



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



**Grade 11**

**Business and Accounting Studies II**

- Including questions No. 1, 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).

Rathan has successfully completed a course regarding repairing air-condition machines because he has not obtained the university entrance after his A/Level. He started an air-condition repairing business on 01.01.2018 by renting out a small shop on monthly rent Rs. 5 000 basis.

Rathan has advertised in a newspaper that he can repair air-conditions by visiting homes and offices. As his service is quality, number of customers who obtains his service has increased. He joined his friend Kugan as a manager of his business on 01.01.2019 for monthly rent Rs. 15 000 and he hired two employees Rs. 10 000 monthly salary basis.

- The balances of Rathan's business on 01.01.2019 are as follows.

Repairing equipment	Rs. 80 000
Cash balance	Rs. 20 000
Furniture	Rs. 60 000
Debtors (receivable regarding repairs)	Rs. 30 000
Accrued rent	Rs. 10 000

- The following transactions were carried out during the month ended 31 January 2019.

Income received from repairing	Rs. 150 000
Transport expense for repairing	Rs. 30 000
Electricity charge paid	Rs. 5 000
Advertising	Rs. 6 000
Rent paid	Rs. 15 000

- Telephone charge Rs. 2 000 is to be paid.

- Rathan purchased the equipment for Rs. 80 000 from Jet company on 01.01.2019.

- Furniture and equipment should be depreciated at 12% annually.

- Rathan has an idea to conduct training classes to interested youths in future and decided to join Kugan as a partner.

- (i) (a) Name the classification of Rathan's business based on ownership.  
(b) Is Rathan's business a service providing business or goods manufacturing business? Provide two characteristics of the business you have stated.
- (ii) Provide four factors of production used by Rathan's business.
- (iii) (a) Write a marketing mix variable used by Rathan's business.  
(b) State the function of management related to the following statements.
  1. Appointment of employees by manager
  2. Deciding to start a air-condition repair training center
- (iv) (a) Propose a suitable business form which can be started by Rathan in future.  
(b) Provide two characteristics of the business form you named in (a).
- (v) What is the value of equity of this business on 01.01.2019?
- (vi) (a) Write a transaction which reduces the value of liability.  
(b) Provide the double entry for the above transaction.

- (vii) Provide general journal entries for accrued telephone charge and furniture depreciation.
- (viii) (a) Calculate cash balance of the business on 31.01.2019.  
(b) Write the prime entry book required to be recorded equipment purchase from Jet business.
- (ix) Write one example for the following types of accounts.  
(a) Equity account (b) Income account  
(c) Assets account (d) Liability account
- (x) Calculate the net profit of Rathan's business for January 2019. (2 × 10 = 20 marks)

**PART I - Business Studies**

(Answer only *two* questions.)

- 02.** (i) Names of four businesses which fulfill human needs are given below.  
 A – 'Suvaiyootru' ice-cream house  
 B – Fancy shop  
 C – Dialog exiata PLC  
 D – Jaffna Public library
- (a) Write the human needs fulfilled by the above business organizations.
  - (b) Write one example for wants fulfilled by those business organizations. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) The person who takes risks and introduces innovations in the business is called manager.
  - (b) Use of telephone, fax, e-mail etc. instead of ordinary post is related to technological environment.
  - (c) Department of Education and Health Department are not-for-profit businesses under private sector.
  - (d) There is democratic administration in state corporations. (02 marks)
- (iii) Thesikan is conducting a computer repair business which was started using his own savings and bank loan obtained from People's Bank, employing two employees.
- (a) Write two stakeholders of the above business.
  - (b) Write the classification of the above business based on nature of production. (02 marks)
- (iv) Nimalan observed rapid growth of construction sector and started a construction business in the name of 'Smart Construction'.
- (a) Write an opportunity of Nimalan business.
  - (b) If he produces concrete stones for building construction, name suitable factors of production for the concrete stones. (02 marks)
- (Total 08 marks)*
- 03.** (i) (a) What do you mean by retail trade?  
(b) Write any two deposits which can be maintained in a commercial bank. (02 marks)
- (ii) State whether the following statements are true or false.
- (a) Certain percentage of fixed deposit can be obtained as a loan by mortgaging deposit certificate.
  - (b) Internal communication has high frequency of communication.
  - (c) Railway transport can be used up to final destination.
  - (d) A sole proprietorship business can be obtained legal personality by registering. (02 marks)
- (iii) Ravi, Vasu and Geethan who studied G.C.E. (A/L) are planning jointly to start a business fitting CCTV cameras to schools and offices. They wish that their business should have legal personality and limited liability.
- (a) Recommend a suitable business organization to them.
  - (b) Write one favourable and one unfavourable feature of the business organization you named in (a). (02 marks)



(iv) (a) Details of credit sales of Sumangali Textile for June 2018 are given below.

Date	Invoice No.	Customer	Quantity	Other details
10.06.2018	201	Geethanchali	10 T-shirts each at Rs. 500	10% trade discount
22.06.2018	301	Kavithanchali	20 T-shirts each at Rs. 600	5% trade discount

**Required,**

Record the above transactions in the relevant journal.

