

# Provincial Department of Education - NWP

දෙවන වාර පරීක්ෂණය - 10 ශ්‍රේණිය - 2019

**Second Term Test - Grade 10 - 2019**

**Business & Accounting Studies-I, II** **Time : 03 hours**

**Index No/Name : ..... Business & Accounting Studies-I**

Note :

- \* Answer all questions.
- \* 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.
- \* Mark a (X) on the number corresponding to your choice in the answer sheet provided.
- \* Further instructions are given on the back of the answer sheet. Follow them carefully.

- (01) Kasun's business is a profit oriented business. A main objective can be seen in this business is,
 

(1) generating employment opportunities	(2) Increasing the quality of goods and services
(3) Increasing the customer's satisfaction	(4) employees welfare
- (02) At present, business activities are done without any physical institutions. What is the main facility used for this,
 

(1) Fax machine	(2) Internet	(3) Computer	(4) Telephone
-----------------	--------------	--------------	---------------
- (03) What is the interested party of a business which is having the objective of the "successness of their own decisions".
 

(1) Managers	(2) employees	(3) Owners	(4) Suppliers
--------------	---------------	------------	---------------
- (04) A characteristic of a good is,
 

(1) Can't be separate from the supplier	(2) being tangible
(3) Can't be stored	(4) being variety according to the supplier
- (05) Select the answer which includes examples only for the factor of production "Capital".
 

(1) Building, Crude oil, Cash, Motor Vehicle
(2) Motor Vehicle, Cash, Building, Machinery
(3) Coal deposit, Machinery, Cash, Building
(4) Machinery, Building, Motor Vehicle, Coal deposit
- (06) If a business has done in deceptive customer fraud, it is being prosecuted under the,
 

(1) Consumer rights Act	(2) Market fraud protection Act
(3) Act of consumer affairs Authority	(4) Business liabilities Act
- (07) It is not a reason that the government is interested in the business operations
 

(1) Concerning the service to the society from the business
(2) Collecting taxes due
(3) generating employment opportunities
(4) Increasing the domestic production
- (08) Supplying electricity, water, lands and roads development are known as,
 

(1) essential services	(2) subsidies
(3) infrastructure facilities	(4) environmental factors

- (09) Select the answer which includes only economic environmental factors.
- interest rate, inflation, savings, new machines
  - interest rate, inflation, savings, production methods
  - interest rate, inflation, savings, international relations
  - interest rate, inflation, savings, new Transportation
- (10) Study following incidents, select the incidents which relates to technological environment.
- Using modern machines instead of simple hand machines
  - Increasing the interest rate for deposits
  - Using e-mail instead of the snail mail
  - Computers and information systems are used to record accounting information instead of the manual book keeping
- a, b, c
  - a, b, d
  - b, c, d
  - a, c, d
- (11) The occasion can't be occurred in Globalization is,
- Economic, social and cultural relationship
  - Far boarder distances among people
  - Conducting business activities freely without any cross hoarder
  - The entire world has now become a single global village
- (12) A negative impact from the global environment on domestic businesses is,
- domestic skilled workers migrating to foreign countries
  - inflow of foreign capital
  - possibility to obtain latest technology
  - possibility to obtain efficient machines
- (13) Select the **incorrect** statement,
- Other associations are relate to private sector
  - Businesses are classified as private and public, according to the ownership.
  - Cooperative societies are relate to the public sector
  - State corporations are relate to the public sector
- (14) Match the column A with the column B.
- | Column A                 | Column B                         |
|--------------------------|----------------------------------|
| a. State departments     | 1. Cooperative lending societies |
| b. Cooperative societies | 2. Sri lanka Railway department  |
| c. State corporations    | 3. Sports societies              |
| d. Other associations    | 4. Agricultural Insurance Board  |
- a, 4 / b, 2/ c, 3 / d, 1
  - a, 2 / b, 1/ c, 4 / d, 3
  - a, 4 / b, 3/ c, 1 / d, 2
  - a, 2 / b, 4/ c, 1 / d, 3
- (15) What is the most suitable business organization for professionals like accountants and lawyers etc.
- state companies
  - Sole proprietorships
  - cooperative societies
  - Partnerships
- (16) Within how many days should be submitted an application to register the business name, after commencing a sole proprietorship.
- 07 days
  - 10 days
  - 14 days
  - 21 days
- (17) Select the group of businesses which includes profit oriented businesses only.
- Sports associations
  - State companies
  - State departments
  - Sole proprietorships
  - Partnerships
  - Cooperative societies
  - Incorporated companies
  - Farmer's Associations
- b, c, d, e
  - b, d, e, g
  - a, c, d, e
  - d, e, f, g
- (18) Mr. Senarathana who came to Sri lanka after employing in abroad and started a business by naming "Pinibindu Grocery". Select a characteristic which can't be seen in this busniess
- not having a legal personality
  - not mandatory to register
  - having an unlimited liability
  - not having a continued existence

