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පළමු වාර පරීක්ෂණය - 11 ශ්‍රේණිය - 2018

First Term Test - Grade 11 - 2018

Index No: Business & Accounting Studies I & II
Time: 03 Hours
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 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 and answer question No 01 -04**

Sandamini commences an ornamental manufacturing business by using coconut shells named "Nature Products " with the assistance of her husband and they buy coconut shells from their living area.

- 01) What is the basic human need which is fulfilled by "Nature Products " business?
 1.Education 2.Entertainment 3.Food 4.Clothes
- 2) What is the type of business organization that "Nature Products " related?
 1.Partnership 2.Sole Proprietorship 3.Incorporated Companies 4.Other Associations
- 3) What is the factor of production which relates coconut shells used to produce ornamentals?
 1.Land 2.Labour 3.Capital 4.Entrepreneurship
- 4) The corrected statement relates to "nature products" business is,
 1. The business is having a legal personality.
 2. Sandamini's liability is being limited for the business.
 3. It is mandatory to register the name of this business.
 4. Sandamini can't take independent decisions about the business.
- 5) expect to take and implement decisions and, expect the Job security.
 1. competitors, employees. 2. owners, employees.
 3. managers, employees. 4. employees, managers.
- 6) Following incidents occurred in a business environment.
 A - enhancing the road facilities.
 B - Increasing the loan interest rates.
 C - Introducing fiscal policies

The political environmental factors are,

1. A & B 2. B & C 3. A & C 4. A, B & C
- 7) It is not considered as a fixed small scale retail shop.
 1. A grocery. 2. Saloons. 3. Super markets. 4. Beauty saloons.
- 8) Grain flour producer Sameera Bandara maintains his current account in people's bank Kurunegala branch. He purchased a machine Rs. 250 000 from Prabhath Dissanayake on 16.01.2018 and paid the amount by a cheque. Who is the drawee of this case?
 1. Prabhath Dissanayake 2. People's bank - Kurunagala branch
 3. Sameera Bandara 4. none of the above.

9) Following are some types of electronic cash.

A - Cey bank Visa

B - Cat Super

C - Peoples Visa

It is considered as credit cards,

1. A, B

2. B, C

3. A, C

4. A, B, C

10) Sampath insured his motor vehicle worth Rs. 1000 000 on the same value. The Motor Vehicle met with an accident and got damaged with value of Rs. 200 000. Sampath has been received Rs. 200 000 from the insurance company as compensation. What is the related insurance principle for that?

1. utmost good faith

2. insurable interest

3. nearest reason

4. indemnity

11) Following are some communication mediums

A – Telephone

B – SMS

C – E- mail

D – Skype

Out of above mediums select the electronic oral communication mediums,

1. A & B

2. A & D

3. B & C

4. B & D

12) The load of goods that can be carried by a^① of transportation in one instance is called as^②.
Select the correct answer for above blanks **1&2**.

1. Medium , Capacity

2. Terminal, Being Common

3. Way, Capacity

4. Power , Cost

13) Select the activity which relates to the management function leading.

1. The process of finding out whether the business activities are implemented as planned.

2. The process of directing human resources appropriately.

3. The process of distributing required resources, job roles and tasks in order to achieve the objectives.

4. The process of determining the objectives of a business and determining to achieve these objectives.

14) A – Quality

C – Distribution

E – Ware House

G – Advertising

B – Discounts

D – Allowances

F – transportation

H – Payment Methods

Select the items relate to variable price in marketing mix from above mentioned items.

1. A B C

2. D E F

3. B D H

4. F G H

15) It is not an activity for marketing.

1. Producing goods & services that can better satisfy human need or a want.

2. Marking a reasonable price

3. Distributing goods & services to the consumers

4. Attracting consumers by using different advertising strategies.

16)^① means using resources to achieve the expected objectives and^② means using resources to obtain the maximum output from minimum resources.

Select the correct answer for above blanks **1 & 2**.

1. Efficiency , Effectiveness

2. Productivity , Efficiency

3. Efficiency , Productivity

4. Effectiveness , Efficiency

17) " Owner has taken goods worth Rs. 25,000 for his personal uses "

Select the correct answer which indicates above transaction in accounting equation.

