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Business and Accounting Studies

Monthly Education Magazine

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Special Revision Kit

- ✓ Question Paper - 01
- ✓ Question Paper - 02
- ✓ Suggested Answers - Paper - 01
- ✓ Suggested Answers - Paper - 02

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THE ACCA DIPLOMA IN ACCOUNTING AND FINANCE – THE PATHWAY TO BE A TOP FINANCE PROFESSIONAL

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Business & Accounting Studies

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A team of alumni of department of accounting - University of Sri Jayewardenepura and a team of chartered accountants created this revision paper. This is only revision paper and this should not consider as a target paper or a model Paper.

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PREFACE

This paper has been created according to the prototype paper structure which has been issued by the department of examination of Sri Lanka in 2018 and the G.C.E Ordinary level examination paper in 2020. We are expecting to maintain high-level quality in this paper by getting supervision of chartered accountants. The intention of this project is to ensure the equal rights of the education to all the students by providing high quality study materials in free of charge, and also eliminating the traditional barriers to the education by giving support to the teachers.

This magazine is posted to the accounting teacher of the schools on or before 25th of every month. Students and tuition teachers can download the soft copy via following link.



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 கல்விக்கான பொது சான்றிதழ் (அட்வா, லெவல்) தேர்வு
 General Certificate of Education (Ord, Level) Examination

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Business and Accounting Studies I,II

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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.**

Old Boys Association of Royal College - Colombo is planning to conduct Car Wash Programme in order to raise fund for their annual get to gather. They have taken permission from Colombo Municipal council to conduct car wash programme near the Havelock City - Colombo. Old Boys planned to hold their annual get to gather at Kingsbury hotel in Colombo.

- 1) What is the organization type that Old Boys Association belongs,
 - 1) Sole Proprietorships
 - 2) Partnership
 - 3) Not for Profit Businesses
 - 4) Incorporated Companies

- 2) What are the needs that satisfied by Royal College, Hotel and Car respectively,

1) Education, Entertainment and Transport	2) Lectures, Chef and Driver
3) Degree, Entertainment and Transport	4) Education , Rooms , Service

- 3) Select the correct answer related to the Colombo Municipal Council ?
 - 1) Its incorporated company under company act
 - 2) Council is appointed by the President of Sri Lanka
 - 3) It's a state owned corporation
 - 4) It's a public sector organization

4) Select the profit purpose organization according to the above scenario

- 1) Old Boys Association
- 2) University of Sri Jayawardanapura
- 3) Municipal Council - Dehiwala.
- 4) Kingsbury Hotel Plc

5) It is essential to fulfill the _____ for existence and Due to being unlimited and diverse, fulfillment of _____ are also complex. There are different wants that can be used to fulfill a single_____.

Select the answer that consist correct word for each blank respectively.

- | | |
|-------------------------|------------------------|
| 1) Needs, Wants & Need | 2) Needs, Needs & Want |
| 3) Wants, Needs & Wants | 4) Wants, Wants & Need |

6) Following are some business organizations that operates in Sri Lanka.

- A. Automobiles Companies
- B. Furniture Manufacturing Companies
- C. Insurance Institutions
- D. Processed food Companies
- E. Beauty salons
- F. Wholesale businesses

Select the correct answer which consist only service businesses?

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

7) Amal is a trader who purchase goods from India and resale those goods in Pettah market as bulk. Identify the Namal's role in this scenario

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

8) Following are few organizations that operates in Sri Lanka.

- A. Cooperative Society of farmers
- B. Young Buddhists Association
- C. Sri Lanka tourism department
- D. MyEnrich.lk Company Limited

Which businesses have a legal personality?

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

9) Following are some statements related to the insurance

Namal got a life insurance coverage from Ceylinko Insurance Corporation to cover his entire family. Insurance agent said that if you don't get any compensation, you will be given Rs. 1,000,000 additional profit after the agreement period.

Select correct statement according to the above case

- 1) Namal does not have a right to insure his entire family
- 2) Making profit from life insurance is allowed.
- 3) Making profit from Life insurance is not allowed by indemnity principal
- 4) Namal breached utmost good faith

10) Select the Number's type those are included on the face of the cheque

- A. Customer Identify card Number
- B. Bank Account Number
- C. Bank Number
- D. Bank Telephone Number
- E. Central Bank Number
- F. Bank Branch Number
- G. Cheque Number

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

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

11) Following statements are related to the Bank account maintain in a commercial bank.

