

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
 இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம்
 Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
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 Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka

60 E I, II

අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය, 2018 දෙසැම්බර්
 கல்விப் பொதுத் தராதரப் பத்திர (சாதாரண தர)ப் பரீட்சை, 2018 டிசெம்பர்
 General Certificate of Education (Ord. Level) Examination, December 2018

ව්‍යාපාර හා ගිණුම්කරණ අධ්‍යයනය I, II
 வணிகக் கல்வியும் கணக்கீடும் I, II
 Business and Accounting Studies I, II

12.12.2018 / 0830 - 1140

පැය තුනයි
 மூன்று மணித்தியாலம்
 Three hours

අමතර කියවීම් කාලය - මිනිත්තු 10 යි
 மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
 Additional Reading Time - 10 minutes

Use **additional reading time** to go through the question paper, select the questions and decide on the questions that you give priority in answering.

Business and Accounting Studies I

Note :

- Answer all questions.
- In each of the questions 1 to 40, pick one of the alternatives (1), (2), (3), (4) which is correct or most appropriate.
- Mark a cross (X) on the number corresponding to your choice in the answer sheet provided.
- Further instructions are given on the back of the answer sheet. Follow them carefully.

- Answer the questions No. 1 to 5 paying attention to the following case.

Samadhi, who is currently working at Ravimal Company and the best performer at the G.C.E. (A/L) 2017 in Nelumwila Maha Vidyalaya of which new laboratory and buildings were developed by the concept of 'The nearest school is the best', received a letter from University Grant Commission mentioning that she has been selected to the University.

- What is the basic human need satisfied by the Nelumwila Maha Vidyalaya in this case?
 (1) Health (2) Housing (3) Security (4) Education
- What type of business organization does the University Grant Commission in this case belong to?
 (1) State Cooperations (2) State Departments
 (3) State Companies (4) Incorporated Companies
- Select the correct statement regarding the above case.
 (1) The concept, 'The nearest school is the Best' is an economic environmental factor.
 (2) Buildings of the school belong to the production factor of land.
 (3) University Grant Commission is a service providing business.
 (4) Students of Nelumwila Maha Vidyalaya are an external environmental factor of that school.
- Select the answer which shows the sender, the message, the medium and the receiver related to the communication in the above case in correct order.
 (1) Samadhi → Samadhi has been selected to the university → Written → University Grant Commission
 (2) Samadhi → Written → Samadhi has been selected to the university → University Grant Commission
 (3) University Grant Commission → Samadhi has been selected to the university → Written → Samadhi
 (4) University Grant Commission → Written → Samadhi has been selected to the university → Samadhi
- Select the correct statement about the Ravimal Company in the above case.
 (1) Registration of the name of this business is compulsory.
 (2) This business has a legal entity.
 (3) The liability of the owner of this business is limited.
 (4) This business is a public sector business.

6. What is the factor of production that a business which is conducted successfully by a farmer, bearing the loss occurred in floods belongs to?
 (1) Land (2) Labour (3) Capital (4) Entrepreneurship
7. Increase in the value of the American dollar relative to the value of Sri Lankan rupee, for a garment exporting company is
 (1) an internal environmental factor. (2) an economic environmental factor.
 (3) a legal environmental factor. (4) a technological environmental factor.

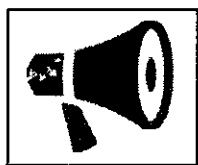
• Answer the questions No. 8 and 9 using the following case.

Subash Kavirathna who has a current account at Bank of Ceylon issued a cheque of Rs. 100 000 to a client, Deepal Samaradivakare, and Deepal Samaradivakare has encashed it at the bank counter.

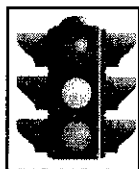
8. Select the answer which shows the drawee and payee of the cheque respectively.
 (1) Bank of Ceylon and Deepal Samaradivakare
 (2) Deepal Samaradivakare and Bank of Ceylon
 (3) Bank of Ceylon and Subash Kavirathne
 (4) Subash Kavirathne and Deepal Samaradivakare
9. The cheque issued in the above case
 (1) has a general crossing.
 (2) has a special crossing.
 (3) hasn't a crossing.
 (4) cannot be deposited in a bank current account.
10. While the first party of insurance is known as^①....., the second party is known as^②.....

