OL/2019/60-E-I,II

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இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

60 | E | I, II

අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය, 2019 දෙසැම්බර්
கல்விப் பொதுத் தராதரப் பத்திர (சாதாரண தர)ப் பரீட்சை, 2019 டிசெம்பர்
General Certificate of Education (Ord. Level) Examination, December 2019

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

12.12.2019 / 0830 - 1140

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

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

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

Business and Accounting Studies I

Note :

(i) *Answer **all** questions.*

(ii) *In each of the questions **1** to **40**, pick one of the alternatives* (1), (2), (3), (4) *which is **correct or most appropriate**.*

(iii) ***Mark a cross** (×) **on the number corresponding to your choice in the answer sheet provided**.*

(iv) *Further instructions are given on the back of the answer sheet. Follow them carefully.*

● Answer the questions No. **1** to **4** paying attention to the following case.

Kamala and Wimala went to 'Mihiri Rasahala' conducted by the Multipurpose Co-operative Society and bought a cup of fruit for Kamala and a glass of milk for Wimala to fulfil their thirst occurred while they were working in the farm.

1. What is the human need satisfied by 'Mihiri Rasahala'?
(1) Food (2) Communication (3) Housing (4) Education

2. What is the type of business organization that 'Mihiri Rasahala' belongs?
(1) Sole Propritership (2) Societies
(3) Co-operative Societies (4) Government Departments

3. According to the above case, Kamala's and Wimala's
(1) needs are same. (2) wants are same.
(3) needs are different. (4) wants are limited.

4. What is the production factor that fruit used by 'Mihiri Rasahala' belongs?
(1) Land (2) Labour (3) Capital (4) Entrepreneurship

● Answer the questions No. **5** to **7** using the following case.

Nipuna and Upuli, the owners of the 'Laksiri Products' business which exports coconut fibre products, received the Best Entrepreneur Award in 2019 and the government offered a foreign tour to them and an employee.

5. What is an external environment factor of 'Laksiri Products' business?
(1) Nipuna (2) Upuli (3) the employee (4) the government

6. Receiving the best Entrepreneur award of year 2019 by 'Laksiri Products' business is
(1) a strength of the business. (2) a weakness of the business.
(3) an opportunity of the business. (4) a threat of the business.

[see page two

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7. Select the correct statement related to the 'Laksiri Products' business.
(1) There is a legal entity to 'Laksiri Products' business.
(2) Registration of the business name of 'Laksiri Products' is not compulsory.
(3) The liability of Nipuna and Upuli in 'Laksiri Products' business is unlimited.
(4) The cost of coconut fibre of 'Laksiri Products' business is an indirect cost of the business.

8. Rasika who does not hold any bank account, paid fuel bill of his motor car using an electronic card. The electronic card he used, is
(1) a debit card. (2) a credit card. (3) a SET card. (4) a PET card.

9. Ranga who has a current account in People's bank issued a cheque of Rs. 8 000 to Kapila. Here, Ranga is ..... ①, Kapila is ..... ② and People's bank is ..... ③ .
Select the answer that shows the correct terms to ①, ② and ③ in the above statement respectively.
(1) drawer, drawee, payee
(2) drawee, drawer, payee
(3) drawer, payee, drawee
(4) payee, drawer, drawee

10. Wasana who runs a garment factory, obtained a loan to build her house securing one of her insurance policies. To obtain the loan, Wasana used a
(1) fire insurance policy.
(2) cash in transit insurance policy.
(3) life insurance policy.
(4) motor vehicle insurance policy.

11. Select the situation that indicates an internal, verbal and electronic communication method.
(1) The principal addresses the morning assembly using a loudspeaker.
(2) The production manager calls suppliers to order raw materials on telephone.
(3) The class teacher sends letters to parents informing to participate in the parents meeting.
(4) Marketing Manager sends an email to customers informing new price lists.