- (19) It is not an advantage by registering the business name of a sole proprietorship.
- (1) Receiving a legal personality
  - (2) Provides an ownership of the business name
  - (3) Provides qualification to obtain incentives given by the government
  - (4) Easy to obtain loans
- (20) Select the transaction which is decreased both assets and equity.
- (1) Purchased a machine Rs. 30 000
  - (2) Owner invested Rs. 200 000 as capital
  - (3) Obtained a loan Rs. 50 000
  - (4) Paid electricity bill Rs. 3 000
- (21) Assets = equity + liabilities  
 40 000 =                      + 40 000  
 Select the transaction for above formation
- (1) Paid electricity bill Rs. 40 000
  - (2) Paid bank loan installment Rs. 40 000
  - (3) Owner has taken Rs. 40 000 from the business for his personal uses.
  - (4) Obtained a bank loan Rs. 40 000
- (22) Select the answer which is included current assets only.
- (1) Stock, debtors, bank loan, cash
  - (2) Stock, debtors, investment, cash
  - (3) Stock, creditors, commission received, cash
  - (4) Stock, creditors, electricity expenses, cash
- Using following transactions answer question No. 23 & 24.
- |   |                                   |
|---|-----------------------------------|
| A. Paid bank loan installment Rs. 3 000 | B. Purchases Rs. 25 000           |
| C. Sales Rs. 45 000                     | D. Purchased furniture Rs. 20 000 |
- (23) Select the transaction which is decreased both assets and liabilities.
- (1) A
  - (2) B
  - (3) C
  - (4) D
- (24) Select the transaction which is decreased assets and increased assets.
- (1) A
  - (2) B
  - (3) C
  - (4) D
- (25) Kavishka Jayalath started a business by investing Rs. 800 000. As above transaction,
- (1) increases both assets and equity by Rs. 800 000
  - (2) increases assets by Rs. 800 000 and decreases liability by Rs. 800 000
  - (3) decreases assets by Rs. 800 000 and increases equity by Rs. 800 000
  - (4) decreases both assets and equity by Rs. 800 000
- (26) The creditors account relates to,
- (1) an asset account
  - (2) an expense account
  - (3) an equity account
  - (4) a liability account
- (27) Select the examples which is related only income accounts.
- (1) building account, debtors account, cash account
  - (2) Creditors account, bank loan account, accrued expenses account
  - (3) Sales account, discount received account, interest income Account
  - (4) Sales account, discount received account, capital account
- (28) 'Purchased stock Rs. 35 000 on credit'  
 As above transaction, It is changed
- (1) assets and liabilities
  - (2) Only assets
  - (3) Only liabilities
  - (4) assets, liabilities and equity all
- (29) Select the transaction which is not affected to the equity
- (1) Paid electricity bill Rs. 5 000
  - (2) received interest income Rs. 5 000
  - (3) Paid bank loan interest Rs. 5 000
  - (4) Paid bank loan installment Rs. 5 000
- (30) Select the correct transaction for following double entry.
- |                     |            |
|---------------------|------------|
| Cash account Dr.    | Rs. 40 000 |
| Capital Account Cr. | Rs. 40 000 |
- (1) Paid telephone bill Rs. 40 000
  - (2) Invested extra capital Rs. 40 000
  - (3) Withdraw goods Rs. 40 000 for personal uses.
  - (4) received bank loan Rs. 40 000

