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First Term Test - Grade 11 - 2020

Business & Accounting Studies - I & II **Times - 03 hours**

Name/ Index No:

Note :- Business & Accounting Studies - I

- Answer all questions.
- In each of the questions 1 to 40. pick one of the alternatives (1), (2), (3), (4) which you consider as 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 the carefully.

- **Using following (use answer question No 01 - 04)**
 Sri Lanka Mobitel PLC has provided facilities for it's customers to pay their bills online and to gain some other necessary services over the internet and Sampath Bank has provided facilities for its customers to do their transactions online join with the websites of the bank via mobile phones.

- 01) What is the human need that Sri Lanka Mobitel PLC fulfilled?
 (1) food (2) transportation (3) communication (4) entertainment
- 02) A characteristic relates to the type of business organization Sri Lanka Telecom PLC,
 (1) having an unlimited liability (2) having a legal personality
 (3) not having a continued existence (4) being a public sector business
- 03) A banking service that Sampath Bank provides in above indicated.
 (1) Tele banking service (2) Social network banking service
 (3) Inter banking service (4) mobile banking service
- 04) A type of account that can be commenced only in the Sampath Bank.
 (1) saving accounts (2) fixed deposit accounts
 (3) current accounts (4) Wanitha Vasana accounts

- **Using following case answer question No 05 & 06**
 "Wisdom Tel" company has planned to provide a new access to the internet for school children. In order for this, They have gained the permission from the Education Ministry to provide internet access only for academic purposes.

- 05) Select the correct statement relates to "Wisdom Tel" company.
 (1) Commodity manufacturing business (2) Service providing business
 (3) Social services providing business (4) The business is owned to the public

- 06) According to this case, "receiving the permission from the Education Ministry is,
- (1) a strength (2) a weakness
(3) an opportunity (4) a threat
- 07) Select the most suitable way of action to avoid conflicts." among partners in a partnership.
- (1) recruiting the closest friends as partners. (2) appointing a suitable leader.
(3) registering the partnership (4) agreement among partners.
- 08) If a company is to become a separate business from its shareholders,
- (1) management should be done by a board of directors
(2) company name should be registered
(3) shares should be issued in public
(4) should be incorporated under the companies Act.
- 09) When writing a cheque in order to provide more security, it should be considered.
- (1) write as much forward date as possible
(2) write the name of the payee only in English
(3) If there are any amendments to the cheque they should be clearly corrected.
(4) crossing as appropriate
- 10) Select the most appropriate communication medium to send the daily reports from Kurunegala branch to Colombo head office.
- (1) Telephone (2) Viber Technology (3) Letter (4) e-mail
- 11) An example for a factor to be considered when selecting an appropriate transportation medium.
- (1) Starting an intercity railway service to Kankasanthurai from Colombo
(2) The publicization of the central expressway in 2020
(3) using railways to transport petroleum.
(4) Introducing meaningful songs in the buses instead of songs played at present in the busses.
- 12) What is the answer indicates examples for elements of transportation relates to a large vessel.
- (1) waterways, Diesel, port (2) Diesel, harbour, Airways
(3) harbour, waterways, Diesel (4) harbour, airways, wind
- 13) One of a main reason **not** affects to require international trade to a country.
- (1) require to sell an excess production of a country to another country.
(2) creating a foreign market for domestic businesses.
(3) Having a higher popularity in a country for foreign brand names.
(4) a country is not self sufficient with goods and services to fulfill the needs of a country.
- 14) Select the group of goods which Sri Lanka exports?
- (1) Tea, clothes, wood, tyre (2) Rubber, biscuits, machines, food items
(3) garments, tea, Rubber, tyre (4) minor export crops, gems, clothes, wood

