

PILOT PAPER – 2023-2027 SYLLABUS

CL1.2 Financial Accounting

Certificate Level

Time allowed: 2 Hours.

Total Marks: 100

Exam Structure

- 50 Multiple Choice Questions (MCQ)
 - Segment A 02 MCQs
 - Segment B 05 MCQs
 - Segment C 05 MCQs
 - Segment D 08 MCQs
 - Segment E 05 MCQs
 - Segment F 11 MCQs
 - Segment G 14 MCQs
- Each 02 marks and 100 marks in total.

All questions are compulsory.

Segment A

1. State which of the following characteristics are related to financial accounting:
 - A. Considers monetary transactions.
 - B. Governed by laws and regulations.
 - C. Emphasis on relevance for planning and control.
 - D. For internal use.
 - E. Required by law.

a) A,B and D b) A and C c) A,B and E d) B,D and E

2. Which is not a limitation of financial accounting:
 - a) The data available is historical in nature.
 - b) Complies with the various legal requirements.
 - c) Does not provide information to fix up the prices of products manufactured.
 - d) Lack of data for comparison of the cost of operation of the firm with other firms in the industry.

Segment B

3. A debit entry could lead to:
 - a) An increase in assets or a decrease in expenses.
 - b) An increase in sales or an increase in liabilities.
 - c) A decrease in sales or a decrease in assets.
 - d) A decrease in liabilities or an increase in expenses.

4. Goods purchased on credit Rs.500,000/-. The effect of this transaction would be:
 - a) Decrease in assets, decrease in capital.
 - b) Decrease in assets, increase in capital.
 - c) Increase in assets, increase in liability.
 - d) Increase in assets, decrease in liability.

10. The act of transferring information from the general journal to the general ledger is called:
- a) Posting.
 - b) Journalizing.
 - c) Transferring.
 - d) Recording.
11. Discount allowed is a deduction from:
- a) Accounts payable.
 - b) Accounts receivable.
 - c) Cash discount.
 - d) Discount account.
12. Which of the following statements is incorrect about nominal and real accounts:
- a) Nominal accounts are characteristically associated with the income statement.
 - b) Real accounts start with the ending balance from the prior period.
 - c) The balances of nominal accounts usually end up in the retained earnings account.
 - d) Only real accounts are recorded in the general ledger.

Segment D

13. Which of the following is not an adjusting entry:
- a) Debit- Cash; Credit- Unearned revenue.
 - b) Debit- Unearned revenue; Credit- Revenue.
 - c) Debit- Rent expense; Credit- Pre-paid rent expense.
 - d) Debit- Wages expense; Credit- Wages payable.
14. The purpose of adjusting entries is to:
- a) Adjust the owner's capital amount for the revenue, expense and drawings recorded during the accounting period.
 - b) Adjust daily the balances in assets, liability, revenue and expenses accounts for the effects of business transactions.
 - c) Apply the realization principle and the matching principle to transactions affecting two or more periods.
 - d) Prepare revenue and expense accounts for recording the transactions of the next accounting period.

15. A company purchased Rs.1,500,000/- of supplies in the month of December on credit and recorded the transaction with a debit to the income statement account Supplies Expense and a credit to the current liability Accounts Payable. By 31st December (the financial year-end), the company estimated that Rs.700,000/- of the supplies were still on hand in the supply room. Which of the following is the correct adjusting entry at the year-end:
- a) Debit- Supplies (balance sheet account) by Rs. 700,000; Credit- Supplies expense by Rs.700,000/-.
 - b) Debit- Supplies expense by Rs.800,000/-; Credit- Accounts Payable by Rs.800,000/-.
 - c) Debit- Accounts Payable by Rs.1,500,000/-; Credit- Supplies expense by Rs.800,000/- and Cash by Rs.700,000/-.
 - d) Debit- Supplies (balance sheet account) by Rs.800,000/-; Credit- Supplies expense by Rs.800,000/-.
16. Venus Ltd paid Rs.2,400,000/- rent in advance for two years on 1st May for a building and recorded the transaction. What is the correct adjusting entry that should be recorded at the year-end, i.e., 31st December is:
- a) Debit- Prepaid rent expense Rs.800,000/-; Credit- Cash Rs.800,000/-.
 - b) Debit- Rent expense Rs.1,200,000/- ; Credit- Prepaid rent expense Rs.1,200,000/-.
 - c) Debit- Rent expense Rs.1,200,000/- ; Credit- Cash Rs.1,200,000/-.
 - d) Debit- Rent expense Rs.800,000/- ; Credit- Prepaid rent expense Rs.800,000/-.
17. A company had obtained a term loan to purchase machinery. Its capital repayment and the interest expense are respectively Rs.35 Mn and Rs.20 Mn for the current year. Which of the following is the correct adjusting entry at the year-end:
- a) Debit- Loan Rs.55 Mn; Credit- Cash Rs.55 Mn.
 - b) Debit- Interest Expense Rs.20 Mn and Loan Rs.35 Mn; Credit- Cash Rs.55 Mn.
 - c) Debit- Loan Rs.35 Mn; Credit- Cash Rs.35 Mn.
 - d) Debit- Interest Expense Rs.20 Mn; Credit- Interest Payable Rs.20 Mn.

