



Grade : 11

G.C.E. (O/L) Practice Test - 2019

60 E I

Business & Accounting Studies

Time : 3 Hours

Instructions :

- Answer for all the questions
- In each of the question 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.

Hasintha who works as a security officer in a tourism business came home to see his mother who is sick with healthy foods in the weekend.

- Select the answer which shows the correct order of needs to the underlined words.
 - Transportation, Medicine, Food
 - Security, Health, Food
 - Transportation, Health, Security
 - Security, Foods, Medicine
- Not a threat to the Tourism industry
 - Increase in the number of tourism related businesses
 - Lack of language skill for employees
 - Creating a stubborn situation in the country
 - Increase in the price of local products
- Select the answer which shows the correct order for the government and managers to be interested over the business .
 - Creating job opportunities, job expansion and job satisfaction.
 - job expansion and job satisfaction, decision making and implementing those decisions.
 - Increase in national production, job security.
 - Obtain the due taxes, expansion of business.
- Gimhani is conducting a business by purchasing fruits from the people in the village and sells those as fresh fruits or fruit juices. The fruits of this business can be categorized as,
 - Land
 - Labour
 - Capital
 - Entrepreneurship
- "Muthu" decides to register the name of her flower plants business. She should register her business under the,
 - Business Names Ordinance of 1918
 - Companies act No 07 of 2007
 - Partnership ordinance of 1890
 - Prevention of Frauds ordinance act
- Select the correct answer regarding business organizations.
 - All the profits can be solely owned by the owner is a characteristic of sole proprietorship business.
 - According to the 1890 partnership ordinance act if the initial capital of the partnership is greater than Rs 1000,a partnership is required to be conducted under a written agreement.
 - Acting for the well being of the society is an advantage of Cooperative societies.
 - Sharing the profits and ownership is an disadvantage of a company.
- Following are some incidents occurred in the business environment.

A.Ability to obtain the advanced technology. B. Development of infastructure facilities.
C.Building up international relationships. D. Ability to obtain machineries.

Select the answer which includes the favarable effects of global environment.

- A, B and C
- A and C
- A ,C and D
- A and D

- 8) The answer which shows only the characteristics of a current account is,
- Ability to make payments through cheques, using interest
 - Obtaining a Bank statement, receiving a pass book.
 - Obtaining bank overdraft facilities, bank charges.
 - Receiving an interest, obtaining bank overdraft facilities.
- 9). Buddini is conducting a beauty salon and she obtained flowers worth of Rs 25000 for the salon from Nethmina, a friend in Nuwaraeliya. She made the payment through a cheque in People's bank. He deposited this cheque in his current account at Bank of Ceylon.
- According to the above incident drawer, payee and drawee of the cheque is:
- Buddini, Nethmina, People's bank.
 - Nethmina, Buddini, Bank of Ceylon.
 - Buddini, People's bank, Nethmina.
 - Nethmina, Bank of Ceylon, Buddini.
- 10) Correct statement regarding electronic money is :
- Can be substituted for cash and cheques.
 - The tellers of People's bank and Bank of Ceylon are called as "PET " and "SET"
 - A limitation of electronic money is that data is not secured.
 - For credit card transactions a bank account is not needed.
- i. A ,B ii. A ,B ,C iii. A ,C iv. A ,C ,D
- 11) Select the false statement regarding insurance
- There is no insurable interest over a rented house for a tenant.
 - A teacher has no insurable interest over her students
 - A mother has no insurable interest over her child
 - A mortgagor has no insurable interest over the pawn articles
- 12) The main advantage of sea transportation is:
- Ability to transport to any place
 - Ability to transport large quantities with high weights at low cost.
 - High speed for long distance
 - low cost and speedy way
- 13) Select the statement which includes internal communications methods
- loudspeaker, news papers, meetings.
 - meetings, notice board, seminar.
 - Circulars ,radio, letters.
 - meetings, banners, internet.
- 14) Appointing managers for business constructions and marketing activities come under..... and finding out whether those houses are constructed with the expected quality comes under
- Organizing, Controlling.
 - Leading, Controlling.
 - Planning, Organizing .
 - Planning, Controlling.
- 15) Sewmini who produces sweet items at her home ,sells those items to the people who come to the home with a **safe package**. Large amount of **orders on credit basis** are taking and **delivering** to their houses. She has displayed a banner including "sweet items to be sold ". According to the above case select the answer which includes the underlined items under the proper variable in marketing mix.
- Product, Price, Distribution, Promotion.
 - Distribution, Promotion, Product, Price.
 - Promotion, Price, Place, Product.
 - Quality, Price, Place, Promotion.
- 16) Saduni expects to invest Rs 200 000 in a short term investment project which ensures high security and a highest interest. She should select,
- purchasing shares.
 - purchasing assets.
 - purchasing treasury bills.
 - depositing in the savings account.
- 17) Select the most suitable statement which describes accounting correctly.
- Provides all information about the business.
 - Every business should maintain accounting records.
 - Accounting will not affect for resource management.
 - Provides necessary information to the interested parties.

