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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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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.**

Japan-Sri Lanka automobile (Pvt) Ltd imports electrical automobiles from Japan to Sri Lanka. Most of the foreign worker who has concessionary vehilce permit granted by ministry of labors are customer of the association. Japan-Sri Lanka automobile (Pvt) Ltd is the exclusive authorized importer of electrical vehicels from Japan to Sri Lanka. The company has few agents in Japan to inspect the reconditioned vehicles which can be imported into Sri Lanka.

1. According to the above scenario, select the answer which includes a wants that supply by Japan-Sri Lanka automobile (Pvt) Ltd
 - 1) Transport
 - 2) Automobiles
 - 3) Service
 - 4) Dealer
2. Major strength of the Japan-Sri Lanka automobile (Pvt) Ltd with regard to the Electrical Vehicle is,
 - 1) Growing industry
 - 2) Exclusive Authorized Dealer
 - 3) They have agents in Japan
 - 4) Concessionary vehilce permit
3. Select the correct statement regarding the above case?
 - 1) Japan-Sri Lanka automobile (Pvt) Ltd can be categorized as public sector business organization
 - 2) Agents in Japan are external factor to the Japan-Sri Lanka automobile (Pvt) Ltd
 - 3) Japan-Sri Lanka automobile (Pvt) Ltd is a profit oriented organization

- 4) Board of directors in a Japan-Sri Lanka automobile (Pvt) Ltd are elected based on the consent of the majority of members

4. According to the above case select the incorrect statement regarding the Japan-Sri Lanka automobile (Pvt) Ltd?

- 1) Main objective of the Japan-Sri Lanka automobile (Pvt) Ltd is to achieve the well-being of its employee
- 2) Japan-Sri Lanka automobile (Pvt) Ltd is not a legal entity separated from its owners
- 3) General public can purchase shares of the Japan-Sri Lanka automobile (Pvt) Ltd through Colombo Stock Exchange.
- 4) Japan-Sri Lanka automobile (Pvt) Ltd is controlled by Board of Directors appointed by shareholders

5) Following are some characteristics of a business organization.

- A. Not profit oriented
- B. Controlled by board of Directors
- C. Board of Directors are appointed by members
- D. Private Sector Organization

Select the business organization type according to the above characteristics

- | | |
|--------------------------------------|------------------|
| 1) Medirigiriya Co-operative Society | 2) Nimal Traders |
| 3) ABC (Pvt) Ltd | 4) Hayleys Plc |

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

- A. Providing tax incentives for businesses is a strength of business
- B. Negative attitudes of workers is external environment factor of an organization
- C. Experience of managers is strength of a business

Select the correct statement/s,

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

7) Yashoda who has a current account in Bank of Ceylon issued a cheque of Rs. 10,000 to Virajani. Here, Yashoda is**A**....., Virajani is**B**..... and People's bank is**C**..... Select the answer that shows the correct terms to **A**, **B** and **C** in the above statement respectively.

- 1) Drawee , Drawer , Payee
- 2) Drawer , Drawee , Payee
- 3) Payee , Drawer , Drawee
- 4) Drawer , Payee , Drawee

8) Following are some characteristics of an account operated by commercial banks.

- A. Maintaining the deposit for a certain period of time
- B. Varying interest rates depending on the amount deposited and the deposit period

C. Receiving a relatively higher interest rate compared to normal savings accounts

Select correct account according to the above characteristics?

- | | |
|--------------------|-------------------------------|
| 1) Savings Account | 2) Current Account |
| 3) Fixed Deposit | 4) Savings accounts for women |

9) Following are some payment methods in a business organization

- A. Credit Cards
- B. Crossed Cheques
- C. Cash
- D. Debit Cards
- E. Standing Orders

Select the electronic payment methods among the above payment methods

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

10) 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 paying ability of the person
- 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 life insurance policies

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

11) Managing director of the company informed to his directors that directors should not use business class seats when they travel abroad. This message was sent through E-mail.