- 15) Determining the required employees to the business is an example for(1)..... and appointing foremen for various departments is an example for(2).....
The relevant answers for above blanks (1) & (2) respectively.
- (1) planning, organizing (2) planning, leading
(3) organizing, leading (4) organizing, controlling
- 16) Select an example for "target market"
- (1) selling instant food in supermarkets.
(2) selling mobile phones by visiting from house to house.
(3) selling specialized shoes for diabetic patients.
(4) selling garments on this festival season by providing on discounts.
- 17) Select the assets accounts only.
- A - creditors Account
B - cash account
C - office equipment account
D - capital account
E - debtors account
- (1) A, B & C (2) A, B & D (3) B, C & D (4) B, C & E
- 18) Select the transaction which is increased the liabilities of the business.
- (1) Credit sales of trade stock Rs. 10 000 which cost Rs. 8 000
(2) Credit purchases of trade goods Rs. 12 000
(3) Paid electricity bill Rs. 4 000
(4) Paid to creditors Rs. 3 000
- 19) The accounting equation of Lakshan's business as at 01.01.2020 is as follows.
- | | | | | |
|---------|---|--------|---|-------------|
| Assets | = | equity | + | liabilities |
| 120 000 | = | 90 000 | + | 30 000 |
- on 02.01.2020 paid bank loan installment Rs. 12 000 including the loan interest Rs. 2 000 after the above transaction, select the corrected accounting equation.
- | | | | | |
|-------------|---|--------|---|-------------|
| Assets | = | equity | + | liabilities |
| (1) 108 000 | = | 78 000 | + | 30 000 |
| (2) 108 000 | = | 90 000 | + | 18 000 |
| (3) 108 000 | = | 80 000 | + | 28 000 |
| (4) 108 000 | = | 88 000 | + | 20 000 |
- 20) When settling a creditor worth Rs. 10 000 It was increased the equity by Rs. 1 000. The double entry for above transaction is,
- (1) Creditors Acc Dr. Rs. 10 000 - Cash Acc Cr Rs. 10 000
(2) Creditors Acc Dr. Rs. 10 000 - Cash Acc Cr Rs. 9 000, Discount allowed acc Cr. Rs. 1 000
(3) Creditors Acc Dr. Rs. 10 000 - Cash Acc Cr Rs. 9 000, Discount received Cr. Rs. 1 000
(4) Creditors Acc Dr. Rs. 9 000 - Cash Acc Cr Rs. 9 000

21) following transactions occurred in a business.

- A - Owner withdraw Rs. 5 000 as drawings
- B - purchased a motor vehicle Rs. 500 000 on credit for the use of business.
- C - paid travelling charges Rs. 2 000
- D - owner withdraw trade stock Rs. 500 from the business as drawings.

● **Select the transactions that are recorded in the general journal.**

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

● **Using following information answer question No. 22 & 23**

Transaction	Source document
(1) paid Salary Rs. 5 000	A - Journal Voucher
(2) purchased trade stock Rs. 4 000 on credit	B - receipt
(3) purchased office equipment Rs. 60 000 on credit	C - payment voucher
(4) Received commission income Rs. 2 000	D - purchases invoice

22) Match the 'transaction' column with the column of 'source document'

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

23) The prime entry books related to record above transactions respectively.

- (1) cash book, purchases journal, purchases journal, cash book
- (2) cash book, purchases journal, general journal, general book
- (3) cash book, general journal, purchases journal, cash book
- (4) cash book, purchases journal, general journal, cash book

24) The petty cash imprest of a business is Rs. 7 500. The petty cash imprest was increased further by Rs. 1 000 on 01.01.2020. The total of the petty cash expenses for the month of December 2019 was Rs. 7 100. What is the reimbursed amount as at 01.01.2020?

- (1) Rs. 7 100 (2) Rs. 7 500 (3) Rs. 8 100 (4) Rs. 8 500

25) It was seen a credit balance of the bank account Rs. 3 500 of a business as at 31.01.2020. It relates to the business as,

- (1) an asset (2) an income
- (3) a liability (4) an expense

26) A cheque received from a debtor for Rs. 2 500 and deposited in the bank had been dishonoured by the bank. The corrected journal entry is,

- (1) debtors acc. Dr. 25 000 (2) debtors Acc Dr. 25 000
 creditors Acc Cr. 25 000 bank Acc Cr. 25 000
- (3) Bank Acc Dr. 25 000 (4) bank Acc Dr 25 000
 Debtors Acc Cr. 25 000 creditors Acc Cr. 25 000

● **Using following information answer. question No. 27 - 29**

The balance of the bank account of Avishka's business was Rs. 32 000 as at. 31.01.2020. However on that day the balance of the bank statement was not tally. The reasons for the difference are as follows.