18) Accounting equation of a business transaction is given below

$$\text{ASSETS} = \text{EQUITY} + \text{LIABILITIES}$$
$$-25000 = +75000 - 100000$$

Select the answer which explains the above effect as a transaction

- i. Obtained a bank loan of Rs 100 000 and withdrew Rs 25 000 for personal use
- ii. Settlement of liability Rs 25 000 using business cash and Rs 75 000 received from the owner
- iii. Obtained a bank loan of Rs 100 000 and invested as capital
- iv. Purchased goods Rs 25 000 on credit and withdraw goods Rs 75 000 for the personal use

19) The double entry to record if the amount receivable from Hasitha Rs 50 000 was received after deducting 5% discount is:

- i. Cash a/c Dr Rs 50 000
Debtor's account Cr Rs 50 000
- ii. Cash account Dr Rs 50 000
Discount allowed account Cr Rs 2500
Debtor's account Cr Rs 47500
- iii. Cash account Dr Rs 47500
Discount allowed Dr Rs 2 500
Debtor's account Cr Rs 50 000
- iv. Cash account Dr Rs 47500
Discount received Dr Rs 2500
Debtor's account Cr Rs 50 000

20) Furniture depreciation account of a business is anand purchase account is an..... account.

- i.Assets, Expense. ii.Expense, Income. iii.Expenses, Equity. iv.Asset, Equity.

21) The account which records the double entry as "increase in the debit side and decrease in the credit" side is,

- i. Electricity account. ii. Sales account.
- iii. Discount allowed account. iv. Machinery depreciation account

22) The following transactions were occurred in a textile business.

- A.Sold textile to Vidushi Rs 20 000 on credit basis.
- B. Received Rs 15 000 cash from Vidushi.
- C.Written off Rs 5000 as bad debts.

Select the source documents relevant to the above transactions

- i. Sales journal, cash book, General journal. ii.Invoice, Voucher, Receipt
- iii.Sales journal, Cash book, Cash book. iv.Invoice, Receipt, journal voucher

23) The balance of the bank account as at 31.08.2018 was Rs 44000.The bank statement balance was not tally with the above balance due to the following errors.

- A. Unrepresented cheque Rs 5000. B. Bank charges Rs 2000
- C. Direct remittance Rs 8000. D. Dishonored issued cheque Rs 9000.

Balance as per adjusted bank account

- i. Rs 42000. ii. Rs 50000. iii. Rs 52000 iv. Rs 59000

24) Balance as per the bank statement is,

- i.Rs 46000 ii.Rs 48000 iii.Rs 57000 iv .Rs 64000

25) following is a correction entry for an error

- Debtors account Dr 18000.
- Suspense account Cr.18000

The error relevant for the above is,

- i. Recording Rs 42000 sales on credit basis in the debtor's account as Rs 24000
- ii. A sales invoices of Rs 18 000 has been not recorded in the books
- iii. Cash received from a debtor, Rs 18000 has not been recorded in the debtor's account
- iv. Recording a credit sale of Rs 24000 in the debtor's account as Rs 42000

