

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.

Entrepreneurship Studies I

Instructions :

- ❖ 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 (×) an the number corresponding to your choice in the given answer sheet.**
- ❖ **Further instructions are given on the back of the answer sheet. Follow them carefully.**

1. The statement that most clearly explains entrepreneurship is,

- (1) A combination of individuals' positive attitudes, skills, and abilities.
- (2) A valuable way of thinking that a person inherits only by birth.
- (3) A process related to human thinking that creates innovations through creativity.
- (4) A valuable way of thinking that forms the basis for creating change.

2. Select the option that includes only factors of production.

- (1) Soil, labour, capital, machinery
- (2) Land, labour, capital, entrepreneurship
- (3) Labour, raw materials, land, entrepreneurship
- (4) Land, labour, machinery, forests

3. An entrepreneur,

- (1) Engages in innovation. (2) Acts in a traditional manner.
- (3) Accepts any kind of risk. (4) Engages only in business activities

4. A factor that hinders creativity is,

- (1) Being logical. (2) Not being afraid of mistakes and criticism
- (3) Following rules and traditions without understanding them. (4) Being law-abiding.

5. Preparing bakery products using kurakkan flour is classified as,

- (1) An invention. (2) An extension.
- (3) An imitation. (4) A combination.

6. Independence means,

- (1) Acting realistically to achieve objectives.
- (2) Being able to work according to one's own preference.
- (3) Being able to adapt appropriately to changes.
- (4) Acting without being discouraged by failures and setbacks.

7. "I have not failed. I have just found 999 ways in which the electric bulb would not work." The entrepreneurial characteristic reflected in this statement by Thomas Alva Edison is,
- (1) Optimism. (2) Flexibility.
 (3) Inclination toward achieving difficult goals. (4) Belief that success is determined by oneself.
8. A person who engage in all activities related to the production and distribution of goods and services to satisfy human needs and wants is,
- (1) An entrepreneur. (2) An owner.
 (3) A businessman. (4) A manager.
9. What is the correct answer when the characteristics in column Y are matched in order with the concept in column X?

Column X	Column Y
1. Needs	a. Tangible
2. Wants	b. Arise primarily
3. Goods	c. Intangible
4. Services	d. Determined according to individual preference

- (1) b, a, c, d. (2) b, c, a, d
 (3) b, d, c, a (4) b, d, a, c
10. Several statements are given below.
- A. Engaging in an economic activity
 B. Not showing willingness to take risks
 C. Not utilizing existing resources to the maximum
 D. Thinking about survival
- The similarities between a businessman and an entrepreneur are,
- (1) A only (2) A, C, and D
 (3) A and D only (4) B and D only
11. Kasun is a small-scale businessman. A characteristic that can be seen in his business is,
- (1) Difficulty in decision-making while running the business
 (2) Business activities spread over several regions
 (3) Ability to start with a small amount of capital
 (4) Having a large number of employees
12. A strength commonly seen in small-scale businesses is,
- (1) Difficulty in recruiting and training employees
 (2) Difficulty in responding quickly to a dynamic environment
 (3) Ability to easily adapt to environmental changes
 (4) Employees expecting higher benefits
13. Sunil provides necessary resources, bears risks, and makes important decisions to achieve the goals and objectives of his business. His role can be identified as,
- (1) A manager (2) A leader
 (3) An owner (4) A businessman

14. The ability of an entrepreneur to recruit a better employee by following a formal procedure belongs to,

- (1) Conceptual skills
- (2) Technical skills
- (3) Advisory skills
- (4) Human skills

15. Which answer shows characteristics of the modern business environment?

- a. Needs and wants have become complex
- b. Consumers have become powerful
- c. Profit has become the main objective
- d. The speed of change has decreased

- (1) a and b
- (2) a, b and c
- (3) a, b, c and d
- (4) a and c

16. Factors belonging to the internal business environment are,

- (1) Owners, managers, suppliers, and resources
- (2) Competitors, managers, resources, and suppliers
- (3) Owners, managers, employees, and resources
- (4) Customers, resources, managers, and competitors

17. The main business sectors of the Sri Lankan economy are,

- (1) Agriculture, fisheries, and services
- (2) Primary, secondary, and tertiary
- (3) Small-scale, medium-scale, and large-scale
- (4) Manufacturing, trade, and services

18. Increased opportunities to enter the international market belong to,

- (1) External environment
- (2) Political environment
- (3) Global environment
- (4) Economic environment

19. Which option includes only external environmental factors?

- (1) Machinery, price level, employment
- (2) Customers, price level, government policies
- (3) Money, laws, interest rates
- (4) Competitors, buildings, interest rates

20. Which option correctly matches suitable locations (Y) for the businesses (X)?

X	Y
1. Warehouse	A. Location with parking facilities and road access
2. Clothing shop	B. Beautiful place in a calm environment with road access
3. School stationery shop	C. Crowded location with display space
4. Function hall	D. Area close to schools

