



PROVINCIAL DEPARTMENT OF EDUCATION-NORTH WESTERN PROVINCE

## THIRD TERM TEST 2022

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

03 hours

Name / Index No -

### Business & Accounting Studies - I

Note :

- Answer all questions
- In each of the questions 1 to 40 pick one of the alternative (1), (2), (3), (4) which you consider as correct or most appropriate
- Mark a (x) on the 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 question No. 01-06.

The government had to increase the price of petroleum due to the increase in the foreign exchange rate and the increase in the price of a barrel of crude oil in the world market. Due to disruption of petroleum distribution and storage, the public was forced to travel by buses owned by the Sri Lankan Transport Board.

01. The need mentioned in the above case is,

(1) Petroleum                      (2) Transportation                      (3) food                      (4) communication

02. What is the factor of production which relates the "Bus"

(1) Capital                      (2) Labour                      (3) Land                      (4) entrepreneurship

03. A    Increasing the foreign exchange rate  
B    Importation of petroleum to Sri Lanka  
C    Increasing the price of petroleum

The factors relate to the economic environment

(1) AB only                      (2) BC only                      (3) B only                      (4) AC only

04. The incorrect statement regarding Sri Lanka Transport Board is,

(1) A portion of the profits earned will be credited to the consolidated fund of the government  
(2) Commenced under a general or special act of the parliament  
(3) not having a legal personality  
(4) having a continued existence

05. State the element of transportation which relates "petroleum"

(1) Medium                      (2) Way                      (3) Power                      (4) Terminal

06. State the factor of marketing mix which relates to the distribution of petroleum"

(1) Product                      (2) Price  
(3) Promotion                      (4) Place

07. A strength of a business is
- (1) Providing tax incentives for businesses
  - (2) Imposition of international trade embargo
  - (3) having a recognized brand name
  - (4) Introducing low interest loans by the government
08. "Perera and company" is,
- (1) an incorporated company
  - (2) A state company
  - (3) a partnership
  - (4) A sole proprietorship
09. Following are some business organizations
- |                         |                          |                        |
|-------------------------|--------------------------|------------------------|
| A Partnerships          | B State companies        | C Sole Proprietorships |
| D Cooperative societies | E Incorporated companies | F State Department     |
| G State corporations    |                          |                        |
- Select the answer which includes public sector business organizations only
- (1) A,C,G
  - (2) B,D,F
  - (3) D,F,G
  - (4) B,F,G
10. Below is an Advertisement published by an insurance company.
- "You can get the amount insured, despite there being a damage or not, but the insurance deed cannot be transferred. Benefits such as bonuses, interests etc. will be received in addition to the insured value"
- What type of insurance is this advertisement targeting.
- (1) Motor vehicle Insurance
  - (2) Fire Insurance
  - (3) Life Insurance
  - (4) Marine Insurance
11. It is not a special crossing.
- |                             |  |
|-----------------------------|--|
| (1) <u>not transferable</u> | (2) <u>Peoples Bank Maharagama</u>             |
| (3) <u>People Bank</u>      | (4) <u>Account Payee only - Bank of ceylon</u> |
12. Electronics cash means
- (1) Payments via teller cards and debit cards
  - (2) Payments via automated teller cards
  - (3) An electronic payment method which can be substituted for cash and cheques
  - (4) Payments via credit cards which can be substituted for cash
13. It is not an electronic communication method
- (1) radio
  - (2) Loudspeaker
  - (3) fax
  - (4) conferences
14. The transportation element that relates the introduction of solar power systems instead of using petroleum for driving vehicles.
- (1) Power
  - (2) Way
  - (3) Medium
  - (4) Terminal

15. Match the management functions in column X with the activities relate to them in column Y

X		Y	
(i) planning		(A) Supervising employees by the marketing manager	
(ii) Organizing		(B) Deciding to increase sales by 10%	
(iii) Leading		(C) Finding out the percentage of increased sales	
(iv) controlling		(D) Recruiting of sales assistants	
(1) B, D , C ,A	(2) B, D,A, C	(3) B,A, D , C	(4)B, C ,A , D

16. It is a wholesales trade

- (1) Selling 50 packets of chicken feed to a chicken farm owner to feed the chickens
- (2) A dairy farm owner sold 25 curd pots to a mobile dealer for sale
- (3) Sapumal sells "wade" to railway passengers
- (4) A brick manufacturer is selling 100 000 bricks to construct a business building.

