



**Provincial Department of Education
Northern Province**



**General Certificate of Education (Ord.Level) Examinations
Second Term Examination – 2020 September**

Business & Accounting Studies I, II

Grade 11

Additional Reading Time – 10 minutes

Time: 3 Hours

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:

- Answer *all* questions in Part I.
- In each of the questions 1 to 40, pick one of the alternatives (1), (2), (3), (4) which you consider as **correct** or **most appropriation**.
- Mark a cross (×) on the number corresponding to your choice in the answer sheet provided.

• Answer the questions 1-5 using the passage given below.

Sumana who resides in rural area, is a sewing work specialist and she cultivates vegetables as hobby. Considering the increased demand for face mask, she produced and sold masks and she expanded cultivation work with the help of family members and she earns more profit by distributing vegetable items door to door with help of husband.

01. The need mentioned in the above passage is,

- | | |
|----------------------|-------------------------------|
| (1) food and shelter | (2) cloth and shelter |
| (3) food and cloth | (4) vegetable items and masks |

02. Select incorrect statement from the following in relation to the above fact.

- (1) Sumana involves in goods manufacturing
- (2) This business creates various wants.
- (3) Family members are the internal stakeholders of Sumana's business.
- (4) The above business is a private sector co-operative business.

03. The factors of production under which sewing machine can be included is,

- | | | | |
|----------|------------|-------------|----------------------|
| (1) land | (2) labour | (3) capital | (4) entrepreneurship |
|----------|------------|-------------|----------------------|

04. Sumana has used tragedy period evolved from Covid-19 as

- | | | | |
|----------------|--------------------|----------------|--------------|
| (1) a strength | (2) an opportunity | (3) a weakness | (4) a threat |
|----------------|--------------------|----------------|--------------|

05. The marketing variables which can be identified in the above fact are,

- | | | | |
|--------------------|----------------------|------------------|----------------------|
| (1) place, product | (2) price, promotion | (3) price, place | (4) promotion, place |
|--------------------|----------------------|------------------|----------------------|

06. The following are some objectives that some stakeholders can achieve.

- A – To get fair salary
- B – To increase national product
- C – To determine the price of their goods

Select the answer which shows the correct order of the stakeholders according to the above objectives.

- | | | |
|---------------------|----------------|-----------------|
| (1) A – competitors | B – employees | C – owner |
| (2) A – employees | B – owner | C – customers |
| (3) A – manager | B – employees | C – owner |
| (4) A – employees | B – government | C – competitors |

14. Some advantages and some disadvantages of various transportation methods are given below.

A – Can be used up to last destination.

B – Various facilities for passengers

C – Heavy goods can be carried.

D – Can be used at any time.

The advantages of road transportation are,

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

15. A perfume bathing soap manufacturing business has an idea of placing the products with new flavours after conducting a market research, as its demand decreases, making necessary activities.

Finding the reasons for decrease can be included under the management function of,

- (1) leading (2) organizing (3) controlling (4) planning

16. The securities issued by Central Bank of Sri Lanka to collect the long term fund required by government are,

- (1) ordinary shares (2) treasury bills (3) fixed deposit (4) treasury bonds

17. The basic objective of accounting is,

- (1) to record all transactions in accounting books
(2) recording, classifying and summarizing financial transactions
(3) to provide required information to stakeholders
(4) to provide financial results through financial statements

● Use the following information to answer the questions 18 – 19.

A – Additional capital invested by owner Rs. 500 000

B – Purchase of goods by cash Rs. 20 000

C – Electricity bill payment Rs. 8 000

D – Goods at cost Rs. 8 000 were sold for Rs. 10 000

18. The change in assets after the above transaction is,

- (1) Rs. 494 000 (2) Rs. 510 000 (3) Rs. 520 000 (4) Rs. 530 000

19. The transactions which change the value of equity are,

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

20. Elements of accounting that have the impact of increase – debit and decrease – credit are,

- (1) assets and expense (2) assets and income (3) assets and liabilities (4) assets and equity

21. Column X shows prime books and column Y shows source documents in the following table.

Column X	Column Y
1. Cash book	A – Journal voucher
2. Bank account	B – Invoice
3. Sales journal	C – Bank statement
4. General journal	D – Receipt

Select the answer which contains the correct order of source documents according to the order of prime books.

