

PART 1

20.07.2016

REFERENCE ONLY

Select the most appropriate answer.

Study the following incident and answer questions (1) to (4)

Mihiri is carrying out a business of selling native fresh fruits. She is a graduate on Food Technology. She purchase fruits from those who cultivate fruits using carbonic fertilizer and sell them to customers and to the canteen carried out by Praneeth

1. A want fulfilled by Mihiri's fruit stall is
(1) Food (2) Jam (3) Mango (4) Health

2. The fruit business of Mihiri is a
(1) commodity manufacturing business, (3) Not for profit organizations
(2) service providing business (4) Partnership

3. One of the strengths of Mihiri's Business is
(1) She is a graduate of Food Technology (3) A canteen is situated near by
(2) She has a target market (4) Farmers who use carbonic fertilizer

4. Select the correct statement related to the above incident.
(1) Fruit Farmers are not a stake holder party of Mihiri's business
(2) Customers are a stake holder party of Mihiri's business
(3) There is a legal entity to this business
(4) Praneeth is a partner of Mihiri's Business

5. The Business organizations are categorized based on ownership as:
(1) Private sector business and small and medium scale businesses
(2) Private sector business and state sector businesses
(3) State sector business and large scale businesses
(4) For profit businesses and private sector businesses

6. Buddika has decided to start a business of selling building materials and planning to do the management by himself. The best business organization for this is
(1) Sole proprietorship (2) Partnership (3) Society (4) Incorporated company

7. Samantha Kumarasinghe is carrying out his business by the name "Samantha Stores". which of the following is correct related to the registration of this business?
(1) This business will receive legal personality when registered
(2) It is necessary to register the name of this business
(3) It is not necessary to register the name of the business
(4) This business should be registered under the Company's Act

8. An investor who wishes to do transactions by cheques should start
Select the suitable answer to the blank
(1) A savings account in Peoples Bank
(2) A current account in National Savings Bank
(3) A current account in Bank of Ceylon
(4) A savings account in National Savings Bank

9. When a name of a Commercial Bank is written in between parallel lines or without parallel lines on the face of a cheque, it is
(1) General crossing (2) dishonouring (3) Endorsement (4) Special crossing

Answer questions (10) and (11) based on the following incident.

Kamal met with an accident while he was travelling to the KP Enterprise, his own business, in his private motor vehicle. Kamal used his mobile phone and informed the incident to the Insurance Company, where the car was insured.

10. Select the 1st party and the second party related to Insurance with relevant to the above incident
- (1) Kamal, National Insurance Company
 - (2) National Insurance Company, Kamal
 - (3) K P Enterprise, National Insurance Company
 - (4) National Insurance Company, K P Enterprise
11. The communication medium and method used by Kamal to inform the incident respectively are
- (1) oral, electronic, mobile phone
 - (2) mobile phone, written/ electronic
 - (3) mobile phone, electronic/written
 - (4) telephone conversation, electronic/written
12. When the examples for the elements of transportation: the way, mode, power and terminal are given in order
- (1) Water way, aeroplanes, bus stop, gas
 - (2) Road way, gas, ships, port
 - (3) Water way, ships, mineral oil, port
 - (4) Road way, bus, bus stop, mineral oil
13. Which of the following come under 'retail trade'
- (1) selling flowers to the pilgrims of a holy place
 - (2) selling of lottery tickets to the agents by the lottery board
 - (3) selling of bakery products to a school canteen by a bakery owner
 - (4) selling of vegetables by the vegetables farmers of Nuwara Eliya to a Economic centre.
14. Column 'X' give managerial tasks and column 'Y' gives the work come under those tasks

X	Y
(i) planning	(A) observing the work of sales assistants by the marketing manager
(ii) organizing	(B) deciding to increase sales by 5%
(iii) directing	(C) checking the percentage increase of sales
(iv) controlling	(D) Joining sales assistants