Assets (Rs)	=	Owner's Equity (Rs)	+	Liability (Rs)	
1. +25 000	=	+ 25 000		-	-
2. -25 000	=	- 25 000		-	
3. -25 000	=	-		- 25 000	
4. -	=	- 25 000		- 25 000	

- 18) Select the transaction which decreases a liability of a business.
 1. Paid salary Rs. 25000
 2. Credit purchases from Ruwan Rs. 15000
 3. Paid to creditors Rs. 2000
 4. Received rent income Rs. 6000

19) State the type of accounts for "discount received account and debtors account" respectively.
 1. Equity & Liabilities
 2. Equity & Assets
 3. Income & Liabilities
 4. Income & Assets

20) Select the relevant account for decreases debit and increases credit,
 1. Capital account
 2. Debtors account
 3. Salary account
 4. Cash account

21) Study following statements.
 A – Controlled by the business
 B – Arose as a result of a past transaction
 C – Having a present obligation
 D – Outflow part of economic resources when settlement is made.
 The characteristics of an asset are,
 1. A & B only
 2. A & C Only
 3. A, B & C only
 4. A, B & D only

22) Following information relates to Radhika's business for the year ends 31.12.2017.
 Owner's equity as at 01.01.2017 - 351,000.00
 owner's equity as at 31.12.2017 - 460,000.00
 Income for the year - 240,000.00
 Expense for the year - 165,000.00

What is the amount of additional capital invested by Radhika during the year?
 1. Rs. 34,000
 2. Rs. 75,000
 3. Rs. 109,000
 4. Rs. 184,000

* **Using following information answer question No 23 & 24.**
 Suranga a debtor the balance is bearing Rs. 12000, of Ranga's business. When settling this debt amount Ranga allowed 5% cash discount to Suranga.

23) What is the amount that Suranga had to pay ?
 1. Rs. 13,200
 2. Rs. 126,00
 3. Rs. 11,400
 4. Rs. 10,800

24) What is the correct journal entry to record above transaction in Ranga's business
 1. Cash account Dr – Rs. 12000
 Debtors account Cr – Rs. 12000
 2. Cash account Dr – Rs. 11400
 Discount allowed account Dr – Rs. 600
 Debtors Account Cr – Rs. 12000
 3. Cash account Dr – Rs. 11400
 Discount received Account Dr – Rs. 600
 Debtors Account Cr – Rs. 12000
 4. Cash account Dr – Rs. 11400
 Discount received Account Dr – Rs. 600
 Creditors Account Cr – Rs. 12000

25) The relevant source document for recording cash receipts in cash book is,
 1. Invoice
 2. Debit note
 3. Receipt
 4. Voucher

26) The source document is for issuing a cheque Rs. 12000 to a creditor of a business and the prime entry book is The correct answer for the blanks **1&2**.
 1. Receipts – bank account
 2. Cheque counterfoil – cash book
 3. Paying voucher – cash book
 4. Paying voucher – bank account

* **Using following information answer question No.27 & 28.**
 The balance of the bank account of a business was Rs. 680,000 as at 31.12.2017 and the balance of bank statement was not agreed to it.
 Following reasons were caused to the difference.
 A – Insurance premium paid by the bank on standing order Rs. 10,000
 B – Deposited but unrealized cheque was Rs. 40,000
 C – Bank charges Rs. 2000

27) The reason / reasons for the bank account exceeds the balance of the bank statement is/are
 1. A only
 2. B only
 3. A & B only
 4. B & C only

28) The adjusted bank balance as at 31.12.2017 is ,
 1. Rs. 668,000
 2. Rs. 670,000
 3. Rs. 692,000
 4. Rs. 708,000