17. Select the transaction which affects to change the assets and liabilities of a business

- (1) Owner invested Rs. 100 000 to the business as capital
- (2) Paid electricity bill Rs. 5000
- (3) Paid bank loan Rs. 1500
- (4) Purchased office equipment Rs. 50 000 on cash

18. The value after deducting liabilities from the total assets of a business is known as

- |              |                             |
|--------------|-----------------------------|
| (1) Expenses | (2) Income                  |
| (3) Equity   | (4) non current liabilities |

19. Select the accounts which relates to the double entry principle of "decreases credit - increases debit"

- (1) Creditors Account, Bank loan account, Capital account
- (2) Debtors Account, Cash account, Office equipment account
- (3) debtors Accounts, Creditors accounts, Bank loan Account
- (4) Sales Accounts, Salaries Accounts, Drawings accounts

● **Using following information, answer the questions No. 20-22**

following transactions occurred in a furniture business.

- A - Received a bank loan Rs. 50 000
- B - Sold furniture which cost Rs. 20 000 at Rs. 30 000
- C - Purchased furniture Rs. 60 000 on cash
- D - Paid electricity bill Rs. 4 000

20. Select the transaction which affects to change the liabilities of this business

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

21. After the above transactions, What is the amount of increasing the equity  
 (1) by Rs. 40 00 (2) by Rs. 6 000  
 (3) by Rs. 10 000 (4) by Rs. 60 000
22. Before the occurrence of above transactions, The amount of assets were Rs. 90 000. What is the amount of assets after the above transactions.  
 (1) Rs 96 000 (2) Rs 146 000 (3) Rs 150 000 (4) Rs 226 000

• **Using following information, answer the questions No. 23 & 24**

Transaction		Source document	
1.	Paid salary Rs. 40 000	A	Purchases invoice
2.	Credit purchases from Ruwan Rs. 5 000	B	receipt
3.	Cash sales Rs. 15 000	C	paying voucher
4.	Goods drawings Rs. 1 000	D	journal voucher

23. Match each transaction correctly with the source document.  
 (1) C,A,B,D (2) C,D,B,A (3) D,A,B,C (4) D,C,B,A
24. Select the prime entry books which record above transactions respectively  
 (1) Cash book, purchases Journal, Cash book, General journal  
 (2) Cash book, purchases Journal, Sales Journal, General journal  
 (3) Cash book, Sales Journal, Cash book, General journal  
 (4) Cash book, Sales Journal, General journal, Cash book
25. The cheque received from the sales to Ravindu Rs. 15 000 was deposited to the bank account at the time of receipt. The double entry is,  
 (1) Bank acc. Dr. Rs 15 000 (2) Bank account Dr Rs. 15 000  
 Cash book Cr Rs. 15 000 Sales Account Cr Rs. 15 000  
 (3) Bank account Dr Rs. 15 000 (4) Cash acc. Dr. Rs. 15 000  
 Ravindu's acc Cr Rs. 15 000 Bank acc. Cr. Rs. 15 000
26. The balance of the petty cash book was Rs. 350 as at 31-05-2022 of a business. The total of petty cash payment was Rs. 7150 for the month of May. The petty cash imprest of this business is,  
 (1) Rs. 350 (2) Rs. 6800 (3) Rs. 7150 (4) Rs. 7500
27. "Purchased a machine Rs. 50 000 on credit for the use of the business." The prime entry book which records the above transaction is,  
 (1) cash book (2) Bank account (3) General Journal (4) Sales journal
28. The balance of the bank account was Rs. 18 500 as at 31-05-2022 of a business. But on that day the balance of the bank statement was Rs. 20 500. The reason for the difference should be,  
 (1) Debtors direct remittance Rs. 2 000  
 (2) Bank charges Rs. 2 000  
 (3) deposited but unrealized cheque Rs. 2 000  
 (4) Paid insurance Rs. 2 000 on standing orders.

- Using following information answer question No. 29 & 30

following journal entry was recorded, to rectify an accounting error.