When 'x' and 'Y' match

- (i) B,A, D, C 2). B,C,A,D 3). B, D, A, C 4). B, D, C, A

15. To which environment do the following belong?
- Price levels, national income, employment
- (1) External — Economic environment
 - (2) Internal — Economic environment
 - (3) Micro — Political environment
 - (4) External — Political environment
16. Which of the following is correct related to debit card and credit card
- (1). Both should have a bank account
 - (2) Only credit cards should have a bank account
 - (3) Debit card holders pay the amount at the end of the month
 - (4) Credit card holders pay the amount after the transaction is taken place
17. The values of the accounting equation for a given date of a business is as follows

Assets	=	owner's equity	+	liabilities
Rs.100,000	=	Rs. 75,000	+	Rs. 25,000
Select the accounting equation after owner taking Rs.5000 for his personal use				
Assets		Owner's equity	+	liabilities
(1) Rs.105,000	=	Rs. 75,000	+	Rs.30,000
(2) Rs. 95,000	=	Rs. 70,000	+	Rs. 25,000
(3) Rs. 100,000	=	Rs. 75,000	+	Rs. 25,000
(4) Rs. 95,000	=	Rs. 75,000	+	Rs. 20,000

18. Select the transaction which have an effect to increase owner's equity
 (1) Owner obtaining Rs.10,000 from the business for his personal use
 (2) Paying Rs.2000 for electricity bill
 (3) Investing extra capital by the owner Rs.10,000
 (4) Purchasing a machine worth Rs.300,000
19. Select the correct double entry to record the cash receipts from Debtors Rs.20,000
 (1) Cash A/C Debit Rs. 20,000
 Debtors' A/C Credit Rs.20,000
 (2) Bank A/C Dr Rs.20,000
 Debtor's A/C Credit Rs. 20,000
 (3) Bank A/C Dr Rs.20,000
 Cash A/C Cr Rs.20,000
 (4) Debtor's A/C Dr 20,000
 Bank A/C Cr Rs.20,000
20. Column X shows the types of Accounts and column Y shows some items recorded in those accounts
- | X | Y |
|----------------------|--------------------|
| i). Asset A/C | (A) Discount given |
| ii). Liabilities A/C | (B) Sales |
| iii) Equity A/C | (C) Furniture |
| iv) Income A/C | (D) Drawings |
| v) Expenditure A/C | (E) Creditors |
- The answer when X and Y is matched
- 1). C, E, D, A B 2). C, E, B, D, A 3). C, E, D, B, A 4). C, E, B, A, D
21. The credit balance of the bank A/C of a business is
 (1) Asset (2) Liability (3) Income (4) Expenditure
22. The source document to record the depositing of a cheque worth Rs.5000 received from a debtor is(1) and the prime entry book is (2)
 The answers for blank (1) and (2) respectively are
- | | |
|-------------------------------------|-----------------------------------|
| (i) Receipt, cash book | ii). Receipt, Bank A/C |
| (iii) Cheque deposit slip, cash A/C | iv) cheque deposit slip, bank A/C |
23. The Bank A/C balance of a business s at 31.01.2016 is Rs.15,500 and the balance in the bank s Statement as at that date is Rs.16,000. The reason for this difference can be
- (1) Bank charges debited by the bank Rs.500
 (2) Direct remittance collected to bank Rs.500
 (3) Insurance paid for standing orders Rs. 500
 (4) Deposited but unrealized Rs. 500
24. A discount of 5% is received when paying Rs.10,000 to Nimal who is a creditor of Kamal's Business . The type of discount when this is recorded in Kamal's business is
 (1) A discount given Rs.10,000
 (2) A discount received from 10,000
 (3) A discount given Rs.500
 (4) A discount received Rs. 500
25. Some details of a business in which the petty cash imprest is Rs.3000 are given below
- The petty cash expenses during the month Ended on 31st Jan 2016 is Rs. 2950
 - It is decided increase the petty cash imprest to Rs.4000 from 1st Feb 2016
 - * The amount that should be given to the petty cash on 01.02.2016 to reimburse the petty cash imprest is
- 1). Rs.1050 2). Rs. 2950 3). Rs. 3950 4). Rs. 4000