- A - deposited but unrealised cheques Rs. 4 000
- B - paid insurance on standing orders Rs. 6 000
- C - Debtors direct remittances Rs. 2 000
- D - Issued but unrepresented cheques Rs. 3 000

27) When adjusting the bank account, It should be considered,

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

28) The balance of the adjusted bank account is,

- (1) Rs. 36 000 (2) Rs. 34 000 (3) Rs. 29 000 (4) Rs. 28 000

29) The balance of the bank statement is,

- (1) Rs. 27 000 (2) Rs. 28 000 (3) Rs. 37 000 (4) Rs. 38 000

30) The equity of Kasun's business was Rs. 600 000 as at 01.01.2018 and Rs. 680 000 as at 31.12.2018. During the year owners drawings was Rs. 20 000. what is the amount of net profit earned the business during the year.

- (1) Rs. 20 000 (2) Rs. 80 000 (3) Rs. 100 000 (4) Rs. 680 000

31) State the transaction that can be seen in the bank statement.

- (1) paid the water bill Rs. 1 000
- (2) paid insurance premium Rs. 3 000 on standing orders.
- (3) interest received Rs. 4 000
- (4) deposited but unrealized cheque Rs. 2 000

32) Select a reason that the balance of the bank account exceeds the balance of the bank statement.

- (1) debtors remittances (2) Dividend income received as direct remittances.
(3) bank charges (4) realised a deposited cheque.

33) known as bank overdraft?

- (1) The debit balance of the bank account.
- (2) A short term loan given to issue cheques for more than the existing bank balance.
- (3) A short term loan received from a bank by the business.
- (4) The credit balance of the bank statement.

34) The double entry for the payment of Rs. 2 500 as building rent by a cheque

- (1) Cash Acc. Dr. Rs. 2 500 - Building rent Acc. Cr. Rs. 2 500
- (2) Building rent Acc. Dr. Rs. 2 500 - Cash Acc. Cr. Rs. 2 500
- (3) Building rent Acc. Dr. Rs. 2 500 - Bank Acc. Cr. Rs. 2 500
- (4) Bank Acc Dr. Rs. 2 500 - Building rent Acc. Cr. Rs. 2 500

- 35) A source document used to prepare the bank reconciliation statement,
- | | |
|--------------------------------------|--------------------|
| (1) Statement of financial position. | (2) Bank Account |
| (3) Trial balance | (4) Bank statement |
- 36) Credit purchase of trade goods Rs. 40 000 has been recorded in credit side of the cash book. As this error,
- (1) It creates a difference Rs. 40 000 of Trial balance.
 - (2) The debit column of the trial balance is increased than the credit column by Rs. 40 000
 - (3) The credit column of the Trial balance is increased than the debit column by Rs. 40 000
 - (4) None of the above
- 37) Sold trade goods to Amal Rs. 4 000 has been recorded in Kamal's account.
As above error,
- (1) The equality of the Trial balance is not affected.
 - (2) increased the debit column by Rs. 4 000
 - (3) decreased the credit column by Rs. 8 000
 - (4) debit and credit columns are not equal each other.
- 38) Paid employees salary Rs. 3 000 has not been recorded in salary account.
The journal entry to rectify above error is,
- (1) Salary Acc. Dr. Rs. 3 000 - Cash Acc. Cr. Rs. 3 000
 - (2) Salary Acc. Dr. Rs. 300 - Suspense Acc. Cr. Rs. 300
 - (3) Salary Acc. Dr. Rs. 3 000 - Suspense Acc. Cr. Rs. 3 000
 - (4) Salary Acc. Dr. Rs. 6 000 - Suspense Acc. Cr. Rs. 6 000
- 39) Following shows a rectifying journal entry of an accounting error occurred.
- Purchases Acc. Dr. Rs. 1 000
Suspense Acc. Cr. Rs. 1 000
- The error should be,
- (1) The total of the purchases account has been overcast by Rs. 1 000
 - (2) cash purchases Rs. 1 000 has not been recorded in cash book.
 - (3) The balance of the purchases account Rs. 1 000 has not been extracted to the Trial balance.
 - (4) Cash purchases Rs. 1 000 has not been recorded in purchases account.
- 40) When there is a difference between the totals of the Trial balance, that difference should be recorded temporarily into,
- (1) the capital account
 - (2) the suspense account
 - (3) the statement of financial position
 - (4) the cash book