- 29) Following is a journal entry which records a transaction.
Debtors account debit Rs. 8000
Bank account credit Rs. 8000
- The transaction should be occurred,
1. Deposited a cheque Rs.8000 which is received from debtors.
2. Received Rs. 8000 from a debtor
3. Credit sales Rs. 8000
4. Dishonoured a cheque Rs. 8000, which is received from a debtor.
- 30) The total of the petty cash expenses was Rs. 1750 of Mahela's business for the month of Dec. 2017, and the cash in hand as at 31 Dec. was Rs. 250
The petty cash imprest of the business is,
1. Rs. 250 2. Rs. 1500 3. Rs. 1750 4. Rs.2000
- 31) Following sales condition is extracted from an invoice.
5/45/net 90
According to the above condition, the debt should be settled for receiving discount is,
1. After 5 days from the date of receiving debt. 2. Within 45 days from the date of receiving debt.
3. After 45 days from the date of receiving debt. 4. Within 90 days from the date of receiving debt.
- 32) After preparing the sales journal , the balance of it should be,
1. Debited to sales account 2. Debited to debtors account
3. Credited to sales account 4. Credited to debtors account
- 33) Select the group of transactions that records only in the general journal.
1. Cash receipts, credit sales of trade goods, credit purchases of motor vehicles.
2. Credit sales of motor vehicles , error correction entries , credit purchases of machinery
3. Receipts from debtors, cash payings for expenses, purchases trade goods on cash.
4. Motor vehicle sales on cash, cash payings for expenses, credit sales of trade goods.
- 34) Select the group of accounts which records only in the debit column in the trial balance.
1. Machinery Acc., capital Acc., debtors Acc., cash Acc.
2. Machinery Acc., bank Acc., debtors Acc., purchases Acc.
3. Machinery Acc., drawings Acc., sales Acc., Income Acc.
4. Machinery Acc., debtors Acc., creditors Acc., purchases Acc.
- 35) Select the corrected journal entry to rectify the error of " paying Rs. 7000 as electricity expenses has been recorded in electricity bill account as Rs. 700.
1. Electricity bill Acc. Dr Rs. 6300 , suspense Acc.Cr. Rs. 6300
2. Electricity bill Acc. Dr Rs. 700 , suspense Acc.Cr. Rs. 700
3. Suspense Acc. Dr Rs. 6300 , Electricity bill Acc Cr 6300
4. Electricity bill Acc. Dr Rs. 6300 , cash book Cr. Rs 6300
- 36) "The balance of interest income account Rs.1700 has been recorded in the debit column of the Trial balance" because of the above error , the suspense account will be generated ,
1. A credit balance of Rs. 1700 2. A debit balance of Rs. 1700
3. A credit balance of Rs. 3400 4. A debit balance of Rs. 3400
- 37) Following journal entry has been extracted from the general jornal of Amila's business.
Telephone expenses Acc Dr. Rs. 1000
Suspense Acc Cr. Rs. 1000
The error would be occurred,
1. Paying telephone bill Rs. 1000 has been completely omitted from books.
2. Paying telephone bill Rs. 1000 has not been recorded in telephone charges account.
3. Paying telephone charges Rs. 1000 has been debited in telephone charges acc.
4. The balance of the telephone charges account Rs. 1000 has not been posted to the Trial balance.
- 38) A disadvantage of mobile banking is,
1. Easy to conduct transactions 2. Financial transactions can be fulfilled quickly
3. Technical faults would be occur. 4. Save time and effort.
- 39) Select the objective of preparing the profit or loss statements for the year ending by a business.
1. To know the financial position of a business 2. To know the operational results of a business.
3. To know the gross profit 4. To know the income and expenses for the year.
- 40) " Lanka " business purchased 50 T- shirts from Amal's business for Rs. 300 each. when purchasing T- shirts 10% discount was deducted. How this transaction will be influenced to the Lanka business,
1. Increases discount allowed Rs. 3000 2. Occures a debtors balance Rs. 30000
3. Occures a creditors balance Rs. 27000 4. Occures a creditors balance Rs. 30000