- A. The bank statement helps to rectify any errors or omissions in the bank account of the business.
- B. The closing balance in the bank statement is always similar to the closing balance of the bank account in the books of the businessman.
- C. The business is made aware of the cheque book charges and bank charges charged by the commercial bank through the bank statement

Select the correct statements

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

12) Following are few characteristics of domestic trades

- A. Goods are often sold at the listed price
- B. Traders are well aware of needs and wants of consumers, as they have direct contact with them.
- C. Price is relatively lower compared to the retail price
- D. Trade discounts are given in this type of trade

What are the characteristics that belongs to Wholesale trade?

- 1) A Only
- 3) B Only

- 2) C & D Only
- 4) A, B & C

13) CEO of MyEnrich.lk said that “We provide high quality learning experience to all students and we 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

14) Dhanushka started tea shop in Colombo and he provides different taste tea at expensive prices. He focus only businessmen, Professionals and rich person in Colombo. No any advertisements are played in TV or any mass media. He provided detailed catalog to all target customers by hand.

Identify the product and promotion according to the above scenario

- 1) Tasty Tea & Catalog
- 2) Tasty Tea & TV
- 3) Tea Shop & Colombo
- 4) Rich Person & Professionals

15) Following are some characteristics of an investment opportunity

- Ability to earn variable income
- Ability to convert into cash at any time
- Be an owner of the organization

State the investment opportunity according to the above characteristics

- 1) Corporate Shares
- 2) Fixed Deposit
- 3) Savings account
- 4) Treasury Bills

16) A person is considering to invest his money in high return investment opportunity for a long time period .Select most suitable investment opportunity for him ?

- 1) Treasury bill
- 2) Treasury bond
- 3) Corporate Bonds
- 4) Savings Account

17) Following characteristics are related to accounting elements

- A. Arose as a result of a past transaction
- B. Controlled by the business
- C. Outflow part of economic resources when settlement is made
- D. Inflow of future economic benefit to the business
- E. Having a current obligation

What are the characteristics related to asset element?

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

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

Followings are some of the transactions occurred in a MyEnrich.lk organization. Equity as of beginning of the year Rs. 500,000

Transactions

- A. Sales Rs. 200,000
- B. Cost of goods sold Rs. 90,000
- C. Credit Purchase Rs. 100,000 (Not settled yet)
- D. Drawings by the owner Rs. 15,000
- E. Machines purchased Rs. 100,000

18) What is the value of liability at the end of year

- 1) Rs. 100,000
- 2) Rs. 115,000
- 3) Rs. 50,000
- 4) Rs. 695,000

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

- | | Asset | = | Liability | + | Equity |
|----|--------------|---|------------------|---|---------------|
| 1) | 585,000 | | 0 | | 585,000 |
| 2) | 695,000 | | 100,000 | | 595,000 |
| 3) | 695,000 | | 0 | | 695,000 |
| 4) | 585,000 | | 100,000 | | 485,000 |

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

A. Sales Journal	B. Journal 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

21) As a result of purchase of goods on credit basis after reducing 10% trade discounts,

- 1) Increase assets, increase liabilities
- 2) Increase expenses, increase assets
- 3) Increase equity, increase assets
- 4) Increase assets, decrease assets

22) Following are some items of Dhanushka's business who carries out a Professional Institute

- A. Sales
- B. Vehicles
- C. Commission Received
- D. Trade Creditors
- E. Investments
- F. Employees

Select the answer that consist only asset items

- 1) B & E Only
- 3) C & F Only

- 2) B & F Only
- 4) A & E Only

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

Dhanushka has been granted bank overdraft facility up to Rs. 20,000 by the bank. The banker paid insurance premium of Rs. 10,000 as a standing order & Cheques worth of Rs. 15,000 are not presented for payment yet. Further bank has charged Rs. 3,000 as bank charge for the month. Favorable balance of bank account was Rs. 10,000 before recording the standing order & bank charge.

23) Value of the bank overdraft which has been utilized by Dhanushka

- 1) Rs. 3,000
- 2) Rs. 13,000
- 3) Rs. 20,000
- 4) Rs. 15,000

24) Balance as per the adjusted cash book is,

- 1) (Rs. 18,000)
- 2) (Rs. 3,000)
- 3) Rs. 18,000
- 4) Rs. 3,000

25) Cheque Counter Foil & Accumulated depreciation account are respectively;

- 1) Source Document & Asset Account
- 2) Source Document & Expense Account
- 3) Prime Entry book & Asset Account
- 4) Prime Entry book & Asset Account

26) Dhanushka's business maintains a petty cashier to pay small payments. Following payments were occurred during the month of November 2022.

