



PROVINCIAL DEPARTMENT OF EDUCATION - NORTH WESTERN PROVINCE

Second Term Test 2018

Grade 10 **BUSINESS & ACCOUNTING STUDIES - I&II** Time : 3 hours

Name / Index No.

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.

- Pavani who expects to enter the university, is doing supporting classes for the children of her area in English.

01. A human need and a want stated in the above case respectively are,

- | | |
|-----------------------------------|-----------------------------------|
| (1) Education, Supporting classes | (2) Supporting classes, Education |
| (3) University, Education | (4) Shelter, Education |

02. The difference between needs and wants are indicated,

- | | |
|--------------------------------------------|------------------------------------------|
| (1) needs are unlimited, wants are limited | (2) wants are common, needs are diverse |
| (3) needs are simple, wants are complex | (4) wants are diverse, needs are complex |

03. Select the answer which consists only the characteristics of human needs,

- | | |
|---------------------|----------------------|
| (1) simple, diverse | (2) simple, common |
| (3) common, complex | (4) limited, diverse |

04. ①..... relates to the factor of production land and ②..... relates to the factor of production capital.

Select the corrected answers for above banks 1 & 2.

- | | |
|-----------------------------------------|----------------------------|
| (1) mineral resources, forest resources | (2) soil, building |
| (3) building, mineral resources | (4) forest resources, soil |

- Using following case answer the questions No. 05 - 07.

- Sanduni Thilakarathne Produces beautiful bags named "Sandu bag Centre" by using various leaves and strews found in her living area.

05. It is not a stakeholder of "Sandu bag Centre",

- | | |
|------------------------------------------|---------------------------------------|
| (1) office employees of her living area. | (2) employees of the business |
| (3) raw material suppliers | (4) shoe producers of her living area |

06. As an interested party of "Sandu bag centre", state a main objective that Sanduni Thilakarathna intends to achieve from the business,

- | | |
|-------------------------------------------------|-----------------------------|
| (1) increasing job opportunities | (2) receiving a fair salary |
| (3) growth of the business operations in future | (4) job satisfaction |

07. The most corrected statement for above "Sandu bag centre" is,

- | | |
|----------------------------------------------|----------------------------------------|
| (1) a service providing business | (2) a commodity manufacturing business |
| (3) having an objective of social well-being | (4) a public sector business |

08. Select the answer consists only service provided business,
- (1) Chocolate producing businesses, Toothpaste producing businesses
 - (2) Wholesale businesses, Soap producing businesses
 - (3) Banking institutions, Insurance institutions
 - (4) Educational institutions, Chocolate producing businesses
09. Select the correct statement,
- (1) Only individuals rendering physical efforts in a business can be considered as labour.
 - (2) The role of organizing factors of production such as land, labour and capital required for production in order to start and conduct a manufacturing process is known as manager.
 - (3) Anything produced by man in order to facilitate manufacturing process is known as entrepreneurship.
 - (4) All the natural resources available are considered as land.
10. The environment that can't be controlled is known as,
- (1) internal environment
 - (2) business environment
 - (3) micro environment
 - (4) external environment
11. Following are some business environmental factors. Select the answer consists to the external environmental factors,
- | | |
|-------------------------|-------------|
| A Conformers | B Suppliers |
| C Managers | D Employees |
| E Political environment | |
- (1) ABE
 - (2) ABD
 - (3) ACD
 - (4) BDE
12. Lakshan lives in Senapura commenced a small scale business by using domestic raw materials with the help of his two sisters. The government provides many incentives to receive quality raw materials. The incentives are given by the government are related to,
- (1) Global environment
 - (2) Technical environment
 - (3) Economical environment
 - (4) Political environment
13. An advantage of a global environment,
- (1) inflow of foreign capital
 - (2) highly competitive
 - (3) skilled workers migrating to foreign countries
 - (4) possibility to obtain domestic quality raw materials.
14. Select the answer which consists only economic environmental factors,
- (1) income distribution, fiscal policies
 - (2) fiscal policies, infra structure facilities
 - (3) environmental protection acts, fiscal policies
 - (4) international relations, savings
15. Following are some business organizations classified according to the ownership.
- | | |
|--------------------------|---------------------|
| A Sole proprietorship | B State departments |
| C Cooperative Societies | D State Companies |
| E Incorporated Companies | |

