



Provincial Department of Education
Northern Province
Second Term Examination – 2019 July
Business & Accounting Studies



Grade 11

Business and Accounting Studies II

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

01. Using the following case, answer the questions (i) – (x).

Even the development of Sri Lanka was affected by abnormal conditions and tsunami disaster, development could be achieved up to certain level, as there was advantageous economic policies and favourable legal system for the businesses. Local business people had good business opportunities due to peaceful situation in the country, increase in elder people, increase in women going to work and increase in prices of imported milk powder.

Vithyan who displaced to abroad from Mullaitivu and studied about farming and processing of milk in abroad, started a business regarding collection of fresh milk in his village, using the knowledge he obtained from his studies and the money he saved there. He collects fresh milk from farmers, processes it properly and delivers that milk to his village people in two times morning and evening in a motor vehicle specially designed for this distribution with the help of an employee.

The following are the balances of Vithyan business on 01.06.2018.

	Rs.
Cash	155 000
Debtors (Restaurants)	35 000
Creditors	20 000
Land and building	300 000
Delivery van	500 000
Milk processing utensils	100 000

The transactions undertaken during June month are given below.

	Rs.
Milk purchase – cash (from farmers)	300 000
Milk purchase – credit	50 000
Sales of milk – cash	400 000
Sales of milk – credit	150 000
Employee salary	18 000
Insurance charge paid	10 000
Milk collection expenses	5 000
Accrued electricity expense	2 000

- Non-current assets should be depreciated at 12% on cost and there is no any stock on 30.06.2018.

In future, Vithyan decided to conduct the business himself and to convert it into a business which has legal personality. As the price of imported milk powder increased, government promoted local milk producers. Therefore, demand for milk increased. As Vithyan received an order from a local milk powder producing business, he has planned to invest Rs. 100 000 further to finance additional capital requirement.

- (i) (a) Name the type of Vithyan's present business based on ownership.
- (b) Name the type of factors of production for motor vehicle used by Vithyan to deliver milk and milk processing utensils.
- (ii) (a) Write two business opportunities of Vithyan's business.
- (b) Write two strengths of Vithyan's business.
- (iii) (a) Identify which factor promoted Vithyan to start this business.
- (b) State two managerial activities carried out by Vithyan with examples.
- (iv) (a) Name the type of business which Vithyan can start in future.
- (b) Write an example for political and legal environment from the above passage.
- (v) Calculate the value equity of this business on 2018.06.01.
- (vi) Calculate the cash balance of this business on 30.06.2018.
- (vii) (a) Write two examples for administrative expenses from the above passage.
- (b) State a transaction which increases equity of this business.
- (viii) (a) Provide double entry for accrued electricity charge.
- (b) Write two non-current assets.
- (ix) Write the name of ledger accounts where additional capital is recorded.
- (x) Calculate net profit of the business for June 2018. (2 × 10 = 20 marks)

PART I - Business Studies

Answer only two questions.

- 02.** (i) (a) Provide two common objectives of businesses.
- (b) Write two internal stakeholders of a business. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) Tangible and physical items which fulfill human needs and wants are services.
 - (b) Implementing loan schemes by government with less interest rate is an opportunity for a business.
 - (c) Companies act No.7 of 2007 defines maximum number of partners as 20 in a partnership business.
 - (d) State departments are established under common act and special acts. (02 marks)
- (iii) Balan produces beautiful chairs and tables with canes using his creative skill in various shapes with the help of supporter using various beautiful paints.
- (a) Write two factors of production mentioned in this passage.
 - (b) Provide one example for each factor of production you named in (iii) (a). (02 marks)
- (iv) Rathan started a business in the name of "Rathi Textile" using his small amount of saving.
- (a) Comment on registration of Rathan's business.
 - (b) Write two special characteristics of Rathan's business. (02 marks)
- (Total 08 marks)*
- 03.** (i) (a) What is trade?
- (b) Write two importance of retail trade. (02 mark)
- (ii) State whether the following statements are true or false.
- (a) The difference between retail trade and whole trade depends on purpose of buying.
 - (b) The account started to carry out cheque transactions is current account.
 - (c) Indemnity principle is not relevant for life insurance.
 - (d) Feedback is not required for the completion of communication process. (02 marks)
- (iii) Akila, a current account holder issued a cheque at value Rs. 50 000 to Ram for purchase of goods on credit basis.
- (a) Write the name of the person whose name should be written in the reserve side of cheque, when it is endorsed.
 - (b) What should be done to make this cheque more safer? (02 marks)

