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G.C.E. O/L

Business and Accounting Studies

Monthly Education Magazine

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Special Revision Kit

- ✓ First Question Paper
- ✓ Second Question Paper
- ✓ Suggested Answer - First Paper
- ✓ Suggested Answer - Second Paper

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<p>අධ්‍යයන පොළ සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය கல்விக்கான பொது சான்றிதழ் (அட்வா, லெவல்) தேர்வு General Certificate of Education (Ord, Level) Examination</p>			
<p>වයාපාර හා ගිණුම්කරණ අධ්‍යයනය I,II Business and Accounting Studies I,II</p>			
<p>පැය තුනයි Three Hours</p>		<p>අමතර කියවීම් කාලය - මිනිත්තු (10) යි Additional Reading Time - 10 minutes</p>	
<p>Use additional reading time to go through the question paper, select the questions and decide on the questions that you give priority in answering</p>			

Business and Accounting Studies I

Note :

- * Answer **all** questions.
- * in each of the questions **1 to 40**, pick one of the alternatives (1), (2), (3), (4) which is **correct or most appropriate**.
- * **Mark a Cross (X) on the number corresponding to your choice in the answer sheet provided.**
- * Further instructions are given on the back of the answer sheet. Follow them carefully.

- Answer the questions from 1 to 4 using the following scenario.

Laksiri Brothers is a business which is selling goods to retail sellers. The business was started by three brothers in same family. Main business of Laksiri Brothers is to produce special curd that can be used as energy food for diabetic patients. Recently three brothers are considering to transform this business into business which has legal personality.

1. According to the above scenario, select the answer which includes a need and want that supply by “Laksiri Brothers” respectively.

- | | |
|-------------------|---------------------|
| 1) Food – Yoghurt | 2) Health- Food |
| 3) Yoghurt - Food | 4) Health - Yoghurt |

2. Select the most suitable business type that Laksiri Brothers belongs,

- 1) Sole proprietorship
- 2) Partnership Business
- 3) Incorporated company
- 4) Co-operative Societies

3. Select the trade type of the business

- 1) Retail Trade
- 2) Domestic Trade
- 3) Wholesale Trade
- 4) International Trade

4. Select the most suitable business type to transform this business as per brothers expectation

- | | |
|--------------------------|-------------------------|
| 1) Partnership Business | 2) State Corporation |
| 3) Co-operative Business | 4) Incorporated Company |

5. Select the answer which includes only Negative impacts from the global environment on domestic businesses

- A. Possibility to obtain quality raw materials from abroad
- B. Inflow of foreign capital
- C. Domestic skilled workers migrating to foreign countries.
- D. Instability of the existence of domestic businesses
- E. Possibility to find foreign markets for domestic goods and services

- | | |
|------------|------------|
| 1) A,B & E | 2) B,C & D |
| 3) A,C & E | 4) C & D |

6. Select the business type that can raise large amount of capital towards the organization,

- 1) Partnerships
- 2) Sole Proprietorship
- 3) Incorporate Companies
- 4) Public Quoted Companies

7. Select the correct statement/s regarding environment of a business.

- A. Providing tax incentives to the business is an opportunity
- B. High Labor rates is an opportunity to the business
- C. Political unstable of a country is a weakness to the business
- D. Good culture of the business is a strength

- | | |
|-------------|----------|
| 1) A, B & C | 2) C & D |
| 3) A,C & D | 4) A & D |

8. Following are some characteristics which can be taken from an account operate by commercial banks.

Characteristics	Facility
Receive security for cash	Yes
Receive an overdraft facility	Yes
Can process payments through debit cards	Yes
Online Payment Facility	Yes
Interest Income on Balance	No
Standing Order Facility	Yes

The type of account which shows above characteristics is;

- | | |
|---------------------|----------------------------|
| 1) Current accounts | 2) Fixed deposits accounts |
| 3) Savings accounts | 4) Term deposits accounts |

9. Namal is a businessmen who purchases cinnamon as bulk from Co-operative society in Galle and reprocessing the cinnamon up to the export quality and sale Cinnamon to America.

Identify the Namal's role in this scenario

- 1) Customer & Exporter
- 2) Importer & Retail Trader
- 3) Purchaser & Importer
- 4) Exporter & Wholesale trader

10. The most suitable definition for the external business environment is,

- 1) Business and the background of it
- 2) Environment that the business is carried out
- 3) The environment that includes factors affecting to the business when operating
- 4) The environment that includes factors that can not be controlled by the business

11. Following are some characteristics of an insurance policy

- A. Can be used as a collateral when obtaining loans from financial institutions
- B. Value of the insurance policy will be based on the value of the asset
- C. Indemnity principles does not apply to these policies
- D. Compensation will be paid only to reinstate the insured item

What are the characteristics related to the property insurance policies

- | | |
|------------------|------------------|
| 1) A, B, C & D | 2) B & D Only |
| 3) A, B & C Only | 4) A, C & D only |

12. "Dhanushka started a business to export curd to foreign markets. This curd will expire within a week from the manufactured date.

As per above scenario what is the most suitable mode of transportation to export curd?

- | | |
|---------------------------|------------------------|
| 1) Air freight | 2) Sea Freight |
| 3) Railway transportation | 4) Road transportation |

13. Following are some statements related to the insurance

Lakshan got a Comprehensive life insurance coverage from Ceylinko Insurance Corporation to cover entire his life form all kind of incidents. However, One year later Namal died from diabetics and Insurance Company rejected to pay compensation on Lakshan's death to his immediate family member

Select most appropriate reason to reject the compensation.