12. Select the statement that includes an example for mode, an element of transportation.
(1) Extending the Southern Coastal Railway line to Beliatta
(2) Extending the Southern Express way to Hambantota
(3) Opening the Multi Model Transport Hub in Kottawa
(4) Commencing a luxury express train to Polonnaruwa Railway station

13. Select the statement that shows a retail business.
(1) Purchasing 2kg of cake to a canteen
(2) Selling a wall craft to Laksala by Batik producers
(3) Selling 200kg of rice to Eksath sports club for their annual Dansala
(4) Selling an almirah to a furniture shop by Moratu furniture traders

14. The principal appoints prefects and assigns school supervisory activities to them. To which management function does this belong?
(1) Planning (2) Organizing (3) Leading (4) Controlling

15. Ruwan has the following investments.
A – Fixed deposit of Rs. 25 000 in People's bank
B – Stock market investments of Rs. 100 000
C – Treasury bills investments of Rs. 200 000
What is the answer, when ranking the above investments from the highest risk investment to the lowest risk investment?
(1) B, A, C (2) B, C, A (3) C, A, B (4) C, B, A

16. Select the correct statement regarding investments.
(1) While the risk of an investment increases, its return decreases.
(2) A high interest income can be obtained by investing in share market.
(3) Starting and conducting a business is not considered as a source of investment.
(4) The investment is employing funds in an effective source with the intention of an economic benefit.

[see page three

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17. Select the transaction that is recorded **only** in asset accounts in a business.
(1) Paying Rs. 5 000 to creditor, Dasun
(2) Depositing owner's personal money Rs. 50 000 in the bank account of the business
(3) Purchasing a computer of Rs. 100 000 in cash for office use
(4) Purchasing a stock of goods of Rs. 12 000 on credit for resale

18. What is the transaction that affects the equity of a business?
(1) Receiving Rs. 7 500 from debtor, Thusitha
(2) Paying Rs. 25 000 in a cheque to a creditor, Wimal
(3) Obtaining a bank loan of Rs. 50 000 to the business
(4) Selling a stock of goods of Rs. 9 000 which cost Rs. 8 000

19. Following is the double entry of a transaction occurred in a business.

		Rs.
Shalika's a/c	Dr.	5 000
Cash a/c	Cr.	4 800
Discounts received a/c	Cr.	200

The discount of Rs. 200 of this transaction is deducted when
(1) purchasing a stock of goods of Rs. 5 000.
(2) paying a creditor of Rs. 5 000.
(3) selling a stock of goods of Rs. 5 000 in cash.
(4) receiving cash from a debtor of Rs. 5 000.

20. The accounting equation of Shiran's business as at 01.11.2019 is as follows.

Assets (**Rs.**)	=	Equity (**Rs.**)	+	Liabilities (**Rs.**)
25 000	=	15 000	+	10 000

The accounting equation as at 02.11.2019 after a transaction occurred on that day is as follows.

Assets (**Rs.**)	=	Equity (**Rs.**)	+	Liabilities (**Rs.**)
21 000	=	14 000	+	7 000

What is the transaction occurred on 02.11.2019?
(1) Paying Rs. 4 000 to a creditor subject to a discount of Rs. 1 000
(2) Receiving Rs. 4 000 from a debtor subject to a discount of Rs. 1 000
(3) Paying a bank installment of Rs. 4 000 including an interest of Rs. 1 000
(4) Obtaining a stock of goods of Rs. 4 000 that was purchased on credit by Shiran for his personal use.

● Answer the question No. **21** and **22** using the following information.

Some transactions of a business and source documents are in the following table.

Transactions	Source documents
1. Credit sales to Kapila Rs. 40 000	A – Receipt
2. Credit purchases Rs. 10 000	B – Journal voucher
3. Receiving of investment income Rs. 5 000	C – Purchases invoice
4. Purchasing furniture of Rs. 50 000 on credit for the use of business	D – Sales invoice

21. Select the answer when source documents are matched in the order of transactions given above.
(1) B, A, C, D (2) B, C, A, D (3) D, B, A, C (4) D, C, A, B

22. Select the answer that shows prime entry books used to record the above transactions in correct order.
(1) Sales Journal, Purchases Journal, Cash Book, General Journal
(2) Purchases Journal, Sales Journal, Cash Book, General Journal
(3) Purchases Journal, Sales Journal, General Journal, Cash Book
(4) Sales Journal, Purchases Journal, General Journal, Cash Book

