



Provincial Department of Education
Northern Province
Third Term Examination – 2019 November
Business & Accounting Studies



Grade 10

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).

Arunmozhi conducts a press in the name of ‘Mozhi Press’ in a small scale. As Arunmozhi has a good designing skill and computer skill, he has obtained more number of customers within a short period by designing invitation cards for special occasions attractively at less cost. He has planned to expand the business and decided to convert his business into a business having legal personality and limited liability.

- The balances of Mozhi business on 01.07.2019 are given below.

	Rs.
Capital	200 000
Printing machine	150 000
Land & building	100 000
Debtors	50 000
Bank loan	100 000
Creditors	30 000
Cash balance	30 000

- The following transactions were carried out during first week of July.

03.07.2019	Purchase of papers	Rs. 50 000
04.07.2019	Purchase of papers from Dhaya	Rs. 30 000
05.07.2019	Electricity charge paid	Rs. 2 000
06.07.2019	Sales of invitation cards	Rs. 75 000
07.07.2019	Machine repair	Rs. 5 000

- (i) (a) Write two strengths of Arunmozhi business.
(b) Write the name of supplier of the above business.
- (ii) (a) Categorize the above business under the nature of production.
(b) Provide two characteristics of the business you named in (a).
- (iii) (a) State two advantages of registering the above business.
(b) State whether the above business can obtain legal personality by registering or not.
- (iv) (a) Recommend a suitable business which can be started by Arunmozhi in future.
(b) Write the name of the act under which the business you named in (a) should be registered.
- (v) Record the balances of Arunmozhi business on 01.07.2019 in the accounting equation.
$$\text{Equity} + \text{Liability} = \text{Assets}$$
- (vi) State source document and prime book for the transaction undertaken on 04.07.2019.
- (vii) Calculate the values of current assets and non-current assets on 01.07.2019, using the balances.
- (viii) Write the double entry for machine repair.
- (ix) State two examples for expense of the above business.
- (x) Calculate cash balance on 07.01.2019 by preparing a cash account. (2 × 10 = 20 marks)

PART I - Business Studies

Answer only **two** questions.

- 02.** (i) (a) What do you mean by 'human want'?
- (b) Write the characteristics of human wants. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) All natural resources used by businesses to produce goods and services are called as capital.
- (b) The persons and institutions which produce and supply the goods and services similar to those of a business are called as supplier.
- (c) Employees are an internal environment force, while competitors are an external environment force.
- (d) Multi-purpose co-operative society belongs to private sector based on ownership. (02 marks)
- (iii) Arathana conducts a tailoring business which produces ties and uniforms for school students using modern sewing machines.
- (a) Write the fundamental need fulfilled by Arathana business.
- (b) State two factors of production of this business. (02 marks)
- (iv) Roshan who has obtained a diploma certificate in animal farming conducts an animal farm, considering increased demand for natural food and employing two employees.
- (a) Provide two internal environment forces from the above passage.
- (b) State one strength and one opportunity of Roshan business. (02 marks)
- (Total 08 marks)
- 03.** (i) (a) What is business environment?
- (b) Write two types of business environment. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) Needs cannot be created but wants can be created.
- (b) Opportunities and threats are identified by studying internal environment.
- (c) Power consumption used to categorize the businesses, is a quantitative criteria.
- (d) Independent decision making is a characteristic of partnership businesses and it is not in sole proprietorship businesses. (02 marks)
- (iii) Indran is conducting a stationery shop in the name of 'Sekaram book shop' near to a popular school.
- (a) Write the classification of the above business based on ownership.
- (b) State legal requirement of the above business regarding registration. (02 marks)
- (iv) Write one contribution of the following parties for a business.
- (a) Supplier (b) Government (02 marks)
- (Total 08 marks)
- 04.** (i) (a) Write two private sector not-for-profit businesses.
- (b) Name the act which limits maximum number of partners in a partnership business as 20. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) All resources created by human for production activities of goods and services are called capital.
- (b) Water Supply and Drainage Board and Ceylon Electricity Board are corporation type of business organizations.
- (c) Incorporated companies are not-for-profit business organizations.
- (d) Economic environment makes the goods and services outdated quickly. (02 marks)
- (iii) Characteristics of some business organizations are given below.
- A – Considering member welfare
- B – Existence of legal personality

- C – Limited liability
- D – Sharing surplus among members
- E – Sharing losses among many persons

- (a) Write the letters which shows the characteristics of co-operative society.
- (b) Name the business organization which has the characteristics mentioned by the letters B and C. (02 marks)
- (iv) (a) State two characteristics of state departments.
- (b) Write the type of business organization, if it wants to share management activities among many persons. (02 marks)

(Total 08 marks)

PART II - Accounting

(Answer only *two* questions.)

