



PROVINCIAL DEPARTMENT OF EDUCATION NORTH WESTERN PROVINCE

THIRD TERM TEST 2019

Grade 11 60-Business & Accounting Studies (new syllabus) - I,II 03 Hours

Name / Index No. :

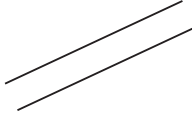

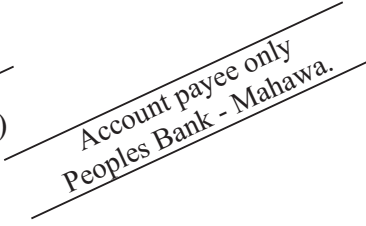
Business & Accounting Studies - I

- Answer all questions.
- In each of the questions from 1 to 40 , pick one of the alternatives (1),(2),(3),(4) which consider as correct or most appropriate.
- Mark a cross (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.

Using following case answer questions No 01 - 05.

People who affected due to recent drought of the Northeast monsoon winds are activated, floods have destroyed many paddy fields and houses. The Air force deployed helicopters to rescue people from flood hit areas. The department of social services distributed food items to the displaced people.

01. The needs relate to the above case are,
(1) food, communication, security, clothes (2) food, transportation, entertainment, shelter
(3) food, transportation, security, shelter (4) food, education, transportation, cloths.
02. Damage to cultivated lands due to drought and floods is affected the business as,
(1) a threat (2) an opportunity (3) a strength (4) a weakness
03. What is the factor of production that "the cultivated lands" of this case belong to ?
(1) Land (2) labour (3) capital (4) entrepreneurship
04. Select the corrected statement on transportation medium of this case,
(1) suitable to transport a large quantity of goods in one instance.
(2) not higher cost of transportation.
(3) It is not suitable for transporting spoiled goods quickly.
(4) Having a higher accessibility
05. The department of social services,
(1) is a profit oriented public sector business organization.
(2) is funded by the annual budget of the governments
(3) should not be act in accordance with the provisions in government financial regulations and different circulars.
(4) is managed by a board of directors
06. Select the business organization which is not having a legal personality.
(1) Ceylon biscuits company (2) State pharmaceutical corporation
(3) Sri Lanka Railway Department (4) Dialog Asiatica company
07. It is required to submit an application to register the business name within how many days of commencing ?
(1) 7 days (2) 14 days (3) 15 days (4) 21 days

08. It is **not** an advantage for a savings account holder
- (1) receiving an interest income
 - (2) ability to withdraw money easily
 - (3) ability to receive credit cards
 - (4) receiving security for money.
09. Mr. Mihindu Ariyaratne sold his motor vehicle to Mr. Hemal Bandara and the motor vehicle was insured by Mr. Hemal Bandara in Sri Lanka Insurance corporation. Select the not related party for this insurance coverage.
- (1) Sri Lanka insurance corporation
 - (2) Hemal Bandara
 - (3) The Motor vehicle
 - (4) Mihindu Bandara
10. Select a crossing which is provided more security for a cheque.
- (1) Peoples Bank
 - (2) 
 - (3) 
 - (4) 
11. Mrs. Samantha Silva conducts a beauty saloon. Due to her business activities she can't pay her life insurance premium on time. Select the most suitable method to pay her insurance premium.
- (1) paying by using a debit card
 - (2) paying by a cheque
 - (3) paying on standing order
 - (4) giving cash to the insurance agent
12. The principal expects to get the support from all the teachers to buy prizes for the prize giving ceremony of the school. What is the most suitable communication medium to inform the teachers,
- (1) Notice board
 - (2) Telephone
 - (3) letter
 - (4) loud speaker
13. Select the initial factor to be considered, When selecting an appropriate transportation medium to transport garbage from Colombo to Aruwak Aru.
- (1) cost
 - (2) being common
 - (3) capacity
 - (4) speed
14. Select the statement which is **not related** to management function "Controlling"
- (1) motivating employees to do their duties
 - (2) finding out whether the products are produced with the expected quality.
 - (3) finding out whether the products have been sold as planned.
 - (4) planning necessary measures to avoid errors.
15. An activity belongs to marketing is,
- (1) Launching a training programme to the sales employees.
 - (2) Preparing a plan for the production and sale of the product.
 - (3) examining the quality of a good.
 - (4) Finding out consumer feed back regarding the good.
16. Ramal Siriwardana is expecting to invest Rs. 500 000 which was he saved. Following benefits are expected from this investment,
- 1 ability to earn an interest at a fixed rate
 - 2 ability to convert into cash at any time.
 - 3 A full guarantee from the government is given that the invested money will be paid back.
- What is the investment method which Ramal should be selected ?
- (1) investing in shares
 - (2) purchasing properties
 - (3) investing in treasury bills
 - (4) opening a fixed deposit

17. Following accounting equation can be seen in a business.

assets	=	equity	+	liabilities
Rs. 100 000	=	Rs. 75 000	+	Rs. 25 000

Select the corrected accounting equation after occurring the following transaction.