Select the answer that shows the suitable terms to ① and ② in the above statement respectively.

- (1) insurer, insured. (2) insured, insurer.
 (3) insurance company, insured. (4) insurer, insurance company.
11. What is the non-electronic signs communication method from the following pictures?



(1)



(2)



(3)



(4)

12. Several incidents related to the transportation and elements of transportation are given in column X and Y respectively.

X	Y
1. Island wide expansion of 1990 ambulance service	A – Way
2. Commencing the constructions of Northern Express-way	B – Mode
3. Renovation of central bus stand in Pettah	C – Power
4. Adjusting the oil prices based on the crude oil price in world market.	D – Terminal

Select the answer in which the above incidents in column X have been matched with the elements of transportation in column Y in correct order.

- (1) A, B, D and C (2) B, A, C and D (3) B, A, D and C (4) B, C, A and D

- Answer the questions No. 13 and 14 using the following case.

A publisher decided to reserve his exhibition stall behind the main entrance of Colombo International Book fair and recruited an employee for it.

13. Two management functions in the above case are
 (1) planning and leading. (2) planning and organizing.
 (3) organizing and controlling. (4) leading and organizing.
14. Two variables of marketing mix mentioned in the above case are
 (1) promotion and product. (2) promotion and place.
 (3) product and place. (4) product and price.
15. Select the **incorrect** statement regarding treasury bills.
 (1) An investor can purchase treasury bills from primary dealers.
 (2) Treasury bills are a risk free investment.
 (3) Treasury bills used to fulfil the long term financing requirement of the government.
 (4) Treasury bills have an absolute government security.
16. An investor expects high returns by investing in ordinary shares than investing in treasury bills. The reason for this is
 (1) low risk of ordinary shares. (2) high risk of ordinary shares.
 (3) high interest income of ordinary shares. (4) high government security of ordinary shares.
17. Select the answer which shows the basic accounting equation correctly.
 (1) Assets + Liability = Equity (2) Assets - Liability = Equity
 (3) Assets + Equity = Liability (4) Equity - Liability = Assets
18. Because of paying employee salaries of Rs. 8 000 in a business
 (1) assets decrease by Rs.8 000 and equity decreases by Rs.8 000
 (2) assets decrease by Rs.8 000 and equity increases by Rs.8 000
 (3) assets increase by Rs.8 000 and liabilities increase by Rs.8 000
 (4) equity decreases by Rs.8 000 and liabilities increase by Rs.8 000
19. The equity of Kasun's business as at 01.01.2018 was Rs.150 000, while equity as at 31.01.2018 was Rs.170 000. If only one transaction occurred during that period, the transaction is
 (1) employing the capital of Rs.170 000.
 (2) obtaining goods of Rs.20 000 by the owner for his personal use.
 (3) selling a stock of goods for Rs.40 000 on credit which cost Rs.60 000.
 (4) selling a stock of goods for Rs.60 000 in cash which cost Rs.40 000.
20. A transaction occurred in a business and the incomplete double entry used to record it are given below.
- Receiving of Rs.22 000 in cash from a debtor to paid off the balance of Rs.25 000.

	Rs.	
Cash account	Dr.	22 000
①	account Dr.	②
		③
	Debtors account Cr.	-----

Select the answer that shows the correct terms for above ①, ② and ③ in correct order.

- (1) Discounts allowed, Rs.3 000 and Rs.25 000
- (2) Discounts received, Rs.3 000 and Rs.25 000
- (3) Discounts allowed, Rs.3 000 and Rs.22 000
- (4) Discounts received, Rs.3 000 and Rs.22 000

21. Select the correct statement from the following related to the principle of double entry.
The principle of double entry,

- (1) increases debit decreases credit is relevant to the liabilities accounts.
- (2) increases debit decreases credit is relevant to the equity accounts.
- (3) increases credit decreases debit is relevant to the income accounts.
- (4) increases credit decreases debit is relevant to the assets accounts.

● Use the following information to answer the questions No. 22 and 23.

Some transactions occurred in Pasindu Book Publishers are as follows.