- 1) Even Lakshan was suffering from diabetic when he got the insurance coverage ,Namal did not disclose his diabetic condition to the insurance company.

- 2) Family Members do not have right to get Lakshan's Compensation
- 3) Making profit from Life insurance is not allowed by indemnity principal
- 4) Insurance company may do fraud activity.

14. Followings can identify as example for the elements of transportation.

Government is discussing with India to rent out Mattala **Airport (A)** Since the **fuel (B)** which is required to run the airport is not available in Sri Lanka. However Sri Lankans Airlines acquired a **new airplane (C)** to facilitate between Colombo to Dhaka. Simultaneously government built Ruwanpura **high way (D)** to reach Rathnapura within 1 hour from Colombo.

Select the correct answers for above (A),(B),(C) and (D)

- 1) Way, Medium, Power, Terminal
- 2) Medium, Way, Terminal, Power
- 3) Terminal, Power, Medium, Way
- 4) Power, Terminal, Way, Medium

15. CEO at MyEnrich.lk said that "We provide high quality learning experience to all students and our mission is to assure that our students can easily go through all exams. So all managers and staff at MyEnrich.lk should work towards the mission and according to then corporate plan."

Select the correct management function related to above statement

- | | |
|---------------|----------------|
| 1) Organizing | 2) Leading |
| 3) Planning | 4) Controlling |

16. What is the investment opportunity that provides government security on the investment?

- | | |
|-------------------|--|
| 1) Treasury Bonds | 2) Savings deposits |
| 3) Fixed deposits | 4) Purchasing ordinary shares of a company |

17. Select the most appropriate statement which describes current liability?

- 1) The liabilities that should be settled in a short period of time as within 12 months
- 2) The liability that are consisting Trade Creditors and Accrued expenses
- 3) The liability that are expected to be paid within an one month of period
- 4) The Liability that should be settled in a long period of time

18. Select the accounting error that makes suspense account

- 1) Salary paid Rs. 70,000 has been omitted from the books of accounts
- 2) Discount given Rs. 24,000 has been recorded as Rs. 42,000 in Trade Debtors account
- 3) Rent payment of Rs. 74,000 has been recorded as Rs.93,000 in both accounts
- 4) Sales invoice of Rs. 75,000 was not recorded in sales journal

19. Junior accountant in Enrich Business School recorded discount received of Rs. 23,000 as discount given in books of accounts. Select the journal entry to correct the error

		Debit	Credit
1)	Discount given A/c Trade Debtor A/c	Rs. 23,000	Rs.23,000
2)	Trade Debtor A/c Trade Creditor A/c Discount Given A/c Discount Received A/c	Rs. 23,000 Rs. 23,000	Rs. 23,000 Rs. 23,000
3)	Trade Creditor A/c Discount Received A/c	Rs. 23,000	Rs. 23,000
4)	Discount Given A/c Discount Received A/c Trade Debtor A/c Trade Creditor A/c	Rs. 23,000 Rs. 23,000	Rs. 23,000 Rs. 23,000

➤ **Answer the question 20 & 21 using the following scenario.**

Followings are some of the transactions occurred at MyEnrich.lk organization. Equity & Assets at beginning of the year are Rs. 500,000 & Rs. 700,000 respectively

Transactions

- A.** Cash Sales Rs. 300,000
- B.** Credit Sales Rs. 200,000
- C.** Cost of goods sold Rs. 340,000
- D.** Credit Purchase Rs. 300,000 (Not settled yet)
- E.** Drawings by the owner Rs. 60,000
- F.** Machines purchased Rs. 220,000

20. What is the value of liability at the end of year

- | | |
|----------------|----------------|
| 1) Rs. 300,000 | 2) Rs. 100,000 |
| 3) Rs. 250,000 | 4) Rs. 500,000 |

21. Select the correct accounting equation of the MyEnrich.lk business at the end of Year.

	Asset	=	Liability	+	Equity
1)	1,100,000	=	500,000	+	600,000
2)	1,080,000	=	500,000	+	580,000
3)	930,000	=	200,000	+	730,000
4)	930,000	=	300,000	+	630,000

22. Following are few Prime Entry Books which are used to record the transactions.

A. Sales Journal	B. General Ledger
C. Purchase Journal	D. Cash Book

Select the source document according to the above prime entry books (From A to D)

- 1) Sales Invoice, Cash Receipts, Journal Voucher , Purchase Invoice
- 2) Cash Receipts, Sales Invoice, Journal Voucher , Purchase Invoice
- 3) Sales Invoice, General Journal, Journal Voucher, Cash Book
- 4) Sales Invoice, Journal Voucher, Purchase Invoice and Cash Receipts

23. A business has taken Rs. 100,000 loan on 01.07.2023. Annual Interest rate on loan is 10%. The business paid only Rs. 3,000 as interest expenses. What is the amount to be accrued for the interest for the year ended 31.12.2023.

- | | |
|--------------|---------------|
| 1) Rs. 3,000 | 2) Rs. 6,000 |
| 3) Rs. 2,000 | 4) Rs. 10,000 |

24. Petty cash imprest of a business is Rs. 5,000. Durrng the month of January petty cahier spent Rs. 4,500 for petty cash expenses. If the business decided to increase petty cash imprest up to Rs. 7,000 from February onwards what is the amount received by petty cahier as reimbursement of the petty cash imprest

- | | | | |
|--------------|--------------|--------------|--------------|
| 1) Rs. 5,000 | 2) Rs. 6,500 | 3) Rs. 6,000 | 4) Rs. 4,500 |
|--------------|--------------|--------------|--------------|

25. Stationery expenses of a business for the financial year 2022 are Rs. 100,000. Rs. 40,000 out of Rs. 100,000 has been paid. Select the correct journal entry to record this transaction.