"Owner has taken Rs. 5000 from the business for his personal uses."

	assets (Rs.)	=	equity (Rs.)	+	liabilities (Rs.)
(1)	Rs. 105 000	=	Rs. 75 000	+	Rs. 30 000
(2)	Rs. 95 000	=	Rs. 70 000	+	Rs. 25 000
(3)	Rs. 100 000	=	Rs. 75 000	+	Rs. 25 000
(4)	Rs. 95 000	=	Rs. 75 000	+	Rs. 20 000

18. Select the transaction which **is not affected** to the equity.

- (1) Paid rates Rs. 400
- (2) Received additional income Rs. 500
- (3) Paid to creditors Rs. 5 000 from the owners private cash.
- (4) Paid accrued electricity charges Rs. 2 000

19. A cheque received from a debtor amounting Rs. 5 000 is deposited to the bank at the time of receipt. The source document is ...①... and the prime entry book is②.. for recording above transaction. Select the answer for above blanks ...①... & ...②... respectively.

- (1) receipt, cash book
- (2) receipt, bank account
- (3) cheque deposit form, cash book
- (4) cheque deposit form, bank account

20. "Purchased trade stock Rs. 20 000 on credit of Aravinda's business." Select the related double entry to record above transaction.

- (1) Trade stock acc. Dr. Rs. 20 000
Cash acc. Cr. 20 000
- (2) Trade stock acc. Dr. Rs. 20 000
Creditors acc. Cr. 20 000
- (3) Purchases acc. Dr. Rs. 20 000
Cash acc. Cr. 20 000
- (4) Purchases acc. Dr. Rs. 20 000
Creditors acc. Cr. 20 000

21. Following information is extracted from Harsha's business for the year ended 31.12.2018

- ♦ Capital Rs. 500 000
- ♦ Sales income Rs. 75 000
- ♦ commission income Rs. 50 000
- ♦ expenses for the year Rs. 50 000
- ♦ drawings Rs. 10 000

The equity of Harsha's business as at 31. 12. 2018 is,

- (1) Rs. 550 000
- (2) Rs. 565 000
- (3) Rs. 590 000
- (4) Rs. 625 000

22. Nimal's business purchased trade stock Rs. 25 000 from Kamal's business on credit after deducting 10% discount.

The corrected journal entry to record above transaction.

(1) Purchases acc.	Dr.	Rs. 25 000	
Kamal's acc.	Cr.		Rs. 25 000
(2) Kamal's acc.	Dr.	Rs. 25 000	
Purchases acc.	Cr.		Rs. 25 000
(3) Purchases acc.	Dr.	Rs. 22 500	
Kamal's acc.	Cr.		Rs. 22 500
(4) Purchases acc.	Dr.	Rs. 25 000	
Kamal's acc.	Cr.		Rs. 22 500
Discount acc.	Cr.		Rs. 2500

23. Following information is given for you.

A - Sold trade goods Rs. 5000 on cash

B - Purchased a machine Rs. 100 000 on credit from Ruwan for the use of the business.

C - Purchased trade goods Rs. 20 000 on credit

D - owner has taken cash Rs. 5000 from the business for his personal uses.

Select the transaction which is recorded in the general journal

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

24. Following two transactions were occurred in Amal's business.

Sales on cash Rs. 12 000

Paid salary Rs. 14 000

Select the source documents used to record above transactions in prime entry books respectively.

(1) sales invoice, purchase invoice

(2) receipt, purchases invoice

(3) receipt, payment voucher

(4) payment voucher, journal voucher

25. The petty cash imprest was Rs. 5 000 of a business. As at 31.03.2019, the petty cash balance was Rs. 800 and the reimbursed amount was Rs. 5 200 on that day.

What is the increased amount of the petty cash imprest since March ?

- (1) Rs. 800 (2) Rs. 1 000 (3) Rs. 2 000 (4) Rs. 5 000

- **Using following information answer question no. 26 & 27**

The balance of the bank account was Rs. 15 500 of a business as at 31.10.2019 and the balance of the bank statement was different on that day. Later following reasons were revealed.