- Payment for Cleaning was Rs. 600
- Payment of Salaries Rs. 100,000
- Postal fee paid from the petty cash was Rs. 800
- Stationery Cost was Rs. 2,400
- Vehicle Purchase Rs. 1,000,000

At the end of November 2022 petty cashier had Rs. 1,500 as balance of the petty cash imprest. Business decided to increase petty cash imprest by Rs. 2,000 from 1st December 2022 onwards

How much is the petty cash imprest as at 01.12.2022 ?

- 1) Rs. 7,300
- 2) Rs. 1,500
- 3) Rs. 9,300
- 4) Rs. 5,800

27) The journal entry to record trade discount of Rs. 20,000 is.

01) Trade Debtors	20,000	
Trade Discount		20,000
02) Trade Discount	20,000	
Trade Debtors		20,000
03) Trade Creditor	20,000	

Trade Discount

20,000

04) No Journal entry is required

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

Dimuthu started a confectionery manufactures business and following information are given for the month of November 2022.

Sugar	Rs. 600,000
Flour	Rs. 300,000
Other Direct Ingredients	Rs. 100,000
Factory rent per month	Rs. 70,000
Machines Depreciation per month	Rs. 30,000
Promotion cost	Rs. 50,000

1,000 confectionery items were produced during the November 2022.

28) Prime cost of the confectionery manufactures business ,

- | | |
|------------------|------------------|
| 1) Rs. 1,000,000 | 2) Rs. 600,000 |
| 3) Rs. 900,000 | 4) Rs. 1,100,000 |

29) Production cost of the one confectionery item is,

- | | |
|------------|------------|
| 1) Rs. 110 | 2) Rs. 60 |
| 3) Rs. 100 | 4) Rs. 115 |

30) Following transactions has occurred in talent club during this year.

A. Purchase of sports equipment	Rs. 100,000
B. Income received in advance for the sports ground	Rs. 200,000
C. Payment made in advance to the conference hall to held AGM	Rs. 10,000
D. Sold newspapers on Credit	Rs. 10,000

Among above items, identify the items which are considered in preparing receipts & Payment Account

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

31) On 01.01.2022 Sumudu rented out his official building to third party for Rs. 10,000 monthly. At this date Sumudu received Rs. 240,000 from third party. What is the amount to be recognized in Statement of profit & loss as rental income at the year ended 31st December 2022.

- | | |
|----------------|---------------|
| 1) Rs. 120,000 | 2) Rs. 60,000 |
|----------------|---------------|

3) Rs. 240,000

4) Rs. 10,000

• **Answer question no.31 and 32 using following information.**

Motor vehicle which was acquired on 01.01.2022 for Rs. 500,000 has been recorded as Motor vehicle repair expense in the profit & loss statement as at 31.12.2022. Scrap value & useful life time of the motor vehicle were Rs. 100,000 & 4 years respectively

32) The true statement regarding the above transaction is;

- 1) It will affect for the trial balance mathematically to tally
- 2) Profit for the year was under stated by Rs. 400,000
- 3) Rs. 400,000 debit balance in suspense account
- 4) Depreciation cost for the year was overstated by Rs. 100,000

33) The double entry to rectify the above error is;

1) Motor vehicle Ac	Dr	Rs. 500,000	
MV Depreciation Ac	Dr	Rs. 100,000	
MV repair expense	Cr		Rs. 500,000
Accumulated Depreciation Ac	Cr		Rs. 100,000
2) Motor vehicle Ac	Dr	Rs. 500,000	
MV repair expense	Dr	Rs. 100,000	
MV Depreciation Ac	Cr		Rs. 500,000
Accumulated Depreciation Ac	Cr		Rs. 100,000
3) Motor vehicle Ac	Dr	Rs. 400,000	
MV Depreciation Ac	Dr	Rs. 100,000	
MV repair expense	Cr		Rs. 400,000
Accumulated Depreciation Ac	Cr		Rs. 100,000
4) Motor vehicle Ac	Dr	Rs. 400,000	
MV repair expense	Dr	Rs. 100,000	
MV Depreciation Ac	Cr		Rs. 400,000
Accumulated Depreciation Ac	Cr		Rs. 100,000

34) Select the correct statement

- 1) Treasury bond is issued by the Supreme Court of Sri Lanka
- 2) Government issue treasury bills to raise funds for their long term fund requirements
- 3) Corporate Shares can be purchased from the Colombo Stock Exchange
- 4) Dividend is paid to corporate bond holders

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

MyEnrich.lk invested money in 10,000 corporate shares through Colombo stock exchange on 01.01.2022. Purchase price of an one share was Rs. 20 & at the end of the year Share price of an one is Rs. 30. Rs. 20,000 Dividend also was given to MyEnrich.lk.