Select the correct answer which is included sender, Message , medium & receiver respectively

- 1) Managing Director , Should not use business class seat , E-mail & Directors
- 2) Directors , Email , Should not use business class seat , Managing director
- 3) Directors , Should not use business class seat , Email , Managing Directors
- 4) Email , Managing Directors , Directors , Should not use business class seat

12) Select the statement that includes an example for import & retail trade

- 1) Ashan produced coconut shells and sell to local agents to resell
- 2) Namal purchase fancy items from China & sell these items for final consumption.
- 3) Dhanushka sell rubber to Canada & purchase 100,000 perfume bottles from United Kingdom
- 4) Lahiru purchase dhal from India & sell dhal to Keels super market

13) The President appoints State ministers and assigns ministries supervisory activities to them. To which management function does this belong?

- 1) Organizing
- 3) Planning

- 2) Leading
- 4) Controlling

14) Virajani who produces butter cake at her hostel in Jaffna ,sells those items to the friends who are studying at university of Jaffna with an **attractive cake box**. In addition to that large amount of orders are taking for university festivals. She has published an **advertisement on university notice** board weekly. Further she appointed her **distributing agents** for each faculty in University of Jaffna. According to the above case select the answer which includes the underlined items under the proper variable in marketing mix respectively

- 1) Product, Distribution, Promotion
- 3) Product, Distribution, Price

- 2) Product, Promotion, Place
- 4) Product, Promotion, Distribution

15) Following are some characteristics of an investment opportunity

- Earn capital gains by selling at a higher price than the purchased price
- Appoint directors by using the vote
- Present as a collateral when obtaining loans
- Sell investment at any time and obtain cash

State the investment opportunity according to the above characteristics

- 1) Treasury bond
- 3) Ordinary Shares

- 2) Fixed Deposit
- 4) Treasury Bills

16) Ashan has following investment in his investment portfolio,

- A. Rs. 500,000 worth of share in Colombo stock exchange
- B. Treasury bond investment of Rs. 100,000
- C. 100 acres Coconut estate in Kurunegala

What is the answer, When ranking the above investments from the lowest risk investment to the highest risk investment?

- 1) A, B, & C
- 3) A, C & B

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

17) Select the most appropriate statement which describes current asset,

- 1) 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
- 2) The assets that are consisting Land and Building ,machinery and furniture
- 3) The assets that are expected to be used within 12 months of period
- 4) The assets that are consisting only inventory & cash

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

- A. Having a present obligation.

- B. Can be controlled by the business.
- C. Outflow part 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 Asset element

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

19) Following are few ledger accounts of a trading business

- | | |
|----------------------------------|--|
| A. Capital account | B. Bank loan account |
| C. Sales account | D. Electricity expense payable account |
| E. Building Depreciation account | F. Drawings account |
| G. Prepaid Expenses | H. Accrued Income |

Select the answer which includes only Assets accounts

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

20) Electricity expenses of a business for the financial year 2023 are Rs. 50,000. Rs. 40,000 out of Rs. 50,000 has been paid. Select the correct journal entry to record this transaction.

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

21) The source documents which are used to record credit sales and building depreciation are respectively,

- | | |
|---------------------------------------|------------------------------------|
| 1) Sales Invoice & Journal Voucher | 2) Sales journal & General Journal |
| 3) Purchase Invoice & Journal Voucher | 4) Cash receipt & Journal Voucher |

22) When dishonoring a deposited cheque which was received from a debtor, will

- 1) Decrease the bank balance and Increased the debtor balance
- 2) Increases the bank balance and decrease the debtors balance
- 3) Increases the bank balance and debtors balance
- 4) Decrease the bank balance and increases the creditor balance

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

The balance of the bank statement as at 31.03.2022 was Rs 100,000. The bank balance in general ledger was not tally with the above balance. Below reasons were identified for the difference.