Select the business organization group which relates to the private sector,

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

16. Select the answer which includes only the advantages of Incorporated company,
- (1) having continued existence, unlimited liability, having a legal personality
 - (2) having continued existence, limited liability, having a legal personality
 - (3) not having continued existence, unlimited liability, having a legal personality
 - (4) not having continued existence, limited liability, not having a legal personality
17. The institutions that will be directly and fully governed by the government under a ministry are known as,
- (1) State Corporations
 - (2) Cooperative Societies
 - (3) State Companies
 - (4) State departments

● **Using following information answer question No. 18 & 19.**

Sunimal decides to start a fruit juice business naming "Sumihiri Pen" by investing his own assets. Further he decides to join Mihira, as a partner one of his school mate because of his less knowledge and experience regarding businesses.

18. State the most suitable business organization which is selected by Sunimal,
- (1) Sole Proprietorships
 - (2) Partnerships
 - (3) Cooperative Societies
 - (4) Incorporated companies
19. Select the most corrected statement relates the registration of above business,
- (1) The business is mandatory to register under the companies act.
 - (2) The business name is mandatory to register.
 - (3) The business should be registered in Cooperative Department.
 - (4) The business or business name should not be mandatory to register.
20. For registering a sole proprietorship, the relevant application should be obtained from,
- (1) The grama Niladhari office
 - (2) The Provincial Sabha
 - (3) The divisional Secretariat office
 - (4) Company registrar's office
21. Select the criteria which is not considered for classification of business organizations according to the scale,
- (1) amount of capital invested
 - (2) number of employees
 - (3) amount of energy used
 - (4) profit objective of the business
22. The main objective of Accounting is,
- (1) Preparation of financial statement for the year ended.
 - (2) Providing various required information to the stakeholders of the business.
 - (3) Providing required information to the directors and managers.
 - (4) Providing required information to take investment decisions.
23. Resources controlled by the business as a result of a past transaction and from which future economic benefits are expected to flow into the business are called as What is the answer for above blank.
- (1) Liabilities
 - (2) Assets
 - (3) Expenses
 - (4) Income

24. Following are some type of accounts in column 'X' and some accounts in column 'Y'.

| | Column X | | Column Y |
|------|----------------------|---|-------------------|
| i. | Assets Accounts | A | - Sales |
| ii. | Liabilities Accounts | B | - Commission paid |
| iii. | Equity Accounts | C | - Bank loan |
| iv. | Income Accounts | D | - Debtors |
| v. | Expenses Accounts | E | - Capital |

Select the answer which is matched column X and Y.

- (1) A, C, D, B, E (2) C, A, B, E, D (3) D, C, E, A, B (4) D, B, C, A, E
25. Select the transaction which is affected to increase both assets and equity of a business.
- (1) Owner invested additional capital Rs. 100 000.
 (2) Owner has taken Rs. 5000 from the business for his personal uses.
 (3) Paid electricity bill Rs. 2000.
 (4) Received Rs. 5000 from a debtor.