A - bank charges Rs. 500

B - Direct remittances of investment income Rs. 5 000

C - Insurance premium paid on standing orders Rs. 2500

D - deposited but unrealized cheques Rs. 4 500

26. The transactions which are adjusted the bank balance are,

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

27. The balance of the bank statement as at 31.10.2019 is,

- (1) Rs. 13 000 (2) Rs. 17 500 (3) Rs. 20 500 (4) Rs. 22 000

Grade 11**Business & Accounting Studies - I - continuation**

• Using following information answer question no. 28 & 29.

Paid electricity bill Rs. 5 400 has been recorded in electricity bill account as Rs. 4500 of Keshala's business.

28. As above error,

- (1) It is not affected to the equality of the Trial Balance.
- (2) It is generated a credit balance of Rs. 900 of suspense account.
- (3) As the credit column of the Trial Balance is decreased by Rs. 900 and it should be transferred to the suspense acc.
- (4) The debit column of the Trial balance shows 900 less.

29. The corrected journal entry to rectify above error is,

- | | | | |
|----------------------|-----|-----------|-----------|
| (1) suspense acc. | Dr. | Rs. 900 | |
| electricity acc. | Cr. | | Rs. 900 |
| (2) electricity acc. | Dr. | Rs. 5 400 | |
| cash acc. | Cr. | | Rs. 5 400 |
| (3) electricity acc. | Dr. | Rs. 900 | |
| suspense acc. | Cr. | | Rs. 900 |
| (4) electricity acc. | Dr. | Rs. 1 800 | |
| suspense acc. | Cr. | | Rs. 1 800 |

30. Select the **incorrect** statement relates to not for profit organizations.

- (1) Receipt & Payment account is prepared on cash basis and income & expense account is prepared on accrued basis.
- (2) Receipt & Payment account shows the cash balance and income & expense account shows the profit or loss.
- (3) Receipt & Payment account is very similar to the cash book and the income & expense account is very similar to the profit or loss statement.
- (4) The difference of the income and expenses is affected to the accumulated fund.

31. Production employees salary of a bakery is related to,

- | | |
|------------------------------|-------------------|
| (1) production overhead cost | (2) indirect cost |
| (3) prime cost | (4) material cost |

32. Following information relates to a factory.

number of units produced	100	production overhead cost	Rs. 60 000
prime cost	Rs. 340 000	unit profit margin	10%

The unit selling price is,

- | | | | |
|-------------|------------|-------------|-------------|
| (1) Rs. 400 | (2) Rs. 40 | (3) Rs. 440 | (4) Rs. 100 |
|-------------|------------|-------------|-------------|

33. The institution which is established in order to monitor and regulate the Colombo Stock Exchange transactions,

- (1) The central bank of Sri Lanka.
- (2) The securities and Exchange commission of Sri Lanka.
- (3) The ministry of finance.
- (4) The institutions of brokers of Colombo stock exchange.

34. When shareholders of a company sells his shares at a higher price than the purchased price will earn,
- (1) Divided income (2) capital gain
(3) net profit (4) share capital
35. Monthly insurance premium of Kasun's business is Rs. 4000 and Rs. 40 000 has been paid during the year 2018. It should be recognized in financial statements prepared by Kasun as,
- (1) expenses Rs. 40 000 & liabilities Rs. 8 000
(2) expenses Rs. 48 000 & liabilities Rs. 40 000
(3) expenses Rs. 48000 & liabilities Rs. 8 000
(4) expenses Rs. 8 000 & liabilities Rs. 40 000

• Using following Trial balance of Haresha's business and answer questions No. 36-40.

Haresha's business

The Trial balance as at 31.12.2018

Purchases	150 000	
Opening stock	30 000	
sales		300 000
electricity expenses	15 000	
bank loan		150 000
investment interest		10 000
Bank loan interest	5 000	
debtors	40 000	
cash	20 000	
capital		300 000
long term investments	400 000	
furniture & Equipment	100 000	
	760 000	760 000