- 26) The trial balance prepared by the business shows the debit balance of Rs 690 000 and the credit balance of Rs 960 000. The balance to be transferred to the suspense account is ,
- Suspense account (Dr) Rs 690 000
 - Suspense account (Cr) Rs 960 000
 - Suspense account (Dr) Rs 270 000
 - Suspense account (Cr) Rs 270 000
- 27) The petty cash imprest of Rasanga Business is Rs 5000. As at 01.08.2019 the amount of Petty cash in hand was Rs 600. Business decides to increase the imprest to Rs 6000 from the month of August. Select the value of reimbursement as at 01st of August
- Rs 6000
 - Rs 5400
 - Rs 5000
 - Rs 4400
- 28) Select the answer which includes only the transactions transferred to the general journal.
- Owner withdraw goods worth Rs 5000.
 - Purchase of stationaries Rs 5000 has recorded in the electricity account.
 - Purchase Rs 500 000 worth of Motor vehicle on credit basis.
 - Balance of building was Rs 10000.
- A ,C
 - A ,B ,C
 - A ,B ,C ,D
 - A ,C ,D
- 29) The number of members of Tharu Dilena sports club in year 2018 was 250. The monthly subscription fee for one member is Rs 100 . There were subscriptions to be received as at 01st January 2018 from 10 members . 30 members has not paid the subscription fee for the year 2018. The total membership fee received during the year was ,
- Rs 23000
 - Rs 26000
 - Rs 276 000
 - Rs 300 000
- 30) The correct statement regarding the account keeping in societies is,
- An objective of Income and Expenditure account is regulating financial management .
 - Income statement is prepared on cash basis.
 - Income and Expenditure account records the income and expenditure for the relevant period .
 - Income statement shows the net profit or loss.

***Answer questions No.31 and 32 using following information**

The following transactions are related to the Bhagya and Nawodha Textile business for the year 2018

Direct raw material	Rs 800 000.
Electricity and other expenses	Rs 500 000.
Direct other expenses	Rs 200 000.

5000 units of textiles were produced during the year 2018. An employee is paid Rs 100 for each textile. Business sells goods by keeping 25% profit on cost.

- 31) The production cost of a textile is,
- Rs 200
 - Rs 300
 - Rs 400
 - Rs 500
- 32) The expected profit of the business is,
- Rs 250 000
 - Rs 375 000
 - Rs 500 000
 - Rs 625 000
- 33) Following adjustments should be done in Sachini Nimara's business for the year ended 31.12.2018
- *The monthly rent of building is Rs 15000 and business has paid Rs 135 000**
 - *Business has obtained Rs 400 000 bank loan as at 01.01.2018 which is entitled to a 15% interest. Rs 50 000 cash has been paid as interest during the year.**
- Select the correct answer according to the above details.
- Building rent expense for the year is Rs 135 000 and the accrued interest is Rs 10 000.
 - Accrued building rent Rs 45 000 and the loan interest in the profit or loss Statement should be Rs 50 000.
 - Building rent in the profit or loss statement should be Rs 180 000 and interest payable Rs 10 000 is a current liability
 - The building rent in the profit or loss statement is Rs 135 000 and Rs 50 000 is stated as loan interest.

34) Following are the details related to a machinery purchased by the business. The accounting period ends on 2018.12.31

2018.07.01 Purchase price of machinery Rs 800 000

Fixing price Rs 200 000

Scrap value Rs 40 000

Useful life 5 year years

The depreciation of machinery for the year 2018.12.31 is ,

i.Rs 200 000

ii.Rs 192 000

iii.Rs 160 000

iv.Rs 96 000

• Answer the questions no.35 to 40 by using following information

The balances extracted from the books of Kasuni Madushani's business as at 2018.12.31 are given below