- A. Rs. 30,000 worth of cheque has not yet been presented for the payment
- B. Rs. 34,000 worth of cheque has not yet been realized
- C. Bank charge of Rs. 5,000 and Rs. 10,000 payment which was made as standing order have not been recorded in the bank account

23) Select the differences which are not adjusted in the bank account ,

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

24) Balance as per the adjusted bank account is,

- | | |
|---------------|----------------|
| 1) Rs. 89,000 | 2) Rs. 64,000 |
| 3) Rs. 88,000 | 4) Rs. 104,000 |

25) Petty cash imprest of a business is Rs. 5,000. The following payments were made during the month of January 2024.

- Payment for refreshment was Rs. 600
- Travelling cost paid from petty cash was Rs. 1,800
- Stamp Cost was Rs. 1,800

At the end of January 2024 Main cashier reimbursed Rs. 5,200 to the petty cashier

How much is the petty cash imprest as of 01st of February 2024 ?

- | | |
|--------------|---------------|
| 1) Rs. 6,000 | 2) Rs. 4,200 |
| 3) Rs. 5,000 | 4) Rs. 11,000 |

26) Following errors have been occurred in a trade business for the year ended 2023 .Draft profit for the period was Rs. 150,000

- Rs. 20,000 worth of sales invoice was omitted
- Allowed discount of Rs. 3,400 have not been recorded in the books of account
- Rs. 10,000 Cash receiving from a debtor has been recorded in creditor account

Corrected profit for the period is,

- | | |
|----------------|----------------|
| 1) Rs. 166,600 | 2) Rs. 130,000 |
| 3) Rs. 173,400 | 4) Rs. 120,000 |

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

The number of members of ACCA welfare society in year 2023 was 250. The annual subscription fee of one member is Rs 120 .There were subscriptions to be received as at 31st December 2023 from 20 members for the year 2023. 30 members have not paid the subscription fee as at 31st December 2022 for the year 2022.

27) The total membership fee received during the year 2023 was ,

- | | |
|---------------|---------------|
| 1) Rs. 30,000 | 2) Rs. 31,200 |
| 3) Rs. 28,800 | 4) Rs. 26,400 |

28) The annual membership income for the year ended 31st December 2021 is,

- | | |
|---------------|---------------|
| 1) Rs. 30,000 | 2) Rs. 27,600 |
| 3) Rs. 33,600 | 4) Rs. 28,800 |

29) ACCA is a customer of Questionbank.lk & ACCA due amount is Rs. 12,000 to Questionbank.lk. When settling this debt amount, Questionbank.lk allowed 10% cash discount to ACCA. What is the correct journal entry to record above transaction in Questionbank.lk

- | | | | |
|----|------------------------------|------------|------------|
| 1) | Cash account Dr | Rs. 12,000 | |
| | Debtors account Cr | | Rs. 12,000 |
| 2) | Cash account Dr | Rs.10,800 | |
| | Discount allowed account Dr | Rs. 1,200 | |
| | Debtors Account Cr | | Rs. 12,000 |
| 3) | Cash account Dr | Rs.11,400 | |
| | Discount received Account Dr | Rs. 600 | |
| | Debtors Account Cr | | Rs.12,000 |
| 4) | Cash account Dr- | Rs. 11,400 | |
| | Discount received Account Dr | Rs.600 | |
| | Creditors Account Cr | | Rs. 12,000 |

30) Select the answer which contains basic components of statement of profit & loss.

- | | |
|---------------------------|---------------------|
| 1) Income & Asset | 2) Income & Expense |
| 3) Cost of Sale & Expense | 4) Equity & Income |

➤ **Answer the question 31 & 32 using the following scenario**

The cost information of “Nimal Furniture” business related to month of January 2024 is given below. ACCA is manufacturing company situated near Moratuwa.