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Business & Accounting Studies - II
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- Notes**
- Answer five (05) questions only as instructed.
 - Any extra questions answered if not struck off by the candidate himself will be crossed out by the examiner without being marked.
 - Including question No 01, answer 05 questions selecting 02 questions from each of the parts I and II.
 - Write your answer in neat handwriting.

01) Using following case answer question No (i) - (x).

20% of the population of Sri Lanka is ageing (2018 central bank of Sri Lanka report) by analyzing this trend in their region, Sumali Perera and Minoli Thisera commenced a restaurant under the name "Sumihiri Hela Bojun" in order to produce and distribute Sri Lankan, nutritious and healthy food items. Sumali who has done an entrepreneurship programme and Minoli who is an undergraduate specialized in food technology contributed capital for this. Accordingly Sumali invested Rs. 500 000 and Minoli invested a building worth Rs. 500 000 on 01.01.2020. On the same day, a bank loan worth Rs. 300 000 was taken. The production activities were under Minoli while Sumali was in charge of the distribution activities. In order to help both those two sections, an unskilled employee, Thamali was recruited.

Sumihiri products grew popular among adults and all those who are concerned regarding their health. Following transactions occurred in the month of January 2020

	Rs.
01/03 purchased food raw materials	100 000
01/04 packaging materials expenses	8 000
01/05 purchased food raw materials on credit	15 000
01/25 paid water bill	3 000
01/26 paid bank loan installment including the loan interest Rs. 2 000	10 000
01/27 paid electricity bill	4 000
01/27 paid employees salary	20 000
01/28 sales income	170 000
01/29 purchased furniture from Dambulu Furnitures on credit	50 000
01/31 decided to recruit an experienced employee and posted advertisement in the social media sites of that business.	
01.31 It was decided to open a current account from 01.20.2020.	

- (i) (a) What is the type of business organization that "Sumihiri Hela bojun" relates to?
- (b) Write an advantage and a disadvantage can be seen in this type of business organizations.

- (ii) Name a factor of internal environment and a factor of external environment and give an example each from "Sumihiri Hela Bojun" business. (use following format to answer)

Internal environment factor	example
1.
External environment factor	example
2.

- (iii) (a) As an intermediary in distribution process, whatever trade is done by this business.
 (b) Name the type of bank which can be started a current account for this business.
- (iv) (a) Write a communication medium used of this business and the related communication method for it.
 (b) Provide examples for following functions of management process form this business
 1. planning -
 2. organizing -
- (v) Write the accounting equation of "Sumihiri Hela Bojun" business as at 01 . 01. 2020 with values.
- (vi) (a) Write the double entry relates to pay electricity bill of "Sumihiri Hela Bojun" business.
 (b) State the value of total liabilities of "Sumihiri Hela Bojun" as at 31. 01. 2020.
- (vii) (a) Write down the relevant prime entry book and the source document for the transaction of "purchasing furniture on 29. 01 . 2020".
 (b) Record the above transaction in the prime entry book.
- (viii) Calculate the cash balance as at 31. 01. 2020.
- (ix) Write a transaction each for following type of accounts from the above case.
 (a) assets -
 (b) liabilities -
 (c) expenses -
 (d) income -
- (x) Calculate the owners equity as at 31. 01. 2020 (use the following equation)

capital as at 01. 01. 2020		xxx
+ income	xx	
+ additional capital	<u>xx</u>	<u>xx</u>
		xxx
- expenses		<u>(xx)</u>
equity as at 31.01. 2020		<u>xxx</u>

(02 x 10 = 20)

PART I - BUSINESS STUDIES

● Answer only 02 Questions.