- A - Purchasing a printing machine of Rs.250 000 on credit
- B - Purchasing printing papers of Rs.50 000 from Ruwan on credit
- C - Purchasing furniture of Rs.100 000 from Moratu Furniture Company on credit
- D - Selling a stock of books for Rs.160 000 on credit which cost Rs.100 000

22. The transaction recorded in purchases journal is

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

23. Select the answer that shows the source documents for above A, B and D transactions in correct order.

- (1) Journal voucher, Sales invoice and Purchase invoice
- (2) Journal voucher, Purchase invoice and Sales invoice
- (3) Payment voucher, Purchase invoice and Sales invoice
- (4) Purchase invoice, Journal voucher and Sales invoice

24. The credit balance of the bank statement of Kapila's business for the month of October 2018 was Rs.12 000. This is

- (1) an asset of the business.
- (2) a liability of the business.
- (3) an asset of the bank.
- (4) a bank overdraft of the business.

● Answer the questions No. 25 and 26 using the following information.

The petty cash balance with petty cashier of Sandun's business as at 31.07.2018 was Rs.2 500.

Following are the balances of analysis columns of petty cash book for the month of July 2018.

Stationery	Rs.2 500
Travelling expenses	Rs.1 800
Refreshment expenses	Rs.2 000
Miscellaneous expenses	Rs.1 200

Sandun decided to increase the value of the petty cash imprest up to Rs.15 000 from 01.08.2018.

25. The value of the petty cash expenses for the month of July 2018 in this business is

- (1) Rs.2 500.
- (2) Rs.7 500.
- (3) Rs.10 000.
- (4) Rs.15 000.

26. The value of the petty cash reimbursement as at 01.08.2018 is

- (1) Rs.2 500.
- (2) Rs.5 000.
- (3) Rs.12 500.
- (4) Rs.15 000.

27. Select the answer which shows the source document and prime entry book used in recording the employing of additional capital of Rs. 5 000 by the owner in correct order.

- (1) Cash book and receipt.
- (2) General journal and receipt.
- (3) Receipt and general journal.
- (4) Receipt and cash book.

28. Total of the debit column was Rs.800 000 and the credit column was Rs.825 000 in a trial balance prepared as at 31.03.2018 in a business. An accounting error caused to this difference is

- (1) increasing the total of discounts allowed account by Rs.25 000.
- (2) increasing the total of sales account by Rs.25 000.
- (3) increasing the total of purchases account by Rs.25 000.
- (4) decreasing the total of discounts received account by Rs.25 000.

29. The stock of Rs.45 000 purchased by a business from Sumanadasa on credit has been recorded in Sumanadasa's account as Rs.54 000. The prime entry book to rectify this error is
- (1) general journal. (2) purchases journal.
(3) cash book. (4) sales journal
30. From the following transactions of Sesatha's sports Club, the one which is **not** included in the income and expenditure account is
- (1) receipts of Rs. 1 000 from selling news papers.
(2) purchasing sports equipment of Rs. 15 000.
(3) donations received of Rs.5 000.
(4) paid transportation expenses of Rs.2 500.
31. Total production cost of a business which produced flower pots for the month of October 2018 was Rs.150 000, while the number of flower pots produced during the month was 500. If 20% profit margin is kept on production cost of a flower pot, the selling price of a flower pot is
- (1) Rs.240. (2) Rs.300. (3) Rs.360. (4) Rs.500.
32. Some expenditure items of production businesses and some elements of production cost are given in column X and Y respectively.

X	Y
1. Electricity expense of a roof tile production business	A – Indirect labour cost
2. Wages of dress makers of a garment factory	B – Direct other cost
3. Wage of the watcher of a foot ware production business.	C – Direct labour cost
4. Royalty of a book publisher.	D – Indirect other cost

What is the answer when the above expenditure items in column X are matched with the elements of production cost in column Y in correct order?

- (1) B, A, C and D (2) B, C, A and D (3) D, C, A and B (4) D, C, B and A
33. Kumudu invested Rs.100 000 earned from her business on 01.04.2017 in a fixed deposit at a 12% annual interest rate. The annual interest is to be received on 31.03.2018. According to the financial statements of this business prepared for the year ended 31.12.2017,
- (1) interest income in income statement is Rs.12 000.
(2) interest income receivable in Financial position statement is Rs.12 000.
(3) interest income receivable in financial position statement is Rs.9 000.
(4) interest income receivable in financial position statement is Rs.3 000.
34. A business has purchased a machine of Rs.500 000 on 01.01.2016. The effective life time of the machine is 5 years. At the end of the life time, the scrap value of the machine is Rs.50 000. The amount of the depreciation of the machine shown in income statement of the business prepared for the year ended 31.12.2017 is
- (1) Rs.90 000. (2) Rs.100 000. (3) Rs.180 000. (4) Rs.320 000.