Building rent Account Dr.	Rs. 4 000
Suspense Account Cr.	Rs.4 000

29. As above error,

- (1) The totals of the Trial balance were equal.
- (2) The total of the debit column of the Trial balance decreased by Rs. 4 000
- (3) The total of the Credit column of the Trial balance decreased by Rs. 4 000
- (4) The total of the debit column of the Trial balance increased by Rs. 4 000

30. Select the accounting error which was corrected through the above journal entry

- (1) Paid building rent Rs. 4 000 has been completely omitted from books.
- (2) Paid building rent Rs. 4 000 has been recorded twice in the rent account.
- (3) Paid building rent Rs. 4 000 has not been recorded in rent account.
- (4) The balance of the building rent account Rs. 4 000 has not been extracted into the trial balance

31. "Rantharu" sports club has 120 members. The annual membership fee per member is Rs. 500.

Two members have not paid subscription fees for the year 2022

What is the subscription fee income that should be recorded in the income statement for the year 2022?

- (1) Rs. 1000
- (2) Rs. 59 000
- (3) Rs. 60 000
- (4) Rs. 61 000

- Following expenses occurred in a wooden furniture manufacturing business that manufactured 10 tables for the month ended 31-03-2022

Wood	200 000
Other indirect materials	30 000
Carpenters' Salary	75 000
Building rent (monthly)	10 000
Machine depreciation (monthly)	2 000
Electricity (Monthly)	8 000

32. What is the amount of primary cost of this business

- (1) Rs. 200 000
- (2) Rs. 275 000
- (3) Rs. 305 000
- (4) Rs. 325 000

33. If the profit margin was 10% on cost, The unit cost of a table and the selling price of a table should be respectively.

- (1) Rs. 20 000 and Rs. 22 000
- (2) Rs. 28 500 and Rs. 30 250
- (3) Rs. 30 500 and Rs. 33 530
- (4) Rs. 32 500 and Rs. 35 750

34. The cost of machinery of Ranga's business was Rs. 320 000. The scrap value was Rs. 20 000 and the useful life time was 5 years. What is the annual depreciation expense?

- (1) Rs. 4 000 (2) Rs. 60 000  
(3) Rs. 64 000 (4) Rs. 68 000

- Using following Trial balance prepared by Lanka business as at 31-12-2021 and answer question No. 35-40

Description	Dr	Cr
Capital		802 000
Sales		500 000
Purchases	120 000	
Buildings	800 000	
Motor Vehicles	400 000	
Electricity	20 000	
Salary	70 000	
Advertisements	15 000	
Carriage inwards	10 000	
Stock (01-01-2021)	30 000	
10% bank loan		180 000
Bank loan interest	12 000	
debtors	40 000	
Creditors		35 000
	1517 000	1517 000

- Additional information
- The stock as at 31-12-2022 is Rs. 25 000
  - Non current assts should be depreciated annually 10% on cost.

35. The cost of sales of Lanka business for the year ended 31-12-2021 is,

- (1) Rs. 25 000 (2) Rs. 135 000 (3) Rs. 365 000 (4) Rs. 500 000

36. The net profit of Lanka business for the year ended 31-12-2021 is,

- (1) Rs. 122 000 (2) Rs. 135 000 (3) Rs. 365 000 (4) Rs. 500 000

37. The equity of Lanka business as at 31-12-2021 is,

- (1) Rs. 135 000 (2) Rs. 365 000 (3) Rs. 802 000 (4) Rs. 924 000

38. The value of current liabilities as at 31-12-2021 of this business is,

- (1) Rs. 6 000 (2) Rs. 35 000 (3) Rs. 41 000 (4) Rs. 30 000

39. The carrying amount of non current assets of Lanka business as at 31-12-2021 is,

- (1) Rs. 360 000 (2) Rs. 720 000 (3) Rs. 1 00 000 (4) Rs. 1 080 000

40. If assume the Lanka business has earned a loss Rs. 14 000 during this year and owner withdraw Rs. 2 000 as drawings, what is the amount of equity as at 31-12-2021?

- (1) Rs. 802 000 (2) Rs. 786 000 (3) Rs. 780 000 (4) Rs. 800 000



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**Grade 11 Business & Accounting Studies - II**

Name / Index No -

**Important**

- 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 following case, answer question No. i - x

As a solution to the electricity crisis Deeptha, Who had graduated a degree in electrical engineering, started a business named "Deeptha bulb nishpadakayo" on 01-07-2022, which manufactures and sells a rechargeable bulb in the event of a power cut. On the same day he invested Rs. 200 000 in cash and his own equipment Rs. 120 000 to the business and also a bank loan Rs. 100 000 (annual loan interest rate 6%.) An experienced employee and a helper were recruited for the production of bulbs for this business. following transactions occurred during the month of July 2022

	Rs.
Purchased raw material	125 000
Factory rent	11 000
Bulb production salary	45 000
Helpers salary	26 000
Electricity bill	4 000
Cost of packing boxes	13 000

**Additional Information**

- equipment should be depreciated 10% per annually on cost.
- Bank loan interest has not yet paid at the end of July 31.