35) If MyEnrich.lk sale all the shares at the year end, What is the total income received by MyEnrich.lk by investing in corporate shares?

- | | |
|----------------|----------------|
| 1) Rs. 120,000 | 2) Rs. 300,000 |
| 3) Rs. 320,000 | 4) Rs. 100,000 |

36) State the correct statement related to the Corporate Shares,

- 1) Issued by public limited companies
- 2) Issued by the Central Bank of Sri Lanka
- 3) An investment method having complete security from the government
- 4) The return on investment is at a fixed rate.

➤ Use the following information to answer questions 37 to 40

Following are few balances extracted from the trail balance of MyEnrich.lk as at 31st March 2022

	Rs
Purchase	600,000
Trade Receivable	400,000
Trade Creditors	100,000
Stock As at 01.04.2021	300,000
Travelling Expenses	92,000
Cash & Bank	20,000
Drawings	50,000
Bank Loan – 20%	60,000
Capital	315,000
Sales	2,000,000
Salaries	60,000
Freight Inward Cost	50,000
Admin Cost	30,000
Sales & Distribution Cost	65,000
Paid Interest	8,000
Property, Plant & Equipment	600,000

Additional Information

- Cost of Stocks as at 31st March 2022 is Rs. 60,000
- Property, Plant & equipment should be depreciated at a rate of 20% on cost annually under reducing balance method
- Bank Loan was taken on 01.04.2022

37) Cost of sales for the year ended 31st March 2022 is,

- | | |
|----------------|----------------|
| 1. Rs. 840,000 | 2. Rs. 410,000 |
| 3. Rs. 890,000 | 4. Rs. 600,000 |

38) The Net profit for the year ended 31st March 2022 is,

1. Rs. 515,000
3. Rs. 511,000

2. Rs. 631,000
4. Rs. 600,000

39) What is the carrying amount of Non-current assets as at 31st March 2022 ?

1. Rs. 480,000
3. Rs. 600,000

2. Rs. 1,000,000
4. Rs. 500,000

40) Total capital of the company as at 31.03.2022 is,

1. Rs. 1,205,000
3. Rs. 100,000

2. Rs. 826,000
4. Rs. 776,000

- Trade receivable as at 01st January 2023 is Rs. 20,000
- Property, plant & equipment except land should be depreciated at a rate of 20% on cost under reducing balance method annually.

Revenue of the company increased rapidly due to exchange rate depreciation against US dollar in 2023. Amal discussed with Bank of Ceylon (BOC) to take long term credit facility to cover working capital requirement of the factory. BOC approved Rs. 500,000 credit facility to Amal on 01.06.2023. Marketing Manager of the business **“Fresh Food, Healthy Life”** is the main tag line of the business that they promote in foreign countries.

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 **“Ceylon Jakfruit”** belongs to ?
 (b) State two advantages & disadvantages of the business organization type mentioned in (a) ?

- II.** (a) Name the two production factors of **“Ceylon Jakfruit”** with the examples from the case
 (b) State the one strength & threat to the business

- III.**(a) **““Fresh Food, Healthy Life”** What is the variable of marketing mix most related to the above tagline ?
 (b) Name two internal environmental factors and two external environmental factors which are relevant to the above business.

- IV.**(a) Write an example for organizing function relevant to this business,
 (b) Write two supporting services used by **Ceylon Jakfruit** 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 (Before adding current year profit)

- VI.** Write two prime entry books & relevant source documents that have been used to record below transactions of the business
 (a) Depreciation expense of property, plant & equipment
 (b) Paid Bank loan interest expenses

- VII.** Write double entries to record below transactions for the year ended 31st December 2023 in the business
 (a) Paid Water Bill
 (b) Bad Debt 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 Trade Receivable during the financial year 2023

(2 x 10 =20 Marks)

Part I – Business Studies

(Answer two questions only)

2. I. Name four external stakeholders of a business and their objectives from the business

(2 Marks)

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

- a) Wants cannot be created by a business
- b) Obtaining money without any delay is objective of the suppliers in a business
- c) Inflow of foreign capital is a favorable impact from global environment
- d) Availability of adequate capital is an opportunity for a business

(2 Marks)

III.Thilan started a fancy shop with his partner Ms. Kaveesha near to the University of Sri Jayawardhanapura. The business has big sales during valentine's season & Christmas season. Durring these seasons Thilan open few outlets in university premises and offer range of cash discounts to the customers. Undergraduates are the main customers of the business. All fancy items are made by Prisoners who are attached to the Welikada prison.

