



**Provincial Department of Education
Northern Province**



**General Certificate of Education (Ord.Level) Examinations
Second Term Examination – 2019 July
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.
Shanthy is conducting a small restaurant in the name of “Shakthi Restaurant” in main city. She gets orders for lunch from the staff who are working in private and government institutions by directly visiting to those places daily and delivers lunch packets on time with the support of her brother. As Shanthy prepares food differently, most of the staff prefer her food daily.
01. Select the human need fulfilled by ‘Shakthi Restaurant’.
- (1) Rice (2) Food (3) Location (4) Education
02. “Shakthi Restaurant” can be, in future, converted into,
- (1) co-operative society (2) sole proprietorship (3) partnership (4) corporation
03. Staff of private and government institutions are considered as a stakeholder under,
- (1) owners (2) suppliers (3) competitors (4) customers
04. Location of “Shakthi Restaurant” in main city near to offices is,
- (1) a strength (2) an opportunity (3) a weakness (4) a threat
05. Shanthy directly delivers food package with the support of her brother. The marketing function mentioned here is,
- (1) product (2) place (3) promotion (4) price
06. The resources used to produce goods and services are,
- (1) financial resources (2) physical resources
(3) human resources (4) factors of production
07. Which of the following cannot be considered as internal environment?
- (1) suppliers (2) managers (3) owners (4) employees
08. Out of the following, select public sector organizations.
- (1) State corporations, Franchise businesses (2) Partnership businesses, Sole proprietorship
(3) State departments, Local government institutions (4) Clubs and associations, State companies

09. Some trade transactions are given below.

- Meenakshi is conducting a canteen in a famous school and she sells various short-eats to students.
- Kamali prepares and delivers breakfast to officers living in her area.
- Rathan prepares short-eats and delivers to a famous restaurant.
- Vimalan collects fresh milk in his village and sells in urban areas by directly visiting customers' home.

The person who can be considered as whole trader is,

- (1) Meenakshi (2) Kamali (3) Rathan (4) Vimalan

10. Kannan who has current account in Bank of Ceylon issued a cheque of Rs. 50 000 to his customer Ragulan. The drawer and drawee in this transactions are,

- (1) Bank of Ceylon, Kannan (2) Kannan, Ragulan
 (3) Bank of Ceylon, Ragulan (4) Kannan, Bank of Ceylon

11. Vakeesan applied for an insurance cover to an insurance company for his motor vehicle used in his business activities. However, that motor vehicle was under his father's ownership and insurance company rejected his insurance application. The relevant principle applicable here is,

- (1) indemnity principle (2) insurable interest (3) subrogation (4) utmost good faith

12. Some events occurred in transportation sector in Sri Lanka are shown in column X and elements of transportation are shown in column Y.

Column X	Column Y
1. Import of 100 luxury buses by Sri Lanka Transport Board	A – Way
2. Increase of prices of diesel, petrol & kerosene	B – Medium
3. Modernization of Bandaranayake International Airport	C – Power
4. Establishment of expressway between Colombo and Galle	D – Terminal

Select the answer which shows the correct order of elements of transportation in column Y according to the order of events occurred in transportation sector in column X.

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

13. When Sureka conveyed her birthday wishes to her friend Harini via mobile phone, she accepted it with happiness and replied thanks.

According to the above statement, select the correct communication process.

- (1) Sureka → Birthday wishes → Mobile phone → Harini → Happiness → Thanks
 (2) Harini → Birthday wishes → Mobile phone → Sureka → Happiness → Thanks
 (3) Birthday wishes → Harini → Mobile phone → Sureka → Happiness → Thanks
 (4) Mobile phone → Harini → Birthday wishes → Sureka → Happiness → Thanks

14. Karthik, a famous textile businessperson has decided to expand his business and to carry out e-business. He appointed an employee who has good knowledge in information communication technology. The managerial activities mentioned in this statement are,

- (1) Leading, Planning (2) Planning, Organizing
 (3) Controlling, Leading (4) Controlling, Planning

