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மேல் மாகாணக் கல்வித் திணைக்களம்
Department of Education - Western Province

තෙවන වාර පරීක්ෂණය
மூன்றாம் கால சோதனை - 2026
Third Term Test

ශ්‍රේණිය / தரம் / Grade: 13	විෂයය / பாடம் / Subject: **Accounts**	පත්‍රය / வினாத்தாள் / Paper: II	පැය / மணித்தியாலம் / Hours: 3

The use of non-programmable calculators is permitted.	Additional Reading Time: - 10 minutes Use the additional reading time to read through the question paper, make your selections, and organize the questions you intend to prioritize when writing your answers.

1. The drafted income statement for the year ending 31.03.2026 and the statement of financial position as at 31.03.2026 of Sumosadi PLC, manufacturing and trading company, are given below.

The drafted income statement for the year ending 31/05/2026.

	රු. "000"
Sales Revenue	80,000
(-) Cost of the sales	(35,000)
Gross Profit	45,000
Other Income	3,000
	48,000
Distribution Expenses	(9,000)
Administration Expenses	(12,000)
Other Expenses	(1,000)
Financial expenses	(2,000)
Profit Before Tax	24,000
Income Tax	(2,500)
Profit for the period	21,500

The drafted statement of financial position as at 2026.03.31

		රු. "000"
Assets		
Non-current Assets		
Property Plant Equipment		68,000
Right of Use Assets		5,000
		73,000
Current Assets		
	Stock	5,000
	Trade Receivable	3,000
	Other Receivables	2,500
	Cash and cash equivalents	4,500
		88,000

Equity and Labilities

Started capital – ordinary Shares		51,000
Reserves		
Revaluation Reserves (land)	4,000	
General Reserves	2,000	
Retained Earnings	25,000	31,000
Owners Equity		82,000
Labilities		
Lease Lability		3,000
Trade payables		2,000
Other payables		1,000
		88,000

Additional Information

Before preparing the financial statements for the year ending 2026.03.31 adjustments have to be made for the following.

ii. The analysis of inventory as at 2026.03.31 as follows.

	Rs."000"
Raw Materials	2,000
Finished Stock	3,000
	5,000

* The finished stock as at 2026.03.31 was calculated on cost of production. 10% of the production cost consists of the finished goods inventory.

* The direct salary paid to the direct workers for the year ending 2026.03.31 Rs. 9000 000 is included in cost of production. The employee and employer contribution for EPF 10% and 15% respectively was not accounted.

* On 2026.05.01 the finished stock has been sold for Rs. 3,650,000 by incurring a cost of completion Rs. 200,000 and a selling expense of Rs. 350,000.

* The financial statement were authorized for issue by the directors of the company on 02.06.2026

iii The profit for the period of the income statement prepared for the year ending 31.03.2026 was credited to the retained earning account.

iv As at 01.04.2025 provision for income tax amounting Rs. 500,000 is included in other payables. Income tax paid during the year 2025/2026 is stated as in income tax in the income statement. Tax paid for 2024/2025 Rs. 400,000 is included in this value. The estimated income tax liability for the last quarter of the year 2025/2026 is Rs. 600,000.

v The composition of the property, plant and equipment as at 31.03.2026 are as follows.

Asset	Cost at 2026.03.31	Carrying value as at 2026.03.31	Residual value	Useful life
	(Rs. 000)	(Rs. 000)	(Rs. 000)	Years
Land	35 000	35 000		Unlimited
Building	27 000	14 000	5 000	20
Motor Vehicles	10 000	9 000	1 000	9
Machinery	16 000	10 000	2 000	7
	88 000	68 000		

The Following transactions were carried out during the year ending 31.03.2026 in relation to property, plant and equipment.

* The land of the business was revalued on 01.04.2025. The revaluation deficit of the land Rs. 5,000,000 has been debited to other income account and credited to land account, no other entry has been made in this respect.
* On 01.04.2025 Machinery was renovated by incurring a cost of Rs. 2,000,000 as a result, the useful lifetime increased by 6 years and the residual value is increased by Rs. 1, 000, 000. and the renovation cost was accounted as administration expenses, no other entry has been made in this respect.
* Motor vehicles were sold for Rs. 9,500,000 on 31.03.2026 and cash received in this regard has been credited to the stated ordinary shares capital account, no other entry has been made in this respect.
* Building was revalued on 31.03.2026, with a revaluation surplus of Rs. 2,000,000. Bulding A/C has been debited and other expenses A/C has been credited in respect of this transaction, no other entry has been made.
* The depreciation policy of property, plant and equipment of the company is the straight line method.

