



De Mazenod College – Kandana

Business and Accounting studies II

Grade 11 – 1st Term test (May 2024)

duration: 2 hours

- Question number (01) is compulsory
- Select two questions each from part A and part B
- Answer 5 questions altogether

Special note: Start each new question from a new page



(01) Answer questions from (i) to (x) with reference to the following case

Amal who is a graduate of Laboratory services, currently working as a laboratory service provider for several years. He identified the market existing for the liquid sanitizers with the spreading of Covid-19 pandemic and therefore, he started a business of manufacturing liquid sanitizers with the help of his friend Kamal. On 01.10.2020, Amal and Kamal invested Rs.50 000 each and started a business by the name 'health care private limited' to produce the liquid sanitizer products. They purchased a liquid sanitizer manufacturing machine on credit basis on 02.10.2020. They employed a worker for a monthly salary of Rs.10 000. Following are the transactions took place in this business during the month ended 31.10.2020.

	Rs.
Purchasing of raw materials	50 000
Purchasing of raw materials on credit	25 000
Packing material and labels	12 000
Wages for worker	10 000
Machinery depreciation	1 000
Monthly electricity bill	2 000
There were no stocks available as at 31.10.2020	

There was a huge demand for the health care products by the shops, clinics, and near by schools in the city and there were online orders from many of the customers all over the country. They purchased a motor vehicle to distribute the products within the country on 20.10.2020 at Rs. 500 000 on credit basis. They produced 2000 units as at 31.10.2020, and the full quantity was sold. The business decided to increase the production by 20% in the month of November. Amal and Kamal had planned to give a broad advertising campaign and distribute free samples to increase the sales.

- (i) (a) what is meant by 'target market'?
(b) what is the human need satisfied by the above business and state how they satisfy that need
- (ii) (a) name two external environmental factors of a business and give examples for each of them from the case given

- (b) the business had decided to increase the sales. State two steps taken by the business for this purpose
- (iii) (a) state a communication method stated in the above case
(b) state two differences between retail trade and wholesale trade
- (iv) To which management function does the following belong ?
(a) Planning to increase sales by 20%
(b) Investing a machine to the business
- (v) Write the accounting equation of the business as at 2020.10.01
- (vi) Write the double entry to record the transaction took place on 02.10.2020
- (vii) Name the prime entry book and the source document used to record the transaction took place on 02.10.2020
- (viii) What is the cash balance of the business at the end of the month
- (ix) Write two threats that can have in the future for this business
- (x) If the business sold a unit of a product at Rs.100 each , what is the total sales revenue?

(2 x 10 = 20 marks)

Part A

- (02)(i) People who was used to a self sufficient situation, started producing and distributing different goods with the expansion of business
- (a) Name two inputs used in the production process and give one example for each
 - (b) Write two difficulties faced by man in the barter era (2 marks)
- (ii) state whether the following statements are true or false
- (a) needs can be created but the wants cannot
 - (b) not using of specific production techniques is a weakness of a business
 - (c) disinflation is the continuous increase in the general price levels
 - (d) the amount of investments will increase when the amount of savings of a country is increased (2 marks)
- (iii) (a) what is meant by 'SWOT' analysis?
(b) name two external stake holder parties of a business (2 marks)
- (iv) Write four factors that should be considered when establishing a business (2 marks)
- (total 8 marks)
- (03)(i) (a) write one advantage received by a businessmen and a customer due to using of electronic money
(b) write two main tasks of a commercial bank (2 marks)
- (ii) state whether the following statements are true or false
- (a) A sole proprietorship business collects capital by issuing shares
 - (b) There is a legal personality for state corporations
 - (c) Management is the process of identifying plans of a business
 - (d) Strengths are the positive impacts created within the business for its success

(2 marks)

(iii) Piyasena purchases coconut in large quantities from his brother Jayasena, and sell them to Amarasena who sells coconut by a mobile van, and Surasena who sells at weekly fair.

- (a) Name a whole seller and retailer of the above incident (2 marks)
 (b) Write tow advantages of retail business

(iv) Define the term 'international trade' (2 marks)
 (total 8 marks)

(04) (i) The 'Monorail' project which is carrying out in Sri Lanka will reduce the traffic congestion

- (a) Name two transportation elements related to the above method
 (b) Write an advantage and a disadvantage of this system when compared to road transportation (2 marks)

(ii) state whether the following statements are true or false

- (a) Management is needed for maximum use of limited resources
 (b) Marketing process will end at the time that the product is sent to the customer
 (c) Planning is the process of identifying whether the work is done according to a plan and correcting any errors
 (d) Market is a specific place where the customers and sellers meet (2 marks)

(iii) Shakthi business is planning to produce 50 wash basins for school children. They checked on the process of production and given the relevant instructions.

- (a) Name two management functions in the above incident
 (b) Write an example for each of the above mentioned management function (2 marks)

(iv) (a) what is a cheque?

