

- 10.** Balan insured his motor vehicle valuable Rs. 1000 000 in the same value. His motor vehicle met with an accident at loss Rs. 600 000. But he claimed Rs. 1000 000 from insurance company. What is the value of compensation which can be provided by insurance company?
 (1) Rs. 600 000 (2) Rs. 1000 000 (3) Rs. 400 000 (5) Rs. 1600 000
- 11.** The components of communication are given below.
 A – medium D – message
 B – receiver E – sender
 C – Feedback F – response
 Select the answer which contains the components of communication process in order.
 (1) E, D, A, B, C, F (2) E, D, A, B, F, C (3) E, D, B, F, C, A (4) E, D, A, F, B, C
- 12.** Airway transportation is more preferable than sea transportation for a foreign traveler. Which one of the following is the reason for it?
 (1) can be used up to last destination (2) more security
 (3) low travelling expenses (4) narrow and quick travel ways
- 13.** The main difference between whole trade and retail trade is,
 (1) number of goods (2) purpose of seller (3) purpose of purchaser (4) price of goods
- 14.** Which one of the following is not required to be considered in establishing a whole trade?
 (1) the space of warehouse (2) connected to other transport
 (3) proximity to factory (4) proximity to customers
- 15.** Which of the following statements shows the planning of a school?
 (1) Increasing the pass percentage by 10% in the next year
 (2) Creating a team including all the teachers to increase pass percentage
 (3) Appreciating the students who got first three places in the term examination
 (4) Monitoring the teaching process of teachers and principal
- 16.** A private bank introduced a new children savings account via newspaper. The marketing mix disclosed through this statement is,
 (1) product (2) promotion (3) price (4) place
- 17.** The principle ‘debit – increase and credit – decrease’ is relevant to,
 (1) assets and liabilities accounts (2) assets and income accounts
 (3) assets and expense accounts (4) equity and income accounts
- 18.** The correct accounting equation is,
 (1) Equity + Assets = Liabilities (2) Liabilities + Assets = Equity
 (3) Equity + Liabilities = Assets (4) Equity – Liabilities = Assets
- 19.** Parimala received a bank loan Rs. 200 000 for her business. Due to this transaction,
 (1) assets and equity will increase. (2) assets and liabilities will increase.
 (3) assets and equity will increase. (4) assets and liabilities will increase.
- 20.** Which of the following is not a source document to prepare bank account?
 (1) receipt (2) cheque deposit slip
 (3) cheque return notification (4) bank statement

21. Select the correct statement from the following.

- (1) An equal amount is reimbursed monthly according to petty cash imprest system.
- (2) Discount allowed is an income and discount received is an expense.
- (3) Drawing account is an expense.
- (4) Functioning as a prime entry book and as a ledger account is the dual function of cash book.

22. A cash discount is allowed,

- (1) when settlement is done within an accepted time period
- (2) when payment is done via cash or cheque
- (3) when goods are purchased by cash
- (4) when goods are purchased by cheque

23. When the credit side of a ledger account is higher than the debit side, the balance of the account is,

- (1) debit balance
- (2) credit balance
- (3) surplus
- (4) shortage

24. The journal entry to rectify the error that rent paid Rs. 3 500 was recorded in rent account as Rs. 3050 is,

- (1) Rent account Dr. Rs. 450, Suspense account Cr. Rs. 450
- (2) Suspense account Dr. Rs. 450, Rent account Cr. Rs. 450
- (3) Rent account Dr. Rs. 3 500, Suspense account Cr. Rs. 3 500
- (4) Suspense account Dr. Rs. 3 500, Suspense account Cr. Rs. 3 500

25. Bank statement of a business on 01 December 2022 was Rs. 20 000, a favourable balance. The transactions recorded by the bank during the month are as follows.

- 06.12.2022 Cheque deposited Rs. 4 000
10.12.2022 Standing order payment Rs. 7 000
15.12.2022 Payments on cheque presented to the bank Rs. 11 000
25.12.2022 Direct remittance Rs. 9 000

The balance of bank statement on 13.12.2022 is,

- (1) Rs. 13 000
- (2) Rs. 15 000
- (3) Rs. 24 000
- (4) Rs. 6 000

26. The main objective of preparing trial balance is,

- (1) to assure the accuracy of double entry
- (2) to assure the arithmetical accuracy
- (3) to assure the profit or loss
- (4) to assure the value of assets and liabilities

● Use the following information to answer the questions 27 – 30.