- | | | | |
|-----|--|---------|---------|
| 01) | Stationery Expense Ac - Debit | 100,000 | |
| | Cash/Bank Ac - Credit | | 40,000 |
| | Stationery Expense payable Ac - Credit | | 60,000 |
| | | | |
| 02) | Stationery Expense Ac - Debit | 60,000 | |
| | Cash/Bank Ac – Credit | | 60,000 |
| | | | |
| 03) | Stationery Expense Ac - Debit | 60,000 | |
| | Stationery Expense payable Ac - Credit | | 60,000 |
| | | | |
| 04) | Stationery Expense Ac - Debit | 40,000 | |
| | Cash/Bank Ac - Debit | 60,000 | |
| | Stationery Expense payable Ac - Credit | | 100,000 |

➤ **Answer the question 26 & 27 using the following scenario.**

Supun has been granted bank overdraft facility of Rs. 100,000 by the bank. The bank paid Vehicle lease payment of Rs. 60,000 as a standing order & two Cheques worth of Rs. 43,000 are not presented for payment yet. Further bank has charged Rs. 4,000 as cheque book charge for the month. Favorable balance of cash book is Rs. 15,000 before recording the standing order & bank charge.

26. Value of the bank overdraft which has been utilized by Supun is,

- | | |
|---------------|----------------|
| 1) Rs. 6,000 | 2) Rs. 100,000 |
| 3) Rs. 49,000 | 4) Rs. 15,000 |

27. Balance as per the adjusted cash book is,

- | | |
|-----------------|-----------------|
| 1) (Rs. 49,000) | 2) (Rs. 64,000) |
| 3) Rs. 15,000 | 4) Rs. 3,000 |

28. The source documents which are used to record credit purchase and purchase return are respectively

- | | |
|-----------------------------------|-----------------------------------|
| 1) Purchase Invoice & Credit Note | 2) Purchase Invoice & Debit Note |
| 3) Sale Invoice & Credit Note | 4) Credit Note & Purchase Invoice |

➤ **Answer the question 29 & 30 using the following scenario.**

Dhanushka started a Sweet Cake business and following information are given for the month of Dec 2023.

Sugar	Rs. 500,000
Flour	Rs. 200,000
Other Direct Ingredients	Rs. 400,000
Factory rent per month	Rs. 60,000
Machines Depreciation per month	Rs. 30,000
Promotion cost	Rs. 60,000
Factory Manager Salary	Rs. 80,000

500 Kg of cakes were produced during month of Dec 2023.

29. Prime cost for the month of Dec 2023 is,

- | | |
|------------------|------------------|
| 1) Rs. 1,100,000 | 2) Rs. 700,000 |
| 3) Rs. 900,000 | 4) Rs. 1,220,000 |

30. Production cost of the 1 Kg cake is,

- | | |
|--------------|--------------|
| 1) Rs. 2,540 | 2) Rs. 1,200 |
| 3) Rs. 3,540 | 4) Rs. 3,100 |

31. Nimal Stores acquired a motor vehicle worth of Rs. 500,000 on 01.07.2023. Useful life time of the asset is 4 years. Depreciation expenses of the asset under strait line depreciation method for the financial year ended 31st December 2023 is?

- | | |
|----------------|----------------|
| 1) Rs. 125,000 | 2) Rs. 100,000 |
| 3) Rs. 62,500 | 4) Rs. 500,000 |

32. General journal & Cash receipt are respectively;

- | | |
|---------------------------------------|-------------------------------------|
| 1) Source document & prime entry book | 2) Ledger account & Source document |
| 3) Prime entry book & Source document | 4) Sales account & Ledger account |

33. Junior accountant of a small business debited Rs. 30,000 motor vehicle maintenance expenses to motor vehicle account. Based on the incorrect amount of Motor vehicle account, junior accountant calculated & recorded depreciation expenses at a rate of 10% under straight-line depreciation method.

Select the journal entry to correct the error.

01)	Motor vehicle maintenance Expense Ac - Debit	30,000	
	Accumulated Depreciation Ac- Debit	3,000	
	Motor Vehicle Ac – Credit		30,000
	MV Depreciation Expense Ac – Credit		3,000
02)	Motor vehicle maintenance Expense Ac - Debit	30,000	
	Motor Vehicle Ac – Credit		30,000
03)	MV Accumulated Depreciation Ac- Debit	3,000	
	MV Depreciation Expense Ac – Credit		3,000
04)	Motor vehicle maintenance Expense Ac - Debit	3,000	
	Accumulated Depreciation Ac- Debit	30,000	
	Motor Vehicle Ac – Credit		3,000
	MV Depreciation Expense Ac – Credit		30,000

- Answer question no.34 and 35 using following information.

Following information are relevant to CA Sri Lanka Members welfare society in year 2023.

- Number of members as at 01st January 2023 is 100
- 10 new members got the membership on 01st Sep 2023.
- 20 members have not paid subscription fees for two months in the year 2023
- Monthly membership fee is Rs. 100
- Financial year start from 01st January 2023 to 31st December 2023.

