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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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අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාගය
 கல்விக்கான பொது சான்றிதழ் (அட்வா, லெவல்) தேர்வு
 General Certificate of Education (Ord, Level) Examination

වයසාර හා ගිණුම්කරණ අධ්‍යයනය I,II
 Business and Accounting Studies I,II

පැය තුනයි
 Three Hours

අමතර කියවීම් කාලය - මිනිත්තු (10) යි
 Additional Reading Time - 10 minutes

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 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.

Kurunegala Co-operative society provides range of goods and services to the market. Co-operative kidney hospital situated in heart of the town was the recently added facility to the co-operative society. Around 200 patients get treatments daily from the hospital. In the town there is no any other private hospital other than Kurunegala base hospital governed by the government. The Hospital hired doctors on daily basis and hospital has twenty permanent nurses to assist for the patients. The hospital was registered under Health ministry and there is an annual review conducted by health ministry.

1. Select the correct statement about the Co-operative societies,
 - 1) Shares of the co-operative societies can be purchase through share market
 - 2) Ownership of the co-operative society is belongs to the government
 - 3) It aims to achieve common needs of a group of individuals
 - 4) Its required to be registered under Act No. 07 of 2007
2. Select the correct answer which consists customers, service suppliers and employees of the co-operative society hospital respectively,

1) Patients, doctors and nurses	2) Doctors, Nurses and Patients
3) Health Ministry, Patients and Nurses	4) Nurses, Health Ministry, Doctors
3. Select the correct answer consist needs & wants provided by co-operative hospital respectively?

1) Health & Kidney Diseases	2) Health & Patients
3) Kidney Diseases & Health	4) Kidney Diseases & Doctors

4. Select the characteristics which is not belongs to the Co-operative societies

- 1) Profit of the partnership can be shared with members
- 2) The business is not a profit purpose organization
- 3) A cooperative society can be started with at least ten members.
- 4) Cooperative societies are required to be registered under the Cooperative Societies Act No. 05 of 1972

5) Following are few characteristics related business organization

- A. Limited liability
- B. Required to be registered under the Act No. 05 of 1972
- C. Ability to register with limited liability
- D. Not mandatory to register
- E. Separate legal identity
- F. Privacy of the business information is secured

Select the correct answer which includes characteristics related to the incorporated companies

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

6) Following are some few impacts from global environment

- A. Possibility to obtain latest technology
- B. Domestic skilled workers migrating to foreign countries.
- C. Negative changes on the local culture.
- D. Possibility to find foreign markets for domestic goods and services
- E. Possibility to obtain efficient machines

Select the correct answer which consist only positive impact from global environment

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

7) Amal is a trader who purchase bulk goods from Mohamad Enterprises in Pettah and selling those goods to small shops in medirigiriya. Nethumina stores is a one of store which purchase goods from Amal.

Identify Wholesaler & Retail seller respectively in this scenario

- 1) Nethumina Stores and Amal
- 2) Namal and Mohamad Enterprises
- 3) Nethumina Stores and Mohamad Enterprises
- 4) Namal and Nethumina Stores

8) Following are few statements related to the international trade.

- A. Buying ready-made garments manufactured in Sri Lanka by foreign countries is an example for export trade of Sri Lanka.

- B. Buying required milk powder, fuel etc. for our country from foreign countries is an example for import trade.
- C. Export trade is always connecting two countries

What are the correct statements ?

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

9) Following are some statements related to the insurance

Anura is a pensioner and recently he got life insurance coverage from reputed insurance company to cover his life. However he did not disclosed that he has kidney disease when he took the insurance coverage. After few months later Sunimal passed away from kidney diseases and Insurance Company refused to pay compensations.

Identify the reason that why Insurance Company refused to pay compensation.

- 1) Sunimal breached the Utmost good faith principal
- 2) Insurance company is a bad one
- 3) Insurance company breached the Utmost good faith principal
- 4) Sunimal breached the Indemnity principal

10) Following are few advantages which can be taken from bank account

- A. Ability to make payments via cheques
- B. Ability to receive interest income on the deposit money
- C. Ability to obtain bank overdraft facilities
- D. To activate standing orders
- E. Receiving a monthly bank statement

Select the correct answer which includes advantages that can be taken from savings account

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

11) Following are few examples for communication medium that can be used by an organization.