26. Some of the transactions taken place in Shakthi business are as follows

- A - Cash purchases of furniture Rs. 100,000
- B - Purchased furniture from 'Gamini Furniture'
- C - Purchased office equipment on credit from Alfa company's Rs. 50,000
- D - Owner obtained furniture for personal use Rs. 20,000
- E - purchased furniture from Agana Lee badu Rs. 100,000

The transaction which are recorded in 'purchases journal of Shakthi business

- i). A and B
 - ii). B and C
 - iii). B and E
 - iv). C and E
27. The prime entry book in which obtaining of 100 drink bottles for personal use by an owner of Beverage company is
- i). General journal
 - ii). purchases journal
 - iii). Sales journal
 - iv). Petty cash book
28. The total of Debit side of Trial balance of a business is Rs. 350,000 and the credit total is Rs. 345,000.
What is the effect on suspense A/C due to this difference
- i). A debit balance of Rs. 5000
 - ii). A credit balance of Rs. 5000
 - iii). A debit balance of Rs. 345,000
 - iv). A credit balance of Rs. 350,000

Answer questions (29) and (30) based on following paragraph

The number of members in Arunalu Sports Club as at 1.1.2015 is 150. Monthly subscription per Member is Rs. 50. 120 members have paid membership fees for year 2015

29. What is the membership subscription amount that should be recorded in the receipts and payments a/c of 2015

- i). Rs. 6000
- ii). Rs. 7500
- iii). Rs. 72000
- v). Rs. 90,000

30. The membership fees to be included in the income statement of 2015 is

- i). Rs. 7500
- ii) Rs. 18,000
- iii). Rs. 72000
- v). Rs. 90,000

31. Select the answer which includes the elements of production cost

- i). production cost = Prime cost + Direct material cost + Indirect labour cost + Other direct cost
- ii). production cost = Prime cost + Indirect material cost + Indirect labour cost + Other indirect cost
- iii). Production cost = Direct material cost + Direct labour cost + Indirect material cost + Other indirect cost
- iv). Production cost = Indirect material cost + Indirect labour cost + Indirect other cost + Production over head cost

32. The payment made to security Rs. 10,000 in a clay pots manufacturing business is a

- i). Direct labour cost
- ii). Other indirect cost
- iii). Other direct cost
- iv). Indirect labour cost

33. The electricity payment in the trial balance prepared as at 31.12.2015 is Rs. 12,000
The accrued electricity expenses recorded under current liabilities of financial position Statement is Rs. 1200. The annual electricity bill of this business is

- i). Rs. 1200
- ii). Rs. 10,800
- iii). Rs. 12,000
- iv). Rs. 13,200

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34. Following are some data related to a certain business

Cash sales	cash purchases
Credit purchases	credit sales
Loading expenses	carriage inwards

The correct answer which represents the cost of goods purchased is

- i). cash purchases + credit purchases + loading expenses + carriage inwards
- ii). cash sales + credit sales + loading expenses + carriage inward
- iii). Cash purchase + cash sales + loading expenses + carriage inwards
- iv). Credit purchases + credit sales + loading expenses + carriage inwards

35. The financial statement which represents

$$\text{Assets} = \text{owner's equity} + \text{liabilities}$$

- i). Receipt and payment account
- ii). Financial position statement
- iii). Income statement
- iv). Income expenditure statements

Use the following information to answer from (36) to (40)

Following is a trial balance prepared in Dilshan's business for the year ended 31st Dec 2015

	Debit	Credit
Capital		800,000
Stock as at 01.01.2015	5,000	
Purchases	80,000	
Sales		200,000
10% Bank loan		20,000
Distribution vehicle – cost	200,000	
Building – cost	670,000	
Provision for depreciation at 01.01.2015- Distribution vehicle		20,000
Insurance	2,000	
Sales Commission received		4,000
Sales person salaries	30,000	
Bank loan interest	2,000	
Debtors	12,000	
Creditors		11,000
Bad debt	1,000	
Administrative salaries	40,000	
Bank over draft		16,000
Cash balance	29,000	
	1,071,000	1,071,000

