Provincial Department of Education
Northern Province- 2021

Diagnostic Test

Grade :- 10	Business and Accounting Studies – I, II	One Hour

Part I

Instructions:-

- **Answer the questions No. 01 – 03 using the following case.**

Sarugha, being a village girl and an expert in the art of dress making, produces and distributes dresses to the people of her area, as a hobby. She also earns profit by distributing face masks to the town area because the covid 19 spreads rapidly at present.

01. What is the human need identified in the above case?
    1) Food 2) Clothing 3) Shelter 4) Security

02. Select the incorrect statement regarding the above case.
    1) Sharuga in voles in a commodity manufacturing business.
    2) The business creates various types of wants.
    3) People of the region are the stakeholders in this business.
    4) This business belongs to partnership organization in the privater sector.

03. What is the production factor that sewing machine used by this business belongs?
    1) Land 2) Labour 3) Capital 4) Entrepreneurship

04. The contributions expected from the stakeholders in a business are given below.
    A – Appropriately completing the tasks assigned.
    B – Contributing adequate capital.
    C – Supplying raw materials in time.
    D – Implementing business plan appropriately.
    The contributions the above ones expected from owners and suppliers are respectively.
    1) A, D 2) B, D 3) A, B 4) B, C

05. Some business environmental factors are given below.
    A – Competitors
    B – Owners
    C – Legal environment
    D – Customers
    E – Managers
    F – Employees
    The correct group of answers which consists of internal environmental factors mentioned in the above ones are.
    1) B D E 2) A C D 3) D E F 4) B E F

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06. Which of the following is the positive impact from the global environment on domestic businesses?
    1) Skilled labourers migrating to foreign countries.
    2) Negative changes on the local culture.
    3) Possibility to obtain latest technology.
    4) Possibility to face competitive environment.

07. Which of the following is a threat in a business?
    1) Introducing new product methods.
    2) Geographical location of the business is unfavorable.
    3) Imposition of international trade embargo.
    4) Introducing low interest loans by the government.

08. The business organization which is funded and owned by the government is.
    1) Private sector 2) Public sector 3) Profit Oriented 4) Not profit oriented

09. The following are the characteristics if the business organizations.
    A – The owner should bear profit or loss alone
    B – Limited liability
    C – No legal personality
    D – Continued existence

    The characteristics of an incorporated company are.
    1) A and C 2) A and B 3) B and D 4) A and D

10. Which is the advantage of registering a business?
    1) One business cannot be compared with another.
    2) Government incentives can be obtained easily.
    3) The ownership of the business name cannot be ensured.
    4) Easy to obtain loans.

11. The act for registering a partnership is
    1) The companies Act No. 07 of 2007.
    2) The Business Name Ordinance of No. 06 of 1918.
    3) The Co-operative societies Act No. 05 of 1972.
    4) Consumer Affairs Authority Act No. 09 of 2003.

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12. A profit oriented business organization in the private sector is
    1) Co-operative 2) Department
    3) State corporation 4) Partnership

13. The business providing intangible and not physically existing things in order to fulfill human needs and wants are.
    1) Service providing businesses 2) Commoditymanufacturing businesses
    3) Marketing businesses 4) Insurance businesses

14. Which of the following is rendered mental efforts?
    1) Accountant 2) Manager 3) Cleaning lobourer4) Doctor

15. Which encompasses the role of organizing factors of production in order to start and conduct a manufacturing process?
    1) Land 2) Labour 3) Capital 4) Entrepreneurship

16. Which propagates policies required to achieve economic growth of a country?
    1) Commercial bank 2) Insurance organization
    3) Government 4) Financial institutions

17. Select the correct statement regarding the main objective of Accounting.
    1) To know whether the financial position of the business is sound.
    2) To know whether the business has earned an adequate profit.
    3) To provide information required by the interested parties of a business.
    4) To fulfill legal requirements.

18. Which of the following transactions is not recorded in the books of accounting?
    1) Obtaining a bank loan of Rs. 100,000.
    2) 50 employees work in the business.
    3) Electricity payment of Rs. 2000.
    4) Credit sales of goods for Rs. 5,000.

19. What is the characteristic of an asset?
    1) Arose as a result of a past transaction.
    2) Having a current obligation.
    3) Inflow of future economic benefit to the business.
    4) Outflow of economic resources when settlement is made.

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20. A business had Rs. 180,000 worth of assets and the liabilities amounted to Rs. 120,000 for the year of 2020. What was the amount of equity?
    1) Rs. 300,000 2) Rs. 60,000 3) 80,000 4) Rs. 120,000

21. What is the transaction that affects to increase the equity of a business?
    1) Withdrawal of Rs. 10,000 by the owner for his personal use.
    2) Receiving Rs. 15,000 from a debtor with a discount of 10%.
    3) Investing additional capital of Rs. 10,000 by the owner.
    4) Paying Rs. 6,000 for the electricity payment.