- a) State two stakeholders of the business as per above case
- b) State two variables of marketing mix with examples

(2 Marks)

IV. Chalana is considering to open fresh milk hut near to the Medirigiriya national college with an aim of selling fresh milk to school students. Currently there is a Kolakanda shop near to the school.Chalana's farther has dairy farm in Medirigiriya & Chalana can purchase fresh milk from his farther on credit basis.

As well recent newspaper article disclosed that Milk Powder price is decreased by 20% in order to reduce import cost of the country.

- a) Write one strength & one threat to the Fresh Milk Hut
- b) State the two substitutes for fresh milk.

(2 Marks)

(Total 08 Marks)

3. I. (a) State two importance factors of retail trade.

(b) State two types of retail traders.

(2 Marks)

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

- a) Savings accounts can be opened only at commercial bank.
- b) Supermarkets can be categorized as wholesale trade.
- c) International trade is the trade carried out between two or more countries
- d) Chairmen of a business is addressing the Managers can be considered as internal communication

(2 Marks)

III. Asanka received a cheque from Institute of Chartered Accountants of Sri Lanka (ICASL). On the face of the cheque, ICASL mentioned “**Peoples’ Bank**” phrase in two parallel lines. Even though Asanka was trying to realize this cheque through bank counter of Bank of Ceylon – Colombo, Bank clerk informed to Mr.Namal that this cheque can’t be deposited into savings/current account at bank of ceylon.

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

(2 Marks)

IV. Yashodha has a motor bike and she has insured that bike under third party insurance category at Sri Lanka insurance corporation. Later she got accident & Sri Lanka Insurance Corporation refused to pay Yashodha to recover her losses due to the accident.

- a) Mention the reason why Sri Lanka Insurance corporation refused to pay compensation to Yashoda
- b) Identify the **First Party, Second Party** and **Third Party** according to the above scenario

(2 Marks)

(Total 08 Marks)

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

(b) Defined the meaning of efficiency

(2 Marks)

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

- a) Target market is part of whole market
- b) A person can earn both dividend income and capital gain by investing in shares
- c) Marketing is the process of creating and offering a valuable product to satisfy human needs and wants.
- d) Offering discount on a product is belongs to the promotion variable of marketing mix

(2 Marks)

III. Sumanapala just retired from the government service and he received Rs. 1,000,000 as gratuity payment. So Sumanapala is considering investment opportunity that he can earn monthly return.

- a) Recommend suitable investment method to Sumanapala & justify your answer
- b) State the four benefits by investing money in ordinary shares

(2 Marks)

IV. A Spare parts manufacturing business sells their spare parts through authorized dealers’ island wide. They maintain high quality level of their products and Price of their spare parts are high than other similar products. The company use TV advertisement to maintain its brand awareness over its customers. Recently management decided to export their products by establishing export division in the company.

- a) Identify the two variables of marketing mix as per the above case with examples
- b) Provide an example from the case for planning aspect of the management process

(2 Marks)

(Total 08 Marks)

Part II – Accounting
(Answer two questions only)

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

(b) Define the Non-current assets and provide two examples

(02 Marks)

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

(a) Selling Rs. 45,000 worth of stocks for Rs. 60,000 on credit basis.

(b) Receiving Rs. 50,000 worth of cheque to settle Rs. 60,000 trade debtor. Balance should be considered as discount given.

(02 Marks)

III. Following are few transactions occurred in Sahan Business during the financial year 2022

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)

Required

(a) Describe the transactions included in the table

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

(04 Marks)

IV. Monthly petty cash imprest of Enrich Business School is Rs. 10,000. Following transactions occurred during the month of March 2024

Voucher Number	Date	Description	Amount (Rs)
00331	02.03.2024	Refreshments	1,000
00345	04.03.2024	Travelling Cost	230
00352	04.03.2024	Bus Fare	490
00364	06.03.2024	Bulb Replacement cost	580
00376	09.03.2024	Stationery Cost	1,320
00387	15.03.2024	Cleaning Charge	2,500
00394	23.03.2024	Soft Drink Cost	400
00402	29.03.2024	Repair Cost	1,900

- Enrich Business school decided to decrease petty cash imprest by Rs. 1,000 from 01.03.2024 onwards

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 March 2024 & post total amount of analysis column to the ledger

(04 Marks)