- (02) (i) (a) What is the main objective of a business.
(b) What is the main activity that businesses are engaged to achieve above objective.
- (ii) State whether the following statements are true or false.
A - Needs are fulfilled by satisfying the various wants of consumers.
B - Owner's objectives are fulfilled by having a fair price for products.
C - Business expenses can increase up by imposing taxes on goods.
D - At present, world has become a global village through the growth of information and communication technology.
- (iii) It was reported about a business which engages in the production and distribution of rice adding chemicals to its expired production and releasing it to the market.
(a) On which stakeholders does the news reported impact?
(b) On instances like the one above, which institution acts for the protection of the consumers.
- (iv) Mrs. Samantha decided to visit Thailand this December, Then she joined an agency called, "Ama Travellers" which conducts by Ama Perera.
(a) What is the human need which Mrs. Samantha wished to fulfil?
(b) Write 02 advantages that can be achieved by registering "Ama Travellers"
- (03) (i) (a) Write an advantage which can be obtained by studying the business environment.
(b) What are the factors considered for the ownership of a business by classifying the business according to the ownership?
- (ii) State whether the following statements are true or false.
A - Cooperative societies are related to the public sector according to the ownership.
B - when comparing small scale businesses with large scale businesses, the business name is also considered as a criteria.
C - The profit of Sri Lanka Transport Board is owned by the public
D - The debit card can be used to withdraw cash of a savings account.
- (iii) Upul was recruited as a manager of a medicine distributing business. He expects to open a bank account to make his activities conveniently.
(a) What is the most suitable type of account that Upul should be opened?
(b) Write 02 services that can be obtained by a commercial bank to the medicine distributing business.
- (iv) Sumali uses her credit card to purchase goods and services. further she is doing international transactions also.
(a) Write 02 limitations (Risks) that can be faced to Sumali by using a credit card.
(b) State 02 transactions that can be done via electronic networks by using credit cards.
- (04) (i) (a) What is meant by "a pool of risks" in insurance?
(b) Write down 02 types of insurance that can be obtained in International Trade.

- (ii) State whether the following statements are true or false.
- A - In external communication, A business is used electronic communication mediums only.
 - B - "The compensation paid should be sufficient only to reinstate the damage" is not related to the life insurance.
 - C - A cheque is condorsed in order to provide more security for that cheque.
 - D - "Runs only according to a time table is a disadvantage of railway transportation.
- (iii) Hansi Silva conducts a bathik Sarees Manufacturing business & distributes high quality sarees to the shops in the city.
- (a) Name the type of trade that above business relates to.
 - (b) What is the variable of marketing used by this business to satisfy the consumers.
- (iv) A beverage manufacturing business has produced their expected amount during the month of December. But the level of sales was comparatively lower state.
- (a) According to the above situation, explain through the management process on how to investigate into why the sales have dropped?
 - (b) Propose a way, how the marketing manager can use the marketing mix to sell the rest of the stock.

PART II - ACCOUNTING

● **Answer only 02 Questions.**

- (05) (i) (a) What is the objective of Accounting?
 (b) What is the equaty of a business? (02 marks)

- (ii) following are 02 double entries related to 02 transactions. write those 02 transactions.

		Rs.	
(a)	creditors Account	Dr.	12 000
	bank Account	Cr	12 000
(b)	Debtors Acc	Dr	4 000
	Sales Acc	Cr	4 000 (02 mraks)

- (iii) Chamara commenced a stationary business on 01.01.2020. following transactions occurred during the first week.

1. invested Rs. 100 000 as capital
2. purchased furniture Rs. 25 000 on cash.
3. obtained a bank loan Rs. 50 000
4. purchased stationary Rs. 30 000 on credit
5. Paid employees salary Rs. 5 000

requirted,

- (a) State the impact of each transaction to the accounting equation. (use the following format)

Transaction	Assests	=	liabilities	+	Equity
1.	cash + 100 000	=		+	capital + 100 000
2.					
3.					
4.					
5.					