- (31) "Owner has paid his personal electricity bill from the business cash". Relevant double entry is,  
 (1) electricity expenses Acc. Dr. - cash Acc Cr.  
 (2) drawings Acc. Dr. - electricity bill Acc. Cr.  
 (3) drawings Acc. Dr. - cash Acc. Cr.  
 (4) electricity bill Acc. Dr. - drawings Acc - Cr.
- (32) Select the related source documents for stock sold Rs. 50 000 on cash and stock purchased Rs. 35 000 on cash of Pathum Sampath's business.  
 (1) receipt & voucher (2) Voucher & receipt  
 (3) invoice & counterfoil (4) Journal Voucher and counterfoil
- (33) Kasun purchased stock Rs. 75 000 for his business and paid the amount by a cheque. Relevant source document is,  
 (1) receipt (2) Voucher (3) counterfoil (4) invoice
- (34) Select the incorrect statement relates to the cash book.  
 (1) Cash book is a ledger account.  
 (2) Cash book is a prime entry book.  
 (3) Increasing cash asset is credited to the cash book  
 (4) Transactions are recorded in the cash book according to the double entry system
- (35) Sameera's business has obtained Rs. 150 000 from the bank account for business purposes. Relevant double entry is,  
 (1) Cash book Acc. Dr 150 000 - bank account Cr. 150 000  
 (2) Drawings Acc. Dr. 150 000 - Cash book Cr. 150 000  
 (3) Bank acc. Dr 150 000 - cash book Cr. 150 000  
 (4) Drawings Acc. Dr. 150 000 - bank account Cr. 150 000
- (36) The balance of the bank account of sankalpa's business was Rs. 65 000 as at 01.06.2019. During the month of June the business has issued cheques Rs. 75 000 and there were not any deposit. As at 30.06.2019, the bank account should be,  
 (1) a balance Rs. 10 000 (2) a balance Rs. 65 000  
 (3) an overdraft Rs. 10 000 (4) an overdraft Rs. 75 000
- **Using following information answer question No. 37 & 38.**  
 The balance of the bank account of chamodi's business as at 30.06.2019 was Rs. 35 000 during the month of june, 2019.  
 The amount of issued cheques were Rs. 75 000  
 The amount of deposited cheques were Rs. 90 000  
 Payments on standing orders Rs. 25 000  
 Direct remittances Rs. 35 000  
 Assume all issued cheques were presented and all deposited cheques were realized.
- (37) What is the balance of the bank account of this business as at 01.06.2019?  
 (1) Rs. 45 000 (2) Rs. 20 000 (3) Rs. 50 000 (4) Rs. 30 000
- (38) What was the balance of the bank statement as at 30.06.2019?  
 (1) Rs. 30 000 (2) Rs. 10 000 (3) Rs. 45 000 (4) Rs. 35 000
- (39) Keshani's business has purchased trade stock Rs. 250 000 from Hasini's business on credit, When settling the due amount discount received Rs. 25 000. This discount relates to Heshani's business as,  
 (1) an expense (2) an asset (3) a liability (4) an income
- (40) Amantha purchased trade stock Rs. 150 000 from Thrimani's business on credit. If the business will settle the amount within a month the business could be received a discount. The relevant double entry to record this discount of Thrimani's business is,  
 (1) Creditors account Dr. 15 000 - Discount received Acc. Cr. 15 000  
 (2) Discount allowed Acc. Dr. 15 000 - Debtors Acc. Cr. 15 000  
 (3) Discount allowed Acc. Dr. 15 000 - Cash Acc. Cr. 15 000  
 (4) Cash acc. Dr. 15 000 - Discount received Acc. Cr. 15 000

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**Second Term Test - Grade 10 - 2019**

**Index No/Name : ..... Business & Accounting Studies - II**

**Note**

- \* 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.
- \* Including question No. 01, answer 05 questions selecting 02 questions from each of the parts I and II.
- \* Write your answers in neat hand writing.