18. Extreme Ltd has rented a section of their premises to a third-party business. The lessee has paid the annual rent of Rs.84 Mn on 1st October, when starting the lease and Extreme Ltd had recorded this entire amount in their books as Debit- Cash and Credit- Rent Income. They have not made any adjusting entries at the year-end (i.e., 31st December). What should be the required adjusting entry at the year-end:
- a) Debit- Rent Income Rs.84 Mn; Credit- Unearned rent income Rs.84 Mn.
 - b) Debit- Rent income Rs.63 Mn; Credit- Unearned rent income Rs.63 Mn.
 - c) Debit- Unearned rent income Rs.21 Mn; Credit- Rent Income Rs.21 Mn.
 - d) Debit- Unearned rent income Rs.63 Mn; Credit- Rent Income Rs.63 Mn.
19. Which one of the following is a correct adjusting entry to record depreciation on furniture:
- a) Debit- Depreciation expense – Furniture; Credit- Accumulated depreciation -Furniture.
 - b) Debit- Depreciation expense – Furniture; Credit- Fixed assets.
 - c) Debit- Depreciation expense – Furniture; Credit- Capital.
 - d) Debit- Accumulated depreciation; Credit- Depreciation expense – Furniture.
20. Which of the below statements explains the Accrued revenue correctly:
- a) The invoices the business has issued to customers that have not been paid yet.
 - b) The money received as an advance for a pending service.
 - c) The money the business has earned but has not yet been invoiced to the customer.
 - d) The revenue for goods and/or services that have not been delivered or completed.

Segment E

21. Which of the following is the foundation of the conceptual framework:
- a) The objective of general-purpose financial statements.
 - b) The reporting entity concept.
 - c) The qualitative characteristics of financial information.
 - d) The elements of financial statements.

22. Which of the following is not true about general-purpose financial statements:
- a) The objective of general-purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.
 - b) General purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders and other creditors need.
 - c) General purpose financial reports are designed to directly show the value of a reporting entity, thus the users do not need to estimate the value of the entity.
 - d) The management need not rely on general purpose financial reports because it is able to obtain the financial information it needs internally.
23. The 'fundamental' qualitative characteristics of financial information are:
- a) Relevance and Understandability.
 - b) Timeliness and Verifiability.
 - c) Understandability and Reliability.
 - d) Relevance and Faithful representation.
24. According to the conceptual framework of accounting, the 'current value' measurement basis includes the following, except:
- a) Fair value.
 - b) Historical cost.
 - c) Value in use.
 - d) Current cost.
25. Accounting information is considered to be relevant when it:
- a) Is complete and not excludes any transaction.
 - b) Is verifiable and neutral.
 - c) Is free from errors.
 - d) Has confirmatory and predictive value.

Segment F

26. The purpose of preparation of the statement of financial position is:
- a) To show the status of assets, liability and equity at a certain date.
 - b) To determine the status of assets, liability and equity for a certain period.
 - c) To determine financial performance at a certain date.
 - d) To determine financial performance for the particular period end.

35. The following information relates to Supipi Sport club for the year ended 31st March 2023.

Composition of the subscription received during the year 2022/2023	
Year	Rs.
2021/2022	12,000
2022/2023	70,000
2023/2024	15,000

	As at 31.03.2023 (Rs.)	As at 31.03.2022 (Rs.)
Subscription receivable	16,000	12,000
Subscription received in advance	?	12,000

What is the amount of subscription income recognized for the year ended 31st March 2023:

- a) Rs.98,000/- b) Rs.83,000/- c) Rs.110,000/- d) Rs.79,000/-

36. Non-profit organizations are exempt from income taxes because:

- a) They don't generate any revenue
- b) Their expenses always exceed their revenue
- c) They serve the public interest and operate for charitable purposes
- d) They are government-owned entities

Segment G

37. What is the limit of the maximum number of shareholders in a public limited company:

- c) 20. b) 50. c) Unlimited. d) 100.

38. Which is a component of other comprehensive income including as per the LKAS 1 (Presentation of Financial Statements):

- a) Changes in revaluation surplus on property plant & equipment.
- b) Disposal gain on property plant & equipment.
- c) Disposal loss on property plant & equipment.
- d) Overprovision of income tax.

39. Which one of the following items does not appear under the heading 'equity and reserves' on a company statement of financial position:

- a) Stated Capital.
- b) Retained earnings.
- c) Revaluation surplus.
- d) Debenture.