Wood	Rs. 20,000
Labor cost of carpenters	Rs. 2,500
Factory rent	Rs. 2,000
Machine depreciation	Rs. 1,000
Selling & Distribution cost	Rs.10,000
Factory Manager cost	Rs. 2,500

Other direct cost

Rs. 1,500

During the month of January 2024 “Nimal Furniture” manufactured 80 chairs

31) The prime cost of a chair is,

1) Rs. 300

2) Rs. 325

3) Rs. 250

4) Rs. 280

32) Total production cost during the month of January 2024 is,

1) Rs. 29,500

2) Rs. 38,000

3) Rs. 39,500

4) Rs. 30,000

33) Journal voucher is a,

1) Source Document

2) Bank receipts

3) Prime Entry book

4) Double entry document

34) Namal & brothers acquired new motor vehicle for Rs. 200,000 on 01.10.2023. Useful life time of the asset & scrap value of the asset is 5 years & Rs. 50,000 respectively. Depreciation cost for the year ended 31st December 2023 is,

1) Rs. 30,000

2) Rs. 7,500

3) Rs. 15,000

4) Rs. 40,000

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

Bank loan Rs. 100,000 was obtained at 15% on 2023.07.01. During the financial year ended on 31.12.2023, three months interest has not been paid yet.

35) Interest cost for the 2023 financial year is,

1) Rs. 15,000

2) Rs. 30,000

3) Rs. 7,500

4) Rs. 1,500

36) Accrued Interest cost as at 31st December 2023 is,

1) Rs. 2,500

2) Rs. 7,500

3) Rs. 1,250

4) Rs. 15,000

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

Following are few balances extracted from the trail balance of Namal's business as at 31st December 2023

	Rs
Sales	750,000
Purchase	200,000
Trade Debtors	80,000
Discount allowed	20,000
Carriage Inwards	10,000

Discount received	15,000
Other Income	30,000
Administration Expenses	60,000
Bad debt expenses	25,000
Stocks as at 01 st January 2023	120,000
Property, Plant & Equipment	500,000
Accumulated Depreciation of PPE	100,000

Additional Information

- Cost of Stocks as at 31st December 2023 is Rs. 80,000
- Property, Plant & equipment should be depreciated at a rate of 10% on cost annually under strait line method
- Namal has taken goods worth of Rs, 30,000 as drawings, But no record has been kept in this regard

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

- | | |
|----------------|----------------|
| 1. Rs. 220,000 | 2. Rs. 210,000 |
| 3. Rs. 250,000 | 4. Rs. 200,000 |

38) What is the amount of total Sales & Distribution expenses recognizes in the profit or loss statement for the year ended 31.12.2023 of this business is,

- | | |
|---------------|---------------|
| 1. Rs. 60,000 | 2. Rs. 20,000 |
| 3. Rs. 25,000 | 4. Rs. 45,000 |

39) What is the carrying amount of Non-current assets and total asset of this business as at 31.12.2023 respectively?

- | | |
|------------------------------|------------------------------|
| 1. Rs. 350,000 & Rs. 510,000 | 2. Rs. 400,000 & Rs. 460,000 |
| 3. Rs. 450,000 & Rs. 610,000 | 4. Rs. 350,000 & Rs. 420,000 |

40) The net profit of this business for the year ended 31.12.2023 is

- | | |
|----------------|----------------|
| 1. Rs. 470,000 | 2. Rs. 370,000 |
| 3. Rs. 420,000 | 4. Rs. 400,000 |

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Business and Accounting Studies	I,II

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.

1. Property, Plant & equipments should be depreciated at a rate of 10% annually under straight line depreciation method.
2. Only 10 months rent is paid to the landlord.

Sunimal's son also join with busniess on 01.05.2023 and he completed diploma in coockery at Hotel School in Panadura. All the kitchen activites are supervised by the Sunimal's Son and the busniess was able to get all the quality control standard from ISO certification company & urben council – Anuradhapura. Following are the price list of “ **Chinense Café**”.

Fried Rice	Rs. 1,500
Mix Rice	Rs. 1,200
Cheese Kottu	Rs. 1,000

Recently they have introduced referel code method to increase sales of the business. In this system if someone introduce new customer to the restuarnat both new customer & introduced person will be getting 50% discount from next purchase. Since they have introduced home delivery facility at customers door stop, number of customers increased rapidly durring last few months.