additional information

- 1 closing stock Rs. 30 000
2 accrued bank loan interest Rs. 4 000

36. Cost of sales for the year ended 31.12.2018 of this business is,
(1) Rs. 30 000 (2) Rs. 150 000 (3) Rs. 180 000 (4) Rs. 300 000
37. What is the net profit for the year ended 31.12.2018 of this business ?
(1) Rs. 24 000 (2) Rs. 136 000 (3) Rs. 150 000 (4)Rs. 160 000
38. The amount of current liabilities shown in the statement of financial position of this business at the end of the accounting year is,
(1) No any current liabilities (2) Rs. 154 000
(3) Rs. 150 000 (4) Rs. 4000
39. What is the amount of owner's equity of this business as at 31.12.2018?
(1) Rs. 180 000 (2) Rs. 300 000 (3) Rs. 436 000 (4) Rs. 590 000
40. Non current assets & current assets of this business as at 31.12.2018 are respectively shown as,
(1) Rs. 500 000 and Rs. 90 000 (2) Rs. 43 600 and Rs. 40 000
(3) Rs. 436 000 land Rs. 154 000 (4) Rs. 300 000 and Rs. 136 000



PROVINCIAL DEPARTMENT OF EDUCATION NORTH WESTERN PROVINCE

THIRD TERM TEST 2019

Grade 11 60-Business & Accounting Studies (new syllabus) - II

Name / Index No. :

- Answer 05 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 five questions selecting two questions from each of the part I & II.
- Write your answers in neat handwriting.

01. Answer the questions from (i) to (x), based on the situation, given below.

Jeewaka is a person who lives in a village near a forest. His father is an indigenous physician. Due to this Jeewaka had many experiences in this field from his small age. After doing his A/L's, he started experimenting regarding herbal plants and came up with a business which produces a special herbal drink under the brand name of "Jeewa Osu". This was known to be a relief for many diseases. He started his operation in 01.01.2019 by utilizing his savings amounting Rs. 200000 and a bank loan of Rs. 100 000.

The land and the building required for the production are obtained on rent. He spent Rs. 50 000 for the purchase of required machinery on 02.01.2019. He deposited Rs. 20 000 on 03.01.2019 and opened a current account in his bank. Two employees were recruited to assist with the production takes place in proper quality and always encourage them. He always finding out whether the products are in line with the quality.

The below transactions occurred for the month ended 31.01.2019

2019/01/05	Purchase of herbal plants	Rs.	20 000
2019/01/06	purchase of packages (bottles)	Rs.	11 000
2019/01/07	labelling charges	Rs.	1 500
2019/01/20	payment of salaries to production employees	Rs.	30 000
2019/01/22	Factory Rent & Rates (through a cheque)	Rs.	10 000
2019/01/23	Factory electricity expenses (through a cheque)	Rs.	2 000

Machinery and equipments are depreciated annually at a rate of 12% on cost. No any remaining stock.

The monthly production of Herbal drinks are 1000 bottles. The selling price is decided by adding a markup of 20% on production cost. Marketing is done through his facebook page and due to the higher number of sales orders received for the next month. Jeewaka has decided to purchase a distribution vehicle in installment basis.

- (a) What is the type of business that "Jeewa Osu" business belongs to according to objective and the ownership ?
- (b) What is the type of business according to the organizational method ?
- (ii) (a) Write a strength and an opportunity that can be seen in "Jeewa Osu" business.
- (b) State the communication medium and the communication method mentioned in this case.

(iii) Write the examples each for following factors of production from this case.

Factor of production	Examples
1 Planning
2 Organizing
3 Leading
4 Controlling

(iv) Write the examples each for following factors of production from this case.

factor of production	examples
A - land	
B - labour	
C - capital	
D - entrepreneurship	

(v) Write the accounting equation of this business as at 01.01.2019 with values.

(vi) Name 02 prime entry books should be maintained by this business and state related source documents for them.

(vii) Prepare the bank account of this business and balancing off it as at 31.01.2019.

(viii) (a) How much the depreciation of machinery for the month of January 2019?

(b) Write the journal entry to record above machinery depreciation for the month of January.

(ix) (a) Calculate the total production cost of a bottle of "Jeewa Osu pen"

(b) Calculate the selling price of a bottle of "Jeewa Osu pen"

(x) Calculate the net profit of this business.

Part I - Business Studies

● Answer 02 questions only.

02. (i) (a) Define a business. (01 m.)
 (b) Write 02 business objectives (02 m.)
- (ii) State whether the following statements are true or false.
 (a) In the past the barter system was used to fulfil human needs and wants. ()
 (b) The factory is related to the factor of production "Land" which is used to produce goods and services. ()
 (c) The purchaser who purchases goods for the purpose of resale or consume is known as a consumer. ()
 (d) The sole proprietorships are getting success because of the individual decisions are taken by the owner himself. ()
 (02 m.)
- (iii) Due to the popularity of the "Hela Bojun Hala" concept in our country these days, a higher demand for instant food can be seen among consumers. This concept was introduced by the department of Agriculture.
 (a) State a benefit achieved by the department of Agriculture by launching this "Hela Bojun Hala" concept. (01 m.)
 (b) Name 02 parties that are affected by the above concept. (01 m.)
- (iv) Susila Semasinghe conducts a business which organizes tours. Now he wants to expand his business and introduce it to the foreigners.