- (iv) Kannan insured the motor vehicle purchased for his business affairs at Ceylinco Insurance company.
(a) Name the insurer and insured in the fact.
(b) Provide two insurance principles. (02 marks)

(Total 08 marks)

04. (i) (a) What do you mean by target market?
(b) Write any supportive services required by businesses. (02 marks)

- (ii) State whether the following statements are true or false.
(a) Only the vehicles obtained minimum third party insurance can travel in the road ways.
(b) Airport, railway station and harbour are medium in the elements of transportation.
(c) Over draft facility is provided only to current account holders.
(d) Incorporated companies are private sector business which have limited liability and no legal personality.

- (iii) Grade 11 Kalaimahal Vidiyalam students have planned to make a one day tour. Class teacher carried the following activities.

- (a) Deciding the place for tour, time duration, leaving time and required money.
(b) Dividing grade 11 students into groups and providing information and instructions about how to behave in tour time
(c) Confirming all activities are carried out as planned.
(d) Appointing leaders for each student group.

Write the relevant managerial function for each of the above activities. (02 marks)

- (iv) A business which produces different cakes, has planned to produce high quality cakes with different shapes and to supply to restaurants and trade centers in cities at Rs. 280 and Rs. 450. This business has advertised in a local newspaper and issued hand leaves.

Write four marketing mix and write the examples for each from the above passage. (02 marks)

(Total 08 marks)

PART II - Accounting

(Answer only two questions.)

05. (i) (a) What do you mean by 'Liabilities'?
(b) Categorize the following account balances into assets and liabilities.

- | | |
|-------------------|---------------------|
| 1. Bank loan | 2. Motor vehicle |
| 3. Creditors | 4. Debtors |
| 5. Bank overdraft | 6. Accrued expenses |
| 7. Fixed deposit | 8. Building |

(02 marks)

- (ii) Write the double entry rule for the following.

- | | |
|-----------|----------------|
| 1. Assets | 2. Liabilities |
| 3. Income | 4. Expenses |

(02 marks)

- (iii) (a) The following statements are related to prime books and source documents. State whether these statements are true or false.

- Purchase journal is the prime book for the purchase of computer from Alpha company for the use of business.
- Cheque counter foil is the source document for the cash deposit at bank.
- Receipts and payments of currency notes and coins are recorded in cash account.
- Credit purchase of goods for resale is recorded in sales journal. (02 marks)

(b) The following are the transactions undertaken in a business.

1. Owner invested Rs. 50 000 as capital.
2. Bank loan received Rs. 30 000
3. Credit purchase of goods Rs. 15 000
4. Monthly electricity paid Rs. 2 000
5. Credit purchase of furniture from Damro furniture suppliers for Rs. 100 000

Required,

Write name of account to be debited and credited for the above transactions. Use the following format to answer. First one is done for you.

Transaction No.	Account to be debited	Account to be credited
1.	Cash account	Capital account
2.		
3.		
4.		
5.		

(02 marks)

(iv) (a) Balances of assets and liabilities accounts of Chandran business on 28.02.2019 are given below.

	Rs.
Debtors	30 000
Land and building	120 000
Bank loan	60 000
Furniture	70 000
Creditors	40 000
Cash balance	35 000
Bank overdraft	10 000

Calculate the following according to the above information.

1. Current assets
 2. Non-current assets
 3. Current liability
 4. Non-current liabilities
- (02 marks)

(b) Purchase journal prepared by a business for June 2019 is given below.

Date	Invoice No.	Supplier	Total value	LF
15.06.2019	110	Athavan	5 500	
23.06.2019	125	Kathiravan	11 300	

Required,

- (a) Complete the above purchase journal on 31.06.2019.
- (b) Record the details in the above purchase journal in the relevant ledger accounts. (02 marks)

(Total 12 marks)

06. (i) (a) What do you mean by bank overdraft?

