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கல்விப் பொதுத் தராதரப் பத்திர (சாதாரண தர)ப் பரீட்சை, 2009 டி.செம்பர்
General Certificate of Education (Ord. Level) Examination, December 2009

ව්‍යාපාර හා ගිණුම්කරණ අධ්‍යයනය I,II
வணிகக் கல்வியும் கணக்கிடும் I,II
Business and Accounting Studies I,II

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

Business and Accounting Studies I

Note: (i) Answer all questions.

(ii) In each of the questions 1 to 40, pick one of the alternatives (1), (2), (3), (4) which you consider as correct or most appropriate.

(iii) Mark a cross (X) on the number corresponding to your choice in the answer sheet provided.

(iv) Further instructions are given on the back of the answer sheet. Follow them carefully.

(v) After answering Paper I and Paper II tie the two sets of answer scripts together and hand over.

1. Some needs in column I and some wants in column II are given below.

Column I	Column II
1. Food	A. Bungalow
2. Clothes	B. Milk
3. Houses	C. School
4. Education	D. Shoes

Select the correct answer when the needs in column I are correctly matched with wants in column II respectively.

(1) A, D, C, B (2) B, C, A, D (3) B, D, A, C (4) D, B, A, C

2. Producing goods and services to fulfil one's own needs and wants by him/herself, is known as

(1) primary production. (2) indirect production.
(3) small-scale production. (4) direct production.

3. There are some characteristics of good money as well as the functions of money. Which of the following is considered as a characteristic of good money?

(1) Standard of value (2) Common acceptance
(3) Medium of Exchange (4) Store of value

4. Which of the following is considered as a major factor affected for the development of e-commerce?

(1) Computer (2) Industrial revolution
(3) e-money (4) Internet

5. According to the companies act No. 07 of 2007, even one person can start a

(1) Overseas company. (2) Unlimited company.
(3) Private Limited company. (4) Company Limited by guarantee.

6. Danasiri registered his restaurant with a name 'Rasa Bojun' as a sole proprietorship under the Business Name Ordinance No. 06 of 1918. An advantage that his business can achieve through this, is

(1) the existence of the business. (2) getting a identity for the business.
(3) being able to get all the profits. (4) free of income tax.

7. Siril expects to produce artistic hand bags. For this, first he should

(1) study the market.
(2) prepare the business plan.
(3) get the financial facilities.
(4) hire the employees.

8. A main information included in a financial plan of a business plan is
 - (1) estimated income.
 - (2) estimated market share.
 - (3) estimated unit cost.
 - (4) estimated production cost.
9. Amila who runs a communication service, wants to open a current account. For this, she can select
 - (1) National Savings Bank.
 - (2) Lanka Puthra Development Bank.
 - (3) DFCC Bank.
 - (4) Peoples' Bank.
10. Saman insured his factory under fire insurance. Although there were some explosive in the factory, it was not mentioned in the insurance policy. While there was a loss from fire in that factory, insurance company had refused to pay the compensation. What is the insurance principle affected for this?
 - (1) Insurable interest
 - (2) Utmost good faith
 - (3) Indemnity
 - (4) Approximate cause
11. Communication is a process. An element included in this process is
 - (1) speed.
 - (2) cost.
 - (3) response.
 - (4) accuracy.
12. Today mobile phones have rapidly been popular as a communication medium. A major reason for this is
 - (1) less cost.
 - (2) less technical errors.
 - (3) being able to bring here and there easily.
 - (4) not being harmful to the hygiene.
13. The elements of a transportation system are way, mode, power and
 - (1) terminal.
 - (2) cost.
 - (3) speed.
 - (4) capacity.
14. Which of the following is considered as a long term financial need of a business?
 - (1) Paying the insurance premium
 - (2) Paying employee's salaries
 - (3) Purchasing a plant
 - (4) Purchasing office stationery
15. Public Limited company prefers to issue shares to increase the capital of it. The main reason for this is that
 - (1) cost is not incurred.
 - (2) interest should not be paid.
 - (3) profit increases.
 - (4) it can be obtained easily.
16. Which of the following indicates the relationship between risk and benefit correctly?
 - (1) Benefit is high - Risk is high
 - (2) Benefit is high - Risk is low
 - (3) Benefit is low - Risk is high
 - (4) There is no benefits - Risk is high
17. The following are some expenses of a furniture manufacturing business. Which of them can be considered as a direct cost?
 - (1) Electricity expenses
 - (2) Carpenter's salary
 - (3) Rent for business place
 - (4) Expenses for cleaning service
18. Piumi gets a bank loan of Rs. 200 000 for her business. Through this transaction, in her business
 - (1) assets and equity increase.
 - (2) assets and liabilities increase.
 - (3) assets increase while equity decreases.
 - (4) assets increase while liabilities decrease.
19. Accounting equation of a business was as follows.
 Assets (Rs. 150 000) = Equity (Rs. 100 000) + Liabilities (Rs. 50 000)
 After purchasing a plant of Rs. 50 000 to this business the accounting equation indicates as
 - (1) Assets (Rs. 200 000) = Equity (Rs. 150 000) + Liabilities (Rs. 50 000)
 - (2) Assets (Rs. 200 000) = Equity (Rs. 100 000) + Liabilities (Rs. 100 000)
 - (3) Assets (Rs. 150 000) = Equity (Rs. 100 000) + Liabilities (Rs. 50 000)
 - (4) Assets (Rs. 150 000) = Equity (Rs. 50 000) + Liabilities (Rs. 100 000)
20. Select the correct answer that shows the prime book and the resource document required to record the transactions there.
 - (1) Cash book and receipt
 - (2) Purchase journal and voucher
 - (3) Returns outwards book and credit note
 - (4) Returns inwards book and debit note