First Term Test - Grade 11 - 2018

Note:-

- 1) Answer the questions No i to x using following case.
- Dineth Perera successfully followed a video & photography course after G.C.E. (A/L). His sister Nethmini Perera has followed a beauty culture course and both of them agreed to start a business named "Dineth Wedding" by taking instructions from an instructing firm. They are specially fulfilled supplying wedding clothes & jewelleries, bridal dressing, flower arrangements, wedding cars, wedding video & photographs from their business by recruiting skilled employees in all aspects. They invested Rs. 400,000 and a building worth Rs. 700,000 which is situated near the bus station in town on 01.01.2018.
- They obtained a bank loan Rs. 500,000 on the same day.
- On 02.01.2018, Following transactions were occurred.
- | | Rs. |
|---|---------|
| Bought flowers for the requirements of arrangements | 75,000 |
| Purchased wedding clothes | 250,000 |
| Purchased beauty culture equipments and materials | 150,000 |
| Purchased cameras and video equipments | 400,000 |
- If it is commenced another beauty culture business in this town, they have successfully covered 03 wedding functions during the month of January.
- Following transactions occurred during the month of January.
- | | Rs. |
|--|-----------|
| Paid relevant expenses for wedding functions | 500,000 |
| Income received | 1,000,000 |
| Paid to technicians | 200,000 |
| Paid electricity bill | 20,000 |
- They have decided to convert this business as an incorporated company in the near future.
- Name the product of " Dineth Wedding " according to the nature of the business.
 - Name the type of the business organization relates this business.
 - Nethmini tells that " Dineth Wedding " business should be registered.
 - Do you agree for the above statement ?
 - Give reasons for your answer.
 - Name 02 stake holders for this business.
 - Name an internal environmental factor and an external environmental factor which relate to " Dineth Wedding " business.
 - Write an example each for the management functions planning and organizing relate this business,
 - Write an advantage and a disadvantage by converting this business into incorporated company.
 - Write the accounting equation of this business as at 01.01.2018.
 - Write 02 prime entry books and relevant source documents which used to record the transaction of this business
 - Write the journal entry to record the transaction 'paid electricity bill' with values.
 - Calculate the cash in hand as at 31.01.2018.
 - Write a non-currant asset and a non-currant liability of this business.
 - Calculate the equity as at 31.01.2018 of this business.

Part I – Business Studies

- Answer 02 questions only.

2.
 - i.
 - a) what is a consumer need?
 - b) write 02 differences between human needs & wants.
 - ii. State whether the following statements true or false.
 - a) Goods exchanging system is called as Bartar system (.....)
 - b) Retail businesses are provided services (.....)
 - c) Buildings are related to factor of production ' Land' (.....)
 - d) The decisions of the owners about the business are implemented by the managers (.....)
 - iii. Nirmal creates wood carvings using the roots of trees and the parts of trees by finding out from his living area and sells them to tourists.
 - a). write 02 production factors of this case.
 - b). write an example each for the above mentioned iii (a) factors of production.
 - iv. Sapumalee is living near Anuradhapura sacred place sells flowers which are picked from lakes nearby to the pilgrims with the assistance of her brother.
 - a) state a stakeholder mentioned above case and write a reason that stakeholder intends to achieve from the business.
 - b) write 02 opportunities which is having to conduct ' Sapumalee's business.
3.
 - i.
 - a) what is a business organization ?
 - b) write 02 quantitative criteria used to classify business organizations according to the scale.
 - ii. State whether the following statements are true or false.
 - a) Cooperative societies are public sector business organizations (.....)
 - b) The legal provisions are in greater level of incorporated company (.....)
 - c) Coconut development authority is an incorporated company (.....)
 - d) It is having a continued existence of a partnership (.....)
 - iii. Following businesses commence in Gemunupura area.
 - Pubudu Company Limited
 - Rusiru Stores
 - Rantharu Sports Club
 - Gemunupura Cooperative Society Limited
 - a) write 02 profit motive businesses from above mentioned businesses.
 - b) write 02 characteristics which can be seen in Pubudu Company limited.
 - iv. Amal & kamal are chartered accountants. Both of them are commenced an audit firm.
 - a) what is type of business organization that Amal and Kamal are conducting?
 - b) write 02 disadvantages which can be seen in this type of business organization.
4.
 - i.
 - a). identify the electronic cash.
 - b). write 02 advantages which is maintaining a current account.
 - ii. State whether the following statements are true or false.
 - (a) It is not having close proximity to consumers in retail trade (.....)
 - (b) Crossed cheque should be deposited to a bank account in order to obtain money. (.....)
 - (c) The principle of indemnity applies to the life insurance. (.....)
 - (d) Any certain place in which buyers and sellers meet is considered as a market. (.....)
 - iii.
 - a). Dimuthu received a life insurance Rs. 600,000 from Sri Lanka insurance. As his sudden death the amount of compensation has been paid to his wife Nipuni.
 - a). Name the insurer and the insureree of this case.
 - b). " it is decided to introduce a new solar power system to generate power for motor vehicles." Name the element of transportation which directly relates to above mentioned statement.
 - iv. Jeevaka who is conducting a bag producing business decided to produce a high quality school bag. For that purpose he purchased machinery with modern technology. His production manager always gives

required instructions to the quality controller and he examined the quality of product in every step of the regarding production process.