Select the correct answer which is included only verbal communication mediums

- 1) Meetings, Notice boards, Digital display boards and Telecasting medium
- 2) Workshops, Letters, Road signals and Conferences
- 3) Telephone conversations, Discussions, Meetings and Conferences
- 4) Telephone conversations, E-mail, Meetings and Conferences

12) Following are few business transport requirements to deliver their goods. Select the answer which consist most appropriate ways of transportation as per the business requirement (A – D)

- A. Export cement to India
- B. Deliver 2,000 onion from Jaffna to Colombo

- C. Import essential 2,000 COVID dose from Japan
D. Deliver 200 Million liters of petrol from Colombo to Polonnaruwa

- 1) Air freight, Sea Freight, Sea freight and Railways
- 2) Sea Freight, Road Ways, Air Freight and Railways
- 3) Air freight, Sea Freight, Railways and Sea freight
- 4) Sea Freight, Sea Freight, Air Freight and Railways

13) CEO of Enrich Business School said that “Students are our strength, we assist them to be success in their lives. Its our vision. In order to achieve our vision all branch managers should ensure that their students are provided required resources, quality education.

Select the correct management function related to above statement

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

14) Dimuthu who produces **Hand-made items** for foreign tourist near ancient town - Polonnaruwa. He distributed hand-made items to other cities also like Anuradhapura, Kandy & price of an item started from is **Rs. 2,000**. As a practice he provides one **shell item at free of charge** if tourist person buys three items at once. According to the above case select the answer which includes the bold items under the proper variable in marketing mix respectively,

- | | |
|------------------------------|-------------------------------|
| 1) Product, Price, Promotion | 2) Product, Promotion , Price |
| 3) Product, Place, Price | 4) Product, Promotion, Place |

15) Following are some characteristics of an investment opportunity

- Ability to earn an interest income
- Ability to convert into cash at any time
- Ability to use debit card

State the investment opportunity according to the above characteristics

- | | |
|--------------------|-------------------|
| 1) Treasury bond | 2) Fixed Deposit |
| 3) Savings account | 4) Treasury Bills |

16) A person is considering to invest his money into more secured investment opportunity for a short time period .Select most suitable investment opportunity for him ?

- | | |
|--------------------------|------------------|
| 1) Treasury bill | 2) Treasury bond |
| 3) Quoted company Shares | 4) Property |

17) Select most appropriate statement that describes accounting correctly,

- 1) Process of providing information required by the interested parties of a business for their decision making
- 2) Process of minimizing disadvantages arising through omission and commission of transactions, and to organize financial activities

- 3) To fulfill legal requirements (presentation of financial reports is a mandatory requirement by law for some organizations)
- 4) Process of providing information required by the internal parties of a business for their decision making

➤ **Answer the question 18 & 19 using the following scenario.**

Accounting equation of Danuka's business as at 31.01.2022 is given below

Asset	=	Liability	+	Equity
400,000	=	100,000	+	300,000

Following transactions have been occurred during the month of January 2022

- A. Rs. 20,000 worth of stocks was sold for Rs. 50,000 on Credit basis.
- B. Danuka paid Rs. 3,000 from his own money to settle business telephone bill
- C. Rs. 23,000 worth of stock was purchased on credit basis
- D. Rs. 2,000 has been written off as bad debts
- E. Rs. 20,000 was received from customer to settle his total outstanding of Rs. 25,000

18) Select the transaction/s that have impact to the net profit of the business

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

19) Select the correct accounting equation of the Danuka's business at the beginning of January 2022

- | | Asset | = | Liability | + | Equity |
|----|--------------|---|------------------|---|---------------|
| 1) | 354,000 | = | 100,000 | + | 254,000 |
| 2) | 354,000 | = | 77,000 | + | 277,000 |
| 3) | 446,000 | = | 123,000 | + | 323,000 |
| 4) | 446,000 | = | 200,000 | + | 246,000 |

20) Following are few source document which are used to record the transactions.

A. Sales Invoice	B. Journal Voucher
C. Receipts	D. Payment Voucher

Select the prime entry book according to the above source documents (From A to D)

- 1) Sales Journal, Cash Book, Cash Book , General Journal
- 2) General Journal , Sales Journal , Cash Book, General Journal
- 3) Sales journal, General Journal, Cash Book, Cash Book
- 4) Purchase Journal, Sales Journal, Cash Book and General journal

21) Following are few characteristics relevant to the elements of accounting

- A. Having a present obligation.
- B. Cannot be controlled by the business.
- C. Outflow of economic resources when settlement is made
- D. Arose as a result of a past transaction
- E. Controlled by the business

What are the characteristics related to the both Asset and Liability element

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

22) Following are few ledger accounts in an organization.

- | | | | |
|----------------------------|-------------------------------------|---------------------------|-----------------------------|
| A. Building account | B. Bank loan account | C. Capital account | D. Sales account |
| E. Salary account | F. Insurance charges account | G. Debtors account | H. Inventory Account |

Select the correct answer that consist only Assets accounts

- 1) A & C Only
- 2) A, G & H Only
- 3) C & E Only
- 4) A, H & E Only

➤ **Answer the question 23 & 24 using the following scenario.**

“Enrich Business School” is a private limited company and bank balance of the business as at 31.03.2023 was Rs. 26,000 and it was not tally with the bank statement balance. Later following reasons were identified for the difference.