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

22. Petty cash imprest amount of Amalan business is Rs. 2 000. Cash balance in the hands of petty cashier is Rs. 200. On the same date, petty expenses were reimbursed.

The journal entry to record petty cash reimbursement is,

- | | |
|--------------------------------------|----------------------------------|
| (1) Petty cash account Dr. Rs. 2 000 | (2) Petty cash account Dr. 1 800 |
| Cash account Dr. Rs. 2 000 | Cash account Dr. 1 800 |
| (3) Cash account Dr. Rs. 2 000 | (4) Cash account Dr. 1 800 |
| Petty cash account Cr. Rs. 2 000 | Petty cash account Cr. 1 800 |

● Use the following information to answer the questions 23 – 24.

Paranthaman who has a current account can take bank overdraft up to Rs. 20 000. When his bank account balance is Rs. 11 000, bank paid insurance on standing order Rs. 15 000.

23. The value of bank draft of Paranthaman by bank is,

- (1) Rs. 20 000 (2) Rs. 15 000 (3) Rs. 11 000 (4) Rs. 4 000

24. Journal entry to record standing order payment is,

- | | |
|--------------------------------------|--------------------------------------|
| (1) Bank account Dr. Rs. 15 000 | (2) Insurance account Dr. Rs. 11 000 |
| Insurance account Cr. Rs. 15 000 | Bank account Cr. Rs. 11 000 |
| (3) Insurance account Dr. Rs. 15 000 | (4) Insurance account Dr. Rs. 15 000 |
| Cash account Cr. Rs. 15 000 | Bank account Cr. Rs. 15 000 |

25. Purchase journal is,

- | | |
|-----------------------|------------------------|
| (1) a source document | (2) ledger account |
| (3) a prime book | (4) a purchase account |

● Use the following information to answer the questions 26 – 27.

Discount allowed to debtor Rs. 1 500 was credited in discount allowed account and debtor account.

26. The correct statement in relation to the above statement is,

- (1) It would not affect the trial balance of the business.
 (2) Rs. 3 000 will be credited in suspense account.
 (3) Rs. 1 500 will be debited in suspense account.
 (4) It has been correctly recorded in discount allowed account.

27. The correct journal entry to rectify the above error is,

- | | |
|--|--|
| (1) Debtor account Dr. Rs. 1 500 | (2) Suspense account Dr. Rs. 1 500 |
| Discount allowed account Cr. Rs. 1 500 | Discount allowed Cr. Rs. 1 500 |
| (3) Discount allowed account Dr. Rs. 3 000 | (4) Debtor account Dr. Rs. 1 500 |
| Suspense account Cr. Rs. 3 000 | Discount allowed account Cr. Rs. 1 500 |

28. Select the correct expense analysis.

	Distribution expense	Administrative expense	Financial expense	Other expense
(1)	Sales employee salary	Advertising	Fire loss	Discount allowed
(2)	Advertising	Insurance	Bank charge	Fire loss
(3)	Advertising	Rent	Bank loan interest	Bank charge
(4)	Discount allowed	Building rent	Bad debt	Motor vehicle depreciation