- State 04 management functions and give an example for each function from the above case. Write the answer by using following table.

Management function	Example in the case

Part II

- Answer only 02 questions.

5. I. a). what is the objective of accounting?
b). write 02 characteristics of a liability.
- ii. Following transactions accrued in Avishka's business for the month of January 2017.
1. Invested Rs. 500, 000 as capital
 2. Obtained a bank loan Rs. 125,000
 3. Sold goods on credit Rs. 15,000 which were purchased at Rs. 10,000
 4. Paid electricity bill Rs. 6000
 5. Paid Rs. 20,000 bank loan installment including Rs. 2000 as the interest

Required.

- a). Indicate above transactions within following table.

Transaction No	Assets =	Equity	+ Liabilities
1	+ 500,000	+ 500,000	
2			
3			
4			
5			

- b). Calculate the equity of the business by ending above transactions.
- iii. Write the relevant Journal entries for following transactions.
- a). opened a fixed deposit Rs. 10,000
 - b). paid Rs. 4000 from business for the electricity bill of owners house.
- iv. Following transactions occurred in Dinuka's business for the month of January 2017.
- | | |
|------------|---------------------------------------|
| 2017.01.01 | the cash balance Rs. 65000 |
| 2017.01.02 | sales on cash Rs.12000 |
| 2017.01.05 | paid to creditor Anura Rs. 8000 |
| 2017.01.07 | cash deposited in the bank Rs. 10000 |
| 2017.01.19 | paid the electricity bill Rs. 2000 |
| 2017.01.20 | obtained a bank loan Rs. 40000 |
| 2017.01.22 | received from debtors Rs. 15000 |
| 2017.01.28 | invested in a fixed deposit Rs. 25000 |

Required

- Prepare the cash book and balancing off it as at 31.01.2017

6. i. a) What is the main objective of preparing a bank reconciliation statement of a business?
b) State 02 source documents which is used to prepare the bank account.
- ii. The balance of the bank account of Sandaruwan's business was Rs. 21500 as at 31.01.2018. However the bank statement has a difference balance. Later followings are revealed.
 1. Following deposited cheques are not yet realized
Cheque No. 0178 –Rs.1500
Cheque No 0271 – Rs. 6000
 2. Bank charges Rs. 1000 and insurance premium paid on standing orders by the bank Rs. 3000
 3. A debtor Ruwan has been directly deposited Rs. 5000 to the bank.
 4. Issued cheques to creditors Rs. 8000 has not been presented to the bank yet.

Required

- i. Adjusted bank account
- ii. Bank reconciliation statement.
- iii. The total of the discount received column of the cash book Rs. 5200 and the total of the discount allowed column of the cash book was Rs. 2900 of Amanda's business for the year ending 31.12.2017.
 - i. Write the relevant journal entries to post above discounts into the ledger.
- iv. The petty cash imp rest is Rs. 2000 and the balance of the petty cash book is Rs. 280 as at 01.01.2018 of Maheepala's business.
Following expenses occurred during the month of January 2018.

	<u>Rs</u>
Travelling charges	510
Stationary expenses	220
Entertainment expenses	500
Postal chargers	120
Paid to Vimukthi	400

Required

1. What is the amount of reimbursed on 31st January?
 2. Posting the above petty cash expenses to the ledger accounts.
7. i. Following transactions occurred in Aravinda's business during the month of January 2017.
 - 01.05 purchased from Ravi Rs. 10000, discount deducted 10%
 - 01.08 purchased from Amal Rs. 15000
 - 01.12 purchased on cash Rs. 20000
 - 01.15 sales on cash Rs. 28000
 - 01.21 sales to Namal Rs. 12000
 - 01.25 Sales to Keerthi Rs. 15000, discount deducted 10%