34. Total membership fee received in cash for year 2023 is,

- | | |
|----------------|----------------|
| 1) Rs. 120,000 | 2) Rs. 132,000 |
| 3) Rs. 126,000 | 4) Rs. 100,000 |

35. The annual membership income for the year ended 31st December 2023 is

- | | |
|----------------|----------------|
| 1) Rs. 126,000 | 2) Rs. 156,000 |
| 3) Rs. 120,000 | 4) Rs. 124,000 |

- **Answer question no.36 to 40 using following information.**

Following are few balances extracted from the trail balance of Enrich Business School as at 31st December 2023

	Rs.
Property, Plant & Equipment – Cost	300,000
Accumulated depreciation -PPE	40,000
Sales	600,000
Purchase	250,000
Stocks as at 01.01.2023	30,000
Electricity expenses	15,000
Salary	35,000
Discount received	3,000
Stationery expenses	26,000
Insurance charges	14,000
Bank overdraft	23,000
Promotional expenses	10,000
Discount given	4,000
Rent expenses	45,000
Trade Debtors	65,000
Trade Creditors	42,000

Additional Information

- Cost of Stocks as at 31st December 2023 is Rs. 40,000
- Property, Plant & equipment should be depreciated at a rate of 20% on cost annually under strait line method
- Rs 15,000 of debtors should be written off as bad debts.

36. The gross profit of the business for the year ended 31.12.2021 is;

- | | |
|----------------|----------------|
| 1) Rs. 300,000 | 2) Rs. 360,000 |
| 3) Rs. 120,000 | 4) Rs. 280,000 |

37. Current liability & current asset of the business as at 31.12.2021 is respectively,

- | | |
|-----------------------------|-----------------------------|
| 1) Rs. 65,000 & Rs. 90,000 | 2) Rs. 42,000 & Rs. 105,000 |
| 3) Rs. 65,000 & Rs. 105,000 | 4) Rs. 23,000 & Rs. 90,000 |

38. Total asset of the business as at 31.12.2021 is,

- | | |
|----------------|----------------|
| 1) Rs. 290,000 | 2) Rs. 305,000 |
| 3) Rs. 390,000 | 4) Rs. 180,000 |

39. The net profit of this business for the year ended 31.12.2021 is,

- | | |
|------------------|----------------|
| 1) Rs. 79,000 | 2) Rs. 139,000 |
| 3) (Rs. 101,000) | 4) Rs. 136,000 |

40. Total owners' equity of the business as at 31.12.2021 are respectively,

- | | |
|----------------|----------------|
| 1) Rs. 86,000 | 2) Rs. 228,000 |
| 3) Rs. 225,000 | 4) Rs. 265,000 |

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Business and Accounting Studies	I,II

* Including question **No. 1** answer **five** questions selecting **two** questions from each of the parts **I** and **II**.

* Write your answers in neat handwriting.

Supun, a graduate from South Eastern University of Sri Lanka, started a business as 'Super tea (Pvt) Ltd' with his friend Mr. Damitha to provide fresh tea experience for both domestic & international market in 2021. His father had owned 50 acres of tea estate in upcountry & that estate was transferred to Namal as a gift. In the estate New tea factory was built by Hathurusinghe constructions in year 2023.

	Rs.
Debtors	300,000
Accrued Salary	20,000
Cost of stocks as at 31 st December 2023	60,000
Carrying Value - Equipment & Building	600,000
Lands	1,000,000
Equity	?
Bank Loan – Bank of Ceylon – 10%	500,000
Cash & Bank Balance	150,000

Sales on credit	300,000
Purchase in cash	300,000
Sales in cash	500,000
Paid Salary	80,000
Paid insurance fee	40,000
Bad debt expenses	20,000
Paid Electricity	30,000

- Opening stock as at 01.01.2023 is Rs.10,000
- Trade receivable as at 01st January 2023 is Rs. 20,000
- Property, plant & equipment except land should be depreciated at a rate of 10% on cost annually.

Tea leaf harvest decreased rapidly due to the import banned on chemical fertilizer imposed by government in 2023. Factory manager & few staff members resigned from their jobs due to salary issue. Namal discussed with Bank of Ceylon (BOC) to take long term credit facility to cover working capital requirement of the factory. BOC approved 10% per annum, Rs. 500,000 credit facilities to Namal on 01.10.2023.

A new customized machine worth of Rs. 200,000 was imported from India on 01.01.2023 in order to reduce the production cost.

- I. (a)** What is the type of business organization “Super Tea (Pvt) Ltd” is belongs to ?
(b) State two advantages & disadvantages of the business organization type mentioned in (a) ?

- II. (a)** Name the two production factors of Super tea (Pvt) Ltd with the examples from the case
(b) State the two strengths & threats to the business

- III.(a) “Provide fresh tea experience”** What is the variable of marketing mix related to the above case?
(b) Name two internal environmental factors and two external environmental factors which are relevant to the above business.

- IV.(a)** Write an example each for the management functions of planning and organizing relevant to this business,
(b) Write two supporting services used by Super Tea (Pvt) Ltd business and two examples from the case to justify the use of each supporting service extracted. (To provide the answers use a table similar to one given below)

Supporting Service	Example
1.	
2.	

- V.** Calculate the Equity of the business as at 31.12.2023

- VI.** Write two prime entry books & relevant source documents that have been used to record transactions of the business

- VII.** Write double entries to record below transactions for the year ended 31st December 2023 in the business

- (a)** Depreciation expense of property, plant & equipment
(b) Bank loan interest expenses

- VIII.** How much is the value of below item as at 31st December 2023?