- **Following transactions occurred in the month of May 2018 of Jeewantha's business. Using those transactions answer question No. 26 to 28.**

- A - Purchased goods at Rs. 50 000
 B - Paid Rs. 5 000 for monthly rent
 C - received a bank loan Rs. 100 000
 D - Sold goods which were purchased at Rs. 10 000 for Rs. 15 000 on credit basis
 E - Paid salary Rs. 5 000

26. Select the transaction affects to increase the liabilities of the business,

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

27. The expenses of this business are,

- (1) A and B (2) B and D (3) C and E (4) B and E

28. The impact of transaction "D" to the accounting equation is,

| | | | | | | | |
|----|----------|---|------------|---|------------|---|----------------------|
| | cash | + | stock | + | debtors | = | liabilities + equity |
| 1' | (10 000) | | | | + 5000 | = | (5000) |
| 2' | | | (10 000) | | + 15 000 | = | + 5000 |
| 3' | | | + 10 000 | | + 15 000 | = | + 5000 |
| 4' | + 15 000 | | | | (10 000) | = | + 5000 |

29. Assets = Equity + liabilities
 - 18 000 = - 18 000

Select the transaction for above formation.

- (1) Paid Salary Rs. 18 000 (2) Paid bank loan Rs. 18 000
 (3) Purchased furniture Rs. 18 000 (4) Paid to creditors Rs. 18 000

30. The corrected double entry principle is,

- (i) expenses decreases Debit increases Credit
 (ii) liabilities decreases Debit increases Credit
 (iii) equity increases Debit decreases Credit
 (iv) income increases Debit decreases Credit

31. Commission income of Tharushi's business was Rs. 5000. Commission received account is,

- (1) a liability account (2) an asset account
 (3) an expense account (4) an income account

32. Select the group consists only asset accounts,
- (1) building acc., commission income acc., bank loan acc.
 - (2) stock acc., furniture acc., debtors acc.
 - (3) salary acc., creditors acc., land acc.
 - (4) bank loan acc., debtors acc., furniture acc.
33. Fixed deposit interest income is Rs. 25 000 of Kasun's business. The relevant journal entry is,
- (1) Fixed deposit interest income Account Dr - Cash Account Cr.
 - (2) Fixed deposit Account Dr - Fixed deposit interest income Account Cr.
 - (3) Fixed deposit interest income Account Dr - Bank loan Account Cr.
 - (4) Cash Account Dr - Fixed deposit interest income Account Cr.
34. The collection of all accounts of a business is called as,
- (1) Trial balance
 - (2) Ledger
 - (3) Cash book
 - (4) Ledger accounts
35. Name the relevant source document which is recorded transactions in the sales journal.
- (1) receipt
 - (2) voucher
 - (3) journal voucher
 - (4) invoice
36. Select the Prime entry book which is fulfilled the dual functions,
- (1) Sales journal
 - (2) Cash book
 - (3) Purchases journal
 - (4) General journal
37. Select the transactions which records only in the cash book.
- (1) receiving commission income, cash purchases, furniture purchases
 - (2) paying to creditors, commission income received, credit purchases of trade good
 - (3) paying building rent, cash sales, accrued electricity
 - (4) credit purchases of furniture, receiving from debtors, receiving commission income
38. A credit balance of a bank account is shown that the business has,
- (1) a bank overdraft
 - (2) paid bank loans
 - (3) received direct remittance
 - (4) paid expenses on standing orders
39. "The cheque was received from cash sales Rs. 70 000 was deposited at the same time." The relevant journal entry is,
- (1) Sales Acc. Dr. - Bank Acc. Cr.
 - (2) Bank Acc. Dr. - Sales Acc. Cr.
 - (3) Cash Acc. Dr. - Sales Acc. Cr.
 - (4) Sales Acc. Dr. - Cash Acc. Cr.
40. "A cheque received from debtor Amal and had been deposited in the bank and the cheque was dishonoured by the bank." The relevant journal entry is,
- (1) debtors Acc. Dr. - cash book Cr.
 - (2) bank Acc. Dr. - debtors Acc. Cr.
 - (3) debtors Acc. Dr. - bank Acc. Cr.
 - (4) cash book Dr. - debtors Acc. Cr.



PROVINCIAL DEPARTMENT OF EDUCATION - NORTH WESTERN PROVINCE

Second Term Test 2018

Grade 10 BUSINESS AND ACCOUNTING STUDIES - II

Name / Index No.