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

21. Senehas is a young entrepreneur planning to start a cable car transport service in Colombo. His market entry is,

- (1) Introducing an existing product or service to an existing market
- (2) Introducing an existing product or service to a new market
- (3) Introducing a new product or service to an existing market
- (4) Introducing a new product or service to a new market

22. Several statements are given below.

- A - The validity period of a patent is 20 years
- B - A patent can be sold
- C - Issued by the Sri Lanka Standards Institution
- D - Can be obtained for any manufactured product

The correct statements regarding patents are,

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

23. In-depth study of selected business ideas is carried out during,

- (1) Macro analysis
- (2) Micro analysis
- (3) SWOT analysis
- (4) Market analysis

24. The component of a business plan that briefly includes the business name, industry, objectives, and goals is,

- (1) Financial plan
- (2) Administrative summary
- (3) Organizational plan
- (4) Executive summary

25. Information included in a business plan is used to,

- (1) Analyze past information
- (2) Compare past and present information
- (3) Forecast future information
- (4) Analyze the present situation

26. Before starting a business, identifying the physical and human resources required for business operations is done through,

- (1) Administrative plan
- (2) Business plan
- (3) Investment appraisal
- (4) Production plan

27. When starting a new business, the study prepared to examine competitors and target customers is,

- (1) Market analysis
- (2) Supply analysis
- (3) Marketing analysis
- (4) Sales analysis

28. Expected sales revenue of a business is correctly calculated by,

- (1) Quantity sold \times selling price per unit
- (2) Expected quantity sold \times expected selling price per unit
- (3) $\frac{\text{Quantity sold}}{\text{Selling price per unit}}$
- (4) $\frac{\text{Expected quantity sold}}{\text{Expected selling price per unit}}$

29. The portion of consumers not satisfied from total demand for a product is called,

- | | |
|---------------------|------------------|
| (1) Expected demand | (2) Total demand |
| (3) Market share | (4) Market gap |

30. Which option correctly includes only the costs considered in calculating production cost?

- (1) Material cost, financial cost, and selling cost
- (2) Material cost, labour cost, and financial cost
- (3) Material cost, labour cost, and other costs
- (4) Material cost, financial cost, and other costs

31. In a cement block manufacturing business, maintenance cost of the cement block machine is classified as,

- | | |
|-------------------------|------------------|
| (1) Administrative cost | (2) Other cost |
| (3) Financial cost | (4) Selling cost |

32. The plan that includes tasks, responsibilities, and qualifications of positions in the organizational structure of a business is,

- | | |
|-------------------------|-------------------------|
| (1) Executive plan | (2) Organizational plan |
| (3) Administrative plan | (4) Marketing plan |

33. The basic fund required to run daily business operations is called,

- | | |
|----------------------|----------------------|
| (1) Investment fund | (2) Invested capital |
| (3) Total investment | (4) Working capital |

34. Nimal expects to start a coconut shell charcoal manufacturing business. The special license required to register this business should be obtained from,

- (1) Central Environmental Authority of Sri Lanka
- (2) Geological Survey and Mines Bureau
- (3) Divisional Secretariat
- (4) Sri Lanka Standards Institution

35. The authority that issues the certificate for registration of a sole proprietorship or partnership business name is,

- | | |
|----------------------------------|--------------------------|
| (1) Registrar of Companies | (2) Grama Niladhari |
| (3) Provincial Council Secretary | (4) Divisional Secretary |

36. The document that includes company objectives and the rights and obligations of shareholders is,

- | | |
|----------------------------------|-------------------------------|
| (1) Certificate of incorporation | (2) Trade certificate |
| (3) Articles of Association | (4) Memorandum of Association |

37. Registration of a partnership business name is done under,

- (1) Partnership Ordinance of 1890
- (2) Prevention of Frauds Ordinance No. 07 of 1840
- (3) Business Names Ordinance No. 06 of 1918
- (4) Companies Act No. 07 of 2007

38. A partnership deed is,

- (1) A document containing terms and conditions of partnership operations
- (2) A document confirming registration of the partnership
- (3) A document on profit and loss sharing among partners
- (4) A document indicating ownership of partners

39. A favorable factor for the development of an entrepreneurial culture is,

- (1) Tendency toward traditional thinking
- (2) Short-term changes in government policies
- (3) High social acceptance of salaried employment
- (4) Existence of a stable economic environment

40. Which option correctly includes only the parties that influence business ethics?

- (1) Business founder, employees, government
- (2) Business founder, organizational members, external society
- (3) Business founder, managers, government
- (4) Business founder, government, external society

Ministry of Education, Higher Education, and Vocational Education
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Entrepreneurship studies I, II

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Entrepreneurship studies – Paper II

Instructions:

❖ Answer *five Questions* only including question No. 1

1. Read the following case carefully and answer the questions (i) to (x)

Kalana, the son of Mr. Samarasinghe, who has earned a reputation in the field of building construction, is a graduate in business management. From a young age, he was a creative child and possessed a strong desire, dedication, and self-confidence to become a successful entrepreneur in the future.

