1 568**	**850**	**500**	**198**	**20**

***Any two items 01 Mark each – Maximum (04) Marks**

Total amounts – 01 Mark for any two total amounts – Maximum (02) Marks

(ii) **Cash Account (Rs.' 000)**

B/B/F	100	VAT Payable	* 20
Trade debtors	*1 730	Purchases	* 500
Cash sales	* 300	Trade Creditors	* 850
VAT	* 24	Operating expenses	* 198
Delivery charges received	* 54	B/C/F	640
	2 208		**2 208**

***(01 Mark for each given answer – Maximum (03) Marks)**

(iii) **Trade Debtors Control Account (Rs.' 000)**

B/B/F	150	Cash	1 730*
Sales	1 800*	Discount allowed	100*
VAT	144*	B/C/F	264
	2 094		**2 094**

***(01 Mark for each item – Maximum (03) Marks)**

(iv) **VAT Control Account (Rs.' 000)**

Trade creditors	56*	B/B/F	20
Cash	20*	Trade debtors	144*
B/C/F	112	Cash	24*
	188		**188**

***(01 Mark for each item – Maximum (04) Marks)**

(22 Marks)

(2) **General Journal**

	Dr (Rs.'000)	**Cr (Rs.'000)**	
Discount Received Account	5		
Profit or Loss Account		5	(01)
(Being rectifying not recording discount received)			
Profit or Loss Account	100		
Discount Allowed Account		100	(01)
(Being rectifying not recording discount allowed)			
Profit or Loss (operating expenses)	100		
Suspense Account		100	(01)
(Being rectifying erroneous recording operating expenses)			

(01) Mark if all three narrations are provided

(04 Marks)

(3)	**Statement of profit correction**	**Rs.'000**	
	Draft profit for the period	856	
	Add:		
	Omission of discount received	5	01
	Less:		
	Omission of discount allowed	(100)	01
	Understatement of operating expenses	(100)	01
	Revised profit	01 **661**	

(04 Marks)

(30 Marks)

(Total 40 Marks)

Question No. 4

Part	1	2	3	4	Total
(a)	04	04	01	01	10
(b)	22	04	04	-	30
					40

Question No. 5

(a)
(1)

Lal, Ravi and Piyal Partnership Income Statement for the year ending 31.03.2021

Rs.'000

Sales		12 000
Cost of sales		(3 900) 01
Gross profit		8 100
Operating expenses	(2 300)	
Interest on Lal's loan	(100) 01	(2 400)
Net profit		01 5 700
Interest on capital:		
Lal	400	
Ravi	300 02	
Piyal	200	(900)
Salaries:		
Lal	600	
Ravi	600 01	
Piyal	600	(1 800)
Profit share:		
Lal	1 500	
Ravi	900 01	
Piyal	600	(3 000)

(07 Marks)

(2) **Capital Accounts (Rs.'000)**

	Lal	Ravi	Piyal		Lal	Ravi	Piyal
Goodwill	900		600 (01)	B/B/F	4 000	3 000	2 000
Investment		1 200 (01)		Goodwill	750	450	300 (01)
Office equipment		300 (01)		Current account		1 490	
Loan		3 440					
B/C/F (01)	3 850		1 700				
	4 750	**4 940**	**2 300**		**4 750**	**4 940**	**2 300**

Current Accounts (Rs.'000)

	Lal	Ravi	Piyal		Lal	Ravi	Piyal
B/B/F			60	B/B/F	100	90	
Goods drawings	80	20 (01)		Interest on capital (01)	400	300	200
Salaries/ drawings	500	400	300 (01)	Salary (01)	600	600	600
Capital		1 490		Profit share (01)	1 500	900	600
B/C/F	2 120		1 040	Creditors		20 (01)	
				Interest on loan (01)	100		
	2 700	**1 910**	**1 400**		**2 700**	**1 910**	**1 400**

(12 Marks)

(3) **Loan Amount Payable to Ravi** (01) **Rs. 3 440 000**

(01 Mark)

(20 Marks)

(b) Saranga PLC for the year ending 31.03.2021

Cash flows from operating activities (Direct method):

	Rs.'000		
Collection from customers	25 800	02	WR 1
Payments to suppliers and employees	(19 350)	06	WR 2
	6 450		
Interest paid	(1 750)	01	WR 3
Tax paid	(1 150)	01	WR 4
Net cash flow from operating activities	**3 550**		

Cash flows from operating activities (Indirect method):

	Rs.'000	
Profit before tax	5 200	
Depreciation	1 800	01
Gain on motor vehicle disposal	(800)	01
Interest receivable	(400)	01
Interest expenses	1500	01
	7 300	
Changes in working capital:		
Increase in inventory	(600)	01
Decrease in trade receivables	800	01
Increase in prepaid expenses	(300)	01
Decrease in trade payables	(750)	01
Cash from operations	6 450	
Tax paid	(1150)	01 WR 3
Interest paid	(1750)	01 WR 4
Net cash flows generated from operating activities	**3 550**	

(20 Marks)

Workings (WR):	**Rs.'000**	
WR 1		
Trade receivables as at 01.04.2020	6 000	
Sales	25 000	**01**
Trade receivables as at31.03.2021	(5 200)	**01**
Cash received	**25,800**	
WR 2		
Inventory as at 01.04.2020	1 800*	
Purchases	15 600	**01**
Inventory as at 31.03.2021	(2 400)*	
Cost of sales	15 000	
Trade payables as at 01.04.2020	4 250*	
Purchases	15 600	
Trade payables as at 31.03.2021	(3 500)*	
Cash paid for trade payables	16 350	
Prepaid operating expenses as at 01.04.2020	200*	
Expenses	4 500	**01**
Prepaid operating expenses as at 01.04.2020	(500)*	
Depreciation	(1 800)	**01**
Cash paid for operating expenses	3 000	
Payment for suppliers and employees	**19 350**	
(*01 Mark for two items, Maximum 03 Marks)		
WR 3		
Interest expenses payable as at 01.04.2020	650	
Interest expense	1 500	**01**
Interest expenses payable as at 31.03.2021	(400)	
Interest paid	**1 750**	
WR 4		
Income tax payable as at 01.04.2020	450	
Tax expense	1 000	**01**
Income tax payable as at 31.03.2021	(300)	
Income tax paid	**1 150**	

