



**Provincial Department of Education
Northern Province**



**General Certificate of Education (Ord.Level) Examinations
Third Term Examination – 2019 November
Business & Accounting Studies I, II**

Grade 11

Additional Reading Time – 10 minutes

Time: 3 Hours 10 Min.

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.
Aingaran purchased two small motor vehicles using his own savings and bank loan and is conducting a school transport service for students and teachers at a reasonable charge employing two drivers, in the name of 'Karan Travels'.
- 01.** The human want fulfilled by 'Karan Travels' is,
(1) Transportation (2) Private transport service
(3) Public transportation service (4) All the above
- 02.** Select internal stakeholders of the above business.
(1) Aingaran
(2) Bank
(3) The state institution which provided the permit for transportation service
(4) Teachers, students and parents
- 03.** Select the type of Karan business organization.
(1) Sole proprietorship under private sector (2) Sole proprietorship under public sector
(3) Incorporated companies under private sector (4) Partnership business under private sector
- 04.** Aingaran insured his two motor vehicles at Sri Lanka Insurance. One of his motor vehicles met with an accident with a motor bike and caused a damage on the motor bike. Select the answer which shows first and third parties related to this insurance.
(1) Sri Lanka Insurance, Aingaran (2) Sri Lanka Insurance, owner of motor bike
(3) Owner of motor bike, Sri Lanka Insurance (4) Aingaran, Owner of motor bike
- 05.** What type of business organization does the institution which registers motor vehicles in Sri Lanka, belong to?
(1) State Corporation (2) State Departments
(3) State Company (4) Co-operative society
- 06.** Land, labour, capital and entrepreneurship used for production process are called,
(1) physical resources (2) output (3) input (4) process

- 07.** 'Savings of a country depends on the interest rate provided by banks on deposits.' The environment related to the above statement is,
- (1) social and cultural environment (2) demographic environment
(3) economic environment (4) political environment
- 08.** Some changes in business environment are given below.
A – Adequate capital
B – Issue of loan at less interest rate by state banks
C – Establishment of express way and over bridges
D – Efficient and dedicated employees
Select the answer which consists of strengths only.
(1) A, B (2) A, C (3) A, D (4) C, D
- 09.** Ragulan plans to register his hardware business in the name of 'Shakthi'. The institution which provides the registration certificate for this business is,
(1) Pradeshiya Sabha (2) Company Registrar Office
(3) Consumer Affairs Authority (4) Divisional Secretariat
- 10.** The way of protecting a cheque is,
(1) crossing the cheque (2) endorsing correctly the cheque
(3) Filling counter foil correctly (4) Not writing anything in MIRC
- 11.** An electronic money used by a person who can make payment through his current account is,
(1) credit card (2) debit card (3) cheque (4) prepaid card
- 12.** Some statements related to general insurance and life insurance are given below.
A – Life insurance: Uncertain risk
B – General insurance: Insurance certificate can be transferred
C – General insurance: No additional benefits
D – Life insurance: Application of indemnity principle
Select the correct answer options.
(1) A, B (2) A, C, D (3) B, C (4) A, B, C
- 13.** A business advertised to introduce its new product in internet. It is,
(1) an internal, verbal and electronic communication
(2) an internal, written and electronic communication
(3) an external, verbal and electronic communication
(4) an external, written and electronic communication
- 14.** Basic elements of transportation are way, medium, power and terminal. Select the answer which shows the examples for the elements of transportation correctly, considering highway transport.
(1) express way, bus, petrol, bus stand (2) highway, diesel, train, railway station
(3) bus stand, bus, highway, petrol (4) express way, car, bus stand, petrol
- 15.** Sutha bakery sells its products to retail traders and directly sells to consumers through mobile vehicle. It can be included in marketing mix under,
(1) product (2) promotion (3) price (4) place
- 16.** The security issued by Central Bank of Sri Lanka to collect short term finance required by government is,
(1) ordinary shares (2) treasury bills (3) fixed deposit (4) treasury bonds

17. Some characteristics of accounting elements are given below.

A – Inflow of future economic benefits

B – Present obligation

C – Outflow of future economic benefits on their settlements

Select the answer which consists of the characteristics of liabilities.