- (a) Write 02 examples for communication mediums can be used to contact foreigners. (01 m.)
- (b) State a factor of production of "Susila's business and give an example for that. (01 m.)
03. (i) (a) What is a business organization ?
- (b) Write 02 factors that should be considered when selecting an appropriate type of business organization. (02 m.)
- (ii) State whether the following statements are true or false.
- (a) A portion of the profits earned by a state corporation will be credited to the consolidated fund of the government. ()
- (b) "Amount of capital invested in a business" is a criteria for recognizing a business as small and middle scale business according to the census & statistics department. ()
- (c) Cooperative societies are considered as profit oriented private sector business. ()
- (d) "Unit selling price is relatively low" is one of a characteristic of wholesale trade. ()
- (02 m.)
- (iii) Anton Silva who engages in the textile industry buys raw materials from one country and sells finished goods to another country.
- Name the two types of trades that can be seen in this context and provide examples for each. (02 m.)
- (iv) (a) What is the most suitable type of account that a businessman can start in order to run his business ?
- (b) Write down a specific of that account. (02 m.)
04. (i) (a) What is endorsing a cheque ? (01 m.)
- (b) Whenever such endorsing is required? (02 m.)
- (ii) State whether the following statements are true or false.
- (a) To the legal owner of a building has an insurable interest about that building. ()
- (b) When properties and lives are insured, the risk of those will disappear. ()
- (c) In the process of communication, reaction and feedback perform the same task. ()
- (d) It has an analogous relationship between transportation cost and the price of good. ()
- (02 m.)
- (iii) (a) Propose a suitable product to start up a business, aimed at school children. (01 m.)
- (b) How can you use the promotional mix for that product ? (01 m.)
- (iv) Write down 02 benefits achieved on an investor who are invested in Colombo stock exchange. (02 m.)

Part II - Accounting

● **Answer 02 questions only.**

05. (i) (a) Write the double entry principle for Income accounts.
- (b) Write 02 characteristics can be seen in assets. (02 m.)
- (ii) Following transactions relate to Narada's business for the month of January 2019
- (1) Obtained a bank loan Rs. 100 000
 - (2) Paid employees salary Rs. 5 000
 - (3) Owner has taken goods Rs. 4 000 from the business for his personal uses.
 - (4) Paid to creditors Rs. 6 000
 - (5) Rs. 2 000 worth debtor has been written off as bad debts.

required,

State the impact of above transactions to the accounting equation.

Transaction no.	Assets	=	liabilities	+	owner's equity
01	Cash + 100 000		Bank loan + 100 000		
02					
03					
04					
05					

(02 m.)

(iii) Following details of credit purchases are related to Akalanka's business for the month of May 2019.

Date	invoice No	Supplier	list price	Trade discount
05.08	126	Ranga	35 000	10%
05.12	334	Suranga	40 000	5%
05.20	163	Eranga	6 750	-

required,

(a) Prepare the purchases journal for the month of May.

(b) Prepare the relevant ledger accounts.

(04 m.)

(iv) Following is the petty cash book of Namal's business for the month of Nov. 2019.

Petty cash book

Receipt	L.F	Date	Description	V.N.	Payment Rs.	Analysis column			Lager Acc.	Lager P.
						Transport	Refreshments	Stationary		
400		11/01	B/b/f							
?		11/01	cash							
		11/05	refreshment expenses	1	200		200			
		11/07	three wheeler charges	2	250	250				
		11/08	stationary	3	120			120		
		11/10	creditor - Amal	4	400				400	
		11/12	Travelling expenses	5	150	150				
		11/15	refreshments	6	100		100			
		11/18	bought pens	7	60			60		
		11/21	travelling	8	110	110				
		11/26	stationary	9	130			130		
					1520	510	300	310	400	
		11/30	b/c/f		480					
2000					2000					
480		12/01	b/b/f							

(04)

required :

- (a) The amount of petty cash imprest of this business (01 m.)
- (b) The amount of reimbursed as at 01.12.2019
- (c) Posting the relevant petty cash payments to the ledger accounts. (01 m.)