(Total 40 Marks)

Question No. 5

Part	1	2	3	Total
(a)	07	12	01	20
(b)				20
				40

Question No. 6

(a)

(1) **Variable cost per team (Rs.):** **5 000** (02)

WR (Rs.)	
Food and beverages	4 000 **01**
Cost of sanitization	1 000 **01**
Variable cost per team	**5 000**

(2) **Fixed cost (Rs.) :** **110 000** (05)

WR (Rs.)	
Charges for three umpires	15 000 **01**
Trophies and certificates	50 000 **01**
Sports equipment hiring cost	25 000 **01**
Music band for the day	8 000 **01**
Food and beverages for organizers	12 000 **01**
Total fixed cost	**110 000**

(3) **Contribution per team (Rs.)** **5 000** (02)

WR (Rs.)	
Entrance fees	10 000 **01**
Variable cost per team	01 (5 000)
Contribution per team	**5 000**

(4) **No. of teams to break even:** **22** (02)

WR (Rs.)	
Fixed cost	**01** 110 000
Contribution per team	**01** 5 000
No. of teams to break even	110 000/5 000 = **22**

(5) **Expected number of teams to obtain Rs. 40 000 surplus:** **30** (03)

WR (Rs.)	
Total fixed cost	**01** 110 000
Expected surplus	40 000 **01**
Contribution per team	5 000 **01**
Expected number of teams	(110 000+40 000)/5 000 = **30**

(6) **Expected Surplus if 35 teams participate (Rs.) :** **125 000** (06)

WR (Rs.)			
Revenue:			
Tournament fee	(35 **01**	x 10 000 **01)**	350 000
Expected sponsorship			60 000 **01**
			410 000
Variable cost	(35 **01**	x **01** 5 000)	175 000
Fixed cost			**01** 110 000
Surplus			**125 000**

or Alternative answer:			
Contribution	(35**01**	x **02** 5 000	175 000
Expected sponsorship			60 000 **01**
			235 000
Fixed cost			**02** (110 000)
Surplus			**125 000**

(20 Marks)

(b)

(1) **Net profit ratio** **7.5%** (02)

WR:	
Gross Profit	30 000
Operating expenses	(12 000)
Interest expenses	(6 000)
Tax expenses	(3 000)
Net Profit	9 000 **01**
Sales	120 000 **01**
Net profit ratio	**9 000 /120 000= 7.5%**

(2) **Quick assets ratio** **1:1** (02)

WR:	
Current Assets	58 000
Inventory	(21 500)
Prepayments	(7 500)
Quick Assets	29 000 **01**
Current Liabilities	29 000 **01**
Quick assets ratio	**29 000/29 000 = 1:1**

(3) **Debt collection period** **60 days** (02)

WR:	
Debtors as at 31.03.2020	22 500
Debtors as at 31.03.2021	17 500
Average debtors	20 000 **01**
Sales	120 000
Number of working days	360 **01**
Debt collection period	**(20 000 /120 000) *360 = 60 days**

(4) **Inventory turnover ratio** **4.5 times** (02)

WR:	
Sales	120 000
Gross profit	(30 000)
Cost of sales	90 000 **01**
Inventory as at 31.03.2020	18 500
Inventory as at 31.03.2021	21 500
Average inventory	20 000 **01**
Inventory turnover ratio	**90 000 / 20 000 = 4.5 times**

(5) **Debt-equity ratio** **60%** (02)

WR:	
Long-term loan	54 000 **01**
Equity as at 01.04.2020	81 000
Net profit	9 000
Equity as at 31.03.2021	90 000 **01**
Debt-equity ratio	**54 000/90 000 = 60%**

(10 Marks)

(c)

(1) **Subscription A/C**

(Rs.'000)

B/B/F	90	(01)	Cash	1 188	(01)
Income & Expenditure	1 140	(01)	Income & Expenditure	120	(01)
B/C/F	150	(01)	B/C/F	72	(01)
	1 380			**1 380**	

(06 Marks)

Working:

	No. of members	Subscription per member (Rs.'000)	No. of years	Amount (Rs.'000)
Subscription receivable as at 01.01.2020	15	6		**90** **01**
Subscription receivable as at 31.12.2020	12	6		**72** **01**
Cancellation of membership	10	6	2	**120** **01**
Cash received:				
New members	25	6	2	**300** **01**
Outstanding fee plus current year of 5 members	5	6	2	**60** **01**
Other members	138	6		828
				1 188
Subscription paid in advance as at 31.12.2020	25	6		**150** **01**
Membership fee recognized for current year	190	6		**1 140**

(2) Income Statement (Rs.'000)

Subscription	1 140*
Donations	240*
Sports tournament income	790*
	2 170
Allowance to coachers	(1 150)*
Depreciation	(300)*
Office expenses	(520)*
Subscription written off	(120)*
Surplus	(01) **80**

01 Mark for two correct items –Maximum (03) Marks

(Total 10 Marks)

(Total 40 Marks)

Question No. 6

Part	1	2	3	4	5	06	Total
(a)	02	05	02	02	03	06	20
(b)	02	02	02	02	02	-	10
(c)	06	04	-	-	-	-	10
							40