(01) Answer the questions from i - x from the scenario given below.

After his G.C.E. O/Ls, Deneth joined a manufacturing company related to natural resources owned by the father of his friend Janitha. Later Deneth started his own business on June 01<sup>st</sup> of 2019 named "Visithuru Viskam" by investing Rs. 50 000 and by utilizing the training and experience gained from his previous employment.

Deneth utilizes his father's bike to buy the coconut shells in his village and makes various ornaments and decorations and sells them in front of the bus stand.

Below are the transactions that took place in his businesses in June.

2019-06-05 purchased coconut shells	Rs. 10 000
2019-06-05 petrol for the motor bike	Rs. 1 000
2019-06-06 polish & other material	Rs. 3 000
2019-06-10 required small tools	Rs. 5 000
2019-06-20 purchased coconut shells	Rs. 10 000
2019-06-25 Labour charges	Rs. 5 000
2019-06-30 Sales	Rs. 25 000
2019-06-30 payable (Accrued) electricity bill	Rs. 1 500

- (i) Name the factor of production which coconut shells related to.
- (ii) What is the type of business organization of this business?
- (iii) Write an advantage and a disadvantage of this type of business organization.
- (iv) Should "Visithuru Viskam" business be registered? give reason.
- (v) Classify above business according to following terms.

According to ownership	According to objective

- (vi) Write a strength and an opportunity of this business.
- (vii) Write the prime entry book and the relevant source document used in the business "Visithuru Viskam"
- (viii) Write the accounting equation as at 01.06.2019
- (ix) Prepare the cash book and show the cash balance as at 30.06.2019
- (x) Write a transaction each that affects to increase the equity and decrease the equity of above business. (2 x 10 = 20)

## Part I - Business Studies

\* Answer only 02 questions.

- (02) (i) (a) Write 02 differences can be seen in goods and services . (01 mark)  
(b) State 02 stakeholders of a school (01 mark)
- (ii) State whether the following statements are true or false. (02 marks)  
(a) Specialized knowledge of employees is an opportunity of a business.  
(b) Retail businesses are examples for service providing businesses  
(c) Needs can be created and want's can't be created.  
(d) Needs are being diverse and wants are being limited.
- (iii) Kamani has followed a dress making course conducted by the Ministry of Vocational Training. She has decided to start a tailor shop near main road closed to school and the education office.  
(a) Write a strength and (01 mark)  
(b) An opportunity of this business. (01 mark)
- (iv) Kaveesha runs a business where she dries bulrush and makes bulrush related products like hats, wallets etc. in order for sale.  
(a) What is the human need that Kaveesha is fulfilled? (01 mark)  
(b) What is the factor of production that dried processed bulrush related to? (01 mark)  
(2 x 4 = 8)
- (03) (i) Read following paragraph carefully.  
A business owner addressed his employees and managers and said. "For a business to be successful, it is essential to pay constant attention to its environment." In addition he said that the business should act with customers, suppliers and competitors in an attractive manner.  
(a) Name a party relates to the internal environment of above case and state an impact over the business from that party. (01 mark)  
(b) Name 02 external environmental parties of above business. (01 mark)
- (ii) State whether the following statements are true or false.  
(a) Fiscal policies are related to legal environment. (.....)  
(b) The role of company registrar is related to the political environment. (.....)  
(c) Infrastructure policies are related to political environment. (.....)  
(d) The laws and regulations of central Environmental Authority are related to political environment. (.....)  
(1/2 x 4 = 2 marks)
- (iii) Below is an extract from a newspaper article. Provide answers based on this.  
Few days before, Sri Lanka had to face a global terrorist attack and the public criticized the politicians that they are accountable for this - However the government made a statement that the tourist industry had a massive hit due to this, and the prevailing communication systems are not sufficient to defeat the terrorism.  
(a) What is the external environmental factor relates to the economic impact occurred in the tourist industry? (01 mark)  
(b) Present a suitable proposal to enhance the activation of prevailing legal environment. (01 mark)
- (iv) Strengths and weaknesses can be identified after studying the internal environment and the opportunities and threats can be identified after studying the external environment  
(a) Give 02 examples for strengths of a business. (01 mark)  
(b) Write 02 examples affects as threat to a business. (01 mark)  
(2 x 4 = 8)