- (a)** Net value of non-current asset
(b) Current liability

- IX. (a)** Calculate the gross profit for the year ended 31st December 2023
(b) Calculate the net profit for the year ended 31st December 2023

- X.** Calculate the cash received from the debtors during the financial year 2023

(2 x 10 =20 Marks)

Part I – Business Studies
(Answer two questions only)

2. I. Write two characteristics of the incorporated companies

(2 Marks)

II. State whether following statements are **True** or **False**

- a) Needs can be created by the business
- b) Owners & Managers are belonging to internal environment of a business organization
- c) According to the production factor , Water resource can be considered as Capital
- d) Companies Act No. 07 of 2007 has limited maximum number of partners in a partnership

(2 Marks)

III. Namal started an online tutoring institute for grade 11 students. Currently five teachers are conducting classes through the Zoom technology. Total number of students registered with the institutes is 720. Recently Namal acquired a new building which can be used as institute's studio

- a) Write two stakeholders of the business as per above case
- b) Write two production factors with examples from above case

(2 Marks)

IV. Dhanushka is the owner of Nescafe hut in Ampara. Currently five employees are working under supervision of Ashan. Now he is looking to expand his Nescafe hut business in Polonnaruwa area also. He has over 10 years' experience in beverage industry.

As well recent newspaper article disclosed that Nescafe is not good for human health & it increase sugar level in human body.

- a) Write one strength & one threat to the Nescafe Hut
- b) State the two substitute for Nescafe drink

(2 Marks)

(Total 08 Marks)

3. I. (a) State two characteristics of retail sales.

(b) Write two differences between retail sales & whole sales.

(2 Marks)

II. State whether following statements are **True** or **False**

- a) Current accounts can be opened only at commercial bank.
- b) Selling a product to a foreign country can be called as import.
- c) A bank has insurable interest over the life of debtor up to the value of the loan.
- d) Chairmen of a business addressing the creditors can be considered as internal communication

(2 Marks)

III. Namal received a cheque from Sri Lanka port authority (SLPA). On face of the cheque, SLPA mentioned "**Not negotiable**" phrase in two parallel lines. Even though Namal was trying to realize this cheque through bank counter of Peoples' Bank – Colombo, However bank clerk informed Mr. Namal that this cheque can't be converted into cash through bank counter.

- a) Mention the reason that why the cheque cant be converted into cash through bank counter?
- b) Explain the general crossing & special crossing with the examples

(2 Marks)

IV. Ashan is conducting a curd selling business for the domestic and international market by purchasing raw curd from Kanthale & Polonnaruwa area. Packaging & adding flavors to the curd are done in factory located in Ja-ela. Ashan is communicating with his foreign buyers weekly to get the update about the taste of curd

- a) Recommend most appropriate transport method for selling curd to international market & deliver raw curd from Kanthale area to Ja-ela & justify the your answer
- b) Recommend two appropriate communication methods to address the foreign buyers & justify the your answer

(2 Marks)

(Total 08 Marks)

4. I. (a) Briefly explain the meaning of planning part of the management process

(b) Defined the meaning of effectiveness

(2 Marks)

II. State whether following statements are **True** or **False**

- a) Producing special chocolate for lovers can be considered as target market.
- b) Price of the product is only variable that generates revenue to the business
- c) General public can purchase company shares through Colombo stock exchange
- d) Receiving annual dividend is a benefit of investing in treasury bonds

(2 Marks)

III. Ashani received Rs. 5,000,000 as a dowry from her parents. Now she is considering suitable investment opportunity to invest this money. She does not require high return & risk of the investment should be very low. She is expecting to invest the money over 5 years.

- a) Recommend suitable investment method to Ashani & justify the your answer
- b) State the four benefits by investing money to purchase a Land

(2 Marks)

IV. A Tea manufacturing business sells their tea by using so attractive packing with maintaining high quality of products for hotels and other supermarkets in Colombo & Kandy area. Price per tea bag is Rs. 2,000. Recently Management decided to distribute tea packets only through the authorized agents in these two areas. Commercial advertisements about the product are published in “Daily News” newspaper.

- a) Identify the four variables of marketing mix as per the above case
- b) Provide an example from the case for Organizing aspect of the management process

(2 Marks)

(Total 08 Marks)

Part II – Business Studies

(Answer two questions only)

5. I. (a) State the objective of accounting?

(b) Defined the current assets and Provide two examples

(02 Marks)

II. Write double entries for following transactions (Narrations are not required)

- (a) Purchasing Rs. 45,000 worth of raw material from Ashan on credit basis.
- (b) Settling Rs. 50,000 worth of creditor by paying only Rs. 45,000. Balance should be considered as discount received.

(02 Marks)

III. Following are few transactions occurred in Sahan Business during the financial year 2023

- 1. Credit Sales for the period is Rs. 100,000. Cost of the good sold is Rs. 40,000
- 2. Receiving Rs. 20,000 cash from a debtor to settle Rs. 25,000 receivable amount
- 3. Goods drawings by the Sahan during the year is Rs. 34,000
- 4. Total Salary expense for the year is Rs. 50,000. Out of that Rs. 25,000 has been already paid.

Required

- (a) Indicate how each of the above transactions influenced (Use below format to answer the question & please write decrease within brackets)

Trans: No	Asset			=	Liability	+	Equity
	Cash	Trade Receivables	Stocks				

- (b) How much is the net profit for the year 2023?