15. Marketing variables such as quality, types, design, packaging, label, trade mark etc. are included under,

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

16. Main objective of accounting is,
- (1) to understand about financial position of business
 - (2) to organize financial activities
 - (3) to provide required information to stakeholders
 - (4) to fulfill legal requirement
17. Select the answer which contains current liabilities.
- (1) Land and building, Machine, Furniture
 - (2) Creditors, Accrued expenses, Bank overdraft
 - (3) Stock, Debtors, Bank balance
 - (4) Debtors, Accrued expenses, Stock
18. Which of the following activities would increase assets and equity?
- (1) Purchase of goods by cash Rs. 10 000
 - (2) Owner invested his own motor vehicle at value Rs. 100 000.
 - (3) Bank loan installment paid Rs. 20 000
 - (4) Electricity charge paid Rs. 5 000
19. Accounting impacts of a transaction is given below.
- | | | | | |
|---------|---|--------|---|-------------|
| Assets | = | Equity | + | Liabilities |
| - 6 000 | | - 600 | | - 5 400 |
- Select the transaction which would cause the above impact.
- (1) Cash paid to creditor Naresh Rs. 5 400
 - (2) Goods costing Rs. 6 000 were sold for Rs. 5 400.
 - (3) Bank loan installment paid Rs. 6 000 including interest Rs. 600
 - (4) Cash paid to creditor Rs. 5 400 and discount received Rs. 600
20. Select the answer which consists of equity accounts only.
- (1) Building account, Debtors account
 - (2) Sales account, Commission income account
 - (3) Salary account, Insurance account
 - (4) Capital account, Drawing account
21. Select the correct statement from the following in relation to prime books.
- (1) All credit sales of a business are recorded in sales journal.
 - (2) Machine purchased on credit basis for the use of business is recorded in general journal.
 - (3) All purchases of a business are recorded in purchase journal.
 - (4) If there is no any specific prime book to record a particular transaction, it will be recorded in cash account.
22. The source document for cash receipt is,
- (1) receipt
 - (2) deposit slip
 - (3) debit note
 - (4) voucher
23. The discount recorded in debit side of cash account is,
- (1) cash discount
 - (2) discount allowed
 - (3) discount received
 - (4) trade discount
24. A transaction undertaken by a business is given below.
Goods were purchased from Kumaran for Rs. 20 000 for resale on credit basis. The correct double entry to record this transaction is,
- (1) Cash account Dr. Rs. 20 000
Kumaran account Cr. Rs. 20 000
 - (2) Purchase account Dr. Rs. 20 000
Kumaran account Cr. Rs. 20 000
 - (3) Kumaran account Dr. Rs. 20 000
Purchase account Cr. Rs. 20 000
 - (4) Cash account Dr. Rs. 20 000
Purchase account Cr. Rs. 20 000

25. The cheque received on sales Rs. 20 000 was deposited at bank immediately. The correct double entry to record this transaction is,
- | | |
|----------------------------------|----------------------------------|
| (1) Bank account Dr. Rs. 20 000 | (2) Cash account Dr. Rs. 20 000 |
| Sales account Cr. Rs. 20 000 | Sales account Cr. Rs. 20 000 |
| (3) Sales account Dr. Rs. 20 000 | (4) Sales account Dr. Rs. 20 000 |
| Bank account Cr. Rs. 20 000 | Cash account Cr. Rs. 20 000 |
26. Another prime book which functions as a ledger account as a cash account is,
- | | | | |
|-------------------|----------------------|---------------------|---------------------|
| (1) sales journal | (2) purchase journal | (3) general journal | (4) petty cash book |
|-------------------|----------------------|---------------------|---------------------|
27. Which of the following is a reason for bank account balance of a business less than the bank statement balance?
- | | | | |
|-----------------------|------------------------|--------------------|-----------------|
| (1) unrealized cheque | (2) unpresented cheque | (3) direct deposit | (4) bank charge |
|-----------------------|------------------------|--------------------|-----------------|
28. Sales journal is a,
- | | |
|--------------------|-------------------------|
| (1) ledger account | (2) source document |
| (3) prime book | (4) financial statement |
29. Athi has taken bundi lattu prepared by his business for his family ceremony. It will be recorded in,
- | | | | |
|----------------------|-------------------|---------------------|----------------------|
| (1) purchase journal | (2) sales journal | (3) general journal | (4) purchase account |
|----------------------|-------------------|---------------------|----------------------|
30. Telephone charge Rs. 10 000 was recorded only in cash account. The journal entry to rectify this error is,
- | | |
|---|---|
| (1) Telephone charge account Dr. Rs. 10 000 | (2) Telephone charge account Dr. Rs. 10 000 |
| Suspense account Cr. Rs. 10 000 | Cash account Cr. Rs. 10 000 |
| (3) Suspense account Dr. Rs. 10 000 | (4) Cash account Dr. Rs. 10 000 |
| Telephone charge account Cr. Rs. 10 000 | Telephone charge account Cr. Rs. 10 000 |
31. Which of the following is not a process of accounting?
- | | |
|------------------------------|------------------------------------|
| (1) Recording in prime books | (2) Preparing trial balance |
| (3) Adjustments | (4) Preparing financial statements |
32. Select the answer which contains basic components of statement of financial position.
- | | |
|-----------------------------|--------------------------------|
| (1) Income, Expense, Equity | (2) Assets, Equity, Liability |
| (3) Assets, Equity, Income | (4) Income, Expense, Liability |
- **Use the following information to answer questions 33 – 34.**
 Bank loan Rs. 50 000 was obtained at 12% on 2018.01.01. During the financial year ending 2018.12.31, two months interest has not been paid.
33. Accrued bank loan interest is,
- | | | | |
|---------------|---------------|---------------|-------------|
| (1) Rs. 1 000 | (2) Rs. 6 000 | (3) Rs. 5 000 | (4) Rs. 500 |
|---------------|---------------|---------------|-------------|
34. Journal entry to record accrued bank interest is,
- | | |
|--|--|
| (1) Bank loan interest account Dr.
Accrued bank loan interest account Cr. | (2) Accrued bank loan interest account Dr.
Bank loan interest account Cr. |
| (3) Bank loan account Dr.
Accrued bank loan interest account Cr. | (4) Accrued bank loan interest account Dr.
Bank loan interest account Cr. |