- (04) (i) (a) What is a partnership (01 mark)  
 (b) Name 02 Acts affect to the partnerships (01 mark)
- (ii) State following statements are true or false.  
 (a) Partnerships have a continued existence. (.....)  
 (b) The liability of an incorporated company is limited. (.....)  
 (c) The incorporated companies are managed by a board of directors. (.....)  
 (d) State Departments have an independent decision making (.....) (1/2 x 4 = 2)
- (iii) To achieve common needs of a group of individuals voluntarily gathered and enjoy a collective ownership is called as cooperative society.  
 (a) Write 02 characteristics can be seen in cooperative societies (1/2 x 2 = 1)  
 (b) Write a disadvantage can be seen in a cooperative societies. (01 mark)
- (iv) Following are some businesses. Write the source of capital requirement of each business.  
 (a) Sri lanka Railway Department (b) Supun stores  
 (c) Multi purpose cooperative societies (d) Richard Peiris Limited company (2 x 4 = 8)

✱ **Answer only 02 questions.**

### **Part II - Accounting**

- (05) (i) (a) Name 02 characteristics of a liability. (1/2 x 4 = 2)  
 (b) Write a transaction which is affected of to change the equity. (1 x 2 = 2)
- (ii) Following shows the impact of transactions to the accounting equation of a business. According to this write the possible transaction.
- | <b>Date</b>    | <b>Assets</b> | <b>=</b> | <b>Equity</b> | <b>+</b> | <b>Liabilities</b> |
|----------------|---------------|----------|---------------|----------|--------------------|
| (a) 2019-01-01 | Decrease      | =        |               | +        |                    |
|                | Increase      |          |               |          |                    |
| (b) 2019-01-02 | Decrease      | =        | Decrease      | +        |                    |
| (c) 2019-01-03 | Increase      | =        |               | +        | Increase           |
| (d) 2019-01-04 | Decrease      | =        |               | +        | Decrease           |
- (1 x 4 = 4)
- (iii) Write the double entry to following transactions.  
 (a) Purchased a land Rs. 300 000  
 (b) Debtor Kavisha settled his due amount Rs. 50 000 (1 x 2 = 2)
- (iv) Following information provides you from Divya's business.
- | <b>Assets</b> |         | <b>Liabilities</b> |        |
|---------------|---------|--------------------|--------|
| Furniture     | 75 000  | Bank loan          | 50 000 |
| Building      | 150 000 | Creditors          | 30 000 |
| Cash          | 25 000  |                    |        |
- Calculate the capital of this business (02 marks)
- (v) Write the main 04 reasons affect to change the equity. (02 marks)  
 (12 marks)

- (06) (i) Name the dual function of cash book. (02 marks)  
(ii) Write 02 relevant source documents relates to the cash book (02 marks)  
(iii) Following Transactions occurred in Lakshan's business during the first week of the month of January  
(1) 2018.01.01 Cash balance Rs. 175 000  
(2) 2018.01.05 additional capital invested Rs. 50 000 (Receipt No. 01)  
(3) 2018.01.06 Obtained a bank loan Rs. 50 000 (Receipt No.02)  
(4) 2018.01.06 Purchased a trade stock Rs. 20 000 (Voucher No. 20)  
(5) 2018.01.07 Lakshan withdraw Rs. 25 000 from the business for his personal uses.  
(Voucher No. 21)