- I. (a) Write down needs & wants provided by the business mentioned in the above scenario.
(b) Write down the most appropriate delivery method to deliver foods to customers door stop
- II. (a) Name the two production factors of “**Chinense Café**” with the examples from the case
(b) State the one strength & threat to the business
- III. Dhanushka 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 (III) (a)
- IV List down the marketing mix with example from the given case,
- V. Calculate the Total expense of the business for the year ended 31st December 2023
- VI. Write down source document and prime entry book which are used to record depriciation of Property, Plant & equipments
- VII. Write double entries to record below transactions for the year ended 31st December 2023 in the business
(a) Depreciation Expenses
(b) Loan taken from co-operative bank
- VIII. Calculate the cash balance of “**Chinense Café**” as at 31st December 2023
- IX. Calculate the net profit for the year ended 31st December 2023
- X. Calculate the following as at 31st December 2023
a) Total Laibility
b) Total Asset

(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) All the natural resources are considered as Land as per factors of Production
- b) Customers can be considered as Internal Stakeholders
- c) Fiscal Policy of the country is decided by the government
- d) Creating a highly competitive environment is positive impact from Global Environment

(2 Marks)

III. Kandy is a modern fashion house situated in Nugegoda. It provides range of fashion designing to all level of ages. During the COVID 19 pandemic business operations was closed down due to the travel restriction imposed by the government. However during the post pandemic period Kandy shop had huge sales and it was sufficient to recover loss made during the pandemic period. Currently 345 employees are working at Kandy and 50 out of 345 are managers. Recently government made tax changes and due to that Kandy had to pay 36% corporate tax based their profit.

- a) State two business environment that can affect to the business with examples from the case
- b) State two stakeholders with the examples

(2 Marks)

IV. Nirmal is the owner of Kolakanda hut in Polonnaruwa. Currently ten employees are working under supervision of Nirmal in order produce high quality, healthy kolakanda that is highly recommended for diabetic patients. Now he is looking to expand his business in Colombo area also. He has over 10 years' experience in beverage industry & Completed higher national diploma about Ayurvedic Products in Pelvehera Ayurvedic Hospital.

As well recent newspaper article disclosed that Ayurvedic Products are manufactured in low quality condition and it might impact to the good health of the people who are using the Kolaknda

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

(2 Marks)

(Total 08 Marks)

3. I. (a) Define the retail trade and Wholesale trade

(b) State two differences between retail trade and Wholesae trade

(2 Marks)

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

- a) Selling goods to India is called as Import.
- b) Retail trader has direct relationship with end customer.
- c) Current Account can be opened at only commercial bank
- d) Savings account's holder can obtain bank overdraft facilities

(2 Marks)

III. Mr. Damitha met an accident when he was travelling to Kandy by his own vehicle. The damage to Vehicle has been estimated as Rs. 200,000. However Mr. Damith expects Rs. 300,000 as

compensation from Insurance Company. However Insurance Company refused to pay additional amount to Mr.Damitha.

- a) Explain Whether Mr.Damitha is entitle to take additional amount and insurance principal related to it?
- b) Explain insurable interest concept and explain whether Mr. Damith has insurable interest to his Vehicle

(2 Marks)

IV. CEO of the **Enrich Business School** address its employee about the March 2023 Intake for ACCA, CIMA & CA Sri Lanka in the company monthly review meeting held at Company board room. Recently CEO got a message through registered post from ACCA Sri Lanka that **Enrich Business School** has been recognized as platinum learning partner for the ACCA qualification.

- a) Identify one example for internal & external communication from the above case.
- b) Identify two Examples for communication mediums in the above case.