Notes :

- 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. Using the following case answer the questions No. (i) to (x).

Aruna Priyalal went abroad after A/L and came back to Sri Lanka with Rs. 1 000 000 in hand. He commenced a transportation service by investing his own vehicle worth Rs. 3 500 000 and above mentioned cash and registered as "Aruna Travels".

The office is established in his own house and he appointed one of his friend Kanishka a well experienced and talented in motor vehicles, as the manager.

Following transactions occurred during the first week of the month of January 2018.

- (1) Opened a bank current account by depositing Rs. 800 000.
- (2) Purchased stationery Rs. 25 000.
- (3) Obtained a bank loan Rs. 200 000.
- (4) Motor vehicle repair expenses Rs. 125 000.
- (5) Received transportation service income Rs. 300 000.
- (6) Fuel expenses Rs. 150 000. Aruna Priyalal has taken 15 000 fuel for his personal vehicle.

(1) (i) What is the type of business organization of this business?

(ii) State an advantage of this business.

- (2) State 02 strengths of this business.
- (3) State 02 examples for the factors of production labour and entrepreneurship from this business.
- (4) Write 02 advantages can be achieved by registering this business.
- (5) Calculate the equity of "Aruna Travels" as at 01.01.2018.
- (6) Calculate the cash balance as at 08.01.2018.
- (7) Name 02 source documents used to prepare the cash book.
- (8) (i) Write a non current asset of this business.
(ii) Write a characteristic of a non current asset.

- (9) (i) Write a transaction relates to increase assets and increase liabilities of this business.
(ii) What is the main income of this business?
- (10) (i) Write an occasion which is changed the equity of this business.
(ii) Write the relevant journal entry for it. (2 x 10 = 20)

Business Studies - I

● Answer only two questions.

02. Man has needs and wants from birth to death.
- (i) (a) Define a commodity manufacturing business.
(b) Name 02 commodity manufacturing businesses. (02m.)
- (ii) State whether the following statements are true or false. (02m.)
- (a) "Increasing the quality of goods and services" is one of the main objective of businesses. ()
(b) Retail businesses are not commodity manufacturing business. ()
(c) Machinery, Buildings are related to the factor of production "Land". ()
(d) The government contributes to the businesses by providing business - friendly incentives. ()
- (iii) Sapumalie is a talented tailor living in "Sandasirigama" area. After sewing she sells uniforms for school children in her living area.
- (a) What is the basic human need that Sapumalie fulfilled?
(b) What is the related factor of production that the sewing machine of Sapumalie's business? (02m.)
- (iv) After school education Supun Nayanajith commences a stationery business named "S and N Book shop".
- (a) Write 02 stakeholders of S and N Book shop.
(b) Write 02 objectives for above one stakeholder. (02m.)
- (total marks 08)
03. (i) For a business to be successful, it is essential to pay constant attention to its environment.
- (a) The business environment can be classified into two types and briefly explain the internal environment.
(b) Write 02 internal environment factors. (02m.)
- (ii) State whether the following statements are true or false. (02m.)
- (a) The suppliers of the business are an internal environment factor. ()
(b) Managers are the individuals who duly perform their tasks assigned using their own skills and competencies. ()
(c) Today using e-mail instead of normal postal mail is related to technical environment. ()
(d) The currency unit of Russia is Known as Rupees. ()
- (iii) Mrs. Prathibha is an excellent retired music teacher living in a calm environment. She commences music classes named "Prabha Kalayathanaya" in her home. (02m.)
- (a) Write a strength and an opportunity of above case.
(b) State 02 reasons about the importance of studying internal environment of a business.