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

18. When Geetha business purchases goods from Santhiya business for Rs. 50 000 for resale,

- (1) assets decrease by Rs. 50 000 and liability increases by Rs. 50 000.
(2) assets increase by Rs. 50 000 and liability increases by Rs. 50 000.
(3) assets increase by Rs. 50 000 and liability decreases by Rs. 50 000.
(4) assets decrease by Rs. 50 000 and liability decreases by Rs. 50 000.

● Use the following information to answer the questions 19 – 20.

Details of assets and liabilities of Roshana business are given below on 2018.03.31.

Motor vehicle	Rs. 150 000
Bank loan	Rs. 50 000
Debtors	Rs. 20 000
Creditors	Rs. 25 000
Cash	Rs. 12 000

19. The value of capital of this business on 2018.03.31 is,

- Rs. 107 000 (2) Rs. 132 000 (3) Rs. 157 000 (4) Rs. 207 000

20. The value of current assets of business on 2018.03.31 is,

- (1) Rs. 37 000 (2) Rs. 75 000 (3) Rs. 32 000 (4) Rs. 182 000

21. The source document and prime book for owner's cash drawing Rs. 6 000 are,

- (1) cash book, receipt (2) payment voucher, cash book
(3) receipt, general journal (4) receipt, journal

22. Select the correct statement from the following.

A – Carriage inwards Rs. 100 should be recorded in ledger column in petty cash book.

B – Charity payment Rs. 100 should be recorded in miscellaneous expense column.

C – Rs. 500 paid to Janakan should be recorded in Janakan column.

D – Rs. 600 paid to Anu should be recorded in miscellaneous expense column.

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

23. Main objective of preparing bank reconciliation statement is,

- (1) Confirmation of accuracy of entries
(2) Reconciling bank account balance and bank statement balance
(3) Getting the details of unrealized cheque
(4) Getting the details of unpresented cheque

24. An accounting error which does not create suspense account is,

- (1) credit side of cash account has been understated by Rs. 1 000.
(2) Rs. 10 000 paid to Arumugam has been recorded in Arumainayagam account.
(3) An entry has not been posted to ledger accounts from prime entry.
(4) Sales to Sivarajah has not been recorded in his account.

25. A narration to rectify an accounting error in general journal is given below.

Date	V.No.	Details	LF	Debit	Credit
	 Dr.		9 000	
	 Cr.			9 000
		(To rectify Rs. 9 000 understated in sales account.)			

The correct rectifying entry in connection with the above narration is,

- (1) Sales account debit, Suspense account credit (2) Cash account debit, Sales account credit
 (3) Suspense account debit, Sales account credit (4) Sales account debit, Cash account credit

26. Select the answer which shows what is calculated from each of the following equation, in order.

- Opening stock + Purchase + Purchasing expenses – Closing stock =
- Sales – Cost of sales =

- (1) Gross profit, Cost of sales (2) Cost of sales, Gross profit
 (3) Cost of sales, Net profit (4) Net profit, Cost of sales

• Use the following information to answer the questions 27 – 28.

The following information was taken from the trial balance of Sumanthiran business on 31.12.2018.

Details	Debit	Credit
Furniture	80 000	
Provision for depreciation of furniture (01.01.2018)		16 000

Additional information:

- Furniture should be depreciated at 10% on cost.