- Un-realized cheques Rs. 20,000
- Un-presented cheques Rs. 10,000
- Rs. 2,500 bank charge was not recorded in bank account
- Rs. 5,000 was credited to bank account erroneously by the bank. It was recorded only in bank statement

23) Balance as per adjusted bank account is,

- 1) Rs. 23,500
- 2) Rs. 28,500
- 3) Rs. 18,500
- 4) Rs. 33,500

24) Balance as per the corrected bank statement is,

- 1) Rs. 23,500
- 2) Rs. 33,500
- 3) Rs. 13,500
- 4) Rs. 26,000

25) Namal business maintains a petty cashier to pay small payments. Following payments were made during the month of March 2023.

- Payment for travelling was Rs. 600

- Postal fee paid from the petty cash was Rs. 800
- Stationery Cost was Rs. 2,400

At the end of March 2023 petty cashier had Rs. 2,300 as balance of the petty cash imprest. Business decided to decrease petty cash imprest by 50% from April 2023 onwards

How much is the petty cash imprest as at 01.04.2023 ?

- | | |
|--------------|--------------|
| 1) Rs. 6,100 | 2) Rs. 750 |
| 3) Rs. 3,050 | 4) Rs. 4,200 |

26) Stationery expenses of a business for the financial year 2023 are Rs. 50,000. Rs. 10,000 out of Rs. 50,000 has been paid. Select the correct journal entry to record this transaction.

01)	Stationery Expense Ac	50,000	
	Cash/Bank Ac		10,000
	Stationery Expense payable Ac		40,000
02)	Stationery Expense Ac	50,000	
	Cash/Bank Ac		50,000
03)	Stationery Expense Ac	50,000	
	Stationery Expense payable Ac		50,000
04)	Stationery Expense payable Ac	50,000	
	Cash/Bank Ac		40,000
	Stationery Expense Ac		10,000

➤ **Answer the question 27 & 28 using the following scenario.**

Nazif Started a small bite production factory in Polonnaruwa. Following details are given related to the bite production factory for the year ended 2023.

Materials - Floor	Rs. 100,000
Packing & Promotional Cost	Rs. 10,000
Chef Salary	Rs. 50,000
Factory Machinery Depreciation	Rs. 5,000
Direct Other Cost	Rs. 50,000
Marketing Manager Salary	Rs. 30,000

2,000 Kg of bites have been produced by the factory.

27) Prime cost of the bite production factory,

- | | |
|----------------|----------------|
| 1) Rs. 210,000 | 2) Rs. 215,000 |
| 3) Rs. 200,000 | 4) Rs. 245,000 |

28) Production cost of the 1 Kg bites is,

- | | |
|---------------|--------------|
| 1) Rs. 102.50 | 2) Rs. 107.5 |
| 3) Rs. 105 | 4) Rs. 122.5 |

29) Following are the details of Enrich Business School related to the Electricity expenses for the financial year 2023.

- Paid Electricity Bill – Rs. 23,000
- Accrued Electricity Bill – Rs. 13,000

What is the Electricity expense for the year 2023

- | | |
|---------------|---------------|
| 1) Rs. 23,000 | 2) Rs. 13,000 |
| 3) Rs. 10,000 | 4) Rs. 36,000 |

30) Following details are related to the fixed asset of a company.

- Cost of the Fixed Assets – Rs. 1,000,000
- Scrap Value of the Asset – Rs. 200,000
- Useful Life time of the asset – 5 Years

Calculate the annual depreciation of asset

- | | |
|----------------|----------------|
| 1) Rs. 200,000 | 2) Rs. 40,000 |
| 3) Rs. 160,000 | 4) Rs. 240,000 |

31) Following are few characteristics related to the both income statement and receipts & Payments accounts in a not for profit organization.

- A. Records income and expenses relating only to the time period
- B. Records the cash receipts and payments
- C. Prepared on accrual basis
- D. The balance will represent either an excess or a deficit
- E. Prepared on cash basis
- F. Similar to Profit or Loss Statement

Select the answer which consist only characteristics related to income statement

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

32) Help Age is a not for profit organization and having 50 members as at 01.04.2022. Annual membership fee per member is Rs. 1,000. 10 Members out of 50 have not paid their membership for the year 2022/23. However 20 Members have paid membership fee for year 2023/24 in the year 2022/23.

How much is received as membership fee for the year 2022/23

- | | |
|---------------|---------------|
| 1) Rs. 60,000 | 2) Rs. 70,000 |
| 3) Rs. 50,000 | 4) Rs. 10,000 |

33) Select the statement that describes indirect cost correctly

- 1) The costs that are incurred which cannot be directly recognized with a unit of production is known as the indirect cost
- 2) The costs that are incurred for materials that cannot be directly recognized with a unit of production is known as the indirect material cost
- 3) This is the labor cost incurred for the employees who are not directly involved with the cost of the production.
- 4) The total of direct materials, direct labor and other direct expenses in producing a product is known as the total direct cost or the prime cost.