[see page four

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23. Cash in hand with the petty cashier of Deepal's business as at 01.09.2019 was Rs. 250. On the same day petty cash imprest of Rs. 4750 was reimbursed. The total of petty cash expenses for the month of September 2019 was Rs. 4200.
Select the answer that shows the cash in hand as at 30.09.2019 and the reimbursement as at 01.10.2019 in correct order.
(1) Rs. 250, Rs. 4750
(2) Rs. 250, Rs. 4200
(3) Rs. 800, Rs. 4200
(4) Rs. 800, Rs. 4750

24. What is the reason that does **not** become the cause for the difference between the balance of bank statement and the balance of bank account of the business?
(1) Cheques deposited but not having been credited to the bank current account
(2) Bank charges charged by the bank but not recorded in the bank account
(3) A cheque issued for electricity bill and paid by the bank
(4) A cheque deposited directly in the bank by a debtor

25. Select the transaction recorded in Sales Journal of a handicraft producing business.
(1) Selling handicrafts of Rs. 25 000 on credit
(2) Selling handicrafts of Rs. 45 000 in cash
(3) Selling handicraft producing machine of Rs. 65 000 on credit
(4) Selling a stock of cloths purchased on credit to produce handicrafts, of Rs. 55 000 in cash

26. Sales Journal prepared in Sumudu's Business for the month of January is as follows.

Sales Journal

Date	In. No.	Purchaser	Amount(Rs.)	L/F
10/01	18	Kumari	50 000	
Ⓐ		Ⓑ	50 000	

Select the answer that shows the correct terms for Ⓐ and Ⓑ in the above Sales Journal respectively.
(1) 10/01, Credited to the Sales account
(2) 10/01, Credited to the Kumari's account
(3) 31/01, Credited to the Kumari's account
(4) 31/01, Credited to the Sales account

27. As the trial balance of a business was not tallied due to the effect of one accounting error, the difference of Rs. 2 000 was credited to the suspense account.
What is that accounting error?
(1) Paid wages of Rs. 2 000 was not recorded in wages account.
(2) Paid electricity bill of Rs. 2 000 was recorded as Rs. 1 000 in electricity account.
(3) Paid Rs. 4 000 to creditors was not recorded in accounts.
(4) Purchased furniture of Rs. 4 000 was recorded in Furniture account as Rs. 6 000.

28. The cheque of Rs. 20 000 issued to a creditor was dishonoured. Because of this, in the business,
(1) bank balance increases and creditors balance also increases.
(2) bank balance increases and creditors balance decreases.
(3) bank balance decreases and creditors balance increases.
(4) bank balance decreases and creditors balance also decreases.

29. On 31.10.2019 Chalitha purchased a machine of Rs. 20 000 on credit, sold a stock of goods for Rs. 8 000 in cash and reimbursed Rs. 3 100 to petty cashier.
Select the answer that shows the source documents used for the above transactions in correct order.
(1) Journal voucher, Receipt, Petty cash voucher
(2) Journal voucher, Receipt, Paying voucher
(3) Paying voucher, Receipt, Petty cash voucher
(4) Journal voucher, Paying voucher, Petty cash voucher

[see page five

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30. Some information about membership fee of Laktharu Sports Club are as follows.

- Annual membership fee per member is Rs. 500.
- Total membership fee received for the year ended 31.12.2018 is Rs. 50 000.
- Only four members had not paid membership fee for the year 2018.

The membership fee recorded in Income Statement of Laktharu Sports Club for the year ended 31.12.2018 is

(1) Rs. 2 000. (2) Rs. 48 000. (3) Rs. 50 000. (4) Rs. 52 000.

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

Thusitha conducts a business of making and selling coconut toffees in a rented building. He makes 1000 coconut toffees per day and the expenses for it are as follows.

	Rs.
Coconut, sugar and other materials	7 000
Wages of toffee maker per day	2 500
Building rent per day	300
Gas and electricity expenses per day	200

31. Wages of toffee maker of this business is

(1) an indirect labour cost. (2) another direct cost.
(3) a primary cost. (4) a production overhead cost.

