## Provincial Department of Education Northern Province

# Second Term Examination - 2023 Business \& Accounting Studies I, II 

Time: 3 Hours \& 10 Min.

## Business and Accounting I

## Note:

- Answer all questions in Part I.
- In each of the questions 1 to 40, pick one of the alternatives (1), (2), (3), (4) which you consider as correct or most appropriation.
- Mark a cross $(\times)$ on the number corresponding to your choice in the answer sheet provided.
- Answer the questions No. $01-05$ using the fact given below.

Kumaran who retired from 20 year police service conducts a security service business in the name of 'Smart' and supplies security cadre to government and private banks and other institutions.

1. The need to be fulfilled by Smart business is,
(1) food
(2) cloth
(3) leisure
(4) security
2. Based on nature of production, Smart business is a,
(1) goods manufacturing business
(2) service providing business
(3) public sector business
(4) private sector business
3. The reason for which Kumaran conducts the business is,
(1) strength of body
(2) served in police service
(3) quality service
(4) lack of financial facility
4. The act under which the above business is registered is,
(1) Companies act No. 7 of 2007
(2) Co-operative act No. 5 of 1972
(3) Business Name Registration Ordinance No. 6 of 1918
(4) Partnership Ordinance No. 9 of 1890
5. The customers for the above business are,
(1) Kumaran who provides Smart security service
(2) Security officers
(3) Private banks and state institutions
(4) All of above
6. Which of the following can collect more capital?
(1) sole proprietorship business
(2) partnership business
(3) co-operative society
(4) incorporated companies
7. The criteria used to classify the businesses into private sector and public sector business is,
(1) ownership
(2) objective
(3) scale
(4) management
8. Ragul who maintains a savings account in People's Bank paid his house telephone bill through electronic card. The electronic card he has is,
(1) credit card
(2) debit card
(3) prepaid card
(4) SET card
9. Athithan encashed the cheque received from Agash for a settlement on a credit sales. The cheque related to this transaction is,
(1) general crossing cheque
(2) special crossing cheque
(3) the cheque with no cross lines
(4) cannot be deposited at bank current account
10. Balan insured his motor vehicle valuable Rs. 1000000 in the same value. His motor vehicle met with an accident at loss Rs. 600 000. But he claimed Rs. 1000000 from insurance company. What is the value of compensation which can be provided by insurance company?
(1) Rs. 600000
(2) Rs. 1000000
(3) Rs. 400000
(5) Rs. 1600000
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 = Labilities
(2) Liabilities + Assets = Equity
(3) Equity + Liabilities $=$ Assets
(4) Equity - Liabilities $=$ Assets
19. Parimala received a bank loan Rs. 200000 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. 3500 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. 3500
(4) Suspense account Dr. Rs. 3 500, Suspense account Cr. Rs. 3500
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. 4000
10.12.2022 Standing order payment Rs. 7000
15.12.2022 Payments on cheque presented to the bank Rs. 11000
25.12.2022 Direct remittance Rs. 9000

The balance of bank statement on 13.12 .2022 is,
(1) Rs. 13000
(2) Rs. 15000
(3) Rs. 24000
(4) Rs. 6000
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. 450000
B - Debtors
Rs. 120000
C - Creditors
Rs. 105000
D - Trade stock
Rs. 240000
E-Bank overdraft
Rs. 50000
F - Motor vehicle
Rs. 200000
G - Cash balance
Rs. 25000
H - Accrued income
Rs. 5000

27. The value of current assets is,
(1) Rs. 330000
(2) Rs. 335000
(3) Rs. 340000
(4) Rs. 390000
28. The value of current liabilities is,
(1) Rs. 105000
(2) Rs. 110000
(3) Rs. 155000
(4) Rs. 160000
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. 650000
(2) Rs. 570000
(3) Rs. 390000
(4) Rs. 155000
31. Vanathi business deposited Rs. 60000 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. 2000 in the statement of financial position
(2) interest income is Rs. 6000 in income statement
(3) accrued interest income is Rs. 6000 in the statement of financial position
(4) interest income is Rs. 4000 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. 100000 |
| :--- | :--- |
| Furniture - net value | Rs. 50000 (on 31.12.2022) |
| Closing stock | Rs. 35000 |
| Debtors | Rs. 40000 |
| Cash balance | Rs. 25000 |
| $15 \%$ Bank loan | Rs. 100000 |
| Accrued telephone charge | Rs. 3000 |
| Capital | Rs. 100000 |
| Creditors | Rs. 35000 |
| Accrued bank loan interest | Rs. 4000 |
| Net profit | Rs. 78000 |