34) Select the correct equation related to the production cost

- 1) Total production cost = Prime cost + Non-Production overhead cost
- 2) Prime cost = Total production cost + Non-Production overhead cost
- 3) Prime cost = Total production cost - Production overhead cost
- 4) Prime cost = Total production cost + Production overhead cost

➤ **Answer the question 35 & 36 using the following scenario**

The ACCA Sri Lanka deposited Rs. 1,000,000 at Bank of Ceylon as fixed deposit on 01.10.2022. Annual interest rate on the fixed deposit is 20% and ACCA received Rs. 50,000 interest from the Bank of Ceylon during the financial year ended .

35) Interest income for the 2022/23 financial year is,

- | | |
|----------------|----------------|
| 1) Rs. 100,000 | 2) Rs. 20,000 |
| 3) Rs. 50,000 | 4) Rs. 200,000 |

36) Receivable Interest Income as at 31st March 2023 is,

- | | |
|----------------|----------------|
| 1) Rs. 50,000 | 2) Rs. 200,000 |
| 3) Rs. 100,000 | 4) Rs. 20,000 |

➤ **Use the following information to answer questions 36 to 40**

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

	Rs
Sales	1,000,000
Purchase	300,000
Trade Receivables	200,000
Trade Creditors	100,000
Administration Cost	72,000
Selling & Distribution Cost	50,000
Cash & Bank	80,000
Other Income	20,000
Capital	438,000
Interest Cost	40,000
10% Bank Loan	500,000

Drawings	10,000
Opening Stock	25,000
Freight Inward Cost	5,000
Property, Plant & Equipment (Net)	400,000

Additional Information

- Cost of Stocks as at 31st March 2023 is Rs. 30,000
- Property, Plant & equipment should be depreciated at a rate of 10% on cost annually under reducing balance method

37) Cost of sales for the year ended 31st March 2023 is,

- | | |
|----------------|----------------|
| 1. Rs. 300,000 | 2. Rs. 310,000 |
| 3. Rs. 295,000 | 4. Rs. 700,000 |

38) The Net profit for the year ended 31st March 2023 is,

- | | |
|----------------|---------------|
| 1. Rs. 118,000 | 2. Rs. 88,000 |
| 3. Rs. 108,000 | 4. Rs. 18,000 |

39) What is the carrying amount of Non-current assets as at 31st March 2023 ?

- | | |
|----------------|----------------|
| 1. Rs. 360,000 | 2. Rs. 400,000 |
| 3. Rs. 440,000 | 4. Rs. 500,000 |

40) Total capital of the company as at 31.03.2023 is,

- | | |
|----------------|----------------|
| 1. Rs. 138,000 | 2. Rs. 438,000 |
| 3. Rs. 100,000 | 4. Rs. 536,000 |












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Business and Accounting Studies I,II

Business and Accounting Studies III

NB: *As instructed answer five questions only. Any extra questions answered, if not struck off by the candidate himself, will be crossed out by the examiner, without being marked.*

- * *Including question No. 1 answer five questions selecting two questions from each of the parts I and II.*
- * *Write your answers in neat handwriting.*

(1) Using the following case, answers the questions No. (i) to (x).

Asanka who worked as an intern at Haylyes Plc started a partnership business with his friend to export Activated Carbon by investing Rs. 2,000,000 on 01.01.2023. The business was registered as “Modern Energy”. Modern Energy provides mainly activated carbon to Europe & American market. All the rough raw materials are purchased from farmers in Puttalam area & these are proceeded at factory located in Colombo.

The following balances have been extracted from the trial balance as at 31st December 2023.

Cash Sale	Rs. 1,000,000
Credit Sale	Rs. 5,000,000
Purchas of Motor lorry	Rs. 2,000,000
Paid Water Expenses	Rs. 200,000
Paid Salary	Rs. 750,000
Paid Building Rent Expenses	Rs. 800,000
Purchases on Cash	Rs. 3,000,000

- Closing stock as at 31.12.2023 is Rs.100,000
- Motor Lorry need to be depreciated 12% annually
- Receivable on “Modern Energy” is Rs. 200,000 as at 31st December 2022
- Insurance Expenses of Rs. 50,000 & Salary expenses of Rs. 100,000 have not been paid for the month of December 2023

On 31.12.2023 Owners of the business decided to purchase specified Machines from India for the business.

- I. (a) Write down needs & wants provided by the business mentioned in the above scenario.
(b) Write down the most appropriate transportation method to deliver raw material from Puttalam to Factory & Export the finished product
- II. Asanka Argued that the business name is not required to be registered.
(a) Do you agree with the statement?