06. (i) (a) What is bank overdraft ?
- (b) Name the elements of production cost. (02 m.)
- (ii) Following information relates to a flower vase manufacturing business for the month of May 2019.

♦ Production overhead cost	Rs. 30 000
♦ Total production cost	Rs. 90 000
♦ direct labour cost	Rs. 15 000
♦ direct other cost	Rs. 5 000
♦ cost of a flower vase	Rs. 60

required :

- (a) The amount of flower vases produced for the month of May.
 - (b) Direct material cost for the month of May. (02 m.)
- (iii) The Trial balance prepared by Perera's business as at 31.12.2018 was not tally. The difference recorded in a suspense account and later revealed following errors.
- ♦ A purchase invoice Rs. 21 000 has been completely omitted from books
 - ♦ electricity bill paid Rs. 2500 has not been recorded in electricity bill account.
 - ♦ Discount received Rs. 500 has been debited to the discount allowed account.

required

- (a) Journal entries for rectifying above errors
 - (b) The suspense account (04 m.)
- (iv) The balance of the bank account of Viranga's business was Rs. 42 000 for the month of November 2019. On that day the balance of the bank statement was not equal for the balance of the bank account. Following reasons were affected for the difference.
- ♦ Bank charges Rs. 2500
 - ♦ Deposited but unrealized cheques Rs. 12 000
 - ♦ Debtors direct remittances Rs. 6 000
 - ♦ Issued but unpresented cheques Rs. 9 000

Required:

- (a) Adjusted bank account as at 30.11.2019
- (b) The bank reconciliation statement as at 30.11.2019 (04 m.)

07. (i) (a) Name 02 financial statements which are prepared by the businesses. (01 m.)
 (b) Paid Rs. 10 000 as Insurance charges of Damith's business during the year 2018 and further Rs. 3 000 should be paid.

Write the Journal entry to record accrued insurance charges. (01 m.)

- (ii) 100 members are in "Minimuthu sports club" and the monthly membership fee is Rs. 50. 90 members have paid their membership fee during the year 2018.
 (a) What is the amount of membership fee received in cash during the year?
 (b) What is the amount of membership fee recognized in the income statement during the year 2018? (02 m.)

- (iii) Following Trial balance prepared by Rasoda's business as at 31.12.2018

Trial Balance

	Dr.	Cr.
sales		450 000
debtors	40 000	
creditors		30 000
purchases	80 000	
carriage inwards	5 000	
stock (as at 01.01.2018)	25 000	
bad debts	3 000	
electricity	4 000	
employees salary	15 000	
10% bank loan		100 000
bank loan interest	7 000	
discount allowed	3 000	
land	300 000	
motor vehicle	200 000	
motor vehicle - provision for depreciation 01.01.2018		80 000
cash balance	50 000	
capital		72 000
	732 000	732 000

Additional information

- The stock as at 31.12.2018 is Rs. 20 000
- Accrued electricity expenses Rs. 1000 and accrued employees salary Rs. 5 000
- Buildings are depreciated 10% annually on cost.
required

- (a) The profit or loss statement for the year ended 31.12.2018 (04 m.)
 (b) The statement of financial position as at 31.12.2018 (04 m.)

Grade 10**Business & Accounting Studies****Answer sheet - Part I**

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

(40 marks)

Part II

01. (i) (a) according to objective - profit oriented business
according to ownership - private sector business (½ x2 = 01 m.)
- (b) sole proprietorship (01 m.)
- (ii) (a) ● strength -
owner's experience (Jeewaka)
having an adequate capital
having a good brand name.
owner's father was an indigenous physician. (½ m.)
- Opportunity
Jeewaka lives in a village near a forest. (½ m.)
- (b) communication medium - electronic
communication method - face book (½ x2 = 01 m.)
- (iii) 1 planning - Jeewaka has decided to purchase a lorry.
2 Organizing - recruiting 02 employees.
3 Leading - always encourage the employees.
4 controlling - finding out whether the production takes place in proper quality. (½ x4 = 02 m.)

(iv)

Factors of production	example
A - Land	natural forests / land
B - Labour	employees mental & physical labour
C - capital	cash, building, machinery
D - entrepreneurship	Jeewaka

(½ x4 = 02 m.)