vi The balance of the Provision for warranty Certificates A/C as at 01.04.2025 Rs 500,000 has been recorded as other payables. Provision for the warranty certificate as at 31.03.2026 was estimated reliably as Rs. 300,000 and paid warranty expenses Rs. 600,000 during the year has been recoded as financial expenses.

vii On 04.04.2026 through a reliable source the company came to know a trade receivable as at 31.03.2026 has been declared a lunatic, the amount is Rs 500,000. A relative of his paid 40% of this amount to the company on 15/05/2026.

viii On 01.04.2025 the company obtained a right-of-use motor vehicle and following details are related to the right-of-use a motor vehicle as at 31.03.2026.

	Rs. 000
Cost	6,000
Accumulated depreciation	(1,000)
Carrying Value	5,000

The lease liability as at 01/04/2025 is presented in the statement of the financial position. The lease interest for 2025/2026 and 2026/2027 are Rs. 300, 000 and Rs 230,000 respectively. The paid lease installment Rs. 1,000,000 is recorded as a distribution expense, no other entry has been made in this respect.

ix On 01.01.2026 a contract was signed with a customer to sell a stock for Rs. 1,000,000 and to provide service for one year for Rs. 2,200,000. On 01.02.2026 the consideration related to the transaction Rs. 2,200,000 was paid by the customer which is debited to the cash A/C and credited to the sales A/C. The stock was sold to the customer on 01.03.2026, no other entry has been made in this respect.

x A fixed deposit Rs. 1,000,000 due to mature in 2 months and a treasury bill Rs. 1,500,000 due to mature in 6 months are included in the other receivables and cash equivalent respectively.

xi Paid dividends Rs 200,000 is debited to general reserves A/C and board of the directors has proposed to pay a proposed dividend of Rs 1,000,000.

Required:

The following financial statements (including nots) of Sumosadi PLC for publication as per LKAS 01 (Presentation if financial statements)

(1) Statement of profit or loss and other comprehensive income for the year ending 31.03.2026.

(2) Statement of changes in equity for the year ending 31.03.2026.

(3) Statement of financial position as at 31.03.2026. (40 marks)

2. (a) Warma PLC is a trading company. Following is the stores ledger prepared for the month of May 2026.

Rs. 000'

Date	Receipts			Issues		Balance	
	Quantity	Unit price	Value	Quantity	Value	Quantity	Value
05.01						10	2,000
05.03	40	210	8,400			50	10,400
05.05				40	300	10	2,100
05.15	50	220	11,000			60	13,100
05.25				50	10,900	10	2,200
05.26	50	240	12,000			60	14,200
05.30				40	9,400	20	4,800

Additional Information

(1) The policy of the company to measure the inventory is the weighted average cost method (WAC). But the stores ledger given above is prepared using the First in First out method (FIFO).

(2) The correct purchased quantity as at 03.05.2026 was 60,000 units.

(3) The unit price of the quantity purchased on 26.05.2026 was Rs. 250

(4) The unit selling unit price is Rs. 280

Required:

(1) The correct stores ledger for the month ending 31.05.2026.

(2) The gross profit for the month of May 2026 (08 Marks)

(b) Sarana PLC is a Manufacturing company. 2000 Units of raw materials required for a month and unit purchase price of a raw material is RS. 60. The annual holding cost is 10% on its purchase price. The Economic order quantity is 4000 units. 10 units of raw materials are required to produce one unit of goods. The number of units produced during a month varies between 500 to 1500 units. average lead time is 4 months and maximum lead time is 5 months.

Required:

(1) cost of an order (2) average stock level (06 Marks)

(c) Sinha PLC is a company that producing fans. This company use two production departments; namely "Assembly" and "Finishing" and the service cost center "Stores" to produce the product. The company's excepted activity level is 10,000 electric fans.

The overhead of Assembly and Finishing department are absorbed into the product based on direct labour hours and, machine hours respectively.

A trainee accounts clerk of the company has already prepared the overhead absorption rate as follow.

Absorption rate used		Assembly	Finishing
Absorption rate used		Direct laour hours	Machine hours
Overhead cost of a fan		RS. 400	Rs. 300
Budgeted direct labour hours		40,000	30,000
Budgeted Machine hours		14,000	30,000
Unit Machine hours	Actual	05	04
	Budgeted	04	08
Unit direct labour hours	Actual	05	06
	Budgeted	06	05

It was revealed by the manager that following mistakes and errors have been taken place when preparing the above overhead analysis sheet.