Motor vehicle.	Rs 600 000
Stock as at 01.01.2018	Rs 40 000
Sales.	Rs 480 000
Purchases	Rs 280 000
Salaries.	Rs 36 000
Debtors.	Rs 75 000
Creditors.	Rs 90 000
Interest paid	Rs 18 000
Carriage inwards	Rs 16 000
Provision - Motor vehicle depreciation	Rs.120 000
Bank charges	Rs. 4000
10% Bank loan	Rs. 200 000
Capital	Rs. 300 000
Donation	Rs 12 000
Drawings	Rs.10 000

Additional information:

i. Closing stock as at 31.12.2018 is Rs.76 000

ii.Motor vehicle should be depreciated at 10%

35) Cost of sales of the business is,

i. Rs.220 000

ii. Rs.260 000

iii. Rs.320 000

iv. Rs.336 000

36)The total of financial and other expenses in the profit or loss statement is,

i. Rs.22 000

ii. Rs.24 000

iii. Rs.34 000

iv. Rs.36 000

37) Equity as at 2018.12.31 is,

i. Rs.378 000

ii. Rs 386 000

iii. Rs.388 000

iv. Rs.450 000

38) The carrying value of the motor vehicle as at 31.12.2018

i. Rs.600 000

ii. Rs.480 000

iii. Rs.420 000

iv. Rs.360 000

39)The total of current liabilities as at 31.12.2018

i. Rs.90 000

ii. Rs.92 000

iii. Rs 290 000

iv. Rs.292 000

40) A distribution expense and an Administration expense of this business respectively are,

i. Interest paid, Wages.

ii. Advertising, Bank charges.

iii. Motor vehicle depreciation, Carriage inwards.

iv. Motor vehicle depreciation, Wages.

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II

Business & Accounting Studies - II

Instructions : First question is compulsory.

Answer five questions by selecting two questions from part I and two questions from part II including the first question.

1) Answer the question no.i to x using the following case

Nethsarani who has completed a one year diploma course in Art obtained an experience from a short term Bathik workshop conducted by Divisional secretariat office. She obtained a loan of Rs.800 000 from National Savings Bank under the "Industrial Sri Lanka "project at a low interest rate and commenced a business named "Sarani Bathik" on.01.03.2019. She makes shirts, soron, sarees and Bathik designs.

She is expecting to purchase a small lorry to distribute these products to different places and 5 employees are working presently. Two agents were joined to sell the clothes to the foreigners.

Following are the transactions occurred in her business in the month of March

Purchase of material and other	Rs. 240 000 (material of Rs 140 000 has been only used)
Purchase of equipment	Rs. 200 000
Building rent (3 months)	Rs. 60 000
Wages	Rs. 125 000
Electricity	Rs. 15 000 (31.03 has not been paid)
Distribution cost	Rs. 75 000
Cash sales	Rs. 230 000
Credit sales	Rs. 155 000

- i. a. What is the basic human need fulfills by Sarani Bathik?
- b. Name two advantages of registering this business
- ii. a. Name the business organization that National Savings Bank belongs
- b. Name the production factors of Sarani Bathik with examples from the case.
- iii. a. Name an incident from the case related to the Planning process of Management
- b. Name two auxiliary services of this business
- iv. a. Name a strength and a threat that can be occurred to this business
- b. State an incident related to the marketing mix from the above case
- v. Find the Cash in hand balance by preparing cash account as at 31st March
- vi. a. Name two Source documents to be prepared by this business
- b. State the double entry to record obtaining the bank loan
- vii. What is the depreciation amount if the business depreciate its equipments 12% annually
- b. State the double entry to record the equipment depreciation
- viii. Calculate the profit or loss of the business for the month of March
- xi. a. State a current asset and a current liability of the business with values
- b. Nethsarani decided to open a current account. State the double entry if she deposited Rs 25 000 in the bank account.
- x. a. Write the accounting equation as at 2019.03.19
- b. Calculate the equity as at 2019.03.19