- (b) After the above transactions state the accounting equation with values. (04 marks)

- (iv) Following petty cash transactions occurred in Kamal's business during the month of January 2020. The petty cash balance as at January 01, was Rs. 400. The petty cash imprest was Rs. 1 500.

1.	01.01.2020	-	reimbursed the imprest
	02.01.2020	-	paid postage charges Rs. 150
	05.01.2020	-	paid travelling charges Rs. 200
	15.01.2020	-	refreshments charges Rs. 180
	28.01.2020	-	paid postage charges Rs. 100

required,

Record above transactions in a petty cash book and balancing off it as at 31.01.2020 (04 marks)

- (06) (i) (a) State the double entry principle to record "Income"
 (b) Write 02 characteristics of an asset. (02 marks)

- (ii) Following are some transactions occurred in Saranga's business during the month of January 2020, which conducts buying and selling garments .

01.05	-	credit purchases from Amal 20 baby suits at Rs. 300 each. (10% trade discount)
01.10	-	purchased trade stock on cash from Kumara 50 sarees at Rs. 500 each. (5% trade discount)
01.12	-	purchased on credit from Nuwan 08 shirts at Rs. 1 000 each
01.15	-	purchased on credit from Ranga 20 trousers at Rs. 250 each (10% trade discount)
01.20	-	Purchased 02 Shelves at Rs. 2 000 on credit from Namal.

required

- (a) Purchases Journal
 (b) Relevant ledger account. (04 marks)

- (iii) complete the following table of Narada's business.

Transaction	Source Document	Prime entry book
1. purchased a motor vehicle Rs. 500 000 on credit.
2.	paying voucher
3.	sales journal
4. Received commission Rs. 5 000

(02 marks)

(iv) Following balances shows for the year ending 2019 of Amila's business.

	Rs.
Sales	60 000
Purchases	35 000
Salary	20 000
Insurance	4 000
Capital	?
Land	80 000
Building	30 000
debtors	25 000
creditors	15 000

required

- (a) Calculate the capital of Amila's business.
- (b) Prepare the trial balance of Amila's business as at 31.12.2019

- (07) (i) (a) Name a source document that can confirm the transaction, "Issued a cheque to a creditor"
(b) Write the journal entry to record a dishonoured cheque which had been received from a debtor and deposited the bank

(ii) The balance of the bank account of Ranjan's business was Rs. 21 000 as at 31.01.2020. But the balance of the bank statement was not tally. Later following reasons were revealed.

- bank charges Rs. 2 000 was not recorded in the bank account.
- Issued cheques Rs. 45 000 to creditors but it has been recorded in the bank statement as Rs. 38 000
- Direct debtors remittances Rs. 4 000
- Deposited but unrealized cheques Rs. 12 000
- paid insurance Rs. 3 000 on standing orders.

required,

- (a) Adjusted bank account for the month of January.
- (b) Bank reconciliation statement as at 31.01.2020

- (iii) (a) Name the prime entry book and the source document which is recorded the rectifying entries of accounting errors.
(b) State 02 errors might be occurred if the Trial balance got equal in accounting process.

(iv) The Trial balance prepared by Ramanayaka's business as at 2019.12.31 was not equal and the difference Rs. 4 000 was transferred to the debit side of the suspense account. Later revealed following errors.

- A sales invoice Rs. 5 000 has been completely omitted from books.
- paid electricity bill Rs. 4 000 has not been recorded in electricity bill account.
- paid motor vehicle repair expenses Rs. 8 000 has been recorded in motor vehicle account.

required,

- (a) The suspense account.
- (b) Journal entries to rectify above errors.