- Use the following information to answer the questions No. 35 to 40.

Following are a few balances extracted from the trial balance of Janaka's business as at 31.12.2017.

	Rs.
Capital	300 000
Stock (as at 01/01/2017)	40 000
Sales	250 000
Purchases	150 000
Carriage inwards	3 000
Debtors	35 000
Insurance expenses	18 000
Administrative salaries	26 000
Financial expenses	4 000
Discounts received	2 000
Other income	5 000
Discounts allowed	10 000

Additional information:

- * The annual insurance fee for the year of 2017 is Rs.20 000.
- * Rs 3 000 of debtors should be written off as bad debts.
- * Cost of stock as at 31.12.2017 is Rs.30 000.

35. Cost of sales for the year ended 31.12.2017 is
 (1) Rs.87 000. (2) Rs.120 000. (3) Rs.160 000. (4) Rs.163 000.
36. The gross profit of the business for the year ended 31.12.2017 is
 (1) Rs.87 000. (2) Rs.90 000. (3) Rs.130 000. (4) Rs.163 000.
37. The amount of insurance paid in cash of this business for the year ended 31.12.2017 is
 (1) Rs.2 000 (2) Rs.18 000 (3) Rs.20 000. (4) Rs.22 000.
38. The amount of debtors in financial position statement of this business as at 31.12.2017 is
 (1) Rs.3 000. (2) Rs.32 000. (3) Rs.35 000. (4) Rs.38 000.
39. The net profit of this business for the year ended 31.12.2017 is
 (1) Rs.31 000. (2) Rs.33 000. (3) Rs.36 000. (4) Rs.38 000.
40. Total equity of the owner of this business as at 31.12.2017 is
 (1) Rs.331 000. (2) Rs.333 000. (3) Rs.336 000. (4) Rs.338 000.

* *

සියලු ම හිමිකම් ඇවිරිණි / முழுப் பதிப்புரிமையுடையது / All Rights Reserved

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අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය, 2018 දෙසැම්බර්
 கல்விப் பொதுத் தராதரப் பத்திர (சாதாரண தர)ப் பரீட்சை, 2018 டிசெம்பர்
General Certificate of Education (Ord. Level) Examination, December 2018

ව්‍යාපාර හා ගිණුම්කරණ අධ්‍යයනය I, II
 வணிகக் கல்வியும் கணக்கீடும் I, II
Business and Accounting Studies I, II

Business and Accounting Studies II

NB: As instructed answer **five** questions only. 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. 1 answer five questions selecting two questions from each of the parts I and II.
- * Write your answers in neat handwriting.

1. Using the following case, answer the questions No. (i) to (x).

Udari, a graduate from Entrepreneurial Management, lives in Chilaw, conducts a business as 'Kapruka Products' to export candied coconut, kopparai (copra), coconut shells and ornamental items using coconut fiber by purchasing coconut with husks from large coconut estate owners in the area.

Following accounts balances were in 'Kapruka products' business as at 01 October 2018.

	Rs.
• Cash balance	12 000
• Debtors	18 000
• Creditors	50 000
• Equipment	250 000
• Land and building	100 000

Following transactions were occurred for the month ended 31st October 2018.

	Rs.
• Purchases in cash (coconut with husks)	200 000
• Purchases on credit (coconut with husks)	100 000
• Sales on credit	200 000
• Sales in cash	400 000
• Paid production employees wages	70 000
• Expenses paid to transport the products	60 000
• Paid carriage inwards	20 000
• Electricity charges payable	6 000

Due to the decreasing of supply of coconut resulting from the fragmentation of large coconut lands and coconut insects infestation, Udari introduced a coconut milk powder product without any flavour to minimize the wastage occurred in using coconut.

Udari received an order for 10000 milk powder packets through an email from a foreign buyer who met her at the exhibition organized by Export Development Board when she presented her products. Udari has informed that the order will be shipped before 31st of December 2018 on the telephone.