21. Moorthi runs a business for selling rice. He sold 10 000 kg of rice at Rs. 60 per-kilo last month and 10% discount was given for that. All the sales were on credit and Rs. 560 000 was received from debtors. The sales of this business in last month was
- (1) Rs. 650 000. (2) Rs. 600 000.
(3) Rs. 560 000. (4) Rs. 540 000.
22. A computer was purchased on credit for the use of accounts clerk in Netcom Lanka Ltd. What is the prime book used for recording this transaction?
- (1) General journal (2) Purchase journal
(3) Cash book (4) Sales journal
23. An item used to prepare the bank reconciliation statement is
- (1) bank charges.
(2) direct remittance.
(3) unrealized cheques.
(4) payment on standing orders.
24. An advantage obtained by maintaining a petty cash book in a business is
- (1) confirming the accuracy of transactions of main cash book.
(2) reducing activities of main cash book keeper.
(3) minimizing the petty expenses of the business.
(4) being able to reimburse the petty expenses paid from petty cash.
25. Recording building repairing expenses of Rs. 10 000, in the debit side of building account is
- (1) a compensating error. (2) an error of commission.
(3) an error of principle. (4) an error of omission.
26. Commission paid Rs. 400 has been recorded as commission received. When rectifying this error, the suspense account should be
- (1) debited Rs. 400. (2) credited Rs. 400.
(3) debited Rs. 800. (4) credited Rs. 800.
27. Which of the following can be considered as a capital expenditure?
- (1) Shakthi furniture traders purchases three tables for sale.
(2) Two printing machines in Dinakara press are repaired.
(3) Rathna Brothers that distribute news papers purchase five bicycles.
(4) Ravindu Stores pays rent for next two years.
28. The number of members in Unity Club was 300 and its monthly membership fees was Rs. 20. Ten members had not paid fees for six months in 2009.
The membership fees recorded in receipts and payment account in this club in 2009 is
- (1) Rs. 72 000. (2) Rs. 70 800.
(3) Rs. 69 600. (4) Rs. 36 000.
29. When calculating the annual amount of depreciation according to the straight line method, factors that should be considered are cost, residual value and
- (1) date of purchase. (2) useful life.
(3) percentage of depreciation. (4) market value.
30. Which of the following accounts in Sajith's business indicates the Accounting Entity Concept clearly?
- (1) Bank loan account (2) Drawing account
(3) Prepaid interest account (4) Accrued rent account
31. The operating result of a business is shown in
- (1) Sales account. (2) Cash book.
(3) Profit and loss account. (4) Balance sheet.
32. Which of the following reveals the financial position of a business?
- (1) Trial balance (2) Cash book
(3) Trading and Profit and loss account (4) Balance sheet

- Use the following information to answer questions from No. 33 to 40.

Trial Balance of Binara's business as at 31.03.2009 was as follows.

	Debit (Rs.)	Credit (Rs.)
Capital		350 000
Stock as at 01.04.2008	7 000	
Purchase	45 000	
Sales		75 600
10% bank loan		50 000
Returns inwards	2 300	
Returns outwards		4 400
Commissions received		2 500
Motor vehicle at cost	250 000	
Buildings	125 000	
Insurance	3 500	
Sales employees salaries	15 000	
Bank loan interest	4 000	
Debtors	20 000	
Creditors		10 000
Drawings	5 000	
Cash in hand	15 700	
	492 500	492 500

Additional Information :

- * As at 31.03.2009 - Stock Rs. 6 000
- Prepaid insurance Rs. 500
- * Motor vehicle should be depreciated in 10% on cost annually.
- * 5% of debtors should be written off as bad debts.