29. A machine was purchased by a business for Rs. 200 000 on 01.01.2018. Life time of this machine and residual value were 5 years and Rs. 20 000. The balance of provision for depreciation on 31.12.2019 is,
 (1) Rs. 36 000 (2) Rs. 20 000 (3) Rs. 40 000 (4) Rs. 72 000
30. Sumathi business deposited Rs. 100 000 in a fixed deposit at 15% interest on 01.01.2019. Investment income received during the year 2019 is Rs. 10 000. The investment income to be disclosed in the income statement prepared for the year ending 31.12.2019 is,
 (1) Rs. 15 000 (2) Rs. 10 000 (3) Rs. 5 000 (4) Rs. 115 000
31. Select the correct statement in relation to income and expenditure statement of a not-for-profit business organization.
 (1) Subscription fees received during a particular year only are shown as income in the income and expenditure statement.
 (2) Donations received are not shown in the income and expenditure statement.
 (3) All cash receipts and payments are recorded in income and expenditure statement.
 (4) The balance of income and expenditure statement is called surplus or deficit.
32. Number of members of Valayapathy sports club is 150. Annual membership fee is Rs. 100. Except 15 members, all others paid subscription fees. The value of subscription fees to be shown in the receipts and payments account during the particular year is,
 (1) Rs. 13 500 (2) Rs. 1 500 (3) Rs. 15 000 (4) Rs. 1 350
- **Use the following information to answer the questions 33 – 34.**
 Production costs to print a book are given below.
 A – Paper
 B – Copyright payment for writers
 C – Supervisor salary
 D – Factory electricity charge
33. Other direct cost from the above is,
 (1) B (2) A (3) C (4) D
34. Production overhead costs are,
 (1) C, D (2) A, B (3) B, C (4) A, C
35. The statement prepared to show financial position of a business is,
 (1) trial balance (2) profit / loss statement
 (3) cash account (4) statement of financial position

- Use the following information to answer the questions 36 – 40.

The income statement prepared by an account trainee of Aingaran trader is given below.

Aingaran Trader
Income statement for the year ended 31.12.2019

Details	Value (Rs.)	Value (Rs.)
Sales		63 000
(-) Cost of sales: Stock on 01.01.2019	10 000	
Purchase	35 000	
	45 000	
Stock on 31.12.2019	(3 000)	(42 000)
Gross profit		21 000
Other income		
Discount received	2 000	
Investment income	3 000	5 000
Distribution expenses		
Bad debt	500	
Salary	1 500	
Motor vehicle depreciation	10 000	
Building rent	2 000	
Discount allowed	1 200	15 200
Financial and other expenses		
Bank loan interest	1 000	1 000
		7 700

- 36.** The value of cost of sales of Aingaran business for the year ended 31.12.2019 is,
 (1) Rs. 42 000 (2) Rs. 43 300 (3) Rs. 42 800 (4) Rs. 42 500
- 37.** The answer that shows the correct amounts of distribution expenses and administrative expenses is,
 (1) Rs. 2 800 – Rs. 10 500 (2) Rs. 3 300 – Rs. 10 500
 (3) Rs. 11 700 – Rs. 4 800 (4) Rs. 10 500 – Rs. 3 300
- 38.** The correct answer that shows gross profit and other income of the business is,
 (1) Rs. 21 000 – Rs. 5 000 (2) Rs. 20 500 – Rs. 5 000
 (3) Rs. 19 700 – Rs. 5 000 (4) Rs. 20 200 – Rs. 5 000
- 39.** Bank loan interest paid is Rs. 500 and investment income received is Rs. 1 800 during the year. Therefore, the accrued expense and accrued income are,
 (1) Rs. 500 – Rs. 3 000 (2) Rs. 500 – Rs. 1 200
 (3) Rs. 200 – Rs. 3 000 (4) Rs. 200 – Rs. 1 200
- 40.** The cost value and accumulated depreciation of motor vehicle of a business on 2019.01.01 were Rs. 100 000 and Rs. 10 000. Net value of motor vehicle to be shown in the statement of financial position as at 2019.12.31 is,
 (1) Rs. 80 000 (2) Rs. 20 000 (3) Rs. 90 000 (4) Rs. 100 000