During this month 100 bulbs were manufactured using all the materials purchased and all of them were sold. The selling was decided at a profit of 20% on cost of a bulb. They decided to create a website from the next month and start selling online.

- (i) (a) What is the type of business organization that "Deeptha bulb Nishpadakayo" belongs to?
- (b) Write an advantage and a disadvantage of this business?
- (ii) (a) Write a strength and an opportunity each of this businesses.
- (b) Name 02 stakeholders of this business.
- (iii) (a) State whether the "Deeptha bulb Nishpadakayo" should be registered or not and explain the legal status for that.
- (b) Name the communication medium that websites relate to.

- (iv) (a) Write 02 examples relate to management functions planning and organizing of this case.
- (b) A - Pricing with 20% profit margin  
B - rechargeable bulbs
- Name the 02 variables in the marketing mix that include the above 2 factors.
- (v) Write the accounting equation with values as at 01-07-2022
- (vi) (a) Calculate the bank loan interest for the month of July 2022.  
(b) State the double entry to record accrued bank loan interest.
- (vii) (a) Write a non current asset and a current liability of "Deeptha bulb Nishpadakayo"  
(b) State the prime entry book and the source documents relate to "paying factory rent"
- (viii) (a) Calculate the production cost of a bulb.  
(b) Calculate the selling price of a bulb.
- (ix) Calculate the cash balance as at 31-07-2022 of "Deeptha bulb Nishpadakayo"
- (x) (a) Calculate the net profit for the month ended 31-07-2022 of this business  
(b) Calculate the equity as at 31-07-2022 of this business.

(Marks 2x 10 = 20)

## Part I - Business Studies

### • Answer only 02 questions.

02. (i) (a) What is human wants?  
(b) write 02 characteristics of human need. (02 marks)
- (ii) State whether the following statements are true or false.  
(a) needs cannot be created and wants can be created by businessmen. (.....)  
(b) customers are internal environmental factor of a business. (.....)  
(c) All businesses operate for profit (.....)  
(d) The policies followed in managing the economic affairs of a country belong to the political environment. (.....)  
(02 marks)
- (iii) Prageeth kumara started a stationery buying and selling business near a school by naming "Prageeth." Richard supplies books for the business. Kamala was recruited as an employee and a large number of students come to buy stationeries daily  
(a) Write 02 examples for 2 stakeholders in the above business based on the case.  
(b) Write down one reason why each stake holder you mentioned above (iii) - a is interested in about prageeth book shop.  
(02 marks)
- (iv) It has been seen that the price of goods and services in the Sri Lankan market have been increasing rapidly for a long time  
(a) Name the economic environmental factor which the continuous increase in the general price levels of goods and services.  
(b) What is the foreign exchange rate which is an economic environmental factor ?  
(02 marks)



03. (i) (a) Briefly explain import export trade? (02 marks)  
 (b) Write 02 differences between retail trade and wholesale trade. (02 marks)
- (ii) State whether the following statements are true or false  
 (a) Receiving a relatively higher interest rate on fixed deposits compared to savings accounts. (.....)  
 (b) Communication means communicating information between internal individuals and sections only (.....)  
 (c) In life insurance, The principle of indemnity does not apply. (.....)  
 (d) Constructing a new airport with modern facilities by Sri Lanka government is related to element of transportation "way" (.....)  
 (02 marks)
- (iii) A cheque is crossed in order to provide more security for that cheque.  
 (a) Name 02 parties related to a cheque.  
 (b) Name the ways that can be crossed cheques. (02 marks)
- (iv) At present there are number of services offered by commercial banks to the current account holders.  
 (a) Name 02 services offered by commercial banks to the current account holders.  
 (b) State 02 examples for electronic cash which are issued by commercial banks  
 (02 marks)  
 (08 Marks)
04. (i) (a) Explain an incorporated company. (01 Marks)  
 (b) Write 02 advantages of incorporated companies (01 Marks)
- (ii) State whether the following statements are true or false  
 (a) The securities and exchange commission of Sri Lanka is a monitoring institution established in the financial system in Sri Lanka  
 (b) Treasury bills are long term instrument issued by the Central Bank of Sri Lanka.  
 (c) Place is a variable of the marketing mix.  
 (d) The difference between retail trade and wholesale trade lies in the purpose of purchase. (02 marks)
- (iii) (a) Classify following businesses according to for profit and not for profit basis.  
 (i) Araliya Private limited company  
 (ii) Education Department  
 (iii) Punchi Banda and sons  
 (iv) Dikowita multi purpose cooperative society limited.  
 (b) State 02 advantages can be achieved by registering a business name. (02 marks)
- (iv) (a) Explain "investment"  
 (b) Write 02 factors to be considered when selecting an investment method. (02 marks)  
 (08 marks)