32. If a coconut toffee is sold for Rs. 12, the profit margin kept by Thusitha on cost is

(1) 2%. (2) 5%. (3) 10%. (4) 20%.

● Answer the questions No. **33** to **40** using the information given below.

- Following are the information in the Income Statement prepared for the year ended 31.12.2018 in Tharindu's business started on 01.01.2018.

Income	**(Rs.)**	**Expenses**	**(Rs.)**
Discounts received	1200	Sales commissions	800
Sales	160 000	Rent	12 000
		Electricity charges	8 500
		Bank loan interest	1 500
		Depreciation of distribution vehicles	6 000
		Employees salaries	18 000

- Purchases during the year Rs. 100 000
- Following are total assets and total liabilities in the Statement of Financial Position prepared as at 31.12.2018 in Tharindu's business.

Assets:	**(Rs.)**	**Liabilities:**	**(Rs.)**
Stock	30 000	Creditors	40 000
Distribution vehicle (at cost)	120 000	Bank loan	50 000
Debtors	35 000	Accrued electricity charges	1 500
Cash balance	14 500		

33. The gross profit of the Tharindu's business for the year ended 31.12.2018 is

(1) Rs. 60 000. (2) Rs. 70 000. (3) Rs. 90 000. (4) Rs. 160 000.

34. Select the answer that indicates a distribution expense and a financial expense in the Income Statement prepared for the year ended 31.12.2018 of Tharindu's business respectively.

(1) Sales commissions, rent
(2) Bank loan interests, sales commissions
(3) Sales commissions, bank loan interests
(4) Bank loan interests, depreciation of distribution vehicles

[see page six

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35. The total of establishment and administration expenses indicated in the Income Statement prepared for the year ended 31.12.2018 of Tharindu's business is
(1) Rs. 20 500. (2) Rs. 37 000. (3) Rs. 38 500. (4) Rs. 40 000.

36. Electricity charges paid during the year ended 31.12.2018 of Tharindu's business is
(1) Rs. 1 500. (2) Rs. 7 000. (3) Rs. 8 500. (4) Rs. 10 000.

37. The net profit of the year ended 31.12.2018 of Tharindu's business is
(1) Rs. 42 900. (2) Rs. 44 400. (3) Rs. 45 900. (4) Rs. 46 800.

38. Select the answer that shows the amounts of current assets and current liabilities of Tharindu's business as at 31.12.2018 in correct order.
(1) Rs. 41 500, Rs. 79 500 (2) Rs. 79 500, Rs. 41 500
(3) Rs. 79 500, Rs. 91 500 (4) Rs. 199 500, Rs. 91 500

39. The net value of the distribution vehicle as at 31.12.2018 of Tharindu's business is
(1) Rs. 6 000. (2) Rs. 114 000. (3) Rs. 120 000. (4) Rs. 126 000.

40. The equity of Tharindu's business as at 31.12.2018 is
(1) Rs. 102 000. (2) Rs. 108 000. (3) Rs. 193 500. (4) Rs. 199 500.

* *

[see page seven

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இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

60 | E | I, II

අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය, 2019 දෙසැම්බර්
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General Certificate of Education (Ord. Level) Examination, December 2019

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வணிகக் கல்வியும் கணக்கீடும் I, II
Business and Accounting Studies I, II

Business and Accounting Studies II

NB: *As instructed answer **five** questions only. Any extra questions answered, if not struck off by the candidate himself, will be crossed out by the examiner, without being marked.*

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

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

At the general meeting of past pupils association of Mihirithanne Maha Vidyalaya, the principal stated that the students who are coming from Rangama area are late to school due to not having a bus on that route. As a solution for this, Amila, Ruwan and Nayana, three past pupils of the school started a business as 'Aruna Tours' on 1st of October 2019 by purchasing a small, used bus, employing Rs. 200 000 each and obtaining a bank loan of Rs. 400 000 at annual interest rate of 6%. This bus is used for tours as well as for transportation on Rangama route.