## Additional information:

- Rs. 3000 should be written off from debtors.
- Bank loan was obtained on 01.01.2022.
- Monthly telephone charge is Rs. 2000.
- Furniture should be depreciated at $10 \%$ annually.

35. Accumulated depreciation and depreciation for the year of furniture are,
(1) Rs. 50 000, Rs. 10000
(2) Rs. 100000 , Rs. 10000
(3) Rs. 10 000, Rs. 50000
(4) Rs. 100000 , Rs. 50000
36. The debtor account balance before adjustment is,
(1) Rs. 40000
(2) Rs. 43000
(3) Rs. 3000
(4) Rs. 46000
37. The value of telephone charge disclosed in the statement of profit or loss for the year ended 31.12.2022 is,
(1) Rs. 24000
(2) Rs. 3000
(3) Rs. 27000
(4) Rs. 30000
38. The bank loan interest paid in cash during the year is,
(1) Rs. 4000
(2) Rs. 10000
(3) Rs. 6000
(4) Rs. 14000
39. Total value of current assets at the end of the financial year is,
(1) Rs. 75000
(2) Rs. 65000
(3) Rs. 60000
(4) Rs. 100000
40. Total value of equity of Bharath business on 31.12.2022 is,
(1) Rs. 78000
(2) Rs. 178000
(3) Rs. 320000
(4) Rs. 100000

## Provincial Department of Education Northern Province

## Second Term Examination - 2023 <br> Business \& Accounting Studies I, II

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.

1. 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. 500000 on 01.01.2023 to purchase and sell cereals. On the same date, he received a bank loan of Rs. 200000 at annual interest $12 \%$ for his further financial requirement. He obtained a building at monthly rent Ts. 10000 . He hired two employees for office and packaging needs.

The transactions for January 2023 are as follows.

|  | Rs. |
| :--- | ---: |
| Purchase of cereals | 200000 |
| Sales by cash | 300000 |
| Sales on credit basis | 50000 |
| Furniture purchase | 60000 |
| Electricity payment | 10000 |
| Salary paid | 60000 |
| Delivery van fare (rent) | 30000 |
| Bank loan interest paid | 1000 |

## Additional information:

- Furniture should be depreciated at $10 \%$ on cost annually.
- $\quad$ 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.
3. Opportunity
4. 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.
5. Planning
6. Organizing
(b) Classify Thaya store based on nature of production.
(v) Provide accounting equation of Thaya store on 01.01.2023.
(vi) Write two prime entry books to be maintained by Thaya store and write source documents for them also.
(vii) State the examples for the following from Thaya store.
7. Assets account
8. Liability account
9. Expense account
10. Income account
(viii) Calculate cash balance of Thaya store on 31.12.2023.
(ix) Calculate profit or loss of Thaya store for the month ended 31.01.2023
(x) (a) State two examples for current liabilities of Thaya store.
(b) Calculate the increase or decrease in the equity of Thaya store on 31.01.2023.

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(10 \times 2=20 \text { marks })
$$