- (b) State the reasons for your answer given in (II) (a)
- III. State an internal & external stake holder with the example as per scenario
- IV. Write two prime entry books & source documents that are used to record transaction of “Modern Energy”
- V. Explain the international trade & provide two examples for the international trade as per the scenario
- VI. (a) Write down double entry to record the depreciation cost of the Motor Lorry for the year ended by 31st December 2023
- (b) Total salary expenses that need to be recorded in the Profit & loss for the year ended 31st December 2023
- VII. Calculate the cash balance of “Modern Energy” as at 31st December 2023
- VIII. Calculate the profit for the period ended 31st December 2023
- IX. Calculate the total liability & total asset as at 31st December 2023
- X. What is the total equity as at 31st December 2023

(2 x 10 =20 Marks)

Part I – Business Studies
(Answer two questions only)

(2)

- I. (a) What is a human needs?
- (b) Write two differences between human needs & wants (2 Marks)
- II. State whether following statements are True or False
- (a) Its compulsory to incorporate a company even company name is similar to the shareholder’s name
- (b) Employees of the company are not stakeholders
- (c) Strengths can be identified from internal environment of the company.
- (d) Wants can be created by the business (2 Marks)
- III. Asanka started a business as “Mango Juice” to sell fruit juice for university students with help from his mother.He purchase all the fruits required for juice from the “ CIC Farms” & two ladies work in the shop for fruit juice preparation.
- (a) Write an example each from the case for Owner, Customer & vendor of the Fresh Juice business
- (b) State the objective intend to be achieved by each stakeholder that you mentioned above (2 Marks)
- IV. (a) Write two advantages & disadvantages of the partnership business
- (b) Following are the few characteristics of a business.
- Limited liability
 - Managed by a Board of Directors
- State the business type according to the above characteristics (2 Marks)

(Total 08 Marks)

(3)

- I. (a) State the documents which need to open a current account
(b) State the two advantages of current account compared with saving account (2 Marks)
- II. State whether following statements are true or false
(a) Current accounts can be opened only at commercial bank
(b) Selling goods and services for final consumption is defined as wholesale
(c) Fund in fixed deposit can be withdraw by using debit card
(d) Life insurance can be used as method of investment (2 Marks)
- III. (a) State three factors when selecting an appropriate medium of transportation
(b) What type of numbers are printed on Magnetic Ink Character recognition space (2 Marks)
- IV. Nimal sent a reminder e-mail regarding the outstanding amount owing to the one of customer. In the e-mail he mentioned that “Your credit period is over & please kindly take immediate action to repay the due amount as soon as possible”. Customer replied that “Sorry for the delay & we will arrange your payment as soon as possible”.
- (a) State examples in each components of process of communication are given below base on above case.
- Sender
 - Message
 - Medium
 - Feedback
- (b) State three factors when selecting an appropriate medium of communication (2 Marks)
- (Total 08 Marks)**

(4)

- I. (a) Define the target market ?
(b) State the four variables in marketing mix ? (2 Marks)
- II. State whether the following statements are true or false
(a) Treasury bonds are issued by the central bank of Sri Lanka for long term financial needs of government
(b) Discounts & allowances are instruments which can be classified under promotion category in marketing mix
(c) Organizing is the process of determining the objectives of a business and determining the activities to achieve these objectives
(d) Price is the only variables among other variables in marketing mix that is generating revenue towards the business (2 Marks)
- III. The following statement was made by the marketing manager of a “Sahana” Business
- This new motor car provides comfortable drive for professionals. The price of the new vehicle was decided by adding 20% profit margin on cost of the vehicle (Cost of the vehicle Rs. 2,000,000).The vehicle will be available at our showroom & it will be introduced to new customers through our agents’ network.
- (a) Write an example for each variable of the marketing mix as per the statements.
(b) Identify the target market of the new vehicle (2 Marks)

IV. Amara & Nayana are friends & they are evaluating investment opportunities to invest money that they received as dowry. Amara needs high return investment & she does not consider the risk of the investment. Nayana needs low risk investment & She does not need high return.

(a) Recommend the investment opportunities are available for Amara & Nayana & Justify the your answer according to the above scenario

(b) State the benefits if they are investing in Shares (2 Marks)

(Total 08 Marks)

Part II – Accounting
(Answer two questions only)

05.

I. (a) What is the meaning of dual impact in Accounting?

(b) Following are some ledger accounts in Dhanushka's business. Write whether the increase and decrease of each of following accounts should be written in the debit side or credit side of the account.

- | | | |
|--------------------------|--------------------|-----------------------------|
| I. Motor Vehicle Account | II. Bank Account | III. Building rent expenses |
| IV. Electricity Expenses | V. Interest Income | VI. Drawings Account |

Use below format to answer the question

Ledger Account	Increase	Decrease

(02 Marks)

II. Write the double entries for below transactions

(a) Purchase Rs. 200,000 worth of goods on credit from a supplier

(b) A business decided to write off Rs. 20,000 from a debtor who died in accident in last month.