There is no entry related to the stock worth Rs.3000 obtained for the use of the owner
Distribution vehicle should be depreciated 10% to the straight line method

36. The total distribution expense to be recorded in the income statement prepared for the year ended 31.12.2015 is

- (i) Rs. 31,000
- ii). Rs. 33,000
- iii). Rs. 50,000
- iv). Rs. 51,000

37. The answer which includes only the current assets of this business is

- i). creditors, cash balance, building
- ii). Debtors, bank overdraft, cash balance
- iii). Closing stock, distribution vehicle, cash balance
- iv). Debtors, cash balance, closing stock

38. Gross profit of the business for the year ended 31.12.2015 is

- i). Rs. 115,000
- ii). Rs. 117,000
- iii). Rs. 120,000
- iv). Rs. 125,000

39. Net profit for the year ended 31.12.2015 is

- i). Rs. 20,000
- ii). Rs. 25,000
- iii). Rs. 29,000
- iv). Rs. 45,000

40. Owner's equity as at 31.12.2015 is

- i). Rs. 826,000
- ii). Rs. 829,000
- iii). Rs. 832,000
- iv). Rs. 942,000

De Mazenod College – Kandana
G.C.E. (O/L) Examination 2016
2nd Term Test
Business and Accounting Studies II

REFERENCE ONLY

20-07-2016

- 1st Question is compulsory
- Select two questions from each part A and B and answer 5 questions altogether

(01) Answer questions (i) to (x) with reference to the given paragraph

Lanka who has followed a special degree on entrepreneurship started a business of selling flower pots by the name 'Alankara flower pots' on 2016.01.01. He invested his land of Rs.500 000 and cash Rs.300 000. He purchased a machine worth Rs.30 000 on 2016.01.02 and another Rs.20 000 was spent to purchase a moulding of preparing flower pots. Lanka joined Hasalaka, a friend of Lanka, who has a knowledge on making flower pots. Lanka deposited Rs.50 000 on 2016.01.03 and opened a bank current account for his business activities.

- The following transactions were taken place during the month ended 2016.01.31

2016.01.04 paid Rs.25 000 by cheque to purchase sand and cement
 2016.01.05 spent Rs. 1 200 to purchase oil for machinery
 2016.01.20 paid monthly electricity bill Rs. 2 500
 2016.01.25 wages paid for the person who make flower pots is Rs. 10 000 and for security is Rs. 6 000

They produced 500 flower pots during the month spending all the material purchased and sold all the pots during the month of January. The selling price is determined by adding a 25% profit margin for each pot. The transportation cost to send the pots to the town is Rs. 5 000. Machinery is depreciated 12% annually.

- (i) (a) what is the type of business organization that 'Alankara flower pots' belong to?
 (b) write an advantage and a disadvantage that can be seen in this type of business organization
- (ii) (a) write a strength of this business
 (b) write the way and the mode of transportation of this business
- (iii) Write one example for each of the production factor in the following table which are relevant for making flower pots

Production factor	Example
1. Land	
2. Labour	
3. Capital	
4. Entrepreneurship	

- (iv) (a) write a task of this business which is related to 'organizing' in the management process
 (b) following are two incidents in the above business
 A – deciding the price of a flower pot with a 25% profit margin
 B – selling the pots taking them to town

State the components of the marketing mix with relevant to each of the above incidents

- (v) Write the basic accounting equation of this business as at 2016.01.01 with values
- (vi) Write the source document and the prime entry book related to the transaction taken place on 2016.01.04

- (vii) Prepare the bank account of this business and balance off it as at 2016.01.31
 - (viii) (a) what is the amount of machinery depreciation for the month of January
(b) write the journal entry to record the depreciation for that month
 - (ix) (a) write a non current asset of this business
(b) write a transaction which decreases asset and increases expenditure of this business
 - (x) (a) calculate the prime cost of production of a flower pot of this business
(b) write two over head costs of production of this business with their values
- (2x 10 = 20 marks)