(v)

Assets	=	Equity	+	Liabilities
cash		capital		bank loan
+ 300 000		+ 200 000		+ 100 000
(02 m.)				
or				
Assets	=	Equity		Liabilities
cash		capital		bank loan
+ 200 000		+ 200 000		+ 100 000
cash				(01 m.)
+ 100 000				

- (vi) cash book - voucher / receipt
bank account - counterfoil / cash deposit form / cheque deposit form / payment voucher / dishonoured cheque notification
General journal - journal voucher (01)

(vii)

bank account

Date	description	L. P.	amount	Date	description	L. P.	amount	
01/02	cash (½)		20 000	1/22	rent		10 000	(½)
				1/23	electricity		2 000	(½)
				1/31	b/c/f		8 000	
			20 000				20 000	
2/1	b/b/f		8 000	(½)				(02 m.)

(viii) (a) $50\,000 \times \frac{12}{100} \times \frac{1}{12}$

Rs. 500

(01 m.)

(b) Machinery depreciation Acc. Dr Rs. 500
 provision for machinery dep. acc cr. Rs. 500

(ix) (a)	herbal	20 000	
	salary	30 000	
	packing	11 000	
	rent	10 000	
	electricity	2 000	
	label	1 500	
	Depreciation	500	
	Total production cost	<u>75 000</u>	(½ m.)

Rs. 75 000

(b) Rs. $\frac{75\,000}{1000}$

unit cost = Rs. Rs. 75

$$75 \times \frac{20}{100}$$

profit = Rs. 15

selling price = Rs. 75 + 15

= Rs. 90

(x)	Sales income 90 x 1000	90 000
	Total expense Rs.	<u>75 000</u>
		<u>Rs. 15 000</u>

(02 m.)

Part I - Business Studies

02. (i) (a) A business is an economic activity which manufactures or provides different goods and services in order to fulfil human needs. (01 m.)
- (b) Profit / social welfare.
fulfil customer needs & wants
generating job employees
contributing to the national productivity (02 m.)
- (ii) (a) ✓ (b) x (c) ✓ (d) x (02 m.)
- (iii) (a) 1 creating a market for domestic rice and rice related products
2 increasing the health
3 improving the health of the people
4 empowering the rural economy.
5 generating job opportunity. (01 m.)
- (b) 1 What flour importers
2 wheat flour related bakers
3 instant food traders
4 rice and other grain suppliers
5 financial institutions
6 community (01 m.)
- (iv) (a) 1. creating web sites
2. e-mail
3. Video chatting (IMO, whats app, viber etc.)
4. Telephone
5. Social network (face book) (01 m.)
- (b) Labour - driver, tourist guides, chefs
Capital - Motor vehicles, Hotels, Money (01 m.)
03. (i) (a) An individual or a group of individuals working together to produce goods and services required to fulfill human needs and wants.
(b) 1 objective 2 scale 3 who will perform management activities (02 m.)
- (ii) (a) ✓ (b) x (c) x (d) ✓
- (iii) import trade - cloths, thread, buttons, machines
export trade - garments
- (iv) (a) current account
(b) for relevant answer (02 m.)
04. (i) (a) Writing the name of payee, as mentioned on the face of the cheque at the back of it by the handwriting of the payee himself. (01 m.)
- (b) when transferring the cheque.
when depositing the cheque into a bank account. (02 m.)
- (ii) (a) ✓ (b) x (c) x (d) ✓ (02 m.)
- (iii) (a) give 01 mark for a suitable answer (01 m.)
(b) notices, free sample, sponsorships etc...

- (iv) For an investor - dividends
 capital gains
 present as a collateral
 appoint as directors
 for a listed company can collect the capital
 to grow their image (02 m.)

Part II - Accounting

05. (i) (a) income - increases - credit
 decrease - debit (01 m.)
 (b) arose as a result of a past transaction
 future economic benefits will flow into the business
 controlled by the business

(ii)

	Assets	=	Liabilities	+	Equity
01	cash + 100 000		Bank loan + 100 000		
02	cash - 5 000				Salary - 5000 (½ m.)
03	stock - 4 000				Drawings - 4 000 (½ m.)
04	cash - 6 000		Creditors - 6 000		(½ m.)
05	cash - 2 000				bad debts - 2 000 (½ m.)

(½x4=02)

Purchases journal

Date	Invoice No.	Supplier	amount	l.p
05/08	126	Ranga (½ m.)	31 500	
05/12	334	Suranga (½ m.)	38 000	
05/20	163	Eranga (½ m.)	6 750	
05/31		debited to purchase acc.	76 250	

(02 m.)

Purchases acc

Date	Description	L.P	Amount	Date	Description	L.P	Amount
5/31	Creditors acc.		76 250				

(½)

Ranga's acc.