(b) Write two errors not disclosed by trial balance. (02 marks)

(ii) Nagulan trader which was started on 01.01.2018 carried out the following transactions during first week of January.

January 01 The business was started investing Rs. 100 000.
January 03 Sales of goods by cash Rs. 40 000
January 04 Credit purchase of goods from Ganesh for Rs. 25 000
January 05 Rent paid in cash Rs. 5 000
January 06 Credit sales of goods to Veeman Rs. 15 000
January 07 Electricity charge paid by cash Rs. 3 000

Required,

Record the above transactions in cash account and calculate cash balance on 07.01.2018.

(02 marks)

(iii) (a) The trial balance prepared by Kanthan business on 31.03.2019 was not balanced. The following errors were found later.

1. Furniture repair expense Rs. 6 000 was debited in furniture account.
2. Electricity charge Rs. 1 200 was recorded only in cash account.

Required,

Provide the journal entry to rectify the above errors. (02 marks)

(b) Prepare trial balance Kokulan business on 31.12.2018 using the balances given below.

	Rs.	
Debtors	40 000	
Building	200 000	
Creditors	100 000	
Discount allowed	10 000	
Purchase	100 000	
Discount received	6 000	
Sales	194 000	
Capital	50 000	(02 marks)

(iv) (a) Petty cash imprest amount of Kayalvizhi business is Rs. 3 000. Additional information is given below.

01.01.2018 Petty cash balance Rs. 600
01.01.2018 Petty expenses were reimbursed.
31.01.2018 Total of petty expenses for January is Rs. 2 650
01.02.2018 Petty expenses were reimbursed.

Required,

1. What is value of reimbursement made on 01.01.2018.
2. What is value of reimbursement made on 01.02.2018. (02 marks)

(b) 1. Provide the reasons for the difference between bank account balance and bank statement balance of a business. (02 marks)

2. Out of the reasons you wrote above, write two items which can be seen in bank statement but not seen in bank account. (02 marks)

(Total 12 marks)

07. (i) (a) What do you mean by statement of financial position?

(b) Provide two factors to be considered in determining depreciable value of an asset every year.

(02 marks)

(ii) (a) The following transactions took place in Wimal business during the year ended 31.12.2018.

1. Monthly rent is Rs. 5 000. Eight month rent only was paid.

2. Total stationery expense for the year is Rs. 20 000 but only Rs. 6 000 was paid.

Using the above information, complete the following table.

Expense account	Expense paid in cash	Accrued expense	Expenses for financial year after adjustment
1.			
2.			

(02 marks)

(iii) The trial balance prepared by Saravanan business for the year ended 2018.12.31 is given below.

Details	Debit	Credit
Capital on 2018.01.01		310 000
Purchases and sales	300 000	670 000
Administrative salaries	44 000	
Sales employee salaries	52 000	
Debtors and creditors	75 000	92 000
Carriage inwards	22 000	
Stock on 2018.01.01	38 000	
Discount allowed and discount received	15 000	18 000
Delivery van – cost	500 000	
10% Fixed deposit	150 000	
Transport expense	10 000	
Advertising expense	6 000	
Furniture – cost	60 000	
12% Bank loan		200 000
Bank loan interest	22 000	
Accumulated depreciation on 2018.01.01:		
Delivery van		50 000
Furniture		12 000
Electricity charge	8 000	
Cash balance	50 000	
	13 52 000	13 52 000

Additional information:

1. Stock on 2018.12.31 has been evaluated as Rs. 30 000.

2. Accrued expenses on 2018.12.31:

Administrative salary Rs. 3 000

Electricity charge Rs. 5 000

3. Write off Rs. 1 000 as bad debt from debtors.

4. Delivery van and furniture should be depreciated on cost at 10%.

Required,

1. Profit and loss statement for the year ended 2018.12.31

(04 marks)

2. Statement of financial position as at 2018.12.31

(04 marks)

(Total 12 marks)