Required

1. Prepare the purchases journal and the sales journal from above transactions.
 2. Post into the ledger only the information of purchases Journal.
- ii. The credit column of the Trial Balance of Sumudu's business was decreased from Rs. 700 as at 31.03.2017. Later following errors were disclosed
 1. Paid insurance charges Rs. 4200 has been recorded only in the cash book.
 2. The balance of the rent income account Rs. 4000 has not been extracted to the trial balance.
 3. Discount received Rs. 3400 has been recorded in relevant creditors account as Rs. 4300

Required

1. The journal entries to rectify above errors.
2. The suspense account

iii. a) State 02 examples for the types of transaction which is recorded in general journal.

b). following balances can be seen in Asitha's business as at 31.03.2017.

Capital	430,000
Purchases	170,000
Sales	225,000
Debtors	28,000
Creditors	15,000
10% bank loan	30,000
Land & building (on cost)	400,000
Office equipment (on cost)	100,000
Electricity	30,000
Drawings	4,000
Insurance	5,000
Commission income	30,000
Bank loan interest	3,000
Cash in hand	10,000

Required

Prepare the Trial Balance of Asitha's business as at 31.03.2017 by using above balances.

1st Term Test 2018
Grade 11 – business & Accounting Studies I, II
Answer script

Paper I

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

(1 x 40 = 40)

Paper II

1. I. a). service providing business
b). partnerships/private sector businesses /profit motive businesses / small scale/small& middle scale
- ii. a). Agreed/yes/should be registered
b). as the business name and the owners names are different or as the business name is 'Dineth Wedding'
- iii. a).owners
Employees / technicians
Government/ Government institutions
Suppliers
Competitors / other beauty saloon in the city
Customers / the parties who are taking part functions
b). internal environmental factors.
 - Owners / managers/ Dineth Perera & Nethmini Perera
 - Employees / technicianExternal environmental factors
 - Competitors
 - Customers
 - Political environment
- iv. a). Planning – determining to convert into incorporated company
Organizing - * recruiting employees / technicians
*receiving required resources.
b). Advantages
 - Can raise more capital
 - Receiving a legal personality
 - Having a continued existence
 - Having a limited liability
 - Managed by a board of directors
Disadvantages
 - Greater level of legal provisions
 - Profits are shared
 - Ownership is shared
 - Not easy to start

v. Assets = Equity + Liabilities
 1 600 000 = 1 100 000 + 500 000

Or

Cash + building = Equity + bank loan
 + 400 000 = + 400 000
 + 700 000 = + 700 000
 + 500 000 = + 500 000
 900 000 + 700 000 = 11 00 000 + 500 000

vi. * cash book – receipt / paying voucher

* General journal – journal voucher

vii. Electricity bill account .Dr. 20 000

Cash book

Cr. 20 000

viii.

Cash account			
Capital	400,000	Flowers	75,000
Bank loan	500,000	Wedding clothes	250,000
income	1,000,000	Beauty culture equipment	150,000
		Camera & video	400,000
		Expenses	500,000
		Cameramen	200,000
		Electricity bill	20,000
		b/c/f	305,000
	1,190,000		1,190,000

ix. Non-Current Assets

- Camera & video equipments
- Beauty culture equipments
- Wedding clothes

Non Currant Liability

- Bank loan

x.	Assets	=	Equity	+	Liabilities
01/01	1600,000	=	1100000	+	500000
	+ 75,000	=			
	- 75,000	=			
	+ 250,000	=			
	- 250,000	=			
	+ 150,000	=			
	- 150,000	=			
	+ 400,000	=			
	- 400,000	=			
	- 500,000	=	- 500000		
	- 1,000,000	=	+ 1000000		
	- 200,000	=	- 200000		
	- 20,000	=	- 20000		
	1880000		1380000	+	500000

(2 x 10 = 20)

2. i. a) Human needs are requirements that must be fulfilled essentially for existence.

b)

<u>Needs</u>	<u>Wants</u>
<ul style="list-style-type: none"> ▪ being essential ▪ being common ▪ being limited ▪ can't be created 	<ul style="list-style-type: none"> ▪ not essential ▪ being diverse ▪ being unlimited ▪ can be created

- ii. a) ✓ b) ✓ c) x d) ✓

- iii. a). Land, Labour, Capital, Entrepreneurship

- b). Land – Parts of trees, roots of trees

Labour - Nimal's Labour

Capital – building, equipment, polish

Entrepreneurship – Nirmal's ability / combination of factors of production.