40. Which of the following is **incorrect** regarding the limited liability companies:

- a) Operating as a limited liability company makes raising finance easier compared to the sole proprietorship due to multiple owners.
- b) Operating as a limited liability company is riskier than operating as a sole proprietor because the owners are liable for all the debts of the business whereas the sole proprietor is only liable for the debts up to the amount they have invested.
- c) Limited liability companies cannot be formed without incorporation.
- d) Limited liability companies receive a separate legal existence.

41. The following information is given in relation to ABC PLC for the year ended 31st March 2023:

Description	Rs.'000
Profit for the year	850
Provision for income tax for the year	60
Loss on sale of motor vehicle	20
Income tax paid	20
Depreciation on motor vehicle	90
Increase in trade receivables	250
Decrease in trade payables	130

What is the net cash flow generated from the operating activities of the company for the year ended 31st March 2023 as per LKAS 7(Statement of Cash Flow):

- a) Rs.620,000/-.
- b) Rs.560,000/-.
- c) Rs.1,380,000/-.
- d) Rs.580,000/-.

42. Which one of the following is an example of cash outflow from investing activities as per the LKAS 7 (Statement of cash flows):
- a) Sales proceeds from fixed asset sale.
 - b) Dividend received.
 - c) Tax paid.
 - d) New investment in long-term investment.
43. Which one of the following **is not** an example of cash flow from operating activities as per the LKAS 7 (Statement of cash flows):
- a) Cash receipt from the sale of goods.
 - b) Income tax paid in cash.
 - c) Cash receipt from trade debtors.
 - d) Cash repayment of the amount borrowed.
44. Which correct statements regarding the events after reporting period as per LKAS 10 (Events after the reporting period):
- a) Events after the reporting period are those unfavourable events that occur between the end of the reporting period and the date when the financial statements are authorized for issue.
 - b) Events after the reporting period are those favourable events that occur between the end of the reporting period and the date when the financial statements are authorized for issue.
 - c) Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.
 - d) Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are issued to the general public.

45. Which of the following statement is incorrect as per LKAS 08 (Accounting Policies, Changes in Accounting Estimate and Errors:

- a) Changes in accounting estimates arise due to the new information.
- b) Accounting policies never can change.
- c) Changes in the accounting estimate should be accounted for retrospectively.
- d) Prior period error need to adjust prospectively in financial statements.

46. The following information relates to DASUNI PLC for the year ended 31.03.2023.

	Rs.
Interim dividend paid	50,000
Revaluation gain on land (first time)	250,000
Retained earnings balance as at 31.03.2022	1,250,000
Retained earnings balance as at 31.03.2023	4,250,000
Tax expense	160,000

What is the profit before tax for the year ended 31.03.2023:

- a) Rs.2,890,000/-
- b) Rs.5,290,000/-
- c) Rs.3,000,000/-
- d) Rs.3,210,000/-

47. When comparing two statements of financial position you notice that:

- i. Last year the company had included in trade receivables of Rs.8,000,000/-. This year there is a Rs.4,500,000/- investment value in trade receivables.
- ii. Last year the company had an overdraft of Rs.8,000,000/- this year the overdraft is Rs.4,000,000/-.

What is the value that needs to be included in cash flow from operating activities in the statement of cash flow:

- a) Rs.4,500,000/-
- b) Rs.3,500,000/-
- c) Rs.12,500,000/-
- d) Rs.8,500,000/-

48. The tax liability of ABC PLC for the last quarter of the year ended 31.03.2022 was Rs.1,600,000/- and this liability is finally agreed at Rs.1,850,000/- which is paid during the year ended 31.03.2023. ABC PLC estimates their tax liability for profits earned year ended 31.03.2023 will be Rs.2,000,000/-.What should the tax expense charge be in ABC's statement of profit or loss for the year ended 31.03.2023:

- a) Rs.1,500,000/-
- b) Rs.2,250,000/-
- c) Rs.1,750,000/-
- d) Rs.2,000,000/-

49. Which of the following item is included in the statement of changes in equity:

- a) Profit on disposal of property plant and equipment.
- b) Surplus on revaluation of land.
- c) Issue of ordinary shares.
- d) Gratuity provision expense.

50. NAVOX Trading sold their distribution lorry at Rs.5,000,000/- as at 31.03.2023 which was purchased on 31.03.2021 at a cost of Rs.8,000,000/-. Company policy is to depreciate motor vehicles by 20% on cost. There is an Rs.200,000/- gain from this transaction to NAVOX PLC.

What is the cash flow needed to adjust in Investing Activities as per LKAS 7 (Statement of Cash Flow):

- a) Rs.7,800,000/-
- b) Rs.8,200,000/-
- c) Rs.1,800,000/-
- d) Rs.5,000,000/-