- (iv) (a) What is the legal environment of a business.
 (b) Write one law or regulation relates to the legal environment. (02m.)
 (total marks 08)

04. Piyumi and Nayomi conduct a bag producing and selling business by investing Rs. 600 000.
- (i) (a) Classify above business organization according to the ownership of private sector.
 (b) Write 02 advantages of above mentioned business organization. (02m.)
- (ii) State whether the following statements are true or false.
 (a) Cooperative societies are related to private sector business organizations.
 (b) When registering the name of a sole proprietorship it receives a legal personality.
 (c) Sri Lanka Transport Board is a state corporation.
 (d) Incorporated companies can raise capital by issuing shares. (02m.)
- (iii) (a) What is an incorporated company?
 (b) Write 02 advantages of incorporated companies. (02m.)
- (iv) Sachintha Harshana lives in Nuwara Eliya area is conducting an electric equipment repair business by naming "Sachi electricals"
- (a) Should "Sachi electricals" be registered?
 (b) Give reasons for your answer. (02m.)

Accounting - II

(මුළු ලකුණු 08)

• **Answer only 02 questions.**

05. (i) (a) Define expenses.
 (b) Write 02 characteristics of a liability. (02m.)
- (ii) Show how the following transactions effects to the equity by indicating increase, decrease or not change.
 (a) Obtained a bank loan Rs. 40 000.
 (b) Paid Rs. 1500 from the business for the electricity bill of owner's house.
 (c) Received Rs. 5 000 from debtors.
 (d) Sales on cash Rs. 10 000. (02m.)
- (iii) (a) State the type of accounts for followings.
 (1) Cash account (2) Salary account
 (3) Purchases account (4) Debtors account (02m.)
- (b) Following information has given for the year of 2017 of Sameera's business.
- | | |
|-----------------------------|---------|
| Capital (as at 2017.01.01) | 250 000 |
| income for the year | 135 000 |
| expenses for the year | 108 000 |
| additional capital invested | 75 000 |

required,

Calculate the owner's equity as at 31.12.2017. (02m.)

- (iv) Following balances can be seen in Roshni's business as at 01.05.2018.

| | |
|-----------|-------------|
| Furniture | Rs. 200 000 |
| Stock | Rs. 100 000 |
| Cash | Rs. 50 000 |

| | |
|-----------|-------------|
| Bank loan | Rs. 50 000 |
| Creditors | Rs. 100 000 |
| Capital | Rs. 200 000 |

Following transactions occurred during the first week of the Month of May.

1. Purchased trade stock on credit Rs. 50 000.
2. Paid bank loan installment Rs. 5 000 including the loan interest Rs. 1000.
3. Sold goods which were purchased at Rs. 50 000 for Rs. 75 000 on cash.
4. Paid insurance charges Rs. 5 000.

required,

Show the impact of above transactions on accounting equation.

| | Furniture | + stock | + cash | = bank loan | + creditors | + capital |
|---|-----------|---------|--------|-------------|-------------|-----------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |

(04m.)

(total marks 12)

06. (i) (a) Explain the dual impact of a transaction.

(b) Write the double entry principle for assets.

(02m.)

(ii) (a) What is an account ?

(b) State 05 types of accounts in the ledger.

(02m.)

(iii) Write the double entries for following transactions.

(a) Owner has taken Rs. 10 000 from the business for his personal uses.

(b) Paid monthly electricity bill Rs. 2 000.

(c) Credit sales Rs. 60 000.

(d) Received interest income Rs. 50 000.

(04m.)

(iv) The cash account of Thisuri's business for the month of May 2018 is as follows.

Cash Account

| Date | Description | LF | amount Rs. | Date | Description | LF | amount Rs. |
|------------|---------------------------|----|---------------|------------|----------------|----|---------------|
| 2018-05-01 | Capital Acc. | | 100 000 | 2018-05-02 | Purchases Acc. | | 10 000 |
| 05-10 | Sales Acc. | | 25 000 | 05-06 | bank loan | | |
| 05-15 | debtors Acc. | | 12 000 | 05-20 | interest Acc. | | 2 000 |
| 05-28 | Commission income Acc. | | 5 000 | 05-25 | Equipment Acc. | | 8 000 |
| | | | | 05-31 | Creditors Acc. | | 5 000 |
| | | | | | b/c/f | | 117 000 |
| | | | 142 000 | | | | 142 000 |
| 06-01 | b/b/f | | 117 000 | | | | |

required,

Record the other entries relevant to the transactions listed in the above cash account in the respective other accounts in the ledger of Thisuri's business. (04m.)