(2 Marks)

(Total 08 Marks)

- 4. I.** (a) Briefly explain the meaning of marketing concept
(b) Briefly explain the target market

(2 Marks)

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

- a) Management is a continuous process of consisting of several functions.
- b) In developed countries in the world, resources available for satisfying human needs are unlimited.
- c) Whole seller acts as an intermediary in the distribution process of goods.
- d) When deciding the method for promoting a product, the consumer segment which demands that product should be considered

(2 Marks)

III. Mr. Perera received Rs. 5,000,000 as a gratuity payment when he retired from the government service. Now he is considering suitable investment opportunity to invest this money. He requires high return & risk of the investment is not considered. He is expecting to invest the money over 5 years

- a) Recommend suitable investment method to Mr. Perera & justify the your answer
- b) State the four benefits by investing money in treasury bonds/bills

(2 Marks)

IV. Hilton Hotel Plc offered new experience to their customers by introducing low budget international buffet from year 2022 onwards at their hotel's roof top. Hilton Hotel focus young & newly married couple segment for this new product. Huge promotion campaign was held through TV and leaflets to share the information about the buffet to potential customers.

- a) Identify the two variables of marketing mix as per the above case with examples
- b) Suggest two modern promotion methods to Hilton Hotel to promote this product

(2 Marks)

(Total 08 Marks)

Part II – Accounting
(Answer two questions only)

- 5. I.** (a) Define the current assets and Non-Current assets ?
(b) Explain the double entry system in Accounting

(02 Marks)

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

- (a) Purchasing Rs. 50,000 worth of raw material from Ashan in Cash.
(b) Owner has taken Rs. 20,000 worth of goods as drawings

(02 Marks)

III. Following are few transactions occurred in **Enrich Business School** business during the financial year 2023

1. Credit Sales for the period is Rs. 150,000. Cost of the good sold was Rs. 90,000
2. Paid Rs. 20,000 in cash to a creditor to settle Rs. 25,000 outstanding
3. Cash & Goods drawings by the Owner during the year were Rs. 34,000 & Rs. 40,000 respectively.
4. Total Administration expenses for the year was Rs. 80,000. Out of that Rs. 45,000 has been already paid.

Required

- (a) Record above transactions by using accounting equation (Use below format to record the transactions)

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

- (b) How much is the gross 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 November 2023

Voucher Number	Date	Description	Amount (Rs)
00344	01.11.2023	Beverages	120
00356	04.11.2023	Stationery	560
00368	05.11.2023	Travelling	340
00378	06.11.2023	Bus Fare	320
00452	08.11.2023	Tools for repairing	760
00479	10.11.2023	Purchase of Vehicle	2,000,000
00486	11.11.2023	Computer Service Charges	340
00562	15.11.2023	Cleaning Charges	540
00589	15.11.2023	Refreshments	600
00676	18.11.2023	Battery Replacement	530
00696	19.11.2023	Building rent	1,000,000

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 30th November 2023 & post total amount of analysis column to the ledger

(04 Marks)

(Total 12 Marks)

- 6. I.** (a) Describe the General Journal & state the source document relevant to general journal?
(b) Provide two examples which are recorded in general ledger.

(02 Marks)

II. Following errors have been occurred in Enrich Business School in year ended 31.03.2023. Draft net profit before correcting below errors was Rs. 50,000

1. Rs. 100,000 worth of purchase invoice has been recorded as sales invoice
2. Rs. 10,000 Discount received has been debited to the discount given account. This has been recorded in trade creditor account correctly.
3. No records has been kept regarding the Rs. 15,000 worth of cash drawing made by the owner
4. Paid Building maintenance cost of Rs. 5,000 has been completely omitted from the books of account

Required

- (a) Write down the journal entries to correct the above errors (Narrations are not required)
- (b) Corrected Profit for the year ended 31.03.2023

(04 Marks)

III. As at 31st March 2023 , Bank balance and Bank statement balance of ACCA plc did not tally each other. Bank Account Balance and Bank Statement balance did tally each other as at 01.03.2022 and balance of the bank balance ast at the date was Rs. 20,000.