## Part A - Business Studies <br> (Answer only two questions.)

2. (i) (a) What do you mean by human need?
(b) Write two features of human need.
(ii) State the following statements are true or false.
(a) Vehicle washing businesses are service providing businesses.
(b) Customers, suppliers, competitors etc. are internal environment forces.
(c) Incorporated companies are the businesses having legal personality.
(d) Sole proprietorship businesses are relevant for professional businesses.
(iii) Ceylon Petroleum Corporation has informed that monthly fuel import expenses have been reduced by $50 \%$ due to introduction of QR code.
(a) State the environment forces related to the above fact.
(b) State two features of business organization mentioned above.
(iv) Mayavan is conducting a driving learners' school in the name of 'Krishna Driving Learners'.
(a) State the human need to be fulfilled by the above business.
(b) Should 'Krishna Driving Learners' be registered? Give reasons.
(02 marks)
(Total 08 marks)
3. (i) (a) Provide two types of e-money.
(b) Write two advantages of cheque transactions.
(ii) State whether the following transactions are true or false.
(a) Current accounts cannot be opened at People's bank.
(b) There is name of bank between cross lines in special crossing.
(c) Weaknesses and threats can be identified by studying internal environment.
(d) The persons who provide physical and mental contributions to a business are entrepreneurs.
(iii) The principal of a leading school informed to the parents of grade 11 students that there is a meeting for on $25 \mathrm{c}^{\text {th }}$ of March at 3.00 pm at school.
(a) Write two components of communication mentioned in the above fact.
(b) Provide the examples for the components you mentioned in (iii) (a).
(iv) Aingaran who produces fabric in Sri Lanka exported certain quantities of fabric to Robinson in Malaysia.
(a) Write the exporter and importer mentioned here.
(b) State the examples for components of transportation way and medium.
4. (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

5. (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. 200000.
(b) Goods for resale were sold for Rs. 50000 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. 200000
(b) 02.01.2023 Purchase of furniture
Rs. 125000
(c) 03.01.2023 Purchase of stationery
Rs. 75000
(d) 05.01.2023 Electricity payment
Rs. 3000
(e) 07.01.2023 Bank loan received
Rs. 100000

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) | 200000 (Cash) | 200000 (Capital) | - |
| (b) |  |  |  |
| (c) |  |  |  |
| (d) |  |  |  |
| (e) |  |  |  |

iv) The details of petty expenses of Malathi business are given below.

- Petty cash imprest amount is Rs. 13000.
- Total value of petty expenses for January 2022 is Rs. 2750.
- 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)
2. (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
Deposits:
03.12.2022 Cash
Rs. 23000
08.12.2022 Cheque 703312
Rs. 21000
20.12.2022 Direct deposit
Rs. 45000

## Deductions:

05.12.2022 Rent (cheque 731301)
Rs. 6000
19.12.2022 Magesan (cheque 731304)
Rs. 34000
27.12.2022 Cheque book charge
Rs. 3000

## 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. 1000 was credited to suspense.
3. Debtor account balance was overstated by Rs. 2500 .
4. Sales invoice Rs. 8000 was recorded in sales journal as Rs. 800 .
5. Electricity charge Rs. 1500 was recorded only in cash account.

## Required,

1. Journal entries to rectify errors
2. Suspense account
3. (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 |  | 70000 |
| Sales | 30000 | 45000 |
| Purchase | 20000 |  |
| Furniture | 5000 |  |
| Carriage inwards | 2000 | 1000 |
| Drawings | 20000 |  |
| Rent received | 34000 | 10000 |
| Machine | 15000 |  |
| Investments | $\mathbf{1 2 6 0 0}$ | $\mathbf{1 2 6 ~ 0 0 0}$ |
| Cash balance |  |  |
| Creditors |  |  |
|  |  |  |
|  |  |  |

## Required,

Prepare the correct trial balance on 2022.03.31.
(iii) The trial balance prepared by Mala business for the year ended 31.12.2022 is given below.

| Details | Debit | Credit |
| :--- | ---: | ---: |
| Capital |  | 300000 |
| Stock on 01.01.2022 | 30000 |  |
| Land and building - cost | 200000 |  |
| Machine - cost | 100000 |  |
| Debtors | 40000 |  |
| Creditors |  | 50000 |
| Purchase | 200000 |  |
| Sales |  | 250000 |
| Electricity charge | 20000 |  |
| Insurance | 10000 |  |
| Salaries | 30000 |  |
| Drawings | 5000 |  |
| Advertising expenses | 5000 |  |
| Distribution cost | 14000 |  |
| lo\% bank loan |  | 70000 |
| Bank charge | 2000 |  |
| Bank loan interest | 3000 |  |
| Cash balance | 11000 |  |

Additional information:

1. Stock on 31.12.2022 is Rs. 30000.
2. Machines should be depreciated at $10 \%$ on straight line method annually.
3. Rs. 3000 should be written off from debtors.

## Required,

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