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
				5/8	Purchases acc.		31 500	(½)

Suranga's acc

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
				5/12	Purchases acc.		38 000	(½)

Eranga's acc

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
				5/20	Purchases acc.		6 750	(½)

(iv) (a) Rs. 2 000 (01 m.)

(b) Rs. 1 520 (01 m.)

Travelling Expenses acc.

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
11/30	Petty cash		510					(½)

Stationary ex. acc.

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
11/30	Petty cash		310					(½)

Refreshment acc.

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
11/30	Petty cash		300					(½)

Creditors - Amal's acc.

Date	Description	L.P	Amount	Date	Description	L.P	Amount	
11/30	Petty cash		400					(½)

(½ x 4 = 02 m.)

06. (i) (a) The situation where banks allow their customers to issue cheques for more than the existing balance in their current accounts.

or

When cheques are issued in excess of the existing bank balance and when the bank makes payment on them, the current account holder becomes a debtor to the bank and that debit balance is known as a bank overdraft. (01 m.)

- (b) ♦ prime cost
♦ production overhead cost (01 m.)

- (ii) (a) flower vases - 1500 (01 m.)

(b)	Direct material cost	40 000	direct material cost	<u>Rs. 40 000</u>	
	Direct labour cost	15 000			
	Direct other cost	5 000			
	Prime cost	60 000			
	Production over head cost	30 000			
	Total production cost	90 000			(02 m.)

- (iii) General Journal

Date	Description	L. P	Dr	Cr	
	Purchases acc. Creditors acc (Correction of error of omission of the purchases invoice Rs. 21000)		21 000	21 000	(01 m.)
	Electricity expenses acc. Suspense acc. (Correction of the omission of the electricity charges of Rs. 2500 in the electricity charges account)		2 500	2 500	(01 m.)
	Suspense acc. Discount received acc. discount allowed acc. (Correction of the error of the discount received has been recorded in discount allowed account)		1 000	500 500	(01 m.)

Suspense acc.			
Difference	1500	electricity ex.	2500
Discount Received	500		
Dis. allowed	500		
	<u>2500</u>		<u>2500</u>

(iv) (a)

Adjusted bank account			
b/b/f	42000	bank charges	2500 (½)
debtors	(½) 6000	b/c/f	45500 (½)
	<u>48000</u>		<u>48000</u>
			(1½ m.)

Bank reconciliation statement

(b)	Adjusted bank balance	(½)		45500
	(+)			
	unpresented cheque	(½)	9000	9000
				54500
	(-)			
	unrealized cheque	(½)		(12000)
	balance of the bank statement	(½)		42500 (½)
				<u>42500</u>
				(2½ m.)

07. (i) (a) The profit or loss statement

The statement of financial position

(01 m.)

(b) Insurance charges acc Dr 3 000

Accrued insurance charges acc Cr. 3000

(01 m.)

(ii) (a) Rs. 54 000

(b) Rs. 60 000

(02 m.)

(iii) (a)

Business of Rasoda (½)

Profit or loss statement for the year ended 31.12.2018

Saes			450 000	
(-) cost of sales				
opening stock		25 000		
(+) purchases		80 000		
carriage inwards		5 000		
		110 000		
(-) closing stock		(20 000)	(90 000)	(1)
Gross profit			360 000	(½)
<u>Distribution expenses</u>				
Motor vehicle expenses	20 000			
bad debts	3 000			
discount allowed	3 000	26 000		
		(½)		

<u>Administration expenses</u>				
electricity expenses	5 000			
salary expenses	20 000	25 000		
		(½)		
<u>Financial expenses</u>				
loan interest	10 000	10 000	(61 000)	(½)
Net profit transferred to the capital acc.			299 000	(½)

(04 m.)

(b) Business of Rasoda
the statement of financial position as at 31.12.2018

	cost	acc. dep.	carrying amo.	
<u>Non current assets</u>				
Land	300 000	—	300 000	
motor vehicle	200 000	100 000	200 000	
	500 000	100 000	400 000	(½)
<u>current assets</u>				
stock		20 000		
debtors		40 000		
cash		50 000	110 000	(½)
			510 000	
<u>equity & liabilities</u>				
capital		72 000	(½)	
(+) net profit		299 000	371 000	
<u>non current liabilities</u>				
Bank loan		100 000	100 000	
<u>current liabilities</u>				
Accrued loan interest		3 000	(½)	
accrued electricity		1 000		
accrued salary		5 000		
creditors		30 000	39 000	(½)
			510 000	

(04 m.)