(total marks 12)

07. (i) (a) What is cash discounts?

(b) Write the journal entry to record discount received. (02m.)

(ii) Fill in the blanks.

| | Transaction | Source document | Prime entry book |
|-----|----------------------------------|--------------------|------------------|
| (a) | Purchasing trade goods on credit | | |
| (b) | | Petty cash voucher | |

(02m.)

(iii) (a) What is petty cash imprest? (02m.)

(b) The petty cash balance of Anuhas PLC was Rs. 460 as at 01.05.2018. During the month of May the total of petty cash vouchers paid Rs. 1040.

(1) What is the amount of petty cash imprest?

(2) What is the reimbursed amount on 31.05.2018. (02m.)

(iv) Following balances can be seen in Randima's business as at 01.05.2018.

| | | | |
|----------|------------|------------|-------------|
| Cash | Rs. 65 000 | Capital | Rs. 100 000 |
| Debtors, | | Creditors, | |
| Bimal | Rs. 30 000 | Vishala | Rs. 20 000 |
| Ranil | Rs. 25 000 | Kamani | Rs. 35 000 |

Following transactions occurred in the month of May.

05 - 03 Sales on cash Rs. 25 000.

05 - 05 Paid electricity bill Rs. 750.

05 - 10 Cash is paid to Vishala to settle her account Rs. 19 000. Discount received Rs. 1000/-

05 - 16 Purchases on cash Rs. 15 000.

05-20 Cash is received from Ranil to settle his debt amount. Discount given 5%.

05 - 25 Rs. 500 discount was deducted when cash is received from Bimal Rs. 10 000.

05 - 08 When settled Rs. 20 000 from Kamani's debt amount, Discount received Rs. 1 000.

05 - 30 Cash deposited in the bank Rs. 10 000.

required,

The cash account of Randima's business for the month of May 2018. (04m.)

(total marks 12)

Grade 10**BUSINESS AND ACCOUNTING STUDIES - 1/5****Answer Paper - Part I**

| | | | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1 - (1) | 2 - (3) | 3 - (2) | 4 - (2) | 5 - (4) | 6 - (3) | 7 - (2) | 8 - (3) | 9 - (4) | 10 - (4) |
| 11 - (1) | 12 - (4) | 13 - (1) | 14 - (4) | 15 - (3) | 16 - (2) | 17 - (4) | 18 - (2) | 19 - (2) | 20 - (3) |
| 21 - (4) | 22 - (2) | 23 - (2) | 24 - (3) | 25 - (1) | 26 - (3) | 27 - (4) | 28 - (2) | 29 - (1) | 30 - (2) |
| 31 - (4) | 32 - (2) | 33 - (4) | 34 - (2) | 35 - (4) | 36 - (2) | 37 - (1) | 38 - (1) | 39 - (2) | 40 - (3) |

Paper - II / Part - I

(40 marks)

01. (1) (i) Sole proprietorship
(ii) Profit shared alone
Can take independent decisions
easy to commence
- (2) • Availability of adequate capital / • having a good financial capability /
• specialized knowledge of an employee.
- (3) Labour - Kanishka employs as a manager
entrepreneurship - Aruna Priyalal
- (4) • Provides an identity and recognition
• Provides an ownership of the business name.
• Provides a qualification to obtain incentives given by the government.
• easy to obtain loans.
- (5) Cash Rs. 1 000 000
Vehicle Rs. 3 500 000
Equity Rs. 4 500 000
- (6)

| receipt | Payment | |
|----------------|---------------|-----------------|
| 1000 000 | 800 000 | 1500 000 |
| 200 000 | 25 000 | <u>1115 000</u> |
| <u>300 000</u> | 125 000 | <u>385 000</u> |
| 1500 000 | 150 000 | |
| | <u>15 000</u> | |
| | 1115 000 | |