A – Land and building	Rs. 450 000
B – Debtors	Rs. 120 000
C – Creditors	Rs. 105 000
D – Trade stock	Rs. 240 000
E – Bank overdraft	Rs. 50 000
F – Motor vehicle	Rs. 200 000
G – Cash balance	Rs. 25 000
H – Accrued income	Rs. 5 000

27. The value of current assets is,

- (1) Rs. 330 000
- (2) Rs. 335 000
- (3) Rs. 340 000
- (4) Rs. 390 000

28. The value of current liabilities is,

- (1) Rs. 105 000
- (2) Rs. 110 000
- (3) Rs. 155 000
- (4) Rs. 160 000

29. Select the answer which contains the current assets in the order of liquidity.

- (1) D, H, G, B (2) H, G, D, E (3) G, B, H, D (4) D, B, H, G

30. The value of non-current assets is,

- (1) Rs. 650 000 (2) Rs. 570 000 (3) Rs. 390 000 (4) Rs. 155 000

31. Vanathi business deposited Rs. 60 000 in a fixed deposit in National Savings Bank at 10% annual interest on 01.05.2022. annual interest income can be obtained on 30.04.2023. in accordance with the financial statements prepared for the year ended 2022.12.31,

- (1) accrued income is Rs. 2 000 in the statement of financial position
(2) interest income is Rs. 6 000 in income statement
(3) accrued interest income is Rs. 6 000 in the statement of financial position
(4) interest income is Rs. 4 000 in income statement

32. The basic components of profit or loss statement are,

- (1) income, expenses (2) assets, liabilities (3) equity, liabilities
(4) equity, expenses (4) equity, liabilities

33. The equation to calculate the cost of sales is,

- (1) cost of sales + opening stock (2) ready for sales + closing stock
(3) ready for sales – closing stock (4) opening stock + purchase

34. Which of the following consists of distribution expenses?

- (1) advertising, insurance, rent
(2) bank charge, bank loan interest
(3) bad debt
(4) sales employee salary, advertising, discount allowed

● Use the following information to answer the questions 35 – 40.

The details extracted from the statement of financial position of Bharath business prepared for the year ended 31.12.2022 are as follows.

Furniture – cost	Rs. 100 000
Furniture – net value	Rs. 50 000 (on 31.12.2022)
Closing stock	Rs. 35 000
Debtors	Rs. 40 000
Cash balance	Rs. 25 000
15% Bank loan	Rs. 100 000
Accrued telephone charge	Rs. 3 000
Capital	Rs. 100 000
Creditors	Rs. 35 000
Accrued bank loan interest	Rs. 4 000
Net profit	Rs. 78 000

Additional information:

- Rs. 3 000 should be written off from debtors.
- Bank loan was obtained on 01.01.2022.
- Monthly telephone charge is Rs. 2 000.
- Furniture should be depreciated at 10% annually.

- 35.** Accumulated depreciation and depreciation for the year of furniture are,
(1) Rs. 50 000, Rs. 10 000 (2) Rs. 100 000, Rs. 10 000
(3) Rs. 10 000, Rs. 50 000 (4) Rs. 100 000, Rs. 50 000
- 36.** The debtor account balance before adjustment is,
(1) Rs. 40 000 (2) Rs. 43 000 (3) Rs. 3 000 (4) Rs. 46 000
- 37.** The value of telephone charge disclosed in the statement of profit or loss for the year ended 31.12.2022 is,
(1) Rs. 24 000 (2) Rs. 3 000 (3) Rs. 27 000 (4) Rs. 30 000
- 38.** The bank loan interest paid in cash during the year is,
(1) Rs. 4 000 (2) Rs. 10 000 (3) Rs. 6 000 (4) Rs. 14 000
- 39.** Total value of current assets at the end of the financial year is,
(1) Rs. 75 000 (2) Rs. 65 000 (3) Rs. 60 000 (4) Rs. 100 000
- 40.** Total value of equity of Bharath business on 31.12.2022 is,
(1) Rs. 78 000 (2) Rs. 178 000 (3) Rs. 320 000 (4) Rs. 100 000



Provincial Department of Education
Northern Province

Second Term Examination – 2023
Business & Accounting Studies I, II



Grade 11

Time: 3 Hours

Business and Accounting II

- **Write your answers in neat hand writing.**

Note: Including question No. 01 answer five questions selecting two questions from each of the part I and part II.