(04 Marks)

IV. Monthly petty cash imprest of Sahan business is Rs. 5,000. Following transactions occurred during the month of December 2023

Voucher Number	Date	Description	Amount (Rs)
0023	02.12.2023	Travelling expenses	400
0024	04.12.2023	Stationaries bought	230
0025	04.12.2023	Refreshment Expenses for guest	120
0026	06.12.2023	Cleaning Expenses	1,300
0027	09.12.2023	Bus fare	230
0028	15.12.2023	Entertainment expenses	423
0029	23.12.2023	Trishaw charges	1,290
0030	29.12.2023	For Soft Drinks	1,000

Required

- a) Prepare a petty cash book that is based on the imprest system by limiting to four analysis columns (Travelling , Stationeries ,Refreshment & Other)
- b) Balancing the petty cash book as at 31st December 2023 & post total amount of analysis column to the ledger

(04 Marks)

(Total 12 Marks)

6. I. (a) Describe the Sales Journal & state the source document relevant to sales journal?

- (b) Write two accounting elements included in the Statement of profit & Loss

(02 Marks)

II. Following errors have been occurred in Perera Business in year ended 2023. Draft net profit before correcting below errors was Rs. 94,000

1. Rs. 30,000 worth of Sales invoice has been recorded as purchase invoice
2. Rs. 5,000 Discount received has been credited to the discount given account
3. No records has been kept regarding the Rs. 10,000 worth of goods drawing by the owner
4. Building maintenance cost of Rs. 5,000 has been debited to the Building account

Required

- (a) Write down the journal entries to correct the above errors (Narrations are not required)
- (b) Correct net profit for the period after correcting the errors

(04 Marks)

III. ACCA business has an unfavorable bank account balance of Rs. 20,000 at the end of the month of December 2023. However, the bank statement has a different balance. Following reasons are identified for this difference.

Following cheques have been issued during the month, but they have not yet been presented to the bank for payment as of 31.12.2023

- Cheque No. 134 - Rs. 43,300
- Cheque No. 345 - Rs. 10,500
- Cheque No. 678 – Rs. 20,000

The following cheques have been deposited but not yet have been realized as at 31.12.2023

- Cheque No. 234 - Rs. 14,400
- Cheque No. 3245 - Rs. 23,100
- Cheque No. 300 – Rs. 45,000

The following items those appeared in the bank statement have not been entered in the bank account

- The Loan repayment paid by the bank as a standing order of Rs. 30,000.
- Dividend received to the bank is Rs. 20,000.
- Cheque book charge deducted by the bank is Rs. 5,000.

Required

- a) Adjust the bank account.
- b) Prepare a bank reconciliation statement as at 31.12.2023 by using the adjusted bank account balance.

(04 Marks)

IV. Namal started a business to produce Plastic flower plot in Polonnaruwa. Following are the information related to the business for the year ended 31.12.2023

Description	Amount
Raw Plastic material	40,000
Direct Labor	20,000
Factory Rent	10,000
Painting cost of flower plot	5,000
Electricity Charge	3,000
Purchased a Flower Plot Designing Machine	100,000

Additional Information

- Raw plastic material stock as at 31.12.2023 is Rs. 10,000.
- The machine should be depreciated annually at 20% on straight line method.

Required

- a) Preparing the statement of production cost for the year ended 31.12.2023

(02 Marks)

(Total 12 Marks)

7. I. (a) What is the meaning of depreciation?

- (b) What are the factors should be considered in deciding the amount of depreciation per annum of an asset

(02 Marks)

II. “Super Star Sports Club” has 100 members as at 31.12.2023 Following transactions occurred during financial year 2023. Annual membership fee is Rs. 1,000 per member.

	Rs.
Purchases of stationery	10,000
Received subscriptions/Membership Fee	80,000
Paid Postal Fee	3,000
Paid Electricity Expenses	5,000
Paid Building rent Expenses	20,000
Sales of Magazine	10,000

Additional Information

1. 20 members had not paid membership fee for year 2023
2. Accrued Electricity & Building rent are Rs. 10,000 & Rs. 15,000 respectively.

Required

- a) Prepare income statement of “Super Star Sports Club” for the year ended 31st December 2023

(02 Marks)

III. Trail Balance of **Enrich Business School** is given below

Description	Debit	Credit
Land	1,000,000	
Building	600,000	
Machinery & Equipment	500,000	
Accumulated Depreciation- Building		200,000
- Machinery & Equipment		100,000
Sales		1,200,000
Purchases	300,000	
Stocks as at 01.01.2023	20,000	
Capital		1,370,000
Trade Receivable	40,000	
Bad Debts	25,000	
Trade Creditors		78,000
Discount Received		10,000
Discount Given	12,000	
Promotion Expenses	45,000	
Other Distribution Cost	30,000	
Stationery Expenses	43,000	

Telephone Cost	20,000	
Bank Loan – 10%		100,000
Interest Cost	8,000	
Fixed Deposit – 20%	300,000	
Cash & Bank	35,000	
Drawings	30,000	
	3,058,000	3,058,000

Additional Information

1. Property, plant & equipment except Land should be depreciated annually at 10% on straight line method
2. Stocks as at 31st December 2022 is Rs. 20,000
3. Owner has taken Rs. 15,000 worth of goods as drawings

Required

- a) The Statement of profit & Loss for the year ended 31.12.2023
- b) The statement of financial position as at 31.12.2023

(08 Marks)

(Total 12 Marks)

Suggested Answers – I paper

1)	1	2)	2	3)	3	4)	4
5)	4	6)	4	7)	3	8)	1
9)	1	10)	4	11)	2	12)	1
13)	1	14)	3	15)	2	16)	1
17)	1	18)	2	19)	4	20)	4
21)	1	22)	4	23)	3	24)	2
25)	1	26)	3	27)	1	28)	1
29)	1	30)	1	31)	1	32)	3
33)	1	34)	1	35)	4	36)	2
37)	1	38)	1	39)	2	40)	3

Suggested Answers – II paper

01.