**Required**

- (a) Record above transactions in a cash book (04 marks)  
(b) Post them in to the ledger accounts and balancing off them (04 marks)  
(12 marks)
- (07) (i) Briefly explain the bank overdraft. (02 marks)  
(ii) What is a bank statement? (02 marks)  
(iii) Following transactions occurred in sanjana's business during the first week of March.  
2018.3.01 Bank balance Rs. 110 000  
2018.3.2 Paid electricity bill Rs. 5 000 by a cheque  
2018.3.3 Deposited the cheque in the bank Rs. 50 000 which is received in last February.  
2018.3.4 Purchased trade goods Rs. 30 000 by issuing a cheque  
2018.3.5 Paid building rent Rs. 15 000 by a cheque

**Required**

- (a) Record above transactions in the bank account and balancing off. (04 marks)  
(b) Post above transactions into the ledger and balancing off them (04 marks)  
(12 marks)





Provincial Department of Education  
NWP

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**Second Term Test - Grade 10 - 2019**

**Business & Accounting Studies - Answer**

**Paper I**

- |                              |                              |                              |                              |
|------------------------------|------------------------------|------------------------------|------------------------------|
| 01. <input type="checkbox"/> | 11. <input type="checkbox"/> | 21. <input type="checkbox"/> | 31. <input type="checkbox"/> |
| 02. <input type="checkbox"/> | 12. <input type="checkbox"/> | 22. <input type="checkbox"/> | 32. <input type="checkbox"/> |
| 03. <input type="checkbox"/> | 13. <input type="checkbox"/> | 23. <input type="checkbox"/> | 33. <input type="checkbox"/> |
| 04. <input type="checkbox"/> | 14. <input type="checkbox"/> | 24. <input type="checkbox"/> | 34. <input type="checkbox"/> |
| 05. <input type="checkbox"/> | 15. <input type="checkbox"/> | 25. <input type="checkbox"/> | 35. <input type="checkbox"/> |
| 06. <input type="checkbox"/> | 16. <input type="checkbox"/> | 26. <input type="checkbox"/> | 36. <input type="checkbox"/> |
| 07. <input type="checkbox"/> | 17. <input type="checkbox"/> | 27. <input type="checkbox"/> | 37. <input type="checkbox"/> |
| 08. <input type="checkbox"/> | 18. <input type="checkbox"/> | 28. <input type="checkbox"/> | 38. <input type="checkbox"/> |
| 09. <input type="checkbox"/> | 19. <input type="checkbox"/> | 29. <input type="checkbox"/> | 39. <input type="checkbox"/> |
| 10. <input type="checkbox"/> | 20. <input type="checkbox"/> | 30. <input type="checkbox"/> | 40. <input type="checkbox"/> |

**Paper II**

- (01) (i) Capital  
 (ii) Private sector/ profit oriented/sole proprietorship  
 (iii) give marks for any correct answer  
 (iv) yes  
 The business name is different from the full name of its owner  
 (v) Ownership - private sector  
 Objective - profit oriented  
 (vi) Strength - Deneth's skills and experiences.  
 Opportunity ● can supply coconut shells from the living area      ● established near the bus stand  
 (vii) Cash book - receipt & paying voucher  
 (viii) Assets = Equity + liabilities  
 50 000 = 50 000  
 (ix) 41 000 or

Visithuru Viskam Business

Debit

Cash book as at 30.06.2019

Credit

Date	Description	Amount	Date	Description	Amount
6/1	Capital	50 000	6/5	purchases	10 000
6/30	Sales	25 000	6/5	fuel	1 000
			6/6	polish	3 000
			6/10	small tools	5 000
			6/20	purchases	10 000
			6/25	labour charges	5 000
			6/30	b/c/f	41 000
					75 000
7/1	b/b/f	41 000	6/30		

(x) equity decrease - any expense ] indicate in the case  
equity increase - any income ]

(2 x 10 = 20)