❖ **Answer the questions No. 22 and 23 using the following information.**

22. What was the impact on the net value of assets while the above transaction was recorded in the accounting equation of sathrak's business?
    1) Decreased by Rs. 950 2) Increased by Rs. 950
    3) Decreased by Rs. 9,500 4) Increased by Rs. 9,500

23. What was the correct double entries regarding the cash received from the debtor of Sathrak's business?
    1) Debtor A/C Debit 9,500 cash A/C credit 9,500.
    2) Debtor A/C Debit 9,500 cash A/C credit 8,500 discount received A/C credit 950.
    3) Cash A/C Debit 9,500, Debtor A/C credit 9,500.
    4) Cash A/C Debit 8,550, Debtor A/C credit 9,500

24. Select the correct account which shows the principle of accounting – debit increases and credit decreases?
    1) Furniture account 2) Sales account
    3) Rent received account 4) Capital account

25. Saghee purchased a machine of Rs.50,000 on credit for the use of business and sold goods for Rs. 10,ooo for ready cash. The source documents to record the above transactions are
    1) Sales journal and Cash book 2) General journal and Cash book
    3) Purchase journal and sales journal 4) Purchase journal and Cash book

26. While purchase account is a (1)……..Account, creditors account is a (2)……. account in the ledges of a businessselect the correct answer which fills up in the blanks (1) and (2) of the above statement in a correct order.
    1) Expense, equity 2) Liability, asset 3) Expense, liability 4) Income, equity

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27. Some types of accounts in column A and some ledger accounts in column B are in the following table.

A	B
1) Liability account	P – Insurance account
2) Equity account	Q – Debtors account
3) Expense account	R – Creditors account
4) Asset account	S – Drawings account

Select the answer when ledger accounts are matched in the order of types of accounts given above.

1) QRSP 2) RSPQ 3) PQRS 4) SPQR

28. Select the incorrect statement from the following related to the principle of double entry.
    1) Asset decreasecredit, increase debt.
    2) Liability, equity, income increase credit.
    3) Assetincrease, decrease Debit.
    4) Liability, equity, income decrease Debit.

29. |What are the correct double entries for the payment of telephone charges of Rs. 2000
    1) Cash account debit, Telephone account credit.
    2) Telephone account debit, cash account credit.
    3) Telephone account debit, Accrued telephone account credit.
    4) Accrued telephone account debit, Telephone account credit.

30. "Nisha book shop" a business buying and selling stationeries purchased 03 chairs each for Rs.1,500 for the business use. The prime entry books and the source documents to record this transaction are.
    1) Purchase invoice and Purchase journal.
    2) Sales invoice and sales journal.
    3) General journal voucher and general journal.
    4) Paying voucher and cash account;

31. The deduction made on the amount receivable from the debtors within a time allowed by the business is.
    1) Cash discount 2) Discount received
    3) Trade discount 4)Discount allowed

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32. An accounting book which functions as a prime book and as a ledger is,
(1) purchase journal (2) sales journal (3) general journal (4) cash account

33. The source document of cash payment is,
(1) invoice (2) payment voucher (3) receipt (4) deposit slip

❖ **Answer the questions No. 34 and d35 using the following information.**
The petty cash balance with petty cashier of Karuniyn's business as of 30.06.2021 was Rs. 1,800, Following are the balances of analysis columns of petty cash book for the month of July, 2021.

Postal expenses	Rs. 320
Travelling expenses	Rs. 200
Stationeries	Rs. 150
Entertainment expenses	Rs. 180

Karuniyan's business decided to increase the value of the petty cash imprest by Rs. 1,000 from 01.08.2021

34. How much was the total value of the petty cash expenses for the month of July, 2021?
1) Rs. 1,800 2) Rs. 850 3) Rs. 520 4) Rs. 335

35. How much was the value of the petty cash reimbursement as at 01.08.2021?
1) Rs. 1,850 2) Rs. 850 3) Rs. 1,000 4) Rs. 150

36. The source document for cash deposit at bank is,
(1) receipt (2) voucher (3) invoice (4) deposit slip

37. Which is not a source of cash receipt of a business?
1) Cash obtained from a loan.
2) Cash receipts for rent income, and interest income.
3) Repayment of loans.
4) Cash received from debtors.