## Part II - Accounting

• **Answer 02 question only.**

05. (i) Write 02 characteristics of an asset. (02 marks)
- (ii) Write the double entries for following transactions.
- (a) Sold trade goods Rs. 15000 on credit
- (b) Payment of bank loan installment Rs. 18 000 (02 marks)
- (iii) The values Total assets and total liabilities of Narada's business were Rs. 500 000 and Rs. 200 000 respectively on 01-01-2022. Following transactions occurred during the month of January 2022.
- (1) 01/05 Credit purchases of trade goods Rs. 20 000
- (2) 01/10 Credit sales of trade goods which cost Rs. 8 000 at Rs. 12 000
- (3) 01/15 Paid electricity bill Rs. 2 000
- (4) 01/20 Paid to creditors worth Rs. 30 000 subject to the discount Rs. 3 000
- (5) 01/25 Purchased office equipment Rs. 50 000 on cash

Required

- (a) Enter the above transactions in following accounting equation (01/05 transaction has been entered as an example)
- (b) Calculate the total equity after entering above transactions in the accounting equation.

	Date	Assets	=	liabilities	+	Equity
Ex:-	01/05	Stock + 20 000		Creditors + 20 000		-
	01/10					
	01/15					
	01/20					
	01/25					

(04 marks)

- (iv) Credit purchases of Amal's business for the month of May 2022 are as follows.
- 05/08 Credit purchases from Surangaa which the list price Rs. 50 000 subject to 5% trade discount. (Invoice No. 51)
- 05/12 Credit purchases from Nuwan Rs. 80 000 (Invoice No. 60)
- 05/15 Credit Purchases from of office equipments Rs. 500 000 from Ruwan for the use of the business. (Journal Voucher No.30)

Required

For the month of May 2022 of Amal's business,

- (a) Purchases Journal
- (b) Purchases Account
- (c) Debtor Suranga's account

(04 marks)

(12 marks)

06. (i) Name the prime entry book and the source document which records petty cash transactions. (02 marks)

- (ii) Following production expenses occurred during the month of January 2022 of Eranga's business which manufactures cement flower pots.

	Rs.
Purchases of cement and sand	45 000
Salary for flower pot maker	20 000
Paintings for flower pots	5 000
Electricity charges	3 000
Watchman's salary	10 000

additional information

- ♦ Last year a cement mixing machine has been purchased Rs. 200 000 and it is depreciated annually 12% on cost.
- ♦ 100 flower pots have been produced by using all materials during the month.

Required, The production cost statement for the month ended 31/01/2022 (02 marks)

- (iii) The favourable bank account balance Rs. 81 000 of Rangana's business as at 31/02/2022. However on the same day, the balance of the bank statement was not tally. following reasons were affected to the difference.

1. Debtor Ruwan's direct remittances Rs. 15 000
2. Cheque book charges Rs. 2 000
3. Deposited but unrealized cheques Rs. 24 000
4. Issued but unrepresented cheques Rs. 18 000

Required,

- (a) Adjust the bank account as at 31/03/2022

- (b) Prepare the bank reconciliation statement as at 31/03/2022 (04 marks)

- (iv) The Trial balance prepared by Randika's business as at 31/03/2022 was not tally. The difference has been recorded in the suspenses account. Following errors were revealed.

1. A sales invoice Rs. 5 000 has been completely omitted from books.
2. The balance of the insurance account Rs. 8 000 has not been extracted to the Trial balance.
3. Received interest Rs. 10 000 has been recorded in interest paid account.
4. Salary paid Rs. 3 000 has been recorded only in the cash book

Required,

- (a) Journal entries to rectify above errors.