Later revealed that Following cheques have been issued during the month, but they have not yet been presented to the bank for payment as of 31.03.2023

- Cheque No. 347 - Rs. 13,300
- Cheque No. 768 - Rs. 40,500
- Cheque No. 984 – Rs. 65,000

The following cheques have been deposited but not yet have been realized as at 31.03.2023

- Cheque No. 1234 - Rs. 35,100
- Cheque No. 2245 - Rs. 46,500
- Cheque No. 3100 – Rs. 78,000

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. 60,000.
- Dividend received to the bank is Rs. 34,000.

- Cheque book charge deducted by the bank is Rs. 18,000.

Required

- Adjust the bank account.
- Prepare a bank reconciliation statement as at 31.03.2023 by using the adjusted bank account balance.

(04 Marks)

IV. Yashodha started own business on 01.01.2023 to produce traditional item that can be used as statue. Following information is related to the business for the year ended 31.12.2023

Description	Amount
Raw Material	300,000
Labor	150,000
Electricity	30,000
Factory Rent	40,000
Direct Other Cost	25,000
Supervisor Salary	60,000

Additional Information

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

Required

- 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 Scrap value of an asset ?

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

(02 Marks)

II. “ **Enrich Sports Club**” has 150 members as at 31.12.2023. Following is the receipt and payment account for the year ended 31.12.2023.

	Rs.
Membership Fee Received	160,000
Postal Fee	20,000
Stationery Cost	64,000
Donation Received	80,000
Electricity	23,000
Annual Get to gather cost	92,000

Additional Information

- Annual membership fee per member is Rs. 1,000 & 20 members had paid membership fee for year 2024 & 10 Members had not paid membership fee for the year 2023
- Accrued Electricity bill & accrued building rent are Rs. 12,000 & Rs. 13,000 respectively.

Required

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

(02 Marks)

III. Trail Balance of **Enrich Sports Club** is given below

Description	Debit	Credit
Property, Plant & Equipment	3,000,000	
Accumulated Depreciation PPE as at 01.04.2021		1,000,000
Sales		3,000,000
Purchase	1,200,000	
Stocks – 01.04.2021	300,000	
Salary	450,000	
Carried Outwards Cost	50,000	
Discount Received		30,000
Discount Given	20,000	
Travelling Cost	45,000	
Promotional cost	86,000	
Repair cost	34,000	
Stationery cost	83,000	
Building Rent	25,000	
Interest Income Received		20,000
10% Fixed deposit at Bank of Ceylon	500,000	
Cash & Bank	380,000	
Capital		2,228,000
Trade Receivable	90,000	
Trade Creditors		120,000
Bad Debts	45,000	
Electricity Expenses	60,000	
Water Expenses	30,000	
	6,398,000	6,398,000

Additional Information

1. Property, plant & equipment should be depreciated annually at 20% on straight line method
2. Stocks as at 31st March 2022 is Rs. 30,000
3. Owner has taken Rs. 45,000 worth of cash as drawings
4. Accrued Electricity and Water are Rs. 23,000 & Rs. 4,000 respectively.

Required

- a) The Statement of profit & Loss for the year ended 31.03.2022
- b) The statement of financial position as at 31.03.2022

(08 Marks)

(Total 12 Marks)

Suggested Answers – I paper

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

Suggested Answers – II paper

01.

I. (a) Needs - Foods
Wants – Chinese Foods

(b) Most suitable delivery method is motor bicycle or motor tricycle

II. (a)

Production Factor	Example
Labour	Chef & Support Staff
Capital	Machinery

(b)

Weakness	Opportunity
Sunimal's Son has knowledge & experience in the industry.	Expand business in Local market

III. (a) No. I don't agree with the statement

(b) The sole proprietorship is being conducted by using different name other than the name of owner. So due to that this business should be registered.