(Total 12 Marks)

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

- (b) Write two accounting elements included in the Statement of Financial Position

(02 Marks)

II. Following errors have been occurred in Enrich Business School in year ended 2023. Draft net profit before correcting below errors was Rs. 90,000

1. Rs. 30,000 worth of purchase invoice has been recorded as sales invoice
2. At the beginning of the year Maintenance expenses of Rs. 20,000 has been capitalized as capital expense.(Under Land A/c)
3. Paid Salary expenses of Rs. 23,000 has been recorded as current asset
4. Rs. 25,000 goods drawings by owner has not been recorded

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. Enrich Business School has a favorable bank account balance of Rs. 130,000 at end of the month of March 2024. However, the bank statement has a different balance. Following reasons are identified for the difference.

Following cheques have been issued during the month, but they have not yet been presented to the bank for payment as of 31.03.2024

- Cheque No. 1134 - Rs. 13,300
- Cheque No. 3545 - Rs. 40,500
- Cheque No. 9678 – Rs. 80,000

The following cheques have been deposited but not yet have been realized as at 31.03.2024

- Cheque No. 2234 - Rs. 24,400
- Cheque No. 3245 - Rs. 53,100
- Cheque No. 3040 – Rs. 15,000

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

- Direct remittance received to the bank is Rs. 20,000.
- Bank charge deducted by the bank is Rs. 5,000.

Required

a) Adjust the bank account.

b) Prepare a bank reconciliation statement as at 31.03.2024 by using the adjusted bank account balance.

(04 Marks)

IV. Sithumina started own business on 01.01.2023 to produce wooden plates that can be used in tourist hotels. Following information is related to the business for the year ended 31.12.2023

Description	Amount
Raw Wooden	40,000
Carpenter Salary Cost	20,000
Factory Rent	10,000
Painting materials cost	5,000
Electricity Charge	3,000
Sales & Marketing Cost	100,000

Additional Information

- Raw wooden material stock as at 31.12.2023 is Rs. 5,000.

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 bad debts?

(b) Describe the net book value of the asset ?

(02 Marks)

II. “**Enrich Sports Club**” has 500 members as at 31.12.2023. Following transactions occurred during financial year 2023. Annual membership fee is Rs. 500 per member.

	Rs.
Membership Fee Received	260,000
Postal Fee	10,000
Stationery Cost	34,000
Donation Received	40,000
Ground Cleaning Cost	63,000
Fees for umpires	32,000

Additional Information

1. 20 members had paid membership fee for year 2024 too
2. Accrued Water bill & Building rent are Rs. 2,000 & Rs. 25,000 respectively.

Required

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

(02 Marks)

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

Description	Debit	Credit
Information Technology Equipment (IT)	250,000	
Stocks as at 01.01.2023	35,000	
Building (At Cost)	450,000	
Accumulated Depreciation - IT Equipment		20,000
- Building		30,000
Purchase	340,000	
Sales		780,000

Discount Given	24,000	
Salary Expenses	66,000	
Trade Receivables	100,000	
Bad Debt Expenses	20,000	
Trade Creditors		80,000
Promotional Expenses	45,000	
Freight Inward Cost	4,500	
Cash & Bank	48,000	
Equity		362,400
Bank Loan – 20%		200,000
Building Maintenance cost	39,000	
Administration Cost	50,000	
Discount Received		2,400
Travelling Cost	3,300	
	1,474,800	1,474,800

Additional Information

1. Propert,plant & equipment except Land should be depreciated annually at 20% on strait line method
2. Stocks as at 31st December 2023 is Rs. 30,000
3. Owner has taken Rs. 10,000 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) 3	2) 1	3) 4	4) 4
5) 1	6) 4	7) 3	8) 3
9) 2	10) 3	11) 2	12) 2
13) 2	14) 1	15) 1	16) 3
17) 1	18) 1	19) 2	20) 4
21) 1	22) 1	23) 1	24) 1
25) 1	26) 3	27) 4	28) 1
29) 1	30) 1	31) 1	32) 2
33) 1	34) 3	35) 1	36) 1
37) 3	38) 3	39) 1	40) 4

Suggested Answers – II paper

01.