(04 marks)



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Business & Accounting Studies - Answer Paper

Paper I

- | | | | |
|---------|---------|---------|---------|
| 01. (3) | 11. (3) | 21. (4) | 31. (4) |
| 02. (2) | 12. (3) | 22. (2) | 32. (3) |
| 03. (1) | 13. (4) | 23. (4) | 33. (2) |
| 04. (3) | 14. (3) | 24. (3) | 34. (3) |
| 05. (2) | 15. (3) | 25. (2) | 35. (4) |
| 06. (3) | 16. (3) | 26. (2) | 36. (4) |
| 07. (4) | 17. (4) | 27. (3) | 37. (1) |
| 08. (4) | 18. (2) | 28. (4) | 38. (3) |
| 09. (4) | 19. (4) | 29. (1) | 39. (4) |
| 10. (4) | 20. (3) | 30. (3) | 40. (2) |

Paper II

- (01) (i) (a) 1 partnership
 1 private sector business/ profit oriented
 (b) give marks for a correct advantage and a disadvantage.
- (b) **planning** - decided to recruit an experienced employee
 decided to open a current account.

(ii)	internal environment factors	examples
	1 owners employee	Sumali, Minoli Thamali
	external environment factors	examples
	1 consumers	who are concern their health

- organizing** - recruited an unexperienced employee.
 production and distribution activities are done under Minoli and Sumali.

- (iii) (a) retails trade
 (b) commercial banks
- (iv) (a) communication medium
 electronic
- communication method
 social web sites

(v) Assestes = equity + liabilities

+ 500 000	=	+ 500 000
(cash)		(capital)
+ 500 000	=	+ 500 000
(building)		(capital)
+ 300 000	=	+ 3000 000
(cash)		(bank loan)
<hr/>		
1 300 000	=	1 000 000 + 30 000

or

Assest	=	equity	+	liability
1 300 000	=	1 000 000	+	300 000

(vi) (a) electricity bill acc Dr. 4 000
cash acc Cr. 4 000

(b)

	Rs	357 000
Bank Loan	Rs.	300 000
(+) creditors	Rs.	15 000
(+) furniture creditors	Rs.	50 000
	Rs.	365 000
(-) paid bank loan	<u>Rs</u>	<u>(8 000)</u>
	Rs	357 000

(vii) (a) General Journal
Journal Voucher

(b) General Journal

Date	V/N	Description	L.P.	Dr.	Cr.
01/09		Furniture Acc Dr. Damubulu Furniture (purchased furniture Rs. 50 000 from Dambulu Furnirture)		50 000	50 000

(viii)

Cash account

Capital Acc	500 000	Food - raw material	100 000
bank loan Acc	300 000	packaging material	8 000
sales	170 000	water bill	3 000
		bank loan	100 000
		electricity bill	4 000
		salary	20 000
		01/31 b/c/f	825 000
	<u>970 000</u>		<u>970 000</u>
02/01 b/b/f	<u>825 000</u>		

(ix) give marks for relavant transactions.

(x)

2020/01/01 capital	1 000 000		
(+) income sales	<u>170 000</u>	1 170 000	
(-) expenses			
(100 000 + 8 000 + 15 000			
3 000 + 4 000 + 20 000		<u>(150 000)</u>	
equity as at 31.01.2020		<u><u>1 120 000</u></u>	

(02) (i) (a) earning profit
(b) manufacturing goods and services

(ii) (a) ✓ (b) ✗
(c) ✓ (d) ✓

(iii) (a) community
(b) consumer affairs Authority

(iv) (a) entertainment
(b) - provides an identity and recognition
- provides an ownership of the business name
- provides a qualification to obtain incentives given by the government
- easy to obtain loans

(03) (i) (a) - to identify strengths & weaknesses.
- strengths can be used to grow a business
- weaknesses are to be minimized
- opportunities can be exploited
- identifying threats and face them successfully.

(b) - provide funds to the business
- assume the risks

(ii) (a) ✗ (b) ✗
(c) ✓ (d) ✓

(iii) (a) savings account
(b) - loans
- electronic cash related services
- leasing services
- current accounts related services

(iv) (a) - Risk of data being destroyed
- Incurring an extra cost
- Inability to use for payments at certain shops.