- (b) Suspense account (04 marks)

(12 marks)

07. (i) Write 02 objectives of preparing receipts and payments account for the not for profit business organizations. (02 marks)

- (ii) 150 members are in Samagi sports club. monthly subscription per member Rs. 100. Following transactions occurred during the month of January 2022

	Rs.
Purchasing sports equipment	6000
Purchasing Stationery	3 000
Donation received	8 000
Purchasing magazines	4 000

Additional information

- ♦ 50 members has not been paid the subscription fee for the month of january
- ♦ the balance of the receipts and payments account Rs. 4 000 as at 01-01-2022

Required

The receipt and payment account for the month ended 31-01-2022 of Samagi sports club

- (iii) following trial balance prepared by buddhini as business as at 31/12/2021

Trial balance as at 31/12/2021

Description	debit	Credit
Sales		180 000
Opening stock	10 000	
Advertisement expenses	7 000	
Purchases	37 000	
Carriage inwards	2 000	
10% bank loan		50 000
bank loan interest	5 000	
land	100 000	
Building	120 000	
Employees salary	13 000	
Debtors	45 000	
Creditors		15 000
Discount allowed	3 000	
cash	40 000	
electricity	8 000	
Capital		145 000
	390 000	390 000

Additional information

1. The stock as at 31/12/2021 is Rs. 12 000
2. Buildings should be depreciated 10% per annually on cost
3. Accrued electricity charges Rs. 2 000

Required

- (a) The profit or loss statement for the year ended 31/12/2021 (04 marks)

- (b) The statement of financial position as at 31/12/2021 (04 marks)

(06)

(12 marks)

## Answer script (Paper I)

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

(01 x 40 = 40)

## Paper II

01. (i) (a) Sole proprietorship (01 marks)
- (b) Give  $\frac{1}{2}$  mark for relevant advantage and a disadvantage ( $\frac{1}{2} \times 2 = 01$ )
- (ii) (a) Strength - Owner has followed an electric engineering course  
Having an experienced employee  
having an adequate capital,  
Opportunity - Having an economic crisis in the country ( $\frac{1}{2} \times 2 = 01$ )
- (b) Owner (Vidula Deeptha), banks, employees, suppliers, customers ( $\frac{1}{2} \times 2 = 01$ )
- (iii) (a) Should be registered ( $\frac{1}{2}$ )  
The business name should be registered under the business name ordinance in relevant provincial council ( $\frac{1}{2}$ )
- (b) electronic medium (01 marks)
- (iv) (a) Planning - deciding to create a website and selling online ( $\frac{1}{2}$ )  
Organizing - recruiting 02 employees  
investing capital  
receiving a bank loan ( $\frac{1}{2}$  one each)
- (b) A - price  
B - product ( $\frac{1}{2} \times 2 = 01$ )
- (v) Assets = Equity + Liabilities
- |     |             |    |           |   |           |                   |
|-----|-------------|----|-----------|---|-----------|-------------------|
| 7/1 | 420 000     |    | 320 000   |   | 100 000   | (02)              |
|     |             | or |           |   |           |                   |
|     | + 120 000 = |    | +120 000  |   | -         | ( $\frac{1}{2}$ ) |
|     | + 200 000 = |    | + 200 000 |   | -         | ( $\frac{1}{2}$ ) |
|     | + 100 000 = |    | -         | + | + 100 000 | ( $\frac{1}{2}$ ) |
|     | + 420 000 = |    | +320 000  | + | +100 000  |                   |

$$(vi) (a) 100\,000 \times \frac{6}{100} \times \frac{1}{12}$$

Rs. 500 (01 mark)

- (b) bank loan interest account debit Rs. 500  
Accrued bank loan interest ass. credit Rs. 500

(01 mark)

- (vii) (a) Equipments  
Accrued bank loan interest ( $\frac{1}{2} \times 2 = 01$ )

- (b) Cash book / cash account  
Paying voucher ( $\frac{1}{2} \times 2 = 01$ )

(viii) (a)	Raw material	125 000
	Production salary	450 00
	Packaging expenses	13 000
	Factory rent	11 000
	helpers salary	26 000
	Electricity	4 000
	Equipment depreciation	1 000
	Total production cost	<u>225 000</u>
	Unit cost	$\frac{225\,000}{100} = \text{Rs. } 2250$

(01 mark)