33. Cost of goods sold in Binara's business in the year 2008/2009 was
 (1) Rs. 52 000. (2) Rs. 47 600. (3) Rs. 45 000. (4) Rs. 41 600.
34. Gross profit of this business in the year 2008/2009 was
 (1) Rs. 32 000. (2) Rs. 31 700. (3) Rs. 30 600. (4) Rs. 23 600.
35. A general and administrative expenses which can be seen in the Profit and loss account prepared in this business is
 (1) depreciation of motor vehicles. (2) insurance.
 (3) sales employees salaries. (4) bank loan interest.
36. The amount of bank loan interest that should be included in the Profit and loss account of this business is
 (1) Rs. 9 000. (2) Rs. 5 000. (3) Rs. 4 000. (4) Rs. 1 000.
37. Select the group which includes **only** sales and distribution expenses indicated in the Profit and loss account of this business.
 (1) Sales employees salaries, bad debts, depreciation of motor vehicles.
 (2) Sales employees salaries, depreciation of motor vehicles, bank loan interest.
 (3) Depreciation of motor vehicles, insurance, sales employees salaries.
 (4) Bank loan interest, bad debts, depreciation of motor vehicles.
38. The total net worth of fixed assets shown in the Balance sheet of this business as at 31.03.2009 was
 (1) Rs. 375 000 (2) Rs. 350 000 (3) Rs. 275 000 (4) Rs. 250 000
39. What is the non current liability shown in the Balance sheet of this business?
 (1) Capital (2) Bank loan (3) Accrued loan interest (4) Commissions received
40. The total of current assets shown in the Balance sheet of this business is
 (1) Rs. 42 200. (2) Rs. 41 700. (3) Rs. 41 200. (4) Rs. 35 700

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[see page five

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අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය, 2009 දෙසැම්බර්
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Business and Accounting Studies II

NB: Answer five questions only as instructed. Any extra questions answered if not struck off by the candidate himself, will be crossed out by the examiner, without being marked.

Note: * Including question No. 1 answer five questions selecting two questions from each of the parts I and II.

* Write your answers in neat handwriting.

1. Mali and Sanduni started a partnership named 'Malmali' to supply flowers and provide services related to them for various functions on 1st of January 2009. Mali and Sanduni contributed Rs. 50 000 each to the capital. A business plan has been prepared for next three years and a written partnership agreement is maintained. According to the business plan, a loan of Rs. 500 000 on 12% annual interest has been obtained from a financial institution and the interest should be paid monthly. Further a van was obtained on rental basis and monthly rent was Rs. 20 000. The rent for January was paid on same day. It was decided to do business transactions through a current account in Peoples' Bank. After three years, if the targets of the business are achieved, it is expected to convert the business into a Private Limited company. In addition to the above, the following transactions, were also occurred during the month of January 2009.

Purchase of flowers in cash	Rs. 10 000
Purchase of flowers on credit	Rs. 40 000
Monthly rent of business premises paid	Rs. 5 000
Sundry expenses	Rs. 10 000
Driver's salary payment	Rs. 12 000
Sales flowers	Rs. 150 000
(All flowers purchased had been sold)	
Income from providing services	Rs. 50 000

- (a) If it is classified according to the aims, which type does this business belong to?
(b) If it is classified according to the ownership, which type does this business belong to?
- What are the advantages gained by maintaining a written partnership agreement between Mali and Sanduni?
- Explain two benefits that this business gets by preparing a business plan.
- State benefits that 'Malmali' business can gain by maintaining a current account in Peoples' Bank.
- If this business is converted into a Private Limited Company, what are the advantages that the business can obtain?
- Indicate the accounting equation of this business after providing the capital and getting the loan.
- Name the two prime books (journals) that 'Malmali' business should maintain according to the above transactions.
- Calculate the Gross profit and the Net profit of 'Malmali' business for the month of January 2009.
- Prepare the Cash book of this business and show the balance of it at the end of January 2009.
- Prepare the Balance sheet of 'Malmali' business as at 31st January 2009.