Since Udari had not enough financial strength to expand the milk powder products, she has applied for a bank loan of Rs.500000. On 31.10.2018 a lorry has been purchased for Rs.300000 from Amara Motors on credit for transporting coconut and products.

Equipment is depreciated at 12% annually and no stocks are remained as at 31.10.2018.

- (i) (a) What is the type of business organization that 'Kapruka products' business belongs to?
- (b) To which production factor do the coconuts with husks used for the production of this business belong?

- (ii) Write an example each for strength, weakness, opportunity and threat of 'Kapruka products' business extracting from this case.
- (iii) (a) To which variable in marketing mix do the following statements belong?
 1. Producing milk powder packets
 2. Presenting the milk powder packets at the exhibition of Export Development Board
 (b) To which management function do the following statements belong?
 1. Deciding to ship the milk powder packets before 31.12.2018
 2. Purchasing a small lorry on credit
- (iv) Write **two** supporting services used by 'Kapruka Products' business and **two** examples from the case to justify the use of each supporting service extracting. (To provide the answers use a table similar to one given below)

Supporting Service	Example
1.	
2.	

- (v) How much is the equity of 'Kapruka products' business as at 01.10.2018?
- (vi) (a) Write a direct cost and an indirect cost of 'Kapruka Products' business with values.
 (b) Write a transaction of 'Kapruka Products' business that affects the increase of the liabilities.
- (vii) Prepare the general journal of 'Kapruka Products' business for the month of October 2018.
- (viii) (a) How much is the cash balance of this business as at 31.10.2018?
 (b) Write a current asset and a current liability of this business with values as at 31.10.2018.
- (ix) Calculate the net profit of 'Kapruka Products' business for the month of October 2018.
- (x) (a) Write an example each for an equity account and an income account of 'Kapruka Products' business.
 (b) How much is the net value of non-current assets of 'Kapruka Products' business as at 31.10.2018? (02 × 10 = 20 marks)

Part I - Business Studies
 (Answer **two** questions only.)

2. (i) (a) What is a human need?
 (b) Write **two** characteristics of human needs. (02 marks)
- (ii) State whether the following statements are **true** or **false**.
 (a) Employees who expect to satisfy different aims from the business, belong to the external environment of that business.
 (b) Natural resources that are used in businesses which produce goods and services are known as capital.
 (c) Co-operative societies belong to 'not for profit businesses' in private sector.
 (d) Businesses can be categorized as commodity manufacturing businesses and service providing businesses based on the nature of the products. (02 marks)
- (iii) Ama and Rasanga are conducting a business as 'Amarasa curd' to produce and sell curd by purchasing fresh milk from Pasindu in Ambilipitiya.
 (a) What is the human want satisfied by the 'Amarasa curd' business in this case?
 (b) State **two** advantages of type of business organization of 'Amarasa curd' relative to the type of business organization of Pasindu in this case. (02 marks)
- (iv) Due to the increase of American dollar value against Sri Lankan rupee, the cost of importing crude oil has increased.
 (a) What is the business environmental factor induced from the above statement?
 (b) Suggest a substitute to minimise the use of crude oil. (02 marks)

(Total 08 marks)

[see page nine]