(02 Marks)

III. Following transactions have been occurred in Sumana business in month of January 2024. Show the impact of each of transactions with amounts in the accounting equation.

Date	Transaction	Amount
Jan 01	Additional Capital invested by the owner	Rs. 100,000
Jan 05	Sale on Credit (Cost of goods sold Rs. 40,000)	Rs. 50,000
Jan 06	Purchase goods	Rs. 40,000
Jan 10	Interest income received from the Bank	Rs. 10,000
Jan 15	Cash received from a debtor	Rs. 25,000
Jan 20	Obtained a Bank Loan	Rs. 35,000
Jan 26	Paid Electricity	Rs. 20,000

Use below format to answer the question & Use brackets to indicate decrease

Date	Asset	+	Expenses	=	Liability	+	Income	+	Equity

(04 Marks)

IV. Monthly petty cash imprest of Samana traders received for January is Rs. 2,000 .Petty cash payment for the month of January were as follows,

Date	V.N	Description	Amount (Rs)
01.01.2024	234	Travelling	120
10.01.2024	235	Postal Cost	230
11.01.2024	236	Refreshment Expenses	320
13.01.2024	237	Courier Fee	120
15.01.2024	238	Bus fair	345

20.01.2024	239	Milk Tea	128
20.01.2024	240	Pens	100

- (a) Prepare petty cash book with analysis columns of travelling, refreshment, stationery, Other and reimbursement petty cash for next petty cash period.
- (b) Balancing the petty cash book as at 31st January 2024 & post total amount of analysis column to the ledger

(04 Marks)
(Total 12 Marks)

06.

- I. (a) State three example for current liabilities of a business
(b) State three transactions which have impact to the equity of a business

(02 Marks)

II. Following are the few transactions of a furniture manufacturing (Chairs) business for the month of January 2024

Description	Amount (Rs.)
Purchase of Timber	100,000
Salaries for carpenter	200,000
Furniture distribution cost	100,000
Factory rent expenses	40,000
Factory supervisor salary	30,000
Other direct cost	20,000
Machines depreciation	10,000

Additional Information

- The business has manufactures 40 chairs during the month of January 2024
- The business decide price of the chair by adding 20% profit margin on production cost of a chair

Required,

- (a) Calculate the production cost and prime cost of a chair
(b) Calculate the selling price & profit of a chair

(04 Marks)

III. Enrich business School has a favorable bank account balance of Rs. 45,000 at the end of the month of January 2024. However, the bank statement has a different balance. Following reasons are identified for this difference.

- Rs. 20,000 worth of Cheques issued for the payments have not been presented to the bank.
- Rs. 10,000 worth of cheques are not realized
- Rs 5,000 bank charge has not been recorded in the bank account
- The factory rent paid by the bank as a standing order of Rs. 8,000 has not been recorded in the bank account

Required,

- (a) Adjust the bank account.
(b) Prepare a bank reconciliation statement as at 31.01.2024 by using the adjusted bank account balance.

(04 Marks)

IV. Trainee accountant at Hayleys Plc has made following errors when preparing financial statements.

- Rs. 5,600 worth of sales has been recorded as Rs. 6,500 in sales account
- Motor Vehicle maintenance cost of Rs. 3,000 has been debited to the motor vehicle account

Required,

- (a) Write journal entries to correct above errors (Narration is not required)

(02 Marks)
(Total 12 Marks)

07.

- I. (a) State four objectives of preparing a receipts & Payments accounts
(b) State the two differences between income statement & receipts & Payments accounts in a non-profit business
(02 Marks)

II. ACCA Stars sport club has 100 members & annual subscription fee of a member is Rs.500. Following are the transaction occurred during the year 2023.

- 90 members have paid their membership fee for year 2023
- Paid refreshment expenses is Rs. 5,000
- Received donation to the club is Rs. 10,000
- Accrued ground maintenance expenses are Rs. 10,000.

Required,

- (a) Prepare receipts & Payments accounts of ACCA Stars sport club for year ended 2023

(02 Marks)

III. The trail balance as at 31.12.2023 of MyEnrich.lk business is as follows;

Description	Debit	Credit
Capital as at 01.01.2023		30,000
Trade Debtors & Creditors	60,000	20,000
Opening Stock as at 01.01.2023	25,000	
Sales		400,000
Purchase	200,000	
Salary	50,000	
Cash	40,000	
Bad Debts Expenses	20,000	
Interest Income		10,000
Bank Loan 12% – Payable after 05 years		50,000
Interest Expenses	5,000	
Promotion expenses	8,000	
Motor Vehicle	60,000	
Furniture	50,000	
Accumulated depreciation- Motor Vehicle		12,000
Furniture		5,000
Carriage Inwards	5,000	
Discount given & Discount received	2,000	3,000
Electricity	5,000	
	530,000	530,000

Additional Information

- I. Closing stocks as at 31.12.2023 is Rs. 20,000
II. Motor vehicle & furniture should be depreciated 10% on cost per annum
III. Accrued expenses as at 31.12.2023 are as follows,
 - Salary Rs. 40,000
 - Electricity Rs. 20,000

Required

- (a) Profit & loss statement for the year ended 31.12.2023
(b) Statement of financial position as at 31.12.2023

(04 Marks)

(04 Marks)

(Total 12 Marks)

Suggested Answers – I paper

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

Suggested Answers – II paper

01.