❖ **The following are the transactions occurred in a business. Answer the question No. 38 and 39 based on the following information.**
A – Capital invested by the owner Rs. 100,000
B – Purchased goods on credit Rs. 10,000
C – Electricity charges Rs. 1,000
D – Sold goods which cost Rs. 2,000 at Rs. 3,000

38. What is the amount of the liabilities after the above transactions ABCD?
1) Decrease by Rs. 10,000 2) Increase by Rs. 10,000
3) Decrease by Rs. 99,000 4) Increase by Rs. 99,000

39. What are the transactions that change the value of equity after the above transactions?
1) A, D 2) B, D 3) A, C, D 4) B, C, D

40. Double entry for petty cash reimbursement amount is,
(1) Cash account Dr., Petty cash book Cr.
(2) Particular expense account Dr. Petty cash book Cr.
(3) Petty cash book Dr. Cash account Cr.
(4) Petty cash book Dr. Particular expense account Cr.

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Part II

- **Including questions No. 1, answer questions selecting two questions from each of the parts I and II.**
- **Write your answers in neat handwriting.**

Kabil used Rs. 100,000 from his savings account to start a business of selling local food products and rented out a portion of the Pradeshiya Sabha building complex for monthly payment of Rs.3,000 to carry out his business. He named his business as "Yarlbadi Business" and employed an assistant who had been trained in marketing sector, for the monthly salary of Rs. 4,000 Kabil purchased a refrigerator on credit for Rs. 18,000 for the business use and withdrew Rs.15,000 for the medical expenses of his wife.

The following were the transactions taken place during the month of January. 2021 sales income Rs. 15000. Purchased a cupboard for Rs. 10,000 for business use. Transport expenses for purchasing cupboard Rs. 1,000. Cost of goods purchased for resale Rs. 6,000. Electricity charges Rs. 1,500. Paid rent Rs. 3,000.

01. a) What is the human need fulfilled by Yarlbadi business?
    b) Write a strength of "Yarlbadi Business"
02. Whether "Yarlbadi Business"is registered? If yes give reasons.
03. a) what is the type of business organization that "Yarlbadi Business" belongs, according to the ownership?
    b) Name an internal environmental factor and an external environmental factor of this business.
04. a) What is the name of the act that "Yarlbadi Business" is registered?
    b) Give a reason for registering this business.
05. Give the opening capital "Yarlbadi Business" in the accounting equation.
06. What is the accounting concept that separates Kabil from "YarlbadiBusiness"
07. Write two prime entry books and two source documents that are used to record the transactions of this business.
08. Write the double entry related to purchase of refrigerator on a credit basis.
09. a) Write a non-current asset staffed in this case.
    b) Write a transaction which decreases equity of this business.
10. Calculate the cash balance as at 31.01.2021?

(Total 20 Marks)

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Part I

Business Studies

(Answer two questions only)

02. i) a) What is business?

b) Write two common objectives of the businesses. (2 marks)

ii) State whether the following statements are true or false

a) Needs are common and essential. ( )

b) Businesses are categorized as sole proprietorship and partnership based on the nature of the products manufactured by the businesses. ( )

c) An activity rendered to consumers by a business in order to fulfill their needs and wants are known as commodity manufacturing business. ( )

d) Community propagates policies required for the economic growth of a country. ( )

(2 marks)

iii) Nirmala started a business named as "Everest Pooncholai" to produce flower vases using the waste plastic bottles with the help of Jamuna. The demand for this products has increased due to the steady increase in the arrival of tourists.

a) State two stakeholders of "Everest Pooncholai" business implied by this case.

b) Write a reason for each stakeholder that you mentioned above (iii) a) to pay an interest in this business. (2 marks)

iv) Sukumar carries out a business manufacturing and distributing cupboards using teak trees found in his area.

a) Sukumar business, What kind of business can be considered based on the nature of the product?

b) To which production factor do the trees used for the production of cupboards belong? (2 marks)(Total 08 Marks)

03. i) State whether the following statements are true or false.

a) Strengths can be identified by analyzing the external environment ( )

b) The managers are responsible to build a good relationship between the customers and the employees of a business. ( )

c) The stability and the policies of a government will have an influence on business. ( )

d) The continuous increase in the general price levels of goods and services is known as full employment level, ( )

(2 marks)

ii) When Srimathy the owner of "SrimathyAlakukkalai" business wanted expand her business to face the increasing demand, he got to know that the value of American currency had recently increased.

a) What is the business environmental factor implied in the above case.

b) State the name of currency unit of America. (2 marks)

iii) Write two institutions established to enact the laws and regulations of the businesses. (2 marks)

iv) Shankar started a business named as "Olympic Business" selling sport equipment and textiles near "Thuraiyappa stadium".

a) State two stakeholders of this business.

b) Write a reason for each stakeholders mentioned above (iv)(2 marks) (Total 08 Marks)