- (b) Total selling price

$$\text{Profit margining } 2250 \times \frac{20}{100} = \text{Rs. } 450 \quad (\frac{1}{2} \text{ mark})$$

$$\text{Selling price } 2250 + 450 = \text{Rs. } 2\,700 \quad (\frac{1}{2} \text{ mark})$$

(02 marks)

Cash book

$\frac{1}{2}$ { Capital Bank loan sales		200 000	Purchases	125 000	$\frac{1}{2}$ {
		100 000	rent	11 000	
		270 000	production salary	45 000	$\frac{1}{2}$ {
			helper's salary	26 000	
			Electricity	4 000	
			Packaging	130 000	
			b/c/f	346 000	$\frac{1}{2}$
		570 000		570 000	
	b/b/f.	346 000			

(x) (a)

Statement of income

Sales		270 000
<b>expenses</b>		
Production cost	225 000	
loan interest	500	225 500
Net profit		44 500

(01 marks)

(b) equity

$$= 320\,000 + 44\,500$$

$$= 364\,500$$

(01 mark)

## Part - I - Business Studies

02. (i) (a) The different ways of satisfying needs are called as wants. (01 mark)
- (b) Not essential, Can be created, being diverse, Being complex, Being unlimited (½x2=01)
- (ii) (a) True (b) False (c) false (d) true
- (iii) (a) Owner - Prageeth Kumara
- Suppliers - Richard
- Employee - Kamala
- Customers - Students
- (b) Owner - Security of investment
- earning a sufficient profit
- Growth of the business operations in future
- Suppliers - Securing orders continuously
- Obtaining money with out any delay
- Employee - Receiving a fair salary
- Job security
- Customers - Obtaining products at a reasonable price
- Obtaining quality products

(03)

- (iv) (a) Inflation  
(b) the currency of one country is exchanged with the currency of another country

(i) (a) import trade - bringing goods from a foreign country or countries to this country  
Export trade - Selling domestic goods to a foreign country or countries.  
(b) according to objective, selling price, discounts given, quantity of goods, different types of goods.

(ii) A - True                      B - False                      C - True                      D - False

(iii) (a) drawer, drawee, payee  
(b) General crossing and special crossing

(iv) (a) Can make transactions via cheques.  
Can take bank over draft facilities  
Can collect direct remittances  
Can implement standing orders  
(b) Credit card, debit card, ATM Cards

(i) (a) A firm which is required to be registered under the companies act No. 07<sup>th</sup> of 2007, with a legal personality, can raise more capital by issuing shares and the liability of the shareholders being limited, is an incorporated company.  
(b) Can collect more capital  
Having a legal personality  
Having a limited liability  
Having a continuous existence.

(ii) (a) A - True                      B - False                      C - True                      D - True

(iii) (a) **Profit oriented**                      **Not for profit**  
a. Araliya private limited company      b. Education Department  
c. Punchi banda and sons                      d. Dikowita M.P.C.S. Limited  
(b) 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.

(iv) (a) Investment  
Any individual investing a certain amount from his earned income as savings in an effective method with an expectation of earning an economic return.  
(b) The aim of the investment.  
Risk of the investment  
Return of the investments.

## Part II - Accounts

05. (i)
  1. Arose as a result of a past transaction.
  2. Controlled by the business
  3. Future economic benefits will flow into the business

(1 x 2 = 2)



- (ii) (a) debtors account debit Rs. 15 000

Sales account credit Rs. 15 000

(01 mark)

- (b) Bank loan account debit RS. 18 000

cash account credit Rs. 18 000

(01 mark)

(iii) (a)	Date	Assets	liabilities	Equity	
	01/01	500 000	200 000	300 000	
	01/05	+ 20 000 stock	+200 00 creditors	-	
	01/10	- 8 000 stock + 12 000 debtors		+ 4 000 profit	(01 mark)
	01/15	- 2 000 cash		- 2 000 e. bill	(½ mark)
	01/20	- 27 000 cash	- 30 000 creditors	+3 000 dis. received	(01 mark)
	01/25	- 50 000 cash + 50 000 equipment		-	(½)

- (b) Total equity Rs. 305 000

(01 mark)

- (iv) (a) Purchases journal

Date	Invoice No.	Supplier	Amount	L.P
05/08	51	Suranga	47 500 (½)	
05/12	60	Nuwan	80 000 (½)	
05/31	Debited to purchases Acc. (½)		127 500 (½)	

(02 marks)