- I. (a) Need – Energy / Wants – Activated Carbon
 (b) Raw material from Puttalam to Factory – Road Transport / Export – Sea freight (Water Ways)

- II. (a) I don't agree with Asanka's statement
 (b) The business was registered under the name different from the full name of the Owner

III.

Internal Stakeholder	Owner	Asanka
External Stakeholder	Suppliers	Farmers in Puttalam area

IV.

Prime Entry Book	Source documents
Sales Journal	Sales Invoice
Cash Book	Cash Receipts

- V. International trade is the trade carried out between two or more countries

Export	Import
Sale of Activated Carbon to Europe	Purchase machines from India

VI. (a)

Depreciation expense of the motor lorry	Dr 240,000
Accumulated depreciation of the Motor lorry	Cr 240,000

(b) Rs. 850,000

VII. Rs. 1,050,000

VIII. Rs. 960,000

IX.

Total Asset	Total Liability
Rs. 3,110,000	Rs. 150,000

X. Rs. 2,960,000

Part I – Business Studies
(Answer two questions only)

02.

I. (a) Human needs are requirements that must be fulfilled essentially for existence.

(b)

Needs	Wants
Being essential	Not essential
Being common	Being diverse
Cannot be created	Can be created

II.

(a) Yes

(b) False

(c) Yes

(d) Yes

III. (a)

Owner	Asanka
Customer	Univeristy Students
Vendor	CIC Farms

(b)

Owner	Earning a sufficient profit
Customer	Obtaining quality products
Vendor	Obtaining money without any delay

IV. (a)

Advantage	Disadvantage
Convenient to commence	Unlimited liability
Can raise more capital	Profit shared among partners
Can utilize different skills of partners	Conflicts among partners
Can take collective decisions	No continued existence

(b) Incorporated companies

03.

I. (a)

1. Current account mandate
2. Know Your Customer
3. deposit slip
4. national identity card

- (b) 1. Cheques can be used to make the payments
2. Over draft facility can be taken

II.

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

III. (a)

1. Nature of the good
2. Cost of transportation
3. Capacity
4. Security

(b)

1. Cheque number
2. Bank number
3. Bank branch number
4. Bank account number

IV. (a)

Sender	Nimal
Message	Your credit period is over & please kindly take immediate action to repay the due amount as soon as possible
Medium	E-mail
Feedback	Sorry for the delay & we will arrange your payment as soon as possible

(b)

1. Appropriateness
2. Speed
3. Cost
4. Clarity

04. I. (a) The share of the market consisting of consumers that a business can satisfy in a more attractive and profitable way is the target market.

(b) Product / Price / Place / Promotion

II.

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

III. (a)

Variable of the Marketing mix	Exampe
Product	Motor Car
Price	Rs. 2,400,000
Place	Their Show room
Promotion	Own agents network

(b) Professionals

IV. (a)

Name	Investment Opportunity	Reason
Amara	Company Shares	Shares provides variable return & have high risk on return
Nayana	Treasury bills / bonds	Fixed return & No risk since these are issued by government

(b)

1. Receive dividends
2. Earn capital gains by selling at a higher price than the purchased price
3. Sell ordinary shares at any time and obtain cash
4. Present as a collateral when obtaining loans

Part II – Accounting
(Answer two questions only)

05. I. (a) Each transaction causes change to two items of the accounting equation.

(b)

	Increase	Decrease
I. Motor Vehicle Account	Debit	Credit
II. Bank Account	Debit	Credit
III. Building rent expenses	Debit	Credit
IV. Electricity Expenses	Debit	Credit
V. Interest Income	Credit	Debit
VI. Drawings Account	Debit	Credit

II. (a) Purchases A/c Rs. 200,000
Trade Creditor A/c Rs. 200,000

(b) Bad Debt Expense A/c Rs. 20,000
Trade Debtor A/c Rs. 20,000

III.