Or

Cash Account

| | | | |
|----------------|-----------------|----------------|-----------------|
| Capital | 10000 000 | bank | 800 000 |
| bank loan | 200 000 | stationery | 25 000 |
| service income | 300 000 | vehicle repair | 125 000 |
| | | fuel | 150 000 |
| | | drawings | 15 000 |
| | | b/c/f | <u>385 000</u> |
| | <u>1500 000</u> | | <u>1500 000</u> |

corrected 2 items ½ each - 02 marks

- (7) receipts & paying voucher
- (8) (i) motor vehicles
(ii) Purchasing for long term requirements
- (9) (i) Obtaining a bank loan
(ii) Income received from providing transportation services.
- (10) (i) Owner drawings
(ii) Drawings account Debit Rs. 15 000
- | | | | | |
|--------------|--------|-----|--------|-----------------|
| Cash account | Credit | Rs. | 15 000 | (2 x 10 = 20m.) |
|--------------|--------|-----|--------|-----------------|

Part - I

02. (i) (a) The businesses which produce Tangible & Physically existing things for the fulfillment of human needs & wants are called as commodity manufacturing businesses.
(b) Wholesale businesses / retail businesses / Insurance institutions / Banking institutions / Education institutions / Beauty saloons
- (ii) (a) X
(b) ✓
(c) X
(d) ✓
- (iii) (a) Clothes
(b) Capital
- (iv) (a) • School children
• Supun / Supun Nayanajith / Owner
• Suppliers
• School teachers..... etc.,
(b) give marks for the relevant objectives.
- (2 x 4 = 08 marks)
03. (i) (a) Different parties and forces acting within a business and affecting to a business are known as the internal environment.
(b) owners, managers, employees
- (ii) (a) X
(b) X
(c) ✓
(d) X
- (iii) (a) a strength - talented music teacher an opportunity - Calm environment
(b) Identifying strengths of the business and let them to develop and identified weaknesses are to be minimized.
- (iv) (a) The laws and regulations, enforced in order to protect consumers, to protect domestic manufacturers and business community and to protect the environment is known as legal environment.

- (b) • The companies act no 07th of 2007. • The consumer Authority act No. 09th of 2003.
 • The shop and office employees Act No. 14th of 1954. (2 x 4 = 08 marks)
04. (i) (a) Partnerships
 (b) ★ easy to commence ★ can raise more capital ★ can utilize different skills of partners ★ shared liability among partners ★ can take collective decisions
- (ii) (a) ✓ (b) X (c) ✓ (d) ✓
- (iii) (a) A firm which is required to be registered under the companies Act No. 07 of 2007, with a legal personality, can raise capital by issuing shares and the liability of the shareholders being limited, is an incorporated company.
 (b) • can raise more capital • receiving legal personality • having continued existence
 • having limited liability • managed by a board of directors
- (iv) (a) Yes
 (b) The business is conducted "Sachi electricals" in a name other than the full name of the owner Sachintha Harshana (2 x 4 = 08 marks)

Part - II

05. (i) (a) A reduction in equity except due to drawings is known as expenses. (01m.)
 (b) • arose as a result of a past transaction. • having a present obligation • outflow a part of economic resources when settlement is made (01m.)
- (ii) (a) not change (b) decrease (c) not change (d) increase (02m.)
- (iii) (a) 1. Asset 2. expense 3. expense 4. Asset (02m.)
 (b) Capital (as at 01.01.2017) 250 000
 + income 135 000
 additional capital 75 000
 460 000 ← (01m.)
 - expenses 108 000
 equity as at 31.12.2017 352 000 ← (01m.)