PART I (Business Studies)
Select two questions from this part

- (02) (i) (a) What are human needs? (1 marks)
- (b) Write two differences between needs and wants (1 marks)
- (ii) State whether the following statements are true or false.
- (a) Share holders are the different parties who are interested in business activities.
 - (b) The specialized knowledge of the employees is an opportunity for the business.
 - (c) Machinery and equipments which are used for production activities is considered as capital.
 - (d) "A Driving learning school" (Learners) is a service supplying business.
- (2 marks)
- (iii) The students and the staff prefer to purchase the healthy lunch packets prepared and supplied by Piyawathie to the school canteen.
- (a) Name two parties who are interested on school canteen in the above incident. (1 mark)
- (b) Write one reason each why the above mentioned parties ('in a') is interested on this business. (1 mark)
- (iv) Amarapala who is having a dairy farm plans to produce carbonic fertilizer. The government too has planned to reduce the consumption of chemical fertilizers.
- Write (a) an opportunity
(b) a strength of Amarapala's business (2 marks)
- (Total 8 marks)

- (03) (i) (a) What is meant by endorsing a cheque? (1 mark)
- (b) Name the parties related to a cheque. (1 mark)
- (ii) State whether the following statements are true or false.
- (a) One of the characteristics of sole tradership is the registration with limited liability.
 - (b) External communication is the communication between managers and suppliers.
 - (c) 'Transportation way' is the different vehicles used in different transportation ways.
 - (d) 'The insured' is the party which obtains the insurance and 'the insuree' is the party which grants the policy.
- (iii) 30 fishermen of kalpitiya is planning to start an independent organization which runs a
- (a) What is the business organization you suggest for them. (1 mark)
- (b) Write one advantage and one disadvantage of the type you suggested. (1 mark)

(iv) 'Mali' who is carrying out a florist informed Kumari over the phone to supply a stock of flowers by train. Kumari agreed to send the stock of flowers on the same date.

- (a) Write two reasons for selecting train to get the stock of flowers by train. (1 mark)
- (b) Write the communication process of the above incident in the form of a flow diagram. (1 mark)
- (Total 8 marks)

- (04) (i) (a) What is meant by management? (1 mark)
- (b) What are the components included in the marketing mix (1 mark)

- (ii) State whether the following statements are true or false
- a) Directing is the distribution of work, tasks and resources in the planning process.
- b) Products are the goods sent to the market to fulfill human needs and wants.
- c) Savings accounts can be opened by anyone regardless of age.
- d) A debit card does not require a bank account to engage in transactions. (2 marks)
- (iii) Following are the steps followed by a school bag production business.
- a) Checking whether the produced school bags are made to the required quality.
- b) Recruiting employees who sew school bags
- c) Deciding to obtain a bank loan
- d) Advising and supplying information to the sewing employees.

State each of the above tasks under the tasks of management process. (2 marks)

(iv) Muditha is carrying out a bookshop near a school. He gives a 10% discount on total bill exceeding Rs. 500 and draws a lottery to get a sports equipment every Friday

- a) What is the target market of Muditha's business
- b) Which component of Marketing mix is used by Muditha to increase sales. (2 marks)

(Total 8 marks)

PART II (Accounting)

Select only two questions

- (05) (i) (a) what is the objective of accounting?
- (b) write two characteristics that can be seen in an asset (2 marks)

(ii) following are few transactions taken place in Dhanuka's business during the first week of January 2016

- 2016.01.01 invested Rs. 600 000 as capital
- 2016.01.03 cash purchases Rs. 200 000
- 2016.01.05 obtained a bank loan Rs. 250 000
- 2016.01.06 obtained a stock worth Rs. 5 000 for the personal use of the owner
- 2016.01.07 paid wages Rs. 3000

State how the above transactions affect the accounting equation. Use the following format

Transaction no.	Assets =	Equity +	Liabilities
1.	Cash + 600 000	+ 600 000	
2.			
3.			
4.			
5.			