- (02) (i) (a) Corrected 02 differences give marks  
(b) Students, Teachers, Parents, Old boys, community, government etc. (1 mark)
- (ii) (a) ✗ (b) ✓ (c) ✓ (d) ✗ (1/2 x 4 = 02)
- (iii) (a) Kamani followed a dress making course. (1 mark)  
(b) The business located near the main road, school and education office attractively (1 mark)
- (iv) (a) Clothes (1 mark) (b) capital (1 mark) (2 mark)
- (03) (i) (a) Owners - financial strength, knowledge and experience  
managers - leading resources  
employees - skills, attitudes and competencies  
(Name the factor 1/2 each x 2 = 01)  
(b) Customers/ suppliers/competitors  
(For reason 1/2 each x 2 = 01)
- (ii) (a) ✗ (b) ✗ (c) ✓ (d) ✗ (1 mark)  
(එකකට ලකුණු 1/2 x 4 = 2යි.)
- (iii) (a) Economic environment (1 mark)  
(b) ● introducing new laws ● adjusting the current laws (1 mark)
- (iv) give marks for any 02 correct examples (2 mark)
- (04) (i) (a) The relationship among individuals conducting a business in common with an objective to earn a profit is known as a partnership. (1 mark)  
(b) The partnerships ordinance of 1890  
The companies act No 07<sup>th</sup> of 2007  
The business name ordinance of relevant provincial council (1/2 x 2 = 1)
- (ii) (a) ✗ (b) ✓ (c) ✓ (d) ✗ (1/2 x 4 = 2)
- (iii) (a) give marks for relevant characteristics (1/2 x 2 = 01)  
(1 mark)
- (iv) (a) Government (b) Owners (c) members (d) share holders  
(1/2 x 4 = 02)
- (05) (i) (a) ● Arose as a result of a past transaction  
● When settle the due amount, a part of resources will flow out  
● Having a present obligation (1/2 x 2 = 01)  
(b) give marks for a correct transaction (1 mark)  
(Should be additional capital invested, drawings) income or expenses related transaction)
- (ii) give marks for a suitable answer (1 x 4 = 4 marks)
- (iii) (a) Land Account Dr. Rs. 300 000  
Cash account Cr. Rs. 300 000 (1 mark)  
(b) Cash account Dr. Rs. 50 000  
debtors Acc. Cr. Rs. 50 000 (1 mark)

$$\begin{aligned}
 \text{(iv) } 750\,00 + 150\,000 + 25\,000 &= 250\,000 \\
 50\,000 + 30\,000 &= (80\,000) \\
 \text{Equity} &= 170\,000
 \end{aligned}$$

(2 marks)

(v) Additional capital, drawings, Income, expenses

(1/2 x 4 = 2 marks)

(06) (i) Act as a prime entry book

Act as a ledger account

(ii) receipt &amp; paying voucher

(2 marks)

(iii)

## Cash book

Date	R/N	Description	L/F	Amount Rs.	Date	V/N	Description	L/F	Amount Rs.
1/1		b/b/f		175 000	1/6	20	Purchases 1/2		75 000
1/5	01	Capital		50 000	1/7	09	Drawings 1/2		25 000
1/6	02	bank loan		50 000					175 000
					1/7		b/b/f 1/2		
				<u>275 000</u>					<u>275 000</u>
				175 000					
		b/b/f							

(iv) (a) For recording in ledger accounts correctly

(4 marks)

(b) For balancing off them

(4 marks)

(07) (i) When cheques are issued in excess of the existing bank balance and when the bank makes payments on them, the account holder becomes a debtor to the bank and that debit balance is known as the bank overdraft

(2 marks)

(ii) Banks send a statement to their current account holders once a month by showing the items which are debited and credited by the bank during the month

(2 marks)

(iii)

## Bank Accounts

Date	R.N	Description	L.F	Amount Rs.	Date	V.N	Description	L.F	Amount Rs.
3/1		b/b/f		110 000	3/2		Electricity bill		5 000
3/3		cash		50 000	3/4		purchases		30 000
					3/5		building rent		15 000
					3/7		b/c/f		110 000
				<u>160 000</u>					<u>160 000</u>
3/8		b/b/f		110 000					

(a) For recording in ledger accounts correctly

(4 marks)

(b) For balancing off

(4 marks)

(12 marks)