(i) The policy of the company to deprecate machinery annually is 15% straight line method. but depreciation rate used was 5%.

(ii) The based used for the apportionment of the depreciation of administration building Rs. 600,000, is the floor area of the building.

(iii) The total electricity expenses of the company is Rs. 1,200,000. The based used for the apportionment to the factory was floor area. The factory electricity expenses is 2/3 out of the total electricity expenses.

(iv) The salary of the store keeper Rs. 250,000 has been accounted as the salary of the sales manager.

(v) The salary of the sales manager Rs. 500,000 has been recoded as the salary of the production manager and the salary of the production manager Rs. 1,000,000 has been accounted as administrative expenses.

(vi) Factory rates Rs. 600,000 and machinery insurance Rs. 700,000 has not been accounted.

(vii) The total store overhead cost apportioned is Rs. 800,000 among production departments based on the quantity of the material consumed.

Additional Information,

(01) Following information are relevant to overhead cost and based for re-apportionment.

	Assembly	Finishing	Stores
Machinery cost (Rs. 000)	2,000	1,000	500
Floor area (Square meters)	1,500	1,000	500
Electricity consumption (Kilowatt)	4,000	2,000	2,000
No. of production mangers	3	2	1
Quantity of the materials consumed	6,000	2,000	
Material requisition notes	700	500	

(02) The correct base to be used for the re-apportionment of overhead cost of service department is the number of the material requisition notes.

(03) Other cost information relevant for the production of one fan.

Direct material cost --- 3,000

Direct labour cost --- 2,000

other direct expenses -- 120

profit margin on cost of production --------------------- $33\frac{1}{3}\%$

(04) Non-Production overheads

-Fixed Rs. 1,600,000

-Variable Rs. 100 per unit

Required,

(1) The adjusted overhead analysis sheet showing clearly the bases of apportionment.

(2) The adjusted overhead absorption rates for assembly and finishing departments.

(3) The unit production cost of a fan and selling price per unit.

(4) The expected income statement, which clearly shows the cost elements.

(26 Marks)

(Total marks 40)

3. (a) Warma PLC is a VAT registered company. The opening assets, liabilities, equity as at 01.04.2025 and the dual effect of the transections and events took place for the year ending 31/03/2026 are given in the below table.

Rs. '000

	Assets					Liabilities				Equity			
	PPE	**Inventory**	**Trade receivables**	**other receivables**	**cash and cash equivalents**	**Bank loan**	**Trade payab**	**Other payables**	**Payable VAT**	**Started capital ordinary shares**	**Revaluation reserves**	**General reserves**	**Retained earnings**
Op bal	5000	400	600	500	450	1000	500	60	140	3000	1000	300	500
1		-250			+354				+54				+50
2		+400			-472				-72				
3			-500		+450								+50
4	-100										-100		
5				-50									-50
6					-360		-400						+40
7								-60					+60
8					+1000					+1000			
9					-20				-20				
10		-300	+590						+90				+200
11				-150	-120								+30
12				+10	+40								+50
13		+200					+236		-36				
14					-60			+30					
15										+200	-200		
16												+50	-50
17					-15								-15
	4900	450	690	10	1217	880	336	30	156	4200	700	350	615

Additional Information

* Operational Expenses relevant to the year is not paid in cash by the company

Required

(1) Write the transections (with values) denoted by the amount given in number in 1 to 17 above.

(2) The profit of the company for the year ending 31/03/2026 (25 Marks)

(b) The statement of financial position as at 31.03.2026 of Amararasa Sports club is given below.

	Rs. 000
Property plant equipment (carrying value)	3,000
Prepaid rates	20
Membership fees in arrears	180
Cash	400
	3,600
Equity and Liabilities	
Accumulated fund	2,100
+ surplus	200
	2,300
Lifetime membership fees	500
Building funds	400
Motor vehicle donations	300
Owner's equity	3,500
Membership fees received in advance	60
Payable electricity	40
	3,600

Following transactions and events took place for the year ending 31/03/2026

(i) There were 100 members as at 01.04.2025, 10 of them were life members. The monthly membership fee is Rs. 1000 and the policy of the club is to provide cash discount of Rs. 2000 from the annual membership fees when obtaining the life membership. 25 members joined the club on 01.04.2025, 5 of them were life members. A life member should pay the membership fee for 10 years.