(b) - payment of insurance premium
- payment of electricity/ water/ telephone bill
- purchasing software packages
- payment of exam fees/ course fees

- (04) (i) (a) give marks for correct idea.
 (b) - marine insurance
 - Goods in transit insurance
 - Export credit insurance

- (05) (i) (a) provide information to the stakeholders to take decisions.
 (b) The value of assets that belongs to owners of the business is termed as equity.
 (ii) (a) paid to creditors Rs. 12 000 by a cheque.
 (b) credit sales Rs. 4 000

- (ii) (a) ✗ (b) ✓
 (c) ✓ (d) ✗

- (iii) (a) wholesale trade
 (b) production mix

- (iv) (a) controlling
 (b) - reducing the price of a cool drink bottle
 - Organizing competitions
 - sell with another good.

Transaction	Assest	=	Liabilities	+	Equity
(1)	cash +100 000				capital + 100 000
(2)	furniture +25 000				
	cash -25 000				
(3)	cash +50 000		bank loan +50 000		
(4)	stock +30 000		creditors +30 000		
(5)	cash (- 5 000)				salary (-5 000)

(iii) Assest = Liabilities + Equity
 175 000 = 80 000 + 95 000

05. (iv)

Namal Business
 Petty cash book for the month of January

receipt	V/N	Date	Description	L/P	Total Rs.	Analysis columns				L/P
						postage	travel- ling	refresh ment	ledger Acc	
400		01/01	b/b/f							
1 100		01/01	cash							
		01/02	postage		150	150				
		01/05	travelling		200		200			
		01/15	refreshments		180			180		
		01/28	postage		100	100				
					630	250	200	190		
		01/31	b/c/f		870					
1 500					1 500					
870		02/01	b/b/f							

- (06) (i) (a) Income increase - credit
 Income decrease - debit
 (b) 1. arose as a result of a past transaction
 2. controlled by the business
 3. The future economic benefits will flow into the business

(ii) **Purchases Journal**

Date	invoice No	Supplier	Ammount (Rs.)	L/P
2020/01/05	x x	Amal	5 400	
2020/01/12	x x	Nuwan	8 020	
2020/01/15	x x	Ranga	4 500	
2020/01/31		debited to the purchases Acc	17 900	

Purchases Account

Date	Description	L/P	Account	Date	Description	L/P	Amount
01/31	creditors		17 900				

Amal's Account

Date	Description	L/P	Account	Date	Description	L/P	Amount
				01/05	purchases		5 400

Nuwan's Account

Date	Description	L/P	Account	Date	Description	L/P	Amount
				01/12	purchases		8 000

Ranga's Account

Date	Description	L/P	Account	Date	Description	L/P	Amount
				01/15	purchases		4 500

- (iii) (1) Journal Voucher, General Journal
 (2) paid an expense, cash book
 (3) credit sales Rs. 4000, sales invoice
 (4) receipt, cash book

(iv)

Trial balance

Description	Debit	Credit
purchases	35 000	
salary	20 000	
insurance	4 000	
Land	80 000	
building	30 000	
debtors	25 000	
sales		60 000
creditors		15 000
capital		119 000
	194 000	194 000

- (07) (i) (a) counterfoil
 (b) debtors Acc - debit
 bank account - credit

- (iii) (a) general journal - journal voucher
 (b) give 01 mark for 02 corrected answers

(ii) **Bank reconciliation statement**

balance of the adjusted bank account	20 000
(+) unrepresented cheques	7 000
	27 000
(-) unrealized cheques	(12 000)
The balance of the bank statement	15 000

(iv) **suspense Account**

The difference	4 000	electricity	4 000
	4 000		4 000

(iv) **General Journal**

Description	Debit	Credit
Debtors Acc. Dr.	5 000	
Sales Acc. Cr.		5 000
Electricity charges Acc. Dr.	4 000	
Suspense Acc. Cr.		4 000
motor vehicle repair Acc. Dr.	8 000	
motor vehicle Acc. Cr.		8 000
(if uses the general journal give 1/2)		

Adjusted bank account

b/b /f	21 000	bank charges	2 000
Remittances	4 000	insurance	3 000
		b/c/f	20 000
	25 000		25 000