Date	Asset	+	Expenses	=	Liability	+	Income	+	Equity
Jan 01	100,000	+		=		+		+	100,000
Jan 05	50,000 (40,000)	+		=		+	10,000	+	
Jan 06	40,000 (40,000)	+		=		+		+	
Jan 10	10,000	+		=		+	10,000	+	
Jan 15	25,000	+		=		+		+	

	(25,000)							
Jan 20	35,000	+		=	35,000	+		+
Jan 26	(20,000)	+	20,000	=		+		+

IV. (a) / (b)

Receipts	Date	Description	V.N	Payments	Analysis Columns			
					Travelling	Refreshment	Stationery	Other
2,000	01.01.24							
	01.01.24	Travelling	234	120	120			
	10.01.24	Postal Cost	235	230				230
	11.01.24	Refreshment	236	320		320		
	13.01.24	Courier Fee	237	120				120
	15.01.24	Bus Fair	238	345	345			
	20.01.24	Milk Tea	239	128		128		
	20.01.24	Pens	240	100			100	
				1,363	465	448	100	350
	31.01.24	Balance c/d		637				
2,000				2,000				
637		Balance b/f						

06. I. (a)

1. Trade Creditor
2. Bank Overdraft
3. Accrued Rent Expenses
4. Interest payable

(b)

1. Income Transaction
2. Drawings
3. Additional Capital invested
4. Expense Transaction

II. (a) Prime Cost of a Chair = Rs. 8,000

Purchase of Timber	100,000
Salaries for carpenter	200,000
Other direct cost	20,000
	320,000

(b) Selling price of a chair = Rs. 12,000

Profit of a chair = Rs. 2,000

Purchase of Timber	100,000	
Salaries for carpenter	200,000	
Other direct cost	20,000	
Total Prime Cost		320,000
Machines depreciation	10,000	
Factory rent expenses	40,000	
Factory supervisor salary	30,000	80,000
Total Production cost		400,000
Production cost of a Chair		10,000

III. (a)

Debit		Bank Account (Adjusted)		Credit	
Date	Description	Value	Date	Description	Value
	Balance b/f	45,000		Bank Charge	5,000
				Rent paid	8,000
				Balance c/d	32,000
		45,000			45,000
	Balance b/f	32,000			

(b)

Bank reconciliation statement for the month of January 2024

Adjusted bank balance		32,000
Add- cheque not presented to the bank	20,000	20,000
		52,000
Less - Unrealised cheque	10,000	(10,000)
Bank balance as per the bank statement as at 31.01.2022		42,000

IV.

1. Sales Account Dr 1,000
Suspense Account Cr 1,000
2. Motor Vehicle maintenance account Dr 3,000
Motor Vehicle account Cr 3,000

07. I. (a)

1. To know the cash balance at the end of an accounting period
2. To manage cash properly
3. To minimize fraud and misuse of cash
4. To utilize cash reserves more productively to achieve the organizational objective

(b)

Receipt and Payment Account

1. Very much similar to the cash book
2. Records the cash receipts and payments
3. Records all the cash receipts and payments relating to the time period
4. Prepared on cash basis

Income Statement

- Similar to Profit or Loss Statement
- Records only income and expenses
- Records income and expenses relating only to the time period
- Prepared on accrual basis

III.

Receipts & Payments Account

Subscription fees received	45,000	Refreshment	5,000
Donation	10,000	Ground Maintenance Ex	10,000
		Balance c/f	40,000
	55,000		55,000

IV. (a) / (b)

MyEnrich.lk Business
Profit or Loss Statement
For the year ended 31.12.2023

Sales			400,000
Less – Cost of Sales			
Stock as at 01.01.2022		25,000	
Carriage Inwards		5,000	
Purchases		200,000	
Cost of goods presented for sales		230,000	
Less : Stock as at 31.12.2022		(20,000)	(210,000)
Gross Profit			190,000
Discount Received			3,000
Interest Income			10,000
			203,000
Distribution Expenses			
Bad Debts Expenses	20,000		
Discount Given	2,000		
Promotion Expenses	8,000		
Motor Vehicle Depreciation	6,000	36,000	
Administration Expenses			
Salary Expenses	90,000		
Furniture Depreciation	5,000		
Electricity	25,000	120,000	
Financial expenses			
Interest Expenses	6,000	6,000	(162,000)
Net Profit			41,000

Business of Dhanushka
Statement of Financial Position as at 31.12.2023

	Cost	Acc: Dep	Net Book Value
Non-current assets			
Motor Vehicle	60,000	18,000	42,000
Furniture	50,000	10,000	40,000
			82,000
Current assets			
Closing Stock		20,000	
Trade Debtors		60,000	
Cash		40,000	120,000
Total Assets			202,000
Capital as at 01.01.2022		30,000	
Add: Net Profit		41,000	
Less:			71,000
Noncurrent liabilities			
Bank Loan – 12%		50,000	50,000
Current liabilities			
Trade Creditors		20,000	
Payable Interest Expenses		1,000	
Payable Salary		40,000	
Payable Electricity		20,000	81,000
Equity and liabilities			202,000

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