(ii) A new member should pay Rs. 8000 as admission fees when joining the club.

(iii) 80 members excluding life members, paid annual membership fees. six members paid membership fees for two years. Membership fees were not received from five defaulting members, and those members were removed from the club. 10 members who were removed last year paid membership fees for last year and this year.

(iv) Cash received for the building fund during the year Rs. 2,000,000 on 01.10.2025 the construction of the building was completed by incurring Rs. 2,100,000.

(v) The motor vehicle donation A/C represents the motor vehicle donation received by the club on 01.04.2023. The policy of the club is to recognize this donation as income during seven complete years.

(vi) Property plant equipment includes a playground of Rs. 1,000,000 and the depreciation policy of the club is 20% reducing balance method.

(vii) Rs. 800,000 received for the fund was raised to provide scholarships for needy children on 01.04.2025. As at 31.03.2026 Rs 700,000 worth scholarships were granted.

(viii) Operating expenses paid in cash during the year Rs. 360,000.

Required,

(1) The Following for the year ending 31.03.2026

(i) Subscription fees A/C
(ii) Life membership fee A/C
(iii) Building fund A/C
(iv) Scholarship fund A/C
(v) Motor vehicle donation A/C

(2) Income statement for the year ending 31.03.2026.

(3) Accumulated fund of the club as at 31.03.2026. (15 Marks)

(40 Total marks)

4. (a) Lakshan's business is a VAT registered business and VAT percentage is 18%. Following are the transection and events took place during the month of May.

01.05.2026 Lakshan invested RS 1,500,000 cash and Rs. 1,000,000 land and building to the business.

01.05.2026 Cash purchases Rs. 800,000 without VAT.

02.05.2026 Goods costing RS. 600,000 were sold for RS. 944,000 with VAT for cash.

03.05.2026 Obtained a bank loan RS. 500,000.

05.05.2026 purchase of goods on credit from following persons.

- from Amal RS. 826,000 withVAT.
- from Kamal RS. 500,000 without VAT.

10.05.2026 Sold goods on credit for following persons.

- for Sampath goods costing RS. 300,000 sold for RS 500,000 without VAT.
- for Sagara goods costing RS. 400,000 sold for RS 826,000 with VAT..

12.05.2026 Received rent income RS. 200,000

14.05.2026 Paid cash to Amal RS. 450,000 discount received 10%.

18.05.2026 To settle a balance of RS. 400,000 cash received from Sampath RS. 380,000.

20.05.2026 VAT paid to the Inland Revenue Department by the business RS. 110,000.

22.05.2026 Setting off Kamal's Credit balance of RS 100,000 against Sagara's debit balance.

25.05.2026 10% of the Goods purchased on credit basis were returned to Amal and Kamal.

28.05.2026	20% of the goods sold to Sampath and Sagara were returned.
30.05.2026	Paid electricity expenses RS. 60,000
31.05.2026	Paid bank loan installment RS. 120,000. RS 90,000 of this amount is the loan principal.

* Cost of buildings RS 650,000, residual value RS. 50,000 and the useful life is 5 years.

Required,

(1) Following prime entry books for the month of May 2026.

(i) Cash receipt journal
(ii) Cash payment journal
(iii) Purchased journal
(iv) Sales journal
(v) Return outward journal
(vi) Return inward journal
(vii) General journal

(2) Following ledger account for the month of May 2026.

(i) Cash A/C
(ii) VAT control A/C
(iii) Trade receivable control A/C
(iv) Trade payable control A/C
(v) Bank loan A/C

(3) Gross profit and Net profit for the month of May. (27 Marks)

(b) The Following information provided in the relation to Amila PLS for the year the year ending 31/03/2026.

(1) Information extracted from the income Statement.

	Rs. 000
Gross profit	4,000
Other Income	200
Operational expenses	2,100
Interest expense	100
Paid income tax	400

(2) Extractions from the statement of financial position.

	2026.03.31	**2025.03.31**
	Rs. 000	Rs.000
Non-Current Assets	6,100	5,000
Closing Stock	1,200	800
Trade receivable	700	900
Cash and cash equilent	500	400
Total Assets	8,500	7,000
Reserves-General reserves	300	100
Retained earnings	1,000	300
Bank Loan	2,000	1,000
Trade payable	1,200	500
Provision of tax payable	300	200
Number of working days		360

(3) Additional information

Gross profit ratio 40%
All sales are credit basis.
Consideration of an ordinary share Rs. 37.