I. (a) Sole Proprietorship

(b)

Advantages	Disadvantages
Convenient to start	Unlimited liability of the owner
All the profits belong to the owner	Difficulties in raising capital

II. (a)

Production Factor	Example
Land	Land in Homagama
Capital	Advanced machinery to process jackfruit powder

(b)

Strength	Threat
Owner is an expert on the field	Competition from other fast food companies

III. (a) Product Variable

(b)

External environmental factors	Example
Economic Environment	Foreign exchange rate appreciation against US dollars
Political Environment	Under the government export promotion programme Ceylon Jackfruit received advanced machinery to process jackfruit powder and received one acres land in Homagama.
Internal environmental factors	Example

Owner	Amal is single Owner of the business
Employee	Marketing Manager

IV. (a)

Management Function	Example
Organizing	Niyomal discussed with Bank of Ceylon (BOC) to take long term credit facility to cover working capital requirement of the factory

(b)

Supporting Service	Example
1. Banking services	Loan Facility from BOC
2. Transportation services	Export Jack Fruit to European Union

V. Equity As of 31.12.2022 - Rs. 660,000

VI.

	Prime Entry Book	Source Document
(a)	General Journal	Journal Voucher
(b)	Cash Book	Payment Voucher

VII. (a) Water Expenses Dr 50,000
Cash/Bank Cr 50,000

(b) Bad Debt Expenses Dr 5,000
Trade Receivables Cr 5,000

VIII. (a) Rs. 756,000
(b) Rs. 20,000

IX. (a) Gross Profit - Rs. 410,000
(b) Net Profit – Rs. 101,000

X. Cash Receivable from Trade Receivable - Rs. 130,000

Part I – Business Studies
(Answer two questions only)

02.

I. (a)

External Stakeholder	Objective
Competitors	<ul style="list-style-type: none"> • Determining the prices of own products • To face competition
Suppliers	<ul style="list-style-type: none"> • Securing orders continuously • Obtaining money without any delay
Government	<ul style="list-style-type: none"> • Collecting taxes due • Generating employment opportunities
Financial Institution	<ul style="list-style-type: none"> • Collecting loans and advances given • Providing more loans and advances

II.

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

III. (a) University Undergraduate

Prisoners

(b)

Variables	Example
Promotion	offer cash discounts to the customers
Place	University premises

IV. (a)

Strength	Chalana's farther has dairy farm in Medirigiriya
One Threat	Milk Powder price is decreased by 20%

03.

I. (a)

1. Providing goods and services to consumers to fulfill their daily needs and wants
2. Introducing new goods to consumers
3. Providing goods on credit at times

(b)

1. Fixed large scale retail traders
2. Fixed small scale retail traders
3. Small scale mobile retailers

II.

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

III. (a) There is a special crossing on the cheque. So this cheque can be deposited only through peoples' bank account.

(b) General Crossing - A general crossing is done by drawing two parallel lines on the face of a cheque with or without including a condition inside.

Special Crossing - 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

IV. (a) Yashodha has taken third party insurance scheme from the insurance company and it does not cover first parties losses due to the accident

(b)

First Party	Ms. Yashodha
-------------	--------------

Second Party	Sri Lanka Insurance Corporation
Third Party	Party that impact from accident other than first party

04. I. (a) Organizing is the process of distributing required resources, job roles and tasks in order to implement the planned activities, to achieve the objectives of a business

(b) Efficiency means using resources to obtain the maximum output from minimum resources

II.

(a) True

(b) True

(c) True

(d) True

III. (a) He can deposit his money in fixed deposit and agreed with Bank to remit interest income monthly basis.

(b) 01. Receive dividends

02. Earn capital gains by selling at a higher price than the purchased price

03. Sell ordinary shares at any time and obtain cash

04. Present as a collateral when obtaining loans

IV. (a)

Variables of marketing mix	Examples
Product	high quality level of their products
Promotion	TV advertisement to maintain its brand awareness

(b) In the planning function, Management decide the activities to achieve the company objective. So from the case this can be taken as an example for the management function “***Recently management decided to export their products by establishing export division in the company.***”

Part II – Accounting
(Answer two questions only)

05. I. (a) Objective of Accounting is to provide useful information to interested parties of a business for their decision making

(b) The assets that are not 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 non-current assets.

Example – Machinery/ Equipment/ Land & Building

II. (a) Trade Receivable Dr 60,000
 Sales Cr 60,000

(b) Cash & Bank Dr 50,000
Discount Given Dr 10,000
Trade Receivable Cr 50,000

III. (a)

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.