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04. i) a) Classify the business organizations based on the objectives.
b) Classify the following business organizations based on the objectives.
- Businesses under the central Government.
- Co-operative society.(2 Marks)

ii) State whether the following statements are true or false
a) Persons supplying the required capital and taking the risks are known as employees. ( )
b) Businesses established with the objective of wellbeing of the members a community service are known as not for profit organization. ( )
c) Less opportunities are found in a partnership to take accurate decisions as many individuals involve in a partnership to consider the views of all the partners collectively. ( )
d) According to the prevention of fraud ordinance if the initial capital of the partnership is greater than Rs. 1,000 the agreement should be in written. ( ) (2 Marks)

iii) The following are the names of business organization. Which type of business organization do they belong to?
a) Some chartered accountants are establishing an audit firm.
b) Sri Lanka Multi-Purpose Co-operative society.
c) Sri Lanka Railway Department.
d) Foreign employment bureau.(2 Marks)

iv) There was an increasing demand for the pens kept for in a canteen carried out by an A/L students union of a school. The pens were distributed by Atlas company.
Give an example for A, B, C and D given below using the above case.
A – Service providing business
B – Associations
C – Private sector business.
D – Not for profit business organization (2 Marks)

(Total 08 Marks)

Part II (B)
Accounting
(Answer two questions only)

05. i) State two types of assets found in a business.(2 Marks)

ii) The assets of Thara'sbusiness as at 31.12.2020 was Rs. 300,000 and a bank loan Rs180000, calculate amount of equity?(2 Marks)

iii) The following were the transactions taken place in a furniture selling business for the manth ended 31.03.2021.
A – Started a business investing Rs. 200,000
B – Owner used his own building worth of Rs. 100,000 for the business.
C – Obtained a bank loan of Rs. 50,000
D – Purchased furniture for Rs. 30,000 on credit for resale.
E – Sold furniture for Rs. 10,000

Required :-

a) Indicating how the above transactions are affected on the accounting equation.

(4 Marks)

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iv) Write the appropriate words in the blanks for the following statements.

a) The sources additionally invested by the owner of on operating business are known as ……..... It increases equity.

b) While obtaining ……..…. assets and liabilities of the business will increase.

c) The owner may withdraw cash or other assets from the business for his/her personal use. This is called ……... It decreases equity.

d) …… should be borne by the owners during the operating period of the business, itdecreases equity. (4 Marks)

(Total 12 Marks)

06. i) Write the double entries for the following transactions.

a) Paid Rs. 6,000 to Barath a creditor.

b) Purchased a motor vehicle at Rs. 100,000 from Hero company on credit for the use of the business.

c) Paid Rs.5,000 of monthly rent.

d) Received interest income of Rs. 20,000 (4 Marks)

ii) Complete the following table :-

Transactions	Dual impacts
1) Paid cash to creditors	Asset decreases – Debit Liability increases credit
2) Purchased furniture	……..... ……
3) Obtained bank loan	……..... ……
4) Paid telephone charges	……..... ……
5) Received rent income	……..... ……

(4 Marks)

iii) Following were the transaction taken place during the first two weeks for the month of January, 2021 in Ramraj's business.

01.01.2021	Cash balance	Rs.12,500
05.01.2021	Purchased goods	Rs. 6,000
07.01.2021	Obtained bank loan	Rs. 3,000
09.01.2021	Credit sales	Rs. 5,000
10.01.2021	Paid salaries	Rs. 3,000
11.01.2021	Invested additional capital	Rs. 10,000
12.01.2021	Received cash from debtors	Rs. 2,000
13.01.2021	Cash sales	Rs. 6,000

Required :-

Recording above transactions in the cash book of Ramraj's business and balancing it. (4 Marks)

(Total 12 Marks)

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07. i) Record the following transaction in the ledger accounts.

01.02.2021	Sales to Kumaran	Rs. 10 000
03.02.2021	purchase of goods	Rs. 12 000
05.02.2021	sales of goods by cash	Rs. 24 000
07.02.2021	salary paid	Rs. 15 000

(04 Marks)

ii) Monthly petty cash imprest of a business is Rs. 2,800. Petty cash payments for the month of March, 2021 are as follows.

01.03.2021	balance	Rs.1,750
01.03.2021	Petty cash reimbursement	Rs. 1,050
03.03.2021	Entertainment expenses	Rs. 165
05.03.2021	Postal expenses	Rs. 140
08.03.2021	Travelling expenses	Rs. 180
10.03.2021	Entertainment expenses	Rs. 80

Required :-

Recording above transactions in a petty cash book and balancing it with reimbursement as at 31.03.2021. (04 Marks)

iii) The following transactions were carried by Vimal business during April 2021.

2021.04.01	Rs. 25000 was deposited at bank to start a current account.
2021.04.07	Cheque received from Saravanan Rs. 6000 (cheque No 345) was deposited at bank.
2021.04.11	Cheque received from sales RS.25000 (cheque No 400) was deposited at bank.
2021.04.20	Electricity bill Rs. 6000 was paid by cheque (cheque No 425).

Required: -

Record the above transactions in bank account.

(04 Marks)

(Total 1

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