Following is a summary of transactions occurred during the month ended 31.10.2019.

	Rs.
• Receipts from the bus:	
from passengers	96 000
from tours	45 000
• Paid expenses:	
fuel expenses	38 000
bus repairing expenses	9 000
wages to driver	35 000
other expenses	7 000

Following information are provided as at 31.10.2019.

- The bus is depreciated annually at 12% on straight line basis.
- Receivables on tours is Rs. 15 000.
- Annual insurance fee of Rs. 12 000 and monthly wages of helper of Rs. 15 000 have not been paid.

On 31.10.2019, three owners decided to purchase a new bus for the business and information related to it was searched on internet. An employee was also recruited on the same day.

(i) (a) State the human need satisfied by the 'Aruna Tours' business and indicate how 'Aruna Tours' fulfils that need.

(b) What is the type of business organization that the past pupils association of Mihirithanne Maha Vidyalaya belongs, according to the ownership?

(ii) Nayana states that the business name, 'Aruna Tours' is required to be registered.

(a) Do you agree with the Nayana's statement?

(b) State a reason for your answer given in above (ii) (a).

[see page eight

(iii) Name **two** internal environmental factors of a business and give examples for them using the 'Aruna Tours' business in the case. (To provide the answers, use a table similar to one given below)

Internal environmental factors	Example
1.	
2.	

(iv) (a) Write a communication media and a communication method for it that are included in the case.

(b) Write an activity that belongs to planning of management process in this case.

(v) Write the accounting equation with values of 'Aruna Tours' business as at 01.10.2019.

(vi) (a) Write the double entry related to paying wages to the driver of 'Aruna Tours' business.

(b) What is the total amount of the wages that should be in Income Statement prepared for the month ended 31.10.2019 of 'Aruna Tours' business?

(vii) Write **two** prime entry books and **two** source documents that are used to record the transactions of 'Aruna Tours' business.

(viii) Calculate the cash balance of 'Aruna Tours' business as at 31.10.2019.

(ix) Calculate the profit or loss of 'Aruna Tours' business for the month ended 31.10.2019.

(x) What are the total equity and the total liabilities of 'Aruna Tours' business as at 31.10.2019?

(02 × 10 = 20 marks)

Part I - Business Studies

(Answer **two** questions only.)

2. (i) (a) What is a human want?

(b) Write **two** characteristics of a human want. (02 *marks*)

(ii) State whether the following statements are **true** or **false**.

(a) Businessmen can create human needs but human wants cannot be created.

(b) Suppliers of a production business are an internal environmental factor of that business.

(c) Any person or institute who purchased ordinary shares of incorporated companies is an owner of it.

(d) Businesses always act on the aim of profit. (02 *marks*)

(iii) Sumana in Koggala is conducting a business with the help of Kanthi by cultivating cinnamon in her land and producing 'Hela Kurundu Tea' to sell to tourists who visit Madolduwa, businesses in town and local consumers.

(a) Write an example each from the case for the employees and customers, the stakeholders of the 'Hela Kurundu Tea' business.

(b) Write a reason for each stakeholder that you mentioned above (iii)(a) to pay an interest in 'Hela Kurundu Tea' business. (02 *marks*)

(iv) Following are some business names.

1. Shakthi Batik Producers
2. Sakura Mushrooms
3. Suwaya Hospital
4. Sagara Driving School

(a) Write the human need satisfied by each of the above businesses.

(b) State the type of business that each of the above businesses belongs according the nature of product. (02 *marks*)

(Total 08 marks)

[see page nine

3. (i) (a) What is a commercial bank?
(b) Write **two** factors that should be considered, when selecting a communication method. (02 *marks*)

(ii) State whether the following statements are **true** or **false**.
(a) Fixed deposits receive high return compare to savings deposits.
(b) Utmost good faith, the principle of insurance is relevant only to the property insurance.
(c) Communication is exchanging information only among external individuals and institutions.
(d) Selling local products by a country to a foreign country or countries is known as export trading. (02 *marks*)