- (b) write two factors that should be considered when drawing a cheque (2 marks)

Part B



(Total 8 marks)

(05) (i) (a) what is a liability?

- (b) write the double entry principle related to the liabilities (2 marks)

(ii) following are the transactions taken place in a garment factory

- (a) Purchasing of furniture worth Rs.10 000 on credit basis from Silva and company
 (b) Credit sales to Perera Rs.25 000

State the prime entry book and the source documents relevant to above each transaction

(2 marks)

(iii) following are few transactions taken place in Alokas business which is carried out to sell electrical equipment

1. Obtaining a bank loan Rs. 200 000
2. Purchasing of a stock of electrical equipment on credit Rs.100 000
3. Paying Rs. 50 000 to creditors
4. Sold a stock of electrical equipment on cash worth Rs.10 000 at Rs.25 000
5. Aloka obtained cash for her personal use Rs.25 000

Required

State how each of the above transaction affect the accounting equation

assets			=	Owners equity +	Liabilities	
Transaction	furniture	stocks	cash	equity	Bank loan	creditors
1.						
2.						
3.						
4.						
5.						

(4 marks)

(iv) the net values of the invoices issued by Amarasinghe's business which engages in selling of consumables is given below

Date	Invoice number	customer	Value
2020.05.02	35	Rathna	13 000
2020.05.12	36	Kumara	12 000
2020.05.21	37	Indika	20 000

Required

- (a) Prepare the sales journal of Amarasinghe business for the month of May 2020
- (b) Post the sales journal transactions to ledger as at 31.05.2020

(4 marks)

(total marks = 12)

(06) (i) (a) what is meant by ' suspense account ' ?

(b) write two errors that can happen even if the debit and the credit total of the trial balance is equal

(2 marks)

(ii) The cash balance of Surath's business as at 2024.03.31 is Rs.15 800. Following cash transactions are taken place during the month of March 2024

date	Receipt number	Voucher no	Description
2024.03.05	15		Cash sales Rs.35000
2024.03.10		24	Purchasing of furniture Rs.60 000
2024.03.17	16		Received from a debtor Rs.45 000
2024.03.29		25	Paid electricity bill Rs.15 000

Required

Prepare the cash book of surath's business and balance off it as at 31.03.2024

(2 marks)

(iii) information obtained from the bank statement for the month ended 31.10.2020 of Ranga's business is as follows

2020. 10.01 credit balance Rs.20 000

Deposits

2020.10.12 cash Rs.15 000

2020.10.22 cheque 105 Rs.20 000

2020.10.28 direct remittances Rs. 10 000

Deductions

2020.10.10 shop rent cheque 401 Rs.10 000

2020.10.12 standing order (bank loan) Rs.15 000

2020.10.20 Kapila cheque 402 Rs. 5000

(a) Prepare the bank statement for the month of October 2020

(b) Write two components used to adjust the bank balance of the business (4 marks)

(iv) The credit balance of the trial balance exceeded the debit balance by Rs.20 000. The following errors were detected after.

- A purchase invoice Rs.35000 is not recorded in books
- Insurance payment Rs.4000 is recorded in the insurance account as Rs.400
- Paid wages Rs.10 000 twice recorded in books
- Bank loan installment payment Rs.16 400 is recorded only in the cash book

Required

(a) Journal entries to rectify the errors

(b) Suspense account (4 marks)

(Total 12 marks)

(07) (i) (a) what are 'source documents'?

(b) write two facts included in a source document (2 marks)

(ii) (a) what are cash discounts?

(b) write the double entry of recording discount allowed (2 marks)

(iii) the petty cash book prepared in Alankara's business for the month of January 2023 is given below

Receipts (Rs)	L/ P	Date	description	Voucher no	Payments (Rs)	Analysis columns			Ledger account	L/ P
						travel ling	entertainme nt	stationary		
70		1/1	Balance b/f							
		1/1	Cash							
		1/5	Trishaw	01	200	200				
		1/8	Cool drinks	02	300		300			
		1/12	Van rent	03	400	400				
		1/18	A4 papers	04	500			500		
		1/24	Kumara	05	250				250	
		1/27	Tea	06	150		150			
					1800	600	450	500	250	
		1/31	Bal c/d		200					
<u>2000</u> 200		2/1	Bal b/f		<u>2000</u>					

Required

- State the petty cash imprest of this business
- State the amount that should be reimbursed as at 2023.02.01
- Post the above in ledger accounts

(iv) (a) write the double entry for the following transactions

- Cash purchases Rs.25000
- Bank loan interest payment by cash Rs.5 000

(b) write the transactions relevant to the following double entries

- motor vehicle account debit Rs. 500 000

Capital account cr Rs.500 000

- cash account debit Rs.6 000

Debtors account Rs. 6 000