- (b) Purchases Acc

Date	Description	L.F	Amount	Date	Description	L.F	Amount
22/5/31	Creditors Acc,		127 500				

(01 marks)

- (c) Creditor Suranga's Acc

Date	Description	L.F	Amount	Date	Description	L.F	Amount
				22/5/3	Purchases Acc,		47 500

(01 marks)

- 06∞ (i) Petty cash book/Journal

- (ii) Petty cash voucher

(1 x 2 = 2)

(ii)

## Production cost statement

Cement & sand	45 000		
Flower pot maker's salary	20 000		
Prime cost		65 000	(½)
Paintings	5 000		
Watchman Salary	10 000		
Electricity	3 000		
Machinery Depreciation	2 000	(½)	
Production overhead cost		20 000	(½)
		85 000	(½)
Total production cost			(02 marks)

(iii)

## Bank Account (Adjusted)

Date	Discription	L.F	Amount	Date	Discription	L.F	Amount
3/1	b/b/f		(½) 81 000		Bank charges		2 000 (½)
	Remittances		(½) 15 000				
					b/c/f		94 000
			96 000				96 000
	b/b/f		(½) 94 000				

(02 marks)

## Bank reconciliation statement

The balance of the adjusted bank account		94 000	(½)
<u>+ unpresented cheques</u>	(½)	18 000	
		18 000	
		112 000	
- Unrealized cheques	(½)	24 000	
		24 000	
The balance of the bank statement		88 000	(½)

(02 marks)

(Full marks 04)

(iv)

Date	J. No.	Description	L.P	Credit	Debit	
1.		Debtors Acc Dr. Sales Acc Cr. (.....)		5 000	5 000	(½)
2.		Suspense Acc. Cr (.....)			8 000	(½)
3.		Suspense Acc. Dr. Interest received Acc Cr. Interest Expenses Acc Cr (.....)		20 000	10 000 10 000	(½)
4.		Salary Acc. Dr Suspense Acc. Cr (.....)		3 000	3 000	(½)

Suspense Acc			
Interest received	10 000	The difference	9 000 (½)
Interest paid	10 000	.....	8 000 (½)
		Salary Acc	3 000 (½)
	<u>20 000</u>		<u>20 000</u>

07. (i) To know the cash balance at the end of an accounting period  
 To manage cash properly  
 To minimize fraud and misuse of cash  
 To utilize cash reserves more productively to achieve the organizational objectives  
 to obtain information regarding the sources of cash receipts and payments (01x 02=02)

(ii)

## Samagi Sports club

The receipts and payments account for the month ended 31/01/2022

	Rs.		Rs.	
b/b/f	4 000	Sports equipment	6 000	} (½)
donation	8 000	stationeries	3 000	
subscription	10 000	Magazines	4 000	
	(½)	1/31 b/c/f	9 000	(½)
	<u>22 000</u>		<u>22 000</u>	
2/1 b/b/f	9 000			

(02 marks)

(07)

(iii) (a)

## Buddini's Business

The profit or loss statement for the year ended 31/12/2021 (½)

Sales		180 000	
Opening stock	10 000		
+ purchases	37 000		
carriage inwards	2 000		
Cost of goods to be sold	49 000		
- closing stock	(12 000)		
Cost of sales		(37 000)	(½)
gross profit		143 000	(½)
<u>Administration expenses</u>			
Building depreciation	12 000	(½)	
electricity	(½) 10 000		
salary	13 000	35 000	
<u>Distribution expenses</u>			
Advertising	7 000		
Discount allowed	3 000	10 000	(½)
<u>Financial expenses</u>	-		
loan interest	5 000	5 000	(½)
Net profit transfered to the capital Acc.		93 000	(½)

07. (iii) (b)

Buddini's business  
The statement of financial position as at 31/12/2021

	Cost	Accumulated Depreciation	Carrying Amount
<u>Non current assets</u>			
Land	100 000	-	100 000
Building	120 000	12 000	108 000
	220 000	12 000	208 000
<u>Current Assets</u>			
Stocks		12 000	(1/2)
debtors		45 000	(1/2)
cash		40 000	97 000
			305 000
Capital		145 000	
+ net profit		93 000	(1/2)
			238 000
<u>Non current liabilities</u>			
bank loan		50 000	50 000
<u>Current liabilities</u>			
accrued electricity		2 000	(1/2)
creditors		15 000	(1/2)
			17 000
			305 000

(04 mark)



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