I. (a) Incorporated companies

(b)

Advantage	Disadvantage
Limited liability	Greater level of legal provisions
Managed by a Board of Directors	Profits and ownership are shared

II. (a)

Production Factor	Example
Land	50 acres of tea estate
Capital	New tea factory
Entrepreneurship	Namal started a business

(b)

Strength	Threat
Recently built new tea factory	Import banned on chemical fertilizer
50 acres of Tea estate	Climate Change in upcountry
Knowledgeable owners	Increase cost of labor's rate

III. (a) Product

(b)

Internal Environment Factors	External Environment Factors
Owners – Mr. Namal	Government
Factory Manager	Bank of Ceylon
Employees	Samarasinghe constructions

IV. (a)

Management Function	Example
Planning	Providing fresh tea experience for both domestic & international market
Organizing	Taking long term credit facility to cover working capital requirement of the factory Purchasing a new customized machine

(b)

Supporting Service	Example
Banking Service	Bank of Ceylon
Insurance services	Paying insurance fee to an insurance company

V. Rs. 1,590,000.00

VI.

Prime Entry Book	Source Document
Sales Journal	Sales Invoice
Cash Book	Cash receipts
General Journal	Journal Voucher

VII.

(a) Depreciation Expenses - Equipment & Building	Dr 60,000	
Accumulated depreciation - Equipment & Building		Cr 60,000
(b) Interest Expenses – Bank Loan -10%	Dr 12,500	
Accrued Interest Expense		Cr 12,500

VIII. (a) Rs. 1,540,000

(b) Rs. 32,500 (Rs. 20,000 + Rs. 12,500)

IX. (a) Gross Profit – Rs. 550,000

(b) Net Profit – Rs. 287,500

X. Rs. 240,000

Part I – Business Studies
(Answer two questions only)

02.

- I. (a) 1. Limited liability
2. Managed by a Board of Directors

II.

- (a) False
(b) True
(c) False
(d) True

III. (a)

- Students
- Teachers

(b)

Production Factor	Example
Capital	Zoon Technology
Labour	Teachers

IV. (a)

Strength	Threat
Ashan has 10 years' experience in beverage industry	News Paper article about the bad impact of Nescafe

(b) Soft Drinks – Coca Cola

Drinking Water

03.

I. (a)

1. Selling goods and services for final consumption
2. Supplying required goods in required quantities at the required time to consumers
3. Close proximity to consumers
4. Providing a variety of goods

(b)

Retail Sale	Wholesale
The objective of retail trade is to sell goods for final consumption.	The objective of wholesale trade is to sell goods for the purpose of reselling.
Retailers sell different types of goods by understating consumer needs and wants.	Sells only one or limited types of goods.

II.

- (a) True
- (b) False
- (c) True
- (d) False

III. (a) Crossed cheque can be converted into cash only through the bank account. Its not allowed to convert into cash through bank counter

(b)

General Crossing	Special Crossing
A general crossing is a drawing two parallel lines on the face of a cheque with or without including a condition inside Example – “Not Negotiable” / “Accounts Payee Only”	A special crossing is a crossing mentioning a name of a bank written on the face of a cheque inside two parallel lines or without parallel lines. Example – “Bank Of Ceylon”

IV. (a)

Selling cured to international market	Deliver raw curd from Kanthale area to Ja-ela
Air freight Curd don't have long life time & it get expire within very short time period. So Air freight is suitable to reach foreign customer.	Road Transport Road transport does not get long time to reach Ja-ela & its cost effective.

(b) Email/ Telephone Conversation / Skype

All the electronic communications method can reach foreign customers within a second under very low cost.

04. I. (a) Planning is the process of determining the objectives of a business and determining the activities to achieve these objectives.

(b) Effectiveness means using resources to achieve the expected objectives and efficiency means using resources to obtain the maximum output from minimum resources.

II.

(a) True

(b) True

(c) True

(d) False

III. (a) Investing in treasury bond is the suitable investment opportunity for Ashani. Since it is risk free investment & can be invested for 5 years.

(b)

1. Ability to utilize properties by being an owner of properties
2. Ability to earn an income by renting, by leasing or by mortgaging properties
3. Ability to sell properties and obtain cash, if money is required
4. Ability to earn capital gains by selling the properties at a higher price than the purchased price

IV. (a)

Variable Name	Marketing Variable
Product	Tea Bag
Price	Rs. 2,000
Place	Authorized Agents
Promotion	Commercial Advertisement on "Daily news" News Paper

(b) "Recently Management decided to distribute tea packets only through the authorized agents in these two areas"

Part II – Accounting
(Answer two questions only)

05. I. (a) Objective of the accounting is to provide information required by the interested parties of a business for their decision making.

(b) The assets that are expected to be used, sold or converted into cash in a short time period as 12 months in the ordinary activities of a business are classified as current assets.

Examples – Trade Receivables , Stocks , Cash

II.