27. The amount of furniture depreciation to be disclosed in the profit or loss statement (income statement) of the business for the year ended 2018.12.31 is,

- (1) Rs. 8 000 (2) Rs. 16 000 (3) Rs. 24 000 (4) Rs. 32 000

28. The amount of provision for depreciation of furniture to be disclosed in the statement of financial position as at 31.12.2018 is,

- (1) Rs. 8 000 (2) Rs. 32 000 (3) Rs. 16 000 (4) Rs. 24 000

29. Ramanan is conducting a business in a building that was obtained on monthly rent Rs. 2 000 basis. If he has paid 8 month rent only, the value of accrued rent is,

- (1) Rs. 8 000 (2) Rs. 16 000 (3) Rs. 24 000 (4) Rs. 12 000

30. Residual value of machine at the end of 10 years is Rs. 10 000. Annual depreciation is Rs. 5 000. The cost value of machine is,

- (1) Rs. 50 000 (2) Rs. 55 000 (3) Rs. 45 000 (4) Rs. 60 000

31. Characteristics of some accounts prepared by not-for-profit businesses are as follows.

- A – Prepared based on cash basis B – Similar to income statement
 C – Prepared based on accrual basis D – Shows cash balance at the end of year
 E – Income and expenses for the year only are recorded.

Select the answer which consists of the characteristics of income and expenditure statement.

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

32. Select the word to be filled in the blank in the equation given below.

Subscription received + Accrued subscription =

- (1) Income surplus (2) Annual subscription income
 (3) Annual subscription income of a member (4) Cash balance

• Use the following information to answer the questions 33 – 34.

Some information related to a furniture manufacturing business for the month of January 2019.

Total production cost	Rs. 200 000
Number of almarah produced	100
Profit margin is 20% on cost.	

33. Production cost per unit is,

- (1) Rs. 2 000 (2) Rs. 2 500 (3) Rs. 3 000 (4) Rs. 4 000

34. Selling price of a almarah is,

- (1) Rs. 400 (2) Rs. 2 500 (3) Rs. 2 400 (4) Rs. 2 800

• Use the following information to answer the questions 35 – 40.

Income statement and statement of financial position of Imran business which was started by Imran investing Rs. 200 000, for the year ended 31.12.2018 are given below.

Income statement

Income:	Rs.	Rs.
Sales	200 000	
Commission received	3 000	203 000
Expenses:		
Purchases	100 000	
Carriage inwards	5 000	
Sales person salary	10 000	
Rent	12 000	
Bank loan interest	12 000	
Telephone charge	3 000	
Discount allowed	1 000	(143 000)
Net profit		60 000

Statement of financial position

Assets:	Rs.
Motor vehicle	200 000
Furniture	100 000
Debtors	34 000
Cash balance	50 000
	384 000
Equity & liabilities:	
Capital	230 000
Net profit	60 000
Bank loan	60 000
Creditors	30 000
Accrued bank loan interest	2 000
Accrued rent	2 000
	384 000

35. Cost of sales for the year ended 31.12.2018 is,

- (1) Rs. 62 000 (2) Rs. 98 000 (3) Rs. 95 000 (4) Rs. 105 000

36. Gross profit for the year ended 31.12.2018 is,

- (1) 98 000 (2) Rs. 95 000 (3) Rs. 105 000 (4) Rs. 65 000

37. Total of sales and distribution expense disclosed in the income statement for the year ended 31.12.2018 is,

- (1) Rs. 15 000 (2) Rs. 10 000 (3) Rs. 11 000 (4) Rs. 13 000

38. Rent paid during the year ended 31.12.2018 is,

- (1) Rs. 10 000 (2) Rs. 12 000 (3) Rs. 2 000 (4) Rs. 8 000

39. The increase in equity during the year ended 31.12.2018 is,

- (1) Rs. 30 000 (2) Rs. 230 000 (3) Rs. 382 000 (4) Rs. 60 000

40. The values of non-current liabilities and current assets on 31.12.2018 are,

- (1) Rs. 90 000 and Rs. 384 000 (2) Rs. 34 000 and Rs. 84 000
 (3) Rs. 60 000 and Rs. 84 000 (4) Rs. 60 000 and Rs. 94 000