Answer for two questions only

- 2) i. a. Name two common objectives of a business
b. Write two differences between goods and services
- ii. State whether the following statements are true or false
A. Human wants are limited and needs are unlimited
B. Selling vegetables by the farmer who grows vegetables by himself is a direct production
C. Owner is the person who takes decisions and implements them in a business
D. Conducting the activities of a company according to the companies act is related with the legal environmental factor
- iii. Chathurika who lives near the university, sells sweet potatoes, manioc, maize for the students and other people with the help of her mother.
A. Write two internal environmental forces included in the above case
B. Write the interested parties for the above business and state the reason for them to be interest over the business.
- iv. Nipun who is expecting to start a business after completing a motor vehicle repairing course. State 2 advantages of starting a private limited company than a sole proprietorship
(2x4=8 marks)
- 03) i. Gayathri purchased vegetables from Latha for their consumption and Latha purchased those vegetables from Jayani.
A. Name the consumer and the retailer of the above case
B. Draw a flow chart to show the methods that Jayani can use to sell her vegetables
- ii. State whether the following statements are true or false
A. Having a lower selling price is a characteristic of retail trade
B. Selling goods via mobile vehicles can be known as Mobile small scale stores.
C. The conditions related to the fixed deposits can be changed according to the desire of the bank
D. Writing only the Name of the bank without having two parallel lines can be considered as special crossing
- iii. a. Recently businessmen are practicing to use cheques for their transactions. But some times bank will reject (dishonor) payment for cheques. Write two reasons for dishonoring a cheque by the bank.
b. Write two insurance principles affecting to life insurance.
- iv. a. Sewmini goes to school everyday by train. Write an advantage and a disadvantage of railway transportation
b. Name the Government institution in Sri Lanka relating to the Railway transportation.
(2x4=8 marks)
- 4) Mr.Wijeyakoon and Mr.Samarakoon are in same age. The pension obtained by them were invested in two investment methods. Mr.Wijeyakoon received a dividend income and Mr.Smarakoon received an interest income.
- i. A. Name the investment method selected by Mr.Wijeyakoon?
B. Name the investment method selected by Mr.Samarakoon?
- ii. State whether the following statements are true or false
A. Clarity is an element of communication process
B. Achieving the business objectives successfully as expected is efficiency
C. Target market is the market portion that the business can satisfy profitably and attractively
D. Marketing concept is related with fulfilling human needs and wants by providing goods and services.
- iii. Following are some tasks of a business which produces nutritional foods ,
A. Appointing managers for food production and provide necessary resources
B. Deciding the foods to be prepared
C. Taking actions to avoid the faults of production process
D. Provide necessary instructions to the employees by the production managers
State the managerial functions of the above business respectively
- iv. a. Name two factors that should consider when selecting a investment method
b. What is the main. objective of Sri Lanka Exchange and Security Commission?
(2x4=8 marks)

Part II

Answer for two questions only

- 5) i. a. Name two factors that affect to change the ownership of the business
 b. Name two characteristics of a liability (2 marks)
- ii. Classify the following components of a textile industry as Assets, Liability, Equity, Income and Expenditure
 A. Electricity B. Motor vehicle C. Capital D. Debtor
 E. Bank overdraft F. Commission received (2 marks)
- iii. Following shows the impact to accounting equation of Samadara business occurred during the month of January 2019. Explain the transactions

Assets					Equity	Liabilities
Date	Motor Vehicle	Stocks	Debtors	Cash	Capital	Creditors
Balance	800 000	150 000	220 000	130 000	1020 000	280 000
01.05		-60 000	+ 100 000		-40 000	
01.02				-40 000	-40 000	
01.16	-20 000				-20 000	
01.23				-25 000	+5000	-30 000

No drawings occurred during the period

- iv. Following credit sales transactions occurred in the Nadun's business for March month 2019
- | | | |
|---|------------|------------|
| 2019.03.11-Sold to Lasantha (invoice number 22) | Rs. 60 000 | |
| 2019.03.21-Sold to Hasantha (invoice number 23) | Rs. 44 000 | |
| 2019.03.26-Sold to Nimantha (invoice number 24) | Rs. 72 000 | |
| 2019.03.30-Sold a office table to Gayani | Rs.12 000. | (4 marks) |