3. (i) (a) What is the retail business?
(b) Name **two** types of accounts in commercial banks. (02 marks)
- (ii) State whether the following statements are **true** or **false**.
(a) The main difference between the retail business and wholesale business is the intention of the buyer.
(b) A cheque with special crossing can be deposited in a current account in any commercial bank.
(c) While the risk in property insurance is certain, the risk in life insurance is uncertain.
(d) The act of the sender in regarding the message is the response in the communication process. (02 marks)
- (iii) Saranga Batick producers sent a stock of Batick designs to Ramesh in Singapore by air.
(a) Name the importer and the exporter mentioned here.
(b) State examples for the element of transportation the way and mode, related to the transportation method included here. (02 marks)
- (iv) Vimal's Rs.2000000 valued motor vehicle which insured at Sri Lanka insurance co-orporation on the same value, met with an accident and caused a Rs. 500 000 damage and made small injuries to Sunimal who was walking in pavement.
Related to the insurance in the above case,
(a) Name the first party.
(b) Name the second party.
(c) Name the third party.
(d) State the value of the claim that Vimal could received. (02 marks)
(Total 08 marks)
4. (i) (a) What is 'management'?
(b) Write **two** benefits received by investing in ordinary shares? (02 marks)
- (ii) State whether the following statements are **true** or **false**.
(a) Planning is the process of investigating whether the planned activities have happened in that order.
(b) The target market is the share of the market consisting of consumers that a business can satisfy in a more attractive and profitable way.
(c) When selecting an investment, only the risk of that investment should be considered.
(d) Employing some amount of money from the earnings in an effective way with the purpose of having an economic benefits is an investment. (02 marks)
- (iii) Rathna who does not like to take high risk, sold a land for Rs.1500000 which was bought at Rs.1200000 one year ago. She expects to use this money for her daughter's higher education by next month.
(a) What is the value of the benefit received by Rathna from the transaction of selling the land?
(b) What is the term used for the benefit mentioned in (a) above?
(c) What is the most suitable source of investment to invest her money until it is used for her daughter's education?
(d) State the reason for your suggestion given in (c) above. (02 marks)
- (iv) The organizers decided to visit Anuradhapura and Polonnaruwa on 31.03.2018 for the annual school trip. Students were appointed to committees of first-aids and refreshments. After the trip, principal inquired about the progress of the trip and the class teacher provided the report.
(a) State **two** management functions in the above case.
(b) Write an example for each management function mentioned in (a) above. (02 marks)
(Total 08 marks)

Part II - Accounting
(Answer two questions only.)

5. (i) (a) What is an asset?
(b) Write the principle of double entry relevant to equity accounts. (02 marks)

- (ii) Following are two transactions occurred in a furniture shop.
(a) Purchasing an executive chair for Rs.20 000 on credit for the use of manager
(b) Selling a table of Rs.15 000 to Kasun on credit

Write the source documents and prime entry books relevant to the above each transaction (02 marks)

- (iii) Following are some transactions occurred in Samantha's business which sells electric equipment for the month ended 31.01.2018.

1. Obtaining a bank loan of Rs.100 000
2. Purchasing electric equipment of Rs.50 000 on credit
3. Paying Rs.8 000 to creditors in cash
4. Selling a stock of electric equipment for Rs.40 000 which cost Rs.25 000
5. Withdrawing of Rs.5 000 in cash by Samantha for his personal use

Required:

- (a) Indicate how each of the above transactions influenced accounting equation.
(Use the following format in answering. First transaction has been done for you.)

Transaction	Assets (Rs)			=	Equity (Rs)	+	Liabilities (Rs)
	Furniture and Equipment	Stock	Cash		Equity	Bank Loan	Creditors
Balances as at 01.01.2018	160 000	70 000	25 000		235 000	-	20 000
1	-		+ 100 000			+ 100 000	-
2							
3							
4							
5							

- (b) What are the values of following items of Samantha's business as at 31.01.2018?

1. Current assets
2. Non-current assets
3. Current liabilities
4. Non-current liabilities

(04 marks)

- (iv) Following are a few transactions occurred in Thushara's retailing business for the month of May 2018.

1. 03.05.2018 - Purchasing 20 tea packets from Sameera at Rs. 200 each on credit (Invoice no. 612) 5% trade discount was given.
2. 05.05.2018 - Purchasing 20 eggs at Rs.15 each in cash (Receipt no.25)
3. 18.05.2018 - Purchasing 100 box of matches from Pahan at Rs. 5 each on credit (Invoice no. 305)
4. 23.05.2018 - Purchasing a computer table of Rs. 25 000 from Techno Trader on credit

Required:

- (a) Prepare the purchases journal of Thushars's business for the month of May 2018.
(b) Post the information in purchases journal to ledger accounts as at 31.05.2018.

(04 marks)
(Total 12 marks)

6. (i) (a) What is a bank statement?
 (b) Write **two** reasons for the difference between the balance of bank account and the balance in the bank statement of a business. (02 marks)

- (ii) Following are few information of Sandun's business which produces almirahs for the month of November 2018.

* Cost of timber	Rs. 100 000
* Monthly electricity bill	Rs. 2 500
* Wages of carpenter	Rs. 60 000
* Other direct expenses	Rs. 17 500
* Rent of carpenter's shop	Rs. 20 000

Number of almirahs produced during the month of November is five. Selling price of an almirah is Rs. 50 000.