However, although Kalana’s father had extensive business experience, he showed a strong reluctance toward preparing plans and maintaining written records. At his father’s request, ownership of “Kalana Enterprises,” a business engaged in the production of quarry stones, was transferred to Kalana. Before commencing business operations, Kalana carried out an analysis of the business environment, and based on the information obtained, he decided to convert his business into a private limited company.

- i. Write **two** entrepreneurial characteristics that can be observed in Kalana as an entrepreneur.
- ii. State one strength and one weakness of the business “Kalana Enterprises.”
- iii. Define the term “business environment” as analyzed by Kalana.
- iv. Name **two** documents required to register “Kalana Enterprises” as a private limited company.
- v. State **four** advantages that Kalana can obtain by converting the business into a private limited company.

The estimated information for the upcoming month of the business is given below.

	Rs.
Cash Sales	500 000
Credit Sales	300 000
Cost of materials	240 000
Labor Cost	90 000
Other Expenses	110 000
Administrative Expenses	60 000
Bank Loan	200 000
Financial expenses	60 000
Purchase of New Machinery	300 000

Based on the above information, for Kalana's business:

- vi. Calculate the cost of production
- vii. Calculate the non-production cost
- viii. If 11 000 quarry stones are produced in a month, calculate the cost of production per unit.
- ix. State a possible expected non-current asset and a non-current liability in the business.
- x. Calculate the net profit or loss of the business.

(Total marks: 2 × 10 = 20)

2.

- i. Briefly explain why the entrepreneurial factor among the factors of production is more distinctive.
- ii. Write down **four** strategies that can be taken by an entrepreneur to improve the creativity.
- iii. List the **four** sources on which innovation is based.
- iv. Mention **two** differences between goods and services.
- v. Name **two** types of entrepreneurs and give one example for each type.

(Total marks: 2 × 5 = 10)

3.

- i. Mention **four** limitations associated with small-scale businesses.
- ii. Mention **four** reasons why small-scale businesses may fail.
- iii. State **two** tasks that an entrepreneur performs in the managerial role.
- iv. Give **four** points explaining the importance of being mindful of environmental trends.
- v. Mention **four** new trends observable in the business field that is expanding rapidly with rapid changes.

(Total marks: 2 × 5 = 10)

4.

- i. Mention **four** benefits an entrepreneur gains by studying the business environment.
- ii. Saman intends to start and run a business. Mention **four** factors he should consider.
- iii. Mention **four** ways a new entrepreneur can collect capital.
- iv. State **four** sources from which an entrepreneur can generate business ideas.
- v. Briefly explain product differentiation and give an example

(Total marks: 2 × 5 = 10)

5.

- i. Write **two** information included in an administrative plan.
- ii. Mention **two** expenses incurred before starting a business.
- iii. Mention **four** agreements that may be included in a partnership agreement.
- iv. State **two** basic characteristics observable in a franchise business system.
- v. Mention **two** advantages a franchisee can obtain through the franchise system.

(Total marks: 2 × 5 = 10)

6.

- i. Mention **four** social factors that oppose entrepreneurship.
- ii. Mention **four** strengths a woman possesses to become an entrepreneur.
- iii. What is meant by business ethics?
- iv. Mention **four** benefits a business can obtain by practicing social responsibility.
- v. Briefly state **two** examples of non-financial benefits that can be obtained by an entrepreneur.

(Total marks: 2 × 5 = 10)

7.

- i. Write **two** components included in a financial plan. (Marks: 02)
- ii. Mention **two** benefits an entrepreneur gains from a financial plan. (Marks: 02)
- iii. The following are some of the expected information in the plan prepared for Vishal's proposed garment production business.

Item	Value (Rs)
Cash invested by Vishal	600 000
Bank loan obtained	500 000
Building rent payments	10 000
Electricity bill payments	5 000
Credit sales	50 000
Cash sales	150 000
Purchase of large machine	200 000
Purchase of raw materials	80 000
Cash received from debtors	25 000
Payment of employee salaries	25 000

Based on above information, prepare the estimated cash flow statement and calculate the cash balance.. (Marks: 06)

(Total marks = 10)

G.C.E. (Ordinary Level) Examination – 2025(2026) Practice Test Paper
Entrepreneurship Studies
Part I - Answers

Question Number	Answer Number						
1.	3	11.	3	21.	2	31.	2
2.	2	12.	3	22.	3	32.	3
3.	1	13.	3	23.	2	33.	4
4.	3	14.	2	24.	4	34.	1
5.	4	15.	1	25.	3	35.	4
6.	2	16.	3	26.	2	36.	3
7.	3	17.	2	27.	1	37.	3
8.	3	18.	3	28.	2	38.	1
9.	4	19.	2	29.	4	39.	4
10.	3	20.	3	30.	3	40.	2