01. Answer the questions (i) – (x) after carefully going through the following passage.

Thayalan who lives in Vavuniya where more agricultural activities are carried out, started a business in the name of 'Thaya store' investing Rs. 500 000 on 01.01.2023 to purchase and sell cereals. On the same date, he received a bank loan of Rs. 200 000 at annual interest 12% for his further financial requirement. He obtained a building at monthly rent Ts. 10 000. He hired two employees for office and packaging needs.

The transactions for January 2023 are as follows.

	Rs.
Purchase of cereals	200 000
Sales by cash	300 000
Sales on credit basis	50 000
Furniture purchase	60 000
Electricity payment	10 000
Salary paid	60 000
Delivery van fare (rent)	30 000
Bank loan interest paid	1 000

Additional information:

- Furniture should be depreciated at 10% on cost annually.
- There is no any stock of cereals on 31.12.2023.
- Building rent has not been paid up to 31.12.2023.

There is a downfall in cereals production due to band to import of chemical fertilizer by government and no good climate and weather condition. Further, the price of cereals also increased gradually. Then, he decided to open an organic fertilizer manufacturing factory.

- (i) (a) What is the need fulfilled by the above business?
(b) Classify the above business based on equity and objective.
- (ii) (a) Give examples for the following resources used by Thaya store from the above passage.
1. Capital 2. Employees
(b) Should Thaya store be registered? Give reasons.
- (iii) (a) Write the examples from the above passage for the following facts which can be identified by an environment analysis.
1. Opportunity 2. Threat
(b) State two stakeholders of the above business from the above fact.
- (iv) (a) Provide examples for the following managerial activities from the above passage.
1. Planning 2. Organizing
(b) Classify Thaya store based on nature of production.
- (v) Provide accounting equation of Thaya store on 01.01.2023.

04. (i) (a) State marketing mix variables.
 (b) Mention the principle not related to insurance. (02 marks)
- (ii) State whether the following statements are true or false.
 (a) Customers are interested to buy quality goods at reasonable prices from a business.
 (b) Selling goods to final consumers is whole trade.
 (c) Price is a marketing variable which earns income.
 (d) Management is important for a business to utilize the resources at maximum level. (02 marks)
- (iii) The following activities were carried out by a marketing manager of a business.
 A - Purchased a vehicle to distribute goods.
 B - Decided to change the shape of present goods.
 C - Instructed to sales employees to maintain good relationship with customers.
 D - Checked whether expected sales income has earned using proposed discount.
 State the relevant marketing mix for the above activities. (02 marks)
- (iv) When Sambavi who obtained the cheque in her name from Ragavi who maintains her account at Bank of Ceylon, presented the cheque at Bank of Ceylon for its encashment, it was rejected by the bank.
 (a) What is the reason for not encashing the cheque directly at bank counter?
 (b) What is your suggestion to him to encash the particular cheque? (02 marks)

(Total 08 marks)

Part B – Accounting

05. (i) (a) State the main objective of accounting.
 (b) Provide two circumstances which increase equity. (02 marks)
- (ii) Write the double entry for the following.
 (a) Visaka furniture manufacturing business purchased a computer from JK company for Rs. 200 000.
 (b) Goods for resale were sold for Rs. 50 000 on credit basis. (02 marks)
- (iii) Vimalan started a stationery business on 01.01.2023. The details of the business undertaken during first week are as follows.
- | | | |
|----------------|---------------------------|-------------|
| (a) 01.01.2023 | Capital invested by owner | Rs. 200 000 |
| (b) 02.01.2023 | Purchase of furniture | Rs. 125 000 |
| (c) 03.01.2023 | Purchase of stationery | Rs. 75 000 |
| (d) 05.01.2023 | Electricity payment | Rs. 3 000 |
| (e) 07.01.2023 | Bank loan received | Rs. 100 000 |

Write the impacts of the above transactions on the following accounting equation. Use the following format to answer. (First one is done for you.)