- (a) Purchase Account Dr 45,000
Trade Creditor Account Cr 45,000
- (b) Trade Creditor account Dr 50,000
Discount Received account Cr 5,000
Cash account Cr 45,000

III. (a)

Trans: No	Asset			=	Liability	+	Equity
	Cash	Trade Receivables	Stocks				
1		100,000	(40,000)				60,000
2	20,000	(25,000)					(5,000)
3			(34,000)				(34,000)
4	(25,000)				25,000		(50,000)
	(5,000)	75,000	(74,000)	=	25,000		(29,000)

(b) Rs. 5,000

IV. (a) / (b)

Receipts	Date	Description	V.N	Payments	Analysis Columns			
					Travelling	Refreshment	Stationery	Other
5,000	01.12.21							
	02.12.21	Travelling	0023	400	400			
	04.12.21	Stationery	0024	230			230	
	04.12.21	Refreshment	0025	120		120		
	06.12.21	Cleaning	0026	1,300				1,300
	09.12.21	Bus Fare	0027	230	230			
	15.12.21	Entertainment	0028	423		423		
	23.12.21	Trishaw	0029	1,290	1,290			
	29.12.21	Soft Drinks	0030	1,000		1,000		
				4,993	1,920	1,543	230	1,300
	31.12.21	Balance c/d		7				
5,000				5,000				
7		Balance b/f						

06. I. (a) Sales journal can be defined as primary book which is recorded credit sale of a business

Source Document - Sales Invoice

(b)

- Income
- Expense

II. (a)

- (1) Trade Receivable A/c Dr 30,000
Trade Creditor A/c Dr 30,000
Sales A/c Cr 30,000
Purchase A/c Cr 30,000

- (2) Discount Given A/c Dr 5,000
 Discount Received A/c Cr 5,000
- (3) Drawings/ Equity A/c Dr 10,000
 Cost of Sale A/c Cr 10,000
- (4) Building Maintenance cost A/c Dr 5,000
 Building A/c Cr 5,000
- (b) Correct Net Profit – Rs. 159,000

III. (a)

Debit		Bank Account (Adjusted)		Credit	
Date	Description	Value	Date	Description	Value
	Dividend Received	20,000		Balance b/f	20,000
				Loan Repayment	30,000
				Cheque Book Charge	5,000
	Balance C/f	35,000			
		55,000			55,000
				Balance B/f	35,000

(b)

Bank reconciliation statement for the month of December 2023

Adjusted bank balance		(35,000)
Add- cheque not presented to the bank		
Cheque No. 134	43,300	
Cheque No. 345	10,500	
Cheque No. 678	20,000	73,800
Less - Unrealised cheque		
Cheque No. 234	14,400	
Cheque No. 3245	23,100	
Cheque No. 300	45,000	(82,500)
Bank balance as per the bank statement as at 31.12.2023		(43,700)

IV.

Production cost statement

Plastic material	40,000	
stock as at 31.12.2023	(10,000)	
	30,000	
Direct Labor	20,000	
Total Prime Cost		50,000
Factory Rent	10,000	
Painting cost of flower plot	5,000	
Electricity Charge	3,000	
Depreciation cost	20,000	
Total Production Overhead Cost		38,000
Total Production Cost		88,000

07. I. (a) The amount of asset depletion during its economic useful life or due to asset being outdated is known as depreciation.

(b) Cost of the asset / Estimated use of life of the asset / Scrap value of the asset

II.

“Super Star Sports Club”
Income Statement
For the year ended 31.12.2023

Income		
Membership Fee	100,000	
Sales of Magazine	10,000	110,000
Expense		
Stationery	10,000	
Postal Fee	3,000	
Electricity	15,000	
Building Rent	35,000	(63,000)
Surplus		47,000

III. (a) / (b)

Enrich Business School
Profit or Loss Statement
For the year ended 31.12.2023

Sales			1,200,000
Less – Cost of Sales			
Stock as at 01.01.2023	20,000		
Purchases	300,000		
Cost of goods presented for sales		320,000	
Less : Goods Drawings		(15,000)	
Less : Stock as at 31.12.2023		(20,000)	(285,000)
Gross Profit			915,000
Discount Received			10,000
Interest Income			60,000
Distribution Expenses			
Discount Given	12,000		
Promotional Expenses	45,000		
Bad Debts	25,000		
Other Distribution Cost	30,000	112,000	
Administration Expenses			
Building Depreciation	60,000		
Machinery Equipment Depreciation	50,000		
Telephone Cost	20,000		
Stationery Expenses	43,000	173,000	
Financial expenses			
Interest Expenses	10,000	10,000	(295,000)
Net Profit			690,000

Enrich Business School
Statement of Financial Position
as at 31.12.2023

	Cost	Acc: Dep	Net Book Value
Non-current assets			
Land	1,000,000	-	1,000,000
Building	600,000	260,000	340,000
Machinery Equipment	500,000	150,000	350,000
			1,690,000
Fixed Deposit			300,000
Current assets			
Closing Stock		20,000	
Receivable Interest Income		60,000	
Trade Receivables		40,000	
Cash at Bank		35,000	155,000
			2,145,000
Total Assets			
Capital as at 01.01.2023		1,320,000	
Add: Net Profit		690,000	
Less: Drawings		(45,000)	1,965,000
Noncurrent liabilities			
Bank Loan – 10%		100,000	100,000
Current liabilities			
Trade Creditors		78,000	
Payable Bank loan interest		2,000	80,000
			2,145,000
Equity and liabilities			

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