(4) The ratios calculated for the year ending 31.03.2025

Inventory Holding period	32 days
Debtor collection period	25 days
Return on equity ratio	26%
Net profit ratio	14%
Debt ratio	12%
Divident per share	Rs. 8.00
Interest coverage ratio	8 times
earning per share	Rs. 14

Required,

(1) Calculate the following ratios for the year ending 31/03/2026.

(i) Inventory holding period (ii) Debtors collection period
(iii) Net profit ratio (iv) Return on Equity ratio
(v) Interest coverage ratio (vi) Dividend per share
(vii) Earnings per Share (vii) Debt ratio

(2) Indicate whether the ration for the year ended 31.03.2025 and 31.03.2026 have improved or deteriorated. (13 marks)

(Total marks 40)

5. (a) following is the statement of the financial position of Amara, Samara and Chamara Partnership business for the year ending 31.03. 2025.

Rs. '000

Assets	Cost	Acc. Dep	Net Value
Non-current Assets			
Property plant Equipment	10,000	2,000	8,000
Current Assets			
Closing stock		800	
Trade receivables		900	
Pre-paid administration expenses		100	
Cash		200	2,000
			10,000
Equity and liabilities			
Capital A/C Amara		4,000	
Samara		2,000	
Chamara		2,000	8,000
Current A/C Amara		(200)	
Samara		300	
Chamara		100	200
Owner's Equity			8,200
Non-current liabilities			
loan A/C Amara		800	800
Non-current liabilities			
Trade payables		850	
Payable administration expenses		150	1,000
			10,000

Following transection should be adjusted when preparing the financial statements.

(1) The partnership agreement of the Amara, Samara and Chamara partnership business is given below.

* The profit sharing ratio is proportional to the capital account balances.
* The monthly partnership salary of the Amara, Samara and Chamara
* Rs. 30,000, Rs. 20,000 and Rs. 10,000 respectively.
* Interest on capital is 10%

(2) 50% of Chamara's loan was paid on 01.10.2025 with the interest.

(3) Cash received from trade debtors during the year Rs. 10,400,000 and discount allowed RS. 800,000. Imparement loss on trade receivables is Rs. 400,000. Inter ledger transfer Rs. 800,000. Gross profit ratio is 25%.

(4) Increasing of the closing stock Rs. 200,000 and decrease of trade receivable is Rs. 100,000

(5) Goods drawings by partners Amara, Samara and Chamara RS 300,000, Rs. 200,000 and 100,000 respectively.

(6) Discount received by the creditors Rs. 150,000 and return outward Rs. 200,000. Increased balance of the trade payable as at 31.03.2026 by Rs. 50,000.

(7) The motor vehicle of the business was rented to Chamara from 01.04.2025. The annual rent of Rs. 150,000 has not been recorded.

(8) On 31.03.2026 stock worth Rs. 300,000 was damaged and the insurance company has paid 2/3 of the compensation to Samara. This has not been accounted and it has been agreed to adjust through the capital accounts.

(9) Property plant Equipment include land worth of Rs. 3,000,000 and the depreciation rate is 5% on straight line method. These assets are used for administration purpose.

(10) Paid administration expenses during the year Rs. 520,000.

(11) On 31.03.2026 Amara retired from the partnership and on the same day his brother Kamara was admitted as a new partner. On that day Amara's Share of the goodwill was 300,000. A motor vehicle costing Rs. 2,000,000 and carrying value on that day was allowed to be taken over by Amara at not value. Kamara agreed to pay the remaining amount. The partners agreed to trade the amount as Kamara's capital.

(12) The value of cheques issued and presented to the bank was Rs. 10,200,000 and values of the cheques deposited and realized was Rs. 9,900,000.

Required,

(1) The income statement for the year ending 31.03.2026.
(2) Partner's capital A/C and current A/C for the year ending 31.03.2026.
(3) The statement financial position as at 31.03.2026.
(4) Bank reconciliation statement as at 31.03.2026.

(b) Sagara's business is a VAT registered manufacturing business and considering a project to replace on old machine. with a new machine for a period of 4 years and estimated information is provided as follows.