- iv. a). Sapumalee/owner

- earning sufficient profit
 - growth of the business in future
 - security of investments
- Customers / pilgrims
- receiving fresh flowers/ obtaining quality products
 - Obtaining products at a reasonable price.

- b). * living near Anuradhapura sacred place

* having lakes in the area

* More pilgrims come to Anuradhapura

3. I. a). A business organization consists of an individual or a group of individuals working together to produce goods and services required to fulfill human needs and want.

- b). * amount of capital invested
 * Number of employees
 * Amount of the energy used
 * Market share of the business.

- ii. a) x b) ✓ c) x d) x

- iii. a). Pubudu Company Limited

Rusiru Stores

- b). * incorporation under the companies Act
 * continued existence
 * Ability to register with limited liability
 * can raise capital by issuing shares

- iv. a). Partnerships

- b). * unlimited liability
 * Profit shared among partners
 * Conflicts among partners
 * No continued existence
 * No legal personality

4. I. a). Electronic cash is an electronic payment settlement method which can be substituted for cash and cheques.

- b). * ability to make payments via cheques
 * Ability to obtain bank overdraft facilities
 * To collect remittances
 * To activate standing orders
 * receiving a bank statement

- ii. a) x b) ✓ c) ✓ d) x

- iv.

Part II

- ii. a).

iv.

- 04 -

6. I. a). When the bank balance of the business at the end of a certain time period does not agree with the balance in the bank statement, It shows the reasons to the difference.
b). receipt, paying vouchers, counterfoil

ii. **Adjusted bank account**

b/b/f	21500	Bank charges	1000
direct remittance	5000	Insurance	3000
		b/c/f1000	22500
	<u>26500</u>		<u>26500</u>

Bank reconciliation statement

The balance of the adjusted bank account	22500
+ Unpresented cheques	8000
	30500
- unrealized cheque	1500
	6000
	(7500)
The balance of the bank statement	<u>23000</u>

- iii. a). Discount allowed Acc Dr. 2900
Relevant debtors Acc Cr 2900
b). relevant creditors Acc Dr 5200
Discount received Acc Cr 5200

iv. Rs. 1750

v. **Travelling charges Acc**

1.31 petty cash	510
-----------------	-----

Entertainment Acc

1.31 petty cash	500
-----------------	-----

Vimukthi Acc

1.31 petty cash	400
-----------------	-----

Stationary Acc

1.31 petty cash	220
-----------------	-----

Postage Acc

1.31 petty cash	120
-----------------	-----

7. I.

Purchases Journal

Date	In. N	Supplier	Value
01.05		Ravi	9000
01.08		Amal	1500
01.31		Debited to purchases Acc	24000

Sales Journal

Date	In. N	Supplier	Value
01.21		Namal	12000
01.25		Keerthi	13500
01.31		Credited to sales Acc	25500

Purchases Acc		Ravi	
1.31 Creditors	24000	1.5 Purchases Acc	9000
Amal			
	1.8 Purchases Acc	15000	

ii. General Journal

Date	Description	Dr	Cr.
	Insurance Acc Dr	4200	
	Suspense Acc		4200
	()		
	Suspense Acc Dr.	4000	
	()		
	Suspense Acc Dr.	900	
	Creditors Acc		900
	()		

Suspense Acc			
-----	4000	b/b/f	700
Creditors	900	Insurance	4200
	<u>4900</u>		<u>4900</u>

- iii. a). * credit purchases of assets
 * credit sales of assets
 * goods drawings
 * error correction entries
 * adjusting entries

The Trial Balance

Capital		430000
Purchases	170000	
Sales		225000
Debtors	28000	
Creditors		15000
10% bank loan		50000
Land & business (on cost)	400000	
Office equipment (on cost)	100000	
Electricity	30000	
Drawings	4000	
Insurance	5000	
Commission income		30000
Bank loan interest	3000	
Cash in hand	10000	
	<u>750000</u>	<u>750000</u>