Transactions	Assets =	Equity	+ Liability
(a)	200 000 (Cash)	200 000 (Capital)	-
(b)			
(c)			
(d)			
(e)			

- iv) The details of petty expenses of Malathi business are given below.
- Petty cash imprest amount is Rs. 13 000.
 - Total value of petty expenses for January 2022 is Rs. 2 750.
 - Petty expenses were reimbursed on 01 February 2022.
 - Petty expenses for February 2022 are given below.

Date	Voucher no.	Details	Value (Rs.)
03.02.2022	001	Three-wheeler expenses	170
05.03.2022	002	Salary advance paid to Vithu	350
12.02.2022	003	Pens and pencils	250
14.02.2022	004	Sugar and tea expense	200
17.02.2022	005	Bus fare	225
19.02.2022	006	Exercise book	300
26.02.2022	007	Soft drink	150

Required,

1. Prepare petty cash book with analysis column such as transport, refreshment, stationery etc. and reimburse the petty expenses.
2. Post totals of analysis column to the relevant accounts. (04 marks)

06. (i) (a) What do you mean by bank statement?

(b) State two types of cash discount.

(02 marks)

(ii) The details of credit sales of Ramanan business for September 2022 are as follows.

Date	Invoice no.	Purchaser	Quantity	Other information
10.09.2022	102	Parathan	10 shirts each at Rs. 500	Trade discount 10%
22.09.2022	103	Nagulan	100 shorts each at Rs. 200	Trade discount 5%

Required,

Prepare sales journal.

(02 marks)

(iii) The details extracted from bank statement of Vithuran business received on 31.12.2022 are given below.

Credit balance on 01.12.2022 Rs. 20 000

Deposits:

03.12.2022 Cash Rs. 23 000
08.12.2022 Cheque 703312 Rs. 21 000
20.12.2022 Direct deposit Rs. 45 000

Deductions:

05.12.2022 Rent (cheque 731301) Rs. 6 000
19.12.2022 Magesan (cheque 731304) Rs. 34 000
27.12.2022 Cheque book charge Rs. 3 000

Required,

1. Prepare bank statement for 2022 December.

2. Write two items used to adjust bank account.

(04 marks)

(iv) As the trial balance prepared by Christan trader on 31.03.2022 was not tally, the different amount Rs. 1 000 was credited to suspense.

1. Debtor account balance was overstated by Rs. 2 500.
2. Sales invoice Rs. 8 000 was recorded in sales journal as Rs. 800.
3. Electricity charge Rs. 1 500 was recorded only in cash account.

Required,

1. Journal entries to rectify errors

2. Suspense account

(04 marks)

07. (i) (a) What is the objective of preparing trading account?
 (b) Provide journal entry for depreciation of non-current assets. (02 marks)
- (ii) The trial balance prepared by an account trainee in a business on 31.03.2022 with some errors is given below.

Details	Debit	Credit
Capital		70 000
Sales		45 000
Purchase	30 000	
Furniture	20 000	
Carriage inwards	5 000	
Drawings		1 000
Rent received	2 000	
Machine	20 000	
Investments		10 000
Cash balance	34 000	
Creditors	15 000	
	126 000	126 000

Required,

Prepare the correct trial balance on 2022.03.31.

(02 marks)

- (iii) The trial balance prepared by Mala business for the year ended 31.12.2022 is given below.

Details	Debit	Credit
Capital		300 000
Stock on 01.01.2022	30 000	
Land and building – cost	200 000	
Machine – cost	100 000	
Debtors	40 000	
Creditors		50 000
Purchase	200 000	
Sales		250 000
Electricity charge	20 000	
Insurance	10 000	
Salaries	30 000	
Drawings	5 000	
Advertising expenses	5 000	
Distribution cost	14 000	
10% bank loan		70 000
Bank charge	2 000	
Bank loan interest	3 000	
Cash balance	11 000	
	670 000	670 000

Additional information:

1. Stock on 31.12.2022 is Rs. 30 000.
2. Machines should be depreciated at 10% on straight line method annually.
3. Rs. 3 000 should be written off from debtors.

Required,

1. Prepare the statement of profit or loss for the year ended 31.12.2022. (04 marks)
2. Prepare the statement of financial position as at 31.12.2022. (04 marks)