(iii) A cheque of Rs. 200 000 with a special crossing has been issued to Sri Lanka Telecom PLC who owns a current account in People's Bank, by Sri Lanka Port Authority who owns a current account in Bank of Ceylon.
(a) Write the auxiliary service provided by Sri Lanka Port Authority and Sri Lanka Telecom PLC separately.
(b) According to the above case, indicate how the cheque issued by Sri Lanka Port Authority had been crossed. (02 *marks*)

(iv) Wipula met with an accident while driving his father's motor vehicle and Wipula informed it to the insurance company using his phone. Though Wipula requested the claim of damage estimated by the insurance agent who came to the accident place, it was rejected.
(a) What is the principle of insurance that caused to reject the claim to Wipula?
(b) Identify the electronic communication process included in the above case and write examples for Sender, Message, Mode, Receiver, Response and Feedback of it. (02 *marks*)
(Total 08 marks)

4. (i) (a) What is marketing?
(b) Write **two** items included in the variable of product of Marketing Mix. (02 *marks*)

(ii) State whether the following statements are **true** or **false**.
(a) Management is the process of fulfilling business aims using the unlimited resources efficiently.
(b) When fulfilling objectives of marketing in a business, the most important variable of Marketing Mix is place.
(c) Sri Lanka Securities and Exchange Commission is a monitoring body prevailing in the financial system of Sri Lanka.
(d) Central Bank of Sri Lanka issues treasury bills for the government to fulfil the long term financial needs of the government. (02 *marks*)

(iii) The following is a statement made by a marketing manager of a business, when introducing a product.
"The cost of heat protected, blue coloured new lunch box is Rs. 100. It was decided to price with 10% profit margin on cost and introduce initially at schools in the town through sales promoters."
(a) Write an example for each variable, product, price, place and promotion of marketing mix in the above statement.
(b) Write an example for a function of planning included in the above statement. (02 *marks*)

(iv) Sama has a saving deposit of Rs. 100 000, Amara has a fixed deposit of Rs. 80 000 and Ruwan has a share market investment of Rs. 50 000.
(a) Among three investors included in the above case, who has done the riskiest investment?
(b) "The expected return of Sama should be higher than the expected return of Ruwan." Do you agree with this statement? Write a reason for the answer. (02 *marks*)
(Total 08 marks)

[see page ten

Part II - Accounting

(Answer **two** questions only.)

5. (i) (a) What is the equity of a business?

(b) Write **two** situations that the equity of a sole proprietorship business changes? (02 *marks*)

(ii) Write double entries for the following transactions.

(a) Receiving a cheque of Rs. 7 000 from debtor, Madawa

(b) Nadun, who is the owner of a furniture shop taking a dining table of Rs. 35 000 from his business for his personal use. (02 *marks*)

(iii) Following are how four transactions of Sahan's business impacted on the accounting equation.

Date	Transaction	Assets (Rs) =	Equity (Rs) +	Liabilities (Rs)
02.10.2019	1	Stocks + 15 000		Creditors + 15 000
03.10.2019	2	Furniture + 25 000 Cash – 25 000		
04.10.2019	3	Stocks – 10 000 Debtors + 12 000	Profit + 2 000	
05.10.2019	4	Cash – 9 000	Discounts received + 1 000	Creditors – 10 000

Further, as at 01.10.2019 Sahan's business total assets are Rs. 250 000 and total liabilities are Rs. 50 000.

Required:

(a) Writing the above 1, 2, 3 and 4 transactions with values

(b) State the basic accounting equation of business with values as at 05.10.2019 after recording the above transactions. (04 *marks*)

(iv) Monthly petty cash imprest of Ruwan Traders received for November is Rs. 1 000. Petty cash payments for the month of November are as follows.

Date	V.N.	Description	Amount (Rs.)
02.11.2019	01	Postal charges	150
10.11.2019	02	Travelling expenses	80
15.11.2019	03	Refreshment expenses	200
29.11.2019	04	Three wheeler charges	200

Required:

Recording above transactions in a petty cash book and balancing it as at 30.11.2019 (04 *marks*)

(Total 12 marks)

6. (i) (a) What is 'trial balance'?