(b) Profit for the Year 2022 - Rs. 5,000

IV. (a)

Receipts	Date	Description	V.N	Payments	Analysis Columns			
					Travelling	Refreshment	Stationery	Other
10,000	03/02	Refreshment	00331	1,000		1,000		
	03/04	Travelling	00345	230	230			
	03/04	Bus Fare	00352	490	490			
	03/06	Bulb Replacement	00364	580				580
	03/09	Stationery Cost	00376	1,320			1,320	
	03/15	Cleaning Charge	00387	2,500				2,500
	03/23	Soft Drinks	00394	400		400		
	03/29	Repair Cost	00402	1,900				1,900
(1,000)	03/31	Imprest Deduction						
				8,420	720	1,400	1,320	4,980
	31.03.22	Balance c/d		580				
9,000				9,000				
580		Balance b/f						

06. I. (a) Goods purchased on credit basis are recorded in a separate record named as the Purchases Journal
Purchase Invoice

(b) Assets, Liability & Equity

II. (a)

(A) Purchase A/c Dr 30,000
Sales A/c Dr 30,000
Debtors A/c Cr 30,000
Creditor A/c Cr 30,000

(B) Maintenance Expenses Dr 20,000
Capital Asset A/c Cr 20,000

(C) Salary Expenses Dr 23,000
Current Asset A/c Cr 17,000

(D) Drawings A/c Dr 25,000
 Cost of Good Sold Cr 25,000

(b) Corrected Profit – Rs. 12,000

III.

Debit		Bank Account (Adjusted)		Credit	
Date	Description	Value	Date	Description	Value
31.03	Balance B/f	130,000	31.03	Bank Charge Balance C/f	5,000
	Direct Remittance	20,000			145,000
		150,000			150,000
	Balance B/f	145,000			

(b)

Bank reconciliation statement for the month of March 2024

Adjusted bank balance		145,000
Add- Cheque not presented to the bank		
• Cheque No. 1134	13,300	
• Cheque No. 3545	40,500	
• Cheque No. 9678	80,000	133,800
Less - Unrealized cheque		
• Cheque No. 2234	24,400	
• Cheque No. 3245	53,100	
• Cheque No. 3040	15,000	(92,500)
Bank balance as per the bank statement as at 31.03.2024		186,300

IV. (a)

Production cost statement

Raw Wooden	40,000	
Stock as at 31.03.2023	(5,000)	
	35,000	
Carpenter Salary	20,000	
Total Prime Cost		105,000
Factory Rent	10,000	
Painting materials cost	5,000	
Electricity Charge	3,000	
Total Production Overhead Cost		18,000
Total Production Cost		123,000

07. I. (a) When an organization cannot recover the money from trade debtors due to any reason, such unrecoverable amount is called “Bad debts”.

(b) Accumulated depreciation of an asset is deducted from the cost of the asset, the balance is known as the net book value of the asset.

II.

“Enrich Sports Club”
Income Statement
For the Year Ended 31st December 2023

Membership Fee Received	250,000	
Donation Received	40,000	300,000
Expenses		
Postal Fee	10,000	
Stationery Cost	34,000	
Water Bill	2,000	
Building Rent	25,000	
Ground Cleaning Cost	63,000	
Fees for Umpires	32,000	(166,000)
Excess for the period		134,000

III. (a) / (b)

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

Sales			780,000
Less – Cost of Sales			
Stock as at 01.01.2023	35,000		
Freight Inward	4,500		
Purchases	340,000		
Cost of goods presented for sales		379,500	
Less : Goods Drawings		(10,000)	
Less : Stock as at 31.12.2023		(30,000)	(339,500)
Gross Profit			440,500
Discount Received			2,400
Distribution Expenses			
Discount Given	24,000		
Promotional Expenses	45,000		
Bad Debts	20,000		
Travelling Cost	3,300	92,300	
Administration Expenses			
Building Depreciation	90,000		
Information Technology Depreciation	50,000		
Building Maintenance Cost	39,000		
Admin Cost	50,000		
Salaries	66,000	295,000	
Financial expenses			
Interest Expenses	40,000	40,000	(427,300)
Net Profit			15,600

Enrich Business School
Statement of Financial Position
as at 31.12.2023

	Cost	Acc: Dep	Net Book Value
Non-current assets			
Land			
Building	450,000	120,000	330,000

Information Technology Equipment	250,000	70,000	180,000
			510,000
Current assets			
Closing Stock		30,000	
Trade Receivables		100,000	
Cash at Bank		48,000	178,000
Total Assets			688,000
Capital as at 01.01.2023		362,400	
Add: Net Profit		15,600	
Less: Drawings		(10,000)	368,000
Noncurrent liabilities			
Bank Loan – 20%		200,000	200,000
Current liabilities			
Trade Creditors		80,000	
Payable Bank loan interest		40,000	120,000
Equity and liabilities			688,000

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