(2 marks)

(iii) transactions of Sunimal's business for the month of March 2016 are given below

date	Invoice number	supplier	Net value in the invoice (Rs)
2016.03.02	125	Jayawarna	11 250
2016.03.08	445	Baladewa	7 200
2016.03.15	140	Suramya	6 750

Required:

(a) the purchases journal for the month of March

(b) the relevant ledger accounts

(4 marks)

(iv) the petty cash information of Kosala's business during the first two weeks of February 2016 are as follows

Date	Description	Amount (Rs)
2016.02.01	Received the petty cash imprest	2 000
2016.02.01	travelling	160
2016.02.02	Stationary	130
2016.02.03	Carriage inwards	150
2016.02.06	Entertainment	165
2016.02.07	Taxi charges	150
2016.02.08	Labour charges	150
2016.02.09	Computer equipments	500
2016.02.10	Carbon papers	110
2016.02.11	Entertainment	125
2016.02.13	Donation	200
2016.02.14	Stationary	130
2016.02.15	Reimbursement of the imprest	

Required : prepare the petty cash book for the month of February with travelling, stationary, entertainment, sundry expenses analysis columns

(4 marks)

(06) (i) (a) write two factors to be considered when deciding the price of a product

(1 mark)

(b) what is meant by 'the bank statement'?

(1 mark)

(ii) Gunasiri carries out a brick production business. The cost incurred by his for the month of January 2016 are as follows

	Rs
Clay	25 000
Wages for brick makers	30 000
Fire wood	15 000
Clay transporting cost	5 000
Water bill	5 000

He produced 1000 bricks in the month of January. Calculate the cost per brick (2 marks)

(iii) the bank account balance of Wickrama's business as at 31st January 2016 is Rs. 40 000 . But the statement balance was different. Later the following reasons were revealed for the difference.

- Direct remittances from debtors Rs. 6 000
- Deposited but unrealized cheques Rs. 7 000
- Bank charges rs. 500
- Issued but unrepresented cheques Rs. 5 000

Required: (a) adjusted bank account balance

(b) bank reconciliation statement which shows the bank balance as at 2016.01.31
(4 marks)

(iv) the trial balance prepared in Tharindu's business as at 2016.01.31 did not tally so the difference of Rs. 7 200 was debited to a suspense account. Later the following errors were revealed.

- A sales invoice of Rs. 5000 has been recorded twice in the books
- Electricity bill payment Rs. 8 000 is recorded in the electricity account as Rs. 800
- Insurance payment Rs. 2 000 is not recorded in the books

Required: (a) journal entries to rectify the above errors

(b) suspense account (4 marks)

- (07) (i) (a) write a non current liability that can be seen in a business (1 mark)
(b) write a difference between a receipt and payment account and the income statement prepared by a not for profit organization (1 mark)

(ii) number of members of Eksath sports club is 100. Annual subscription is Rs. 600. The receipt and payment account prepared by the treasurer is as follows

receipt and payment account			
2016.03.01 balance	10 000	water bill	800
Members subscription	2 500	entertainment	2 000
Sale of news papers	1 000	stationary	200
		Labour charges	1 500
		Travelling	400
		Balance c/d	8 600
Balance b/f	13 500		13 500
	8 600		

- Building rent to be paid for the month of march is Rs. 2 000

Required: prepare the income statement of Eksath sports club for the month ended 2016.03.31
(2 marks)

(iii) the trial balance of Sapumal's business as at 2015.12.31 is as follows

	Debit (Rs)	Credit (Rs)
Purchases	450 000	
Sales		590 000
Building – cost	300 000	
Equipment – cost	50 000	
Provision for depreciation – building as at 2015.01.01		30 000
Stock as at 2015.01.01	12 000	
Discount given	1 000	
Discount received		5 500
Insurance	5 500	
Advertising	25 000	
15% bank loan		50 000
Bank interest rate	7 500	
Debtors	18 000	
Creditors		23 000
Cash	29 500	
Capital as at 2015.01.01		200 000
	898 000	898 000

Other information:

- I. Stock as at 2015.12.31 is Rs.12 000
- II. Bad debt to be written off is Rs . 2 000
- III. Building and equipment should be depreciated at 10% per annum

Required:

- (i) profit or loss statement for the year ended 2015.12.31
- (ii) financial position statement as at 2015.12.31

(8 marks)

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