(b) Write **two** accounting elements included in the Statement of Financial Position.(02 *marks*)

(ii) Some transactions of Sithum's business and how they have been recorded by a newly recruited accounts clerk are given below.

01.03.2019	Employing addition capital	Rs. 50 000
02.03.2019	Purchases on credit	Rs. 45 000
03.03.2019	Paying electricity bill	Rs. 8 000
04.03.2019	Purchases of furniture	Rs. 12 000
05.03.2019	Sales in cash	Rs. 30 000

Not recorded in sales account

[see page eleven

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Ledger Accounts:

Cash Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
01/03	Capital a/c		50 000	03/03	Electricity a/c		8 000
05/03	Sales a/c		30 000	04/03	Furniture a/c		12 000

Capital Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
				01/03	Cash a/c		50 000

Purchases Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
04/03	Cash a/c		12 000				

Electricity Bill Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
				03/03	Cash a/c		8 000

Required:

(a) Writing errors occurred with values, when recording the above transactions

(b) Journal entries to rectify any **two** errors mentioned above (ii) (a) (04 *marks*)

(iii) Nirmal started a business to produce and sell flower vases by using used plastic bottles. Following are the information related to the month of May 2019.

	Rs.
Purchases of plastic bottles	13 000
Wages of maker of flower vases	6 000
Painting cost of flower vases	2 500
Electricity charges	3 000
Purchase of a flower vases making machine	60 000

Additional information:

- The machine should be depreciated annually at 10% on straight line method.
- By using all materials 100 flower vases were produced during the month of May.

Required:

Preparing the statement of production cost for the month ended 31.05.2019 (02 *marks*)

(iv) Following are the information extracted from the bank statement received for the month ended 31.03.2019 of Sam's business.

Credit balance as at 01.03.2019		Rs. 11 000
Deposits:		
02/03	Cash	Rs. 20 000
05/03	Cheque 758011	Rs. 22 000
15/03	Direct remittances	Rs. 15 000
Deductions:		
04/03	Wages Cheque 352301	Rs. 10 000
25/03	Thusitha Cheque 352302	Rs. 20 000
30/03	Bank charges	Rs. 3 000

[see page twelve

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Required:

(a) Preparing the bank statement for the month of March 2019

(b) Name an item from the above information that is used to adjust the bank account of the business (04 *marks*)

(Total 12 marks)

7. (i) (a) What is bad debts?

(b) What is the objective of preparing an Income Statement by non for profit organization? (02 *marks*)

(ii) Number of members of Pubudu youth society is 100. Monthly membership fee per member is Rs. 50. Following are some transactions related to the month of October 2019.

	Rs.
Purchases of stationeries	3 000
Purchases of newspapers and magazines	6 000
Postal fee	500
Donations received	3 000

Additional information:

- 20 members had not paid membership fee for the month of October.
- Balance of the Receipts and Payments account as at 01.10.2019 was Rs. 5 000.

Required:

Preparing Receipts and Payments account of Pubudu youth society for the month ended 31.10.2019 (02 *marks*)

(iii) Trial balance of Sanka's retail business as at 31.12.2018 is as follows.

	Debit (Rs.)	Credit (Rs.)
Buildings (at cost)	350 000	
Provisions for depreciation (as at 01.01.2018)		140 000
Stock (as at 01.01.2018)	30 000	
Purchases	220 000	
Sales		300 000
Debtors	40 000	
Creditors		30 000
Discounts allowed	2 500	
Discounts received		2 000
Electricity charges	5 000	
Bad debts	1 500	
12% Bank loan		100 000
Bank loan interest	10 000	
Cash balance	35 000	
Telephone charges	2 000	
Capital		124 000
	696 000	696 000

Additional Information:

- Stock as at 31.12.2018 is Rs. 22 000.
- Buildings should be depreciated annually at 20% on straight line method.
- Accrued electricity charges as at 31.12.2018 is Rs. 1 000.

Required:

(a) The Statement of Profit and Loss for the year ended 31.12.2018 (04 *marks*)

(b) The Statement of Financial Position as at 31.12.2018 (04 *marks*)

(Total 12 marks)

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