05. (i) (a) State the main objective of accounting.
- (b) Write the two types of assets of a business organization. (02 marks)
- (ii) (a) Provide two occasions where equity of a business reduces.
- (b) Write two examples for current liabilities. (02 marks)
- (iii) (a) Thuyavan conducts a furniture selling business. The following items have been taken from his business.

- A – Stock of furniture produced
- B – Machines sawing timber
- C – Cash to be paid for the timber purchased on credit basis
- D – Bank loan received from Bank of Ceylon for expansion of business

Categorize the above items under the following headings.

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

- (b) The following balances were in Arichandran business on 2019.08.01.

	Rs.
Motor vehicle	300 000
Stock	100 000
Cash	75 000
Bank loan	150 000
Creditors	50 000

1. Calculate the value of total assets.
2. Calculate the value of total liabilities. (02 marks)

- (iv) The accounting impacts of the transactions undertaken by Themozhi business during first week of January 2019 are given below.

Date	Land & Building	+ Stock	+ Debtors	+ Cash	= Equity	+ Bank loan	+ Creditors
01.01	+ 100 000			- 50 000			+ 50 000
03.01				- 20 000	- 20 000		
04.01				+ 100 000	+ 100 000		
05.01			- 30 000	+ 30 000			

Required,

Write the transactions which were carried out in each day with values. (04 marks)

(Total 12 marks)

06. (i) (a) What is 'payment voucher'?
- (b) Assets are different from liabilities in many ways. State one common characteristic between assets and liabilities. (02 marks)
- (ii) (a) Write two transactions which can be recorded in a general journal.
- (b) State two activities a businessperson can carry out via telebanking. (02 marks)
- (iii) Cash account of Jeya stationery shop prepared for June 2019 is given below.

Date	R.No.	Details	LF	Value	Date	V.No.	Details	LF	Value
01.06		b/d		125 000	04.06	01	Purchase		45 000
03.06	01	Bank loan		50 000	15.06	02	Rent		8 000
07.06	02	Sales		40 000	24.06	03	Drawing		5 000
20.06	03	Vithuran (Debtor)		30 000	30.06		c/d		187 000
				245 000					245 000

Required,

Provide four journal entries required to post the above transactions to ledger accounts. (04 marks)

- (iv) The details of petty cash expenses undertaken by Devika business are given below.

- Petty cash imprest amount Rs. 3 000
- Petty expense for January Rs. 2 850
- Petty expenses were reimbursed on 01 February 2019.
- Details of petty expenses undertaken during February 2019 are given below.

Date	V.No.	Details	Amount (Rs.)
02.02.2019	001	Three wheeler expense	160
04.02.2019	002	Salary advance paid to Kavitha	300
11.02.2019	003	Pen and pencil expense	200
13.02.2019	004	Sugar and tea	240
16.02.2019	005	Bus fare	250
18.02.2019	006	2 Exercise books	320
25.02.2019	007	Cook drinks	150

- (a) Prepare petty cash book containing the analysis columns such as transport, entertainment, stationery etc.
- (b) Transfer the totals of analysis columns to the relevant ledger accounts. (04 marks)
- (Total 12 marks)*

07. (i) (a) What do you mean by bank statement?
- (b) Write two reasons which can be adjusted in bank account, when bank account balance and bank statement balance are different.
- (ii) Sales journal prepared by a business during May 2019 is given below.

Date	Invoice No.	Purchasers	Amount	LF
12.05.2019	375	Malliga	7 300	
26.05.2019	402	Suganthi	4 000	

Required,

Complete the above journal and post the values to ledger accounts. (02 marks)

(iii) The following details were obtained from the analysis of bank account and bank statement of Kamala & Co. business in April 2019.

	Rs.
The value of cheques deposited and realized	40 000
The value of cheques issued and presented at bank	28 000
The value of cheques deposited but not realized	30 000
The value of cheques issued but not presented at bank	20 000
Bank charge	6 000
Cheque book charge	2 400
Investment income	5 000
Direct deposit	15 000

Required,

1. Write the reasons why bank statement balance is lower than bank account balance.
2. Write the items to be considered in adjusting bank account balance. (04 marks)

(iv) There was deficit of Rs. 1 000 in the trial balance prepared by Shanmugam business on 2018.12.31.

The following errors were found by accountant from the investigations of accounting books.

1. Insurance paid Rs. 2 000 was recorded twice in the accounting books.
2. Goods sold on credit basis for Rs. 6 500 were recorded in sales account as Rs. 5 500.
3. Purchase invoice Rs. 7 000 was not recorded in the accounting books.

Required,

- (a) Provide journal entry to rectify the above errors
 - (b) Prepare suspense account (04 marks)
- (Total 12 marks)*