	Rs. 000
Purchase price of the machine	5,000
Installation and positioning costs	1,000
Selling price of the old machine	1,600
Dismantling and removal cost of the old machine	400
selling price of the new machine at the end of the useful life	1,200
Carrying value of the new machine	800
VAT imposed for the new machine	2,000

Additional Information,

(1) Working capital increased from Rs. 500,000 to Rs 800,000.
(2) Following is the profit after tax calculated by the accounting assistant.

Rs. 000

Years	1	2	3	4
Profit after tax	800	1200	2000	800

(3) It was revealed by the accountant that following errors and mistakes have occurred when calculated the profit after tax by the accounting assistant.

- * Annual deprecation accounted as Rs 1,600,000
- * Increased the annual fixed cost Rs. 500,000 accounted as an increase.
- * decrease in the annual labour cost Rs. 10,000, accounted as an increase.
- * The annual value added tax (VAT) included in sales Rs. 300,000 accounted as sales.
- * The annual value added tax (VAT) included in purchases Rs. 200,000 accounted as purchases.

(4) The expected rate of return of the project is 10% and its discounting factors are as follows.

Years	1	2	3	4
Discounting factors	0.91	0.83	0.75	0.68

Required,

(1) Project expected initial investment and annual Net cash flow statement.

(2) Net present value (NPV) of the project and recommendation to purchase.

(3) Payback period

(4) Return on investment ratio. (10 Marks)

(Total Marks 40)

6. (a) Following information is extracted from the statement of financial Position as at 31/03/2026 and 31/03/2025 of Parami PLC.

		31/03/2026 (Rs'000)		**31/03/2025** (Rs'000)
Property Plant Equipment Cost		21 900		25 000
- Accumulated depreciation		3 000		5 000
Investment		1 500		1 000
Stock		1 200		1 600
Trade Receivable	800		700	
	(80)	720	(140)	560
Investment interest receivable		80		100
Cash & cash equivalents		10 560		3 200
Revolution Reserves (building)				400
General Reserves		2 500		1 500
Retained Earnings		1 500		1 000
Lease Liabilities		1 400		1 800
Bank Loan		8 000		7 000
Trade Payables		800		1 000
Provision for income tax		150		200
Payable interest		100		200
Payable electricity		150		100
Bank overdraft		500		400

information:

1) A machine, purchased on 01/04/2024 for Rs. 8000000 was sold by the company on 01-10-2025 and the depreciation policy of the company is 20% on Straight line method.

2) The buildings were revalued for the second time on 31/03/2026, resulting a deficit of Rs. 500,000 and accumulated depreciation is Rs. 600 000 on that day. Motor vehicles have been purchased during the year.

3) Extractions from the income statement

	Rs. '000
Machinery disposal loss	600
investment interest	300
income tax	400
interest expense	380

4) Increase in the Ordinary shares issued during the year Rs. 5,000,000, Capitalization of reserves during the year Rs. 1,200 000. Paid interim dividend Rs.400 000.

5) Paid bank loan installment Rs. 1,000,000. Lease interest Rs. 180,000.

Required:,

(1) Statement of cash Flows for the year ending 31/03/2026 as per LKAS 07.

(20 marks)

b) Arundani PLC is planning to manufacture and sell an energy efficient light bulb. The accounts assistant has provided the following information.

* Estimated fixed cost Rs.300.000.
* Contribution per Unit of Light Bulb Rs.800
* Estimated Production and sales quantity 600
* Contribution sales ratio 40%

But the production and sales manager has presented the following errors, shortcomings and suggestions.

* Not considered about the direct labour cost to produce one unit Rs. 400
* The government has agreed to bear Rs. 100 000 of production costs, and that cost has been accounted for as a fixed cost.
* Proposed to increase the unit selling price by Rs.500
* Proposed to incur an advertising expense of Rs.200 000 to launch the new bulb.
* Machine depreciation expense of Rs.150 000 has been taken into account as Rs.100,000.

Required:

After implementing the above errors, shortcomings, and suggestions, calculate the followings.

(i) Correct fixed cost.

(ii) Unit Selling price, and unit contribution.

(iii) The number of light bulbs to be sold in order to cover the total cost.

(iv) The expected Profit or loss of the company for the year.

(v) The number of electric bulbs to be sold to earn a profit of Rs. 270,000.

(vi) If it is proposed to reduce the unit production cost by 25%, reduce the unit selling price by 20% and increase the fixed cost by Rs. 160,000:

1. New unit selling price.
2. New unit variable cost.
3. The number of electric bulbs to be sold to obtain the expected profit.

(20 marks)

(Total marks 40)