(02 × 10 = 20 marks)

[see page six]

Part I - Business Studies
(Answer two questions only)

2. (i) The development of the businesses upto the present condition has come through different stages. State these stages in sequence.
 (ii) State four payment instruments that can be used to settle transactions today.
 (iii) Name four macro (external) environmental forces and write one factor each that can be included in each force.
 (iv) Different types of business organizations can be seen such as sole tradership, partnership, companies etc. But there are common characteristics to those. Write four such common characteristics.
 (02 × 4 = 08 marks)
3. (i) Name the major parts which should be included in a business plan and provide a short description about one of them.
 (ii) (a) What is the aim of crossing a cheque? How is this fulfilled?
 (b) What is meant by endorsing a cheque?
 (iii) Provide two examples for each of the following communication.
 (a) Oral medium (b) Written medium (c) Electronic medium
 (iv) What are the institutions/organizations that provide the following transport services in Sri Lanka?
 (a) Passenger bus service (b) Railway service (c) Aircraft service
 (02 × 4 = 08 marks)
4. (i) (a) State two advantages that a businessman can gain by maintaining a systematic storage system.
 (b) If there is not such a storage system, state two problems that can arise.
 (ii) Name four different sources of finance that a business can obtain.
 (iii) What are the factors that a business should consider when obtaining finance for a business?
 (iv) What are the benefits that a person can gain through investing in shares in Colombo Stock Exchange?
 (02 × 4 = 08 marks)

Part II - Accounting
(Answer two questions only)

5. Nimesha started a business for selling school books on 01.12.2009. The first day business transactions were as follows.
- | | |
|--|-------------|
| (i) Investing money to the business | Rs. 200 000 |
| (ii) Purchasing a motor bicycle | Rs. 75 000 |
| (iii) Purchasing a business premises | Rs. 100 000 |
| (iv) Purchasing a stock of books | Rs. 25 000 |
| (v) Getting a bank loan for the business | Rs. 50 000 |

- (1) Indicate how assets, equity and liabilities are in the accounting equation of the business at the end of each transaction given above. (Use a format as given below.) (05 marks)

No. of transactions	Assets	Equity	Liabilities
(i)			
(ii)			
(iii)			
(iv)			
(v)			

- (2) Record the above transactions in the relevant ledger accounts including cash book and prepare a trail balance. (07 marks)

(Total 12 marks)

{see page seven

6. (i) The balance of the cash book (bank) of Ram's business on 30th September 2009 was Rs. 10 500. But the bank statement at the same date showed a different balance. The reasons for the difference are as follows.
- Cheques deposited in September but not realized during that month was Rs. 12 000.
 - Cheques issued in September but not presented to the bank for encashment was Rs. 8 500.
 - Bank charges debited by the bank but not recorded in the cash book was Rs. 500 and interest paid by the bank on standing orders was Rs. 2 000.
 - Cheques directly sent to the bank by debtors Rs. 3 500.

Required :

- (1) Adjust the cash book balance as at 30.09.2009.
 - (2) Prepare the bank reconciliation statement as at 30.09.2009 and show the balance given in the bank statement. (07 marks)
- (ii) The trail balance of Hameed business as at 31.03.2009 was not balanced. The difference Rs. 3 500 was credited to the suspense account. Later the following errors were revealed.
- Purchasing stationery Rs. 1 500 was recorded only in cash book.
 - Total of sales journal Rs. 88 000 was recorded in sales account as Rs. 80 000.
 - Total of the discount paid column in cash book Rs. 1 500 was credited to discount received account.

Required :

- (1) Journal entries to rectify the errors.
- (2) Suspense account.

(05 marks)
(Total 12 marks)

7. Trail balance of Hiruni's business as at 31.03.2009 is as follows.

	(Rs.)	(Rs.)
Capital		348 000
Stock as at 01.04.2008	8 500	
Purchases	200 000	
Sales		420 000
Machinery	20 000	
Provision for depreciations as at 01.04.2008 :		
Machinery		2 000
20% bank loan		60 000
Bank loan interest	5 000	
Debtors	48 000	
Creditors		40 000
Rates and insurance	14 000	
Sales employees' salaries	37 000	
Discount paid	5 500	
Discount received		6 000
Lands and buildings	510 000	
Cash balance	28 000	
	876 000	876 000

Additional information.

- (i) Stock as at 31.03.2009 Rs. 15 000
- (ii) Machinery should be depreciated at 10% per annum on Straight Line method.
- (iii) Prepaid rates and insurance Rs. 3 500
- (iv) Rs. 2 000 should be written off from debtors as bad debts.

Required :

- (1) Trading and profit and Loss Account for the year ended 31.03.2009
- (2) Balance sheet as at 31.03.2009

(12 marks)