| | | | | | | | | | | | |
|-----------|-----------|---|---------|---|---------|---|-----------|---|-----------|---|---------|
| (iv) | Furniture | + | Stock | + | Cash | = | Bank loan | + | Creditors | + | Equity |
| (01m.) | 200 000 | + | 100 000 | + | 50 000 | = | 50 000 | + | 100 000 | + | 200 000 |
| (½m.) 01 | | + | 50 000 | | | | | + | 50 000 | | |
| (01m.) 02 | | | | | (5 000) | = | (4 000) | | | | (1 000) |
| (01m.) 03 | | | (5 000) | + | 75 000 | = | | | | + | 25 000 |
| (½m.) 04 | | | | | (5 000) | = | | | | | (5 000) |

(12 marks)

06. (i) (a) each transaction causes change to two items of the accounting equation. This is termed as the dual impact of a transaction. (01m.)

(b) increases of assets - Debit

decreases of assets - Credit (01m.)

(ii) (a) An account is a commonly accepted structure that is used to record the change (increase or decrease) of an asset, an equity, a liability, an income or an expense for a time period. (01m.)

(b) asset, liability, equity, income, expense (01m.)

(iii) (a) drawings Acc. Dr. 10 000 - Cash Acc. Cr. 10 000

(b) electricity Acc. Dr. 2 000 - Cash Acc. Cr. 2 000

(c) debtors Acc. Dr. 60 000 - Sales Acc. Cr. 60 000

(d) Cash Acc. Dr. 50 000 - interest income Cr. 50 000

(01 mark each 04)

(iv)

| | | | |
|------------------------|-------------------------|-------------------------|-------------------------|
| Capital Acc. | | Purchases Acc. | |
| | 5/1 Cash 100 000 (½) | | 5/2 Cash 100 000 (½) |
| Sales Acc. | | Bank loan interest Acc. | |
| | 5/10 Cash 25 000 (½) | | 5/6 Cash 10 000 (½) |
| Debtors Acc. | | Equipment Acc. | |
| | 5/15 Cash 12 000 (½) | | 5/20 Cash 8 000 (½) |
| Commission income Acc. | | Creditors Acc. | |
| | 5/25 Cash 5 000 (½) | | 5/25 Cash 5 000 (½) |

(one account ½ each 04 marks)

(12 marks)

07. (i) (a) The amount which is deducted from debtors or creditors amount due for making payments within the given period is called a cash discount. (01m.)
 (b) Creditors Acc. Dr. - Discount received Acc. Credit (01m.)
 (ii) (a) Purchases invoice - Purchases journal (01m.)
 (b) Petty cash expenses - Petty cash book (01m.)
 (iii) (a) A specific amount of cash is given to the petty cashier by the main cashier to make petty cash payments, is known as the petty cash imprest. (02m.)
 (b) 1. Rs. 1500/- (01m.)
 2. Rs. 1040/- (01m.)

(iv) **Cash Account**

| Date | Description | Discount allowed | Amount Rs. | Date | Description | Discount received | Amount Rs. |
|-------|-------------|------------------|------------|-------|-------------|-------------------|------------|
| 05/01 | b/b/f | | 65 000 | 05/05 | electricity | | 750 |
| 05/03 | sales | | 25 000 | 05/10 | Vishala | 1000 (½) | 19 000 |
| 05/20 | Ranil (½) | 1250 | 23 750 | 05/16 | purchases | | 15 000 |
| 05/25 | Bimal (½) | 500 | 9 500 | 05/28 | Kamani | 1000 (½) | 19 000 |
| | | | | 05/30 | Bank | | 10 000 |
| | | | | 05/31 | b/c/f | | 59 500 |
| | | 1750 | 123 250 | | | 2000 | 123 250 |
| 06/01 | b/b/f | | 59 500 | | | | |

other corrected 02 entry give ½ maximum 01 marks.



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