(02 marks)

(b) The trial balance prepared by accounts clerk of Amaran business for the year ended 31.12.2018 is give below.

Details	Debit	Credit
Cash balance	50 000	
Investment		200 000
Equipment	75 000	
Miscellaneous income	3 000	
Rent		8 000
Land and building	100 000	
Purchase	50 000	
Sales		262 000
Capital		250 000
Salary	8 000	
Discount received		2 000
Creditors	12 000	
Debtors		14 000

Prepare correct trial balance on 31.12.2018.

(02 marks)

(Total 12 marks)

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

(b) 'Petty cash book fulfills dual functions.' Do you accept this statement? Give reasons. (02 marks)

(ii) (a) Write two advantages of computerized accounting.

(b) Write two transactions which can be recorded in a general journal.

(02 marks)

(iii) (a) As the trial balance prepared by Lavanya business on 2018.12.31 was not balanced, the different amount was carried to a suspense account. After finding and rectifying the errors, the trial balance was balanced. The suspense account prepared when errors were rectified, is given below.

Date	Details	LF	Value	Date	Details	LF	Value
	Sales account		5 500		Machine account		5 000
	Electricity account		1 000		Salary account		2 500
					Purchase account		2 000

Answer the following questions.

1. Calculate the different amount occurred in trial balance.

2. In which column would the low value be in trial balance?

3. Calculate the value of credit column of trial balance, if total of debit column would be Rs. 25 600 before rectifying errors. (02 marks)

(b) The details of expenses incurred in Riyas business on 31.12.2018 are given below.

Rent Rs. 10 000 Salary Rs. 25 000

Advertising Rs. 10 000 Bank loan interest Rs. 8 000

Fire loss Rs. 2 000 Sales employee salary Rs. 5 000

**Required,**

Categorize the above expenses under the following headings and find the their values.

1. Administrative expenses

2. Financial expense

3. Sales and distribution expenses

4. Other expenses

(02 marks)

(iv) (a) The transactions undertaken in Mathavan business for the year ending 2018.12.31 are given below.

1. Rent received during the year based on monthly rent Rs. 12 000 is Rs. 84 000.
2. Monthly insurance is Rs. 20 000 and insurance paid during the year is Rs. 220 000.
3. Delivery van was provided to another business on monthly fare basis Rs. 50 000. Van fare received during the year is Rs. 500 000.
4. Electricity bill received during the year is Rs. 100 000 but electricity bills paid is Rs. 70 000.

**Required,**

Fill the following tables using the information given above.

Transactions	Expense to be paid	Income to be received	Total amount for financial year
1.			
2.			
3.			
4.			

(02 marks)

(b) Details of expenses of a printing shop are given below.

- |                    |                            |
|--------------------|----------------------------|
| A – Cost of papers | D – Machine operator wages |
| B – Watcher wages  | E – Electricity charges    |
| C – Insurance      | F – Patron                 |

1. State another direct expense of the above printing shop.
2. Provide the items to be included in the calculation of production overhead cost calculation from the above.

(02 marks)

(Total 12 marks)

07. (i) Use the following receipts and payments account for the year ended 2018 to answer the following questions.

Details	Value	Details	Value
b/d	10 000	Repair expense	6 000
Subscription: 2017	2 000	Equipment expense	3 500
2018	18 000	Stationery expense	4 000
2019	3 000	Salary	15 000
Sale of old news paper	6 000	b/c/d	.....
	<b>39 000</b>		<b>39 000</b>

- Number of members of the club is 200. Subscription per member is Rs. 100.
  - Accrued salary is Rs. 5 000 and the value of stationery items not used is Rs. 500.
1. Calculate the balance of receipts and payments account.
  2. Calculate the value of subscription fees to be recorded in income and expenditure statement.
  3. Calculate the value of subscription fees to be received.
  4. Calculate the income surplus for the year 2018.

(04 marks)

(ii) Trial balance of Varsha business on 31.12.2018 is given below.

Details	Debit	Credit
Stock on 01.01.2018	20 000	
Furniture (cost)	100 000	
Delivery van (cost)	200 000	
Provision for depreciation on 01.01.2018:		
Delivery van		40 000
Furniture		10 000
12% Bank loan		60 000
Telephone charge	10 000	
Sales		210 000
Capital		200 000
Purchase	110 000	
Creditors		29 000
Debtors	40 000	
Discount received		3 000
Discount allowed	3 500	
Bank loan interest	5 000	
Carriage inwards	6 000	
Bad debt	2 000	
Electricity charge	2 500	
Administrative salary	14 000	
Advertising	5 000	
Cash balance	34 000	
	<b>552 000</b>	<b>552 000</b>

Additional information:

1. Value stock on 31.12.2018 is Rs. 35 000.
2. Furniture and delivery van should be depreciated on straight line method.
3. Accrued telephone charge on 31.12.2018 is Rs. 2 000.

**Required,**

1. Income statement for the year ended 31.12.2018 (04 marks)
  2. Statement of financial position for the year ended 31.12.2018 (04 marks)
- (Total 12 marks)*

\*\*\*\*\*