***Business allows a 5% trade discount for each sale**

Required:

- i. Prepare sales journal of Nadun's business for the month of March
 ii. Record the transactions in the ledger accounts (4 marks)
- 6) i. a. Define what is a Bank Overdraft?
 b. Name two instances where the bank statement balance is higher than bank account balance
- ii. Following are the information related to a bricks manufacturing business for the month of June 2019.
- | | |
|----------------------------|------------|
| Purchase of raw materials. | Rs 180 000 |
| Factory electricity. | Rs 6 000 |
| Machinery depreciation. | Rs 5 000 |
| Production salaries. | Rs 44 000 |
| Building rent. | Rs 25 000 |

*** Business sells the products by keeping 20% profit**

Required:

- A. Calculate prime cost of the business B. Total sales income of the business (2 marks)
- iii. Following shows the bank account prepared by the Chethiya business for the August month 2019 Bank account

Date	Description	Amount	Date	Description	Amount
19.8.1	B/B/F	54 000	19.8.8	Sugandi (72)	28 000
08.06	Cash	12 000	8..14	Varuni (73)	14 000
08.09	Cheque (113)	17 000	8.21	Hansi (74)	9 000
08.17	Cheque (176)	31 000	8.31	B/C/D	63 000
		<u>114000</u>			<u>114000</u>

Bank Statement for the Month of August 2019

Date	Description	Dr	Cr	Balance
19.8.1	B/B/F			54 000
19.08.06	Cash		12000	66 000
19.08.10	Cheque (72)	28000		38 000
19.08.12	Cheque (113)		17000	55 000
19.08.15	Direct remittance		24000	79000
19.08.19	Cheque (73)	9000		70 000
19.08.29	Bank Charges	2000		68 000

Required:

A. Adjusted bank account

B. Bank reconciliation statement

(4 marks)

iv. The trial balance prepared by Sandeepani's business as at 31.12.2018 shows Rs. 1000 difference in the debit side .Following errors were revealed later

1.Credit purchase Rs 21500 has been recorded in the creditors account as Rs 12500

2.Discount received Rs 4000 has been recorded the discount allowed account

3.Total of the Sales journal Rs 16000 has been overstated

Required:

A. Write the journal entries to rectify the above errors

B. Prepare the Suspense account

(4 marks)

07) i. a. Name the components included in Statement of financial position

b. Name two concepts used when preparing the statement of profit or loss

(2 marks)

ii. The income and expenditure account prepared by the president of

"Jayasikurui"Sports club for the month of May 2019 is given bellow .

Income and Expenditure account

2019.05.01 B/B/F	37 000	Sports equipment purchases	20 000
Membership fee	58 000	Electricity charges.	4 000
Accrued membership fee	12 000	Accrued building rent.	12 000
		Flag sales income	15 000
		Sports equipment depreciation.	4 000
		B/C/D	52000
	<u>107 000</u>		<u>107 000</u>

Prepare the above income and expenditure account correctly.

(2 marks)

iii. The trial balance of Sunil's business as at 31.12.2018 is given below.

Description	Dr	Cr
Capital		200 000
Opening Stock (2018.01.01.)	36 000	
Purchase	180 000	
Debtors	158 000	
Bank Loan 12%		300 000
Salaries	45 000	
Sales Commission	18 000	
Cash	252 000	
Loan Interest	30 000	
Electricity	24 000	
Machinery	400 000	
Machinery Depreciation		160 000
Creditors		18 000
Rent received		5 000
Sales		450 000
	1 143 000	1 143 000

Additional information:

1.The cost of stock as at 31.12.2018 Rs. 36 000

2. Bad debts should be write off Rs. 3000

3. Machinery should be depreciated 10% on straight line method

4.Rent income receivable is Rs. 5 000

• Required: Statement of profit or loss for the year ended 31.12.2018

• Statement of Financial Position as at 31.12.2018

(8 marks)