Required:

- (a) Prime cost for the month of November 2018
 (b) Profit from selling an almirah (02 marks)

- (iii) (a) Following are two incomplete journal entries kept in rectifying the accounting errors occurred in a business.

General Journal

Date	Voucher No.	Description	L/F	Debit (Rs.)	Credit (Rs.)
(1) 2018.03.31	101	Purchases account Dr Creditor account (.....)		40 000	40 000
(2)	102	Office equipment account Dr Purchases account (.....)		20 000	20 000

Required:

Write narrations for each of the above errors rectifications. (02 marks)

- (b) As the trial balance prepared in Sumudu's business as at 31.03.2018 was not tallied the difference was transferred to the suspense account.

Following is the suspense account prepared in Sumudu's business after rectifying the accounting errors.

Suspense Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
	The difference in trial balance			Equipment account		12 000
	Sales account		5 000		Electricity charges account		4 000
	Purchases account		2 000				

Required:

- (a) Difference in the trial balance before rectifying the errors.
 (b) If the total of the debit column of the trial balance prepared as at 31.03.2018 before entering the difference to the suspense account was Rs. 85 000, the total of the credit column of the trial balance.

(02 marks)

(iv) The debit balance of the bank account of Sapumal's business as at 31.10.2018 was Rs.16 000. But the balance of the bank statement received on that day did not match with the balance of bank account. Later the following was revealed as the reasons for the difference.

1. Cheques deposited but not realized during the month is Rs.5 000
2. Bank chargers but not recorded in the bank account is Rs.500
3. Cheques issued but not presented to the bank for encashment during the month is Rs.8 000
4. Direct remittances received from debtors to the bank which were not recorded in the bank account is Rs.2000.

Required:

- (a) Adjusting the balance in the bank account of the business as at 31.10.2018
- (b) Preparing the bank reconciliation statement as at 31.10.2018

(04 marks)

(Total 12 marks)

7. (i) (a) What are the financial statements prepared by sole proprietorship?
 (b) Write the double entry to record the income receivables.

(02 marks)

(ii) The number of members in Lahiru Sports Association are 60. The annual membership fee per member is Rs.1 000. An incomplete receipts and payments account and Income statement prepared for the year ended 31.03.2018, are as follows.

**Receipts and Payments Account of Lahiru Sports Association
for the year ended 31.03.2018**

	Rs.		Rs.
Membership fee	A	Stationeries	5 000
Receipts from selling flags	8 000	Transportation cost	8 500
		Festival expenditures	12 500

**Income statement of
Lahiru Sports Association
for the year ended 31.03.2018**

	Rs.
Income	
Membership fee	60 000
Income from selling flags	B
Expenditures	
Transportation cost	C
Festival expenditures	12 500
Stationeries	5 000

Additional information:

- * Eight members have not paid membership fee for the year.
- * Accrued transportation expenses as at 31.03.2018 is Rs.2 000.
- * Receivables from selling flags is Rs.600.

Required:

- (a) Correct values for each above A, B and C
- (b) Surplus or shortage for the year ended 31.03.2018

(02 marks)

(iii) Trial balance of Kavindu’s business for the year ended 31.12.2017 is as follows.

	Debit (Rs.)	Credit (Rs.)
Land & building (at cost)	300 000	
Capital		500 000
Distribution vehicle (at cost)	400 000	
Distribution vehicle-provision for depreciation (as at 01.01.2017)		60 000
Stock (as at 01.01.2017)	25 000	
9% Bank loan		100 000
Purchases	150 000	
Sales		240 000
Salaries	8 000	
Debtors	20 000	
Creditors		17 000
Discounts received		3 000
Discounts allowed	1 000	
Carriage inwards	1 500	
Bank interest paid	4 500	
Bad debt	800	
Electricity charges	2 000	
Rate	200	
Cash balance	7 000	
	920 000	920 000

Additional Information:

- * Stock as at 31.12.2017 is Rs.25 000.
- * Distribution vehicles should be depreciated annually at 10% on straight line method.
- * Rs.1200 has been decided to written off as bad debts.

Required:

- (a) The Statement of Profit and Loss for the year ended 31.12.2017 (04 marks)
 - (b) The Statement of Financial Position as at 31.12.2017 (04 marks)
- (Total 12 marks)**

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