IV. (a)

Management Function	Example
Product	Producing chinese foods
Price	Price list of "Chinense Café".
Place	Anuradhapura
Promotion	Referel code method

V. Total expense of the business for the year ended 30th April 2022 – Rs. 779,000

Purchase of the ingrediants/Material	1,500,000
Salary Expenses	900,000
Rent Expenses	480,000
Depreciation – Machinery	100,000
Interest Expenses	50,000

VI. Source Document – Journal Voucher

Prime Entry Book – General Journal

VII. (a) Depreciation Expenses Dr 100,000
Accumulated Depreciation Cr 100,000

(b) Cash/Bank Account Dr 500,000
Long Term Loan Cr 500,000

VIII. Cash Balance – Rs. 925,000

IX. Net Profit – Rs. 70,000

X. Total Liability – Rs. 905,000 (550,000 + 275,000 + 80,000)
Total Assets – Rs. 1,825,000 (900,000 + 925,000)

Part I – Business Studies
(Answer two questions only)

02.

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

- (b) 01. Needs are essential but wants are not essential
02. Needs are common, But Wants are diverse

II.

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

III. (a)

Environment	Example
Global Environment	During the COVID 19 pandemic business operations was closed down due to the travel restriction imposed by the government
Legal Environment	Recently government made tax changes and due to that Kandy had to pay 36% corporate tax based their profit.

(b)

Stakeholders

- Government
- Employees

IV. (a)

Strength	Owner has over 10 years' experience in beverage industry & Completed higher national diploma about Ayurvedic Products
One Threat	Recent newspaper article disclosed that Ayurvedic Products are manufactured in low quality condition and it might impact to the good health of the people who are using the Kolaknda

- (b) Coca-cola drink
Energy Drink
Drinking Water

03.

- I. (a) Retail Trade - Retail trade is selling goods and services for final consumption.
Wholesale Trade - Purchase of goods with the purpose of reselling is called wholesale trade.

II.

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

- III. (a) No. Mr. Damitha is not entitle to take additional amount over its damage as per indemnity principal in the property Insurance

- (b) The legal right to obtain an insurance coverage for a life or for a property is known as insurable interest.
Yes. Mr Damitha has insurable interest to his motor vehicle since he is the owner of the vehicle

IV. (a)

Communication Type	Example
Internal communication	CEO of the MyEnrich.lk (Pvt) Ltd address its employee about the March 2023 Intake for ACCA
External communication	CEO got a message through post from ACCA Sri Lanka that MyEnrich.lk has been recognized as platinum learning partner for the ACCA qualification

(b)

Communication Mediums	Example
Verbal	Meetings
Written	Registered Post

04. I. (a) Marketing is the process of creating and offering a valuable product to satisfy human needs and wants

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

II.

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

III. (a) He Can invest money in ordinary shares that can earn more return than other investment methods. Because

- (b) 01. Ability to earn an interest income at a fixed rate
- 02. Ability to convert into cash at any time
- 03. A full guarantee from the government is given that the invested money will be paid back

IV. (a)

Variables of marketing mix	Examples
Place	Hotel's roof top of Hilton Hotel Plc
Promotion	Huge promotion campaign was held through TV and leaflets to share the information about the buffet to potential customers

- (b) Use Facebook to promote their goods & Services
- Use of You Tube to promote their goods

Part II – Accounting

(Answer two questions only)

05. I. (a) **Current Asset** - 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.

Non-Current Asset - All the assets that cannot be considered as current assets are considered as non-current assets.

- (b) The accounting system, which records the same amount in debit and credit sides of accounts is called as the double entry system.

II. (a) Stocks/Inventory Dr Rs. 50,000
Cash Cr Rs. 50,000

(b) Drawings Dr Rs. 20,000
Cost Of Sale Cr Rs. 20,000

III. (a)

Trans: No	Asset			=	Liability	+	Equity
	Cash	Trade Receivables	Stocks				
1		150,000	(90,000)	=		+	60,000
2	(20,000)			=	(25,000)	+	5,000
3	(34,000)		(40,000)	=		+	(74,000)
4	(45,000)			=	35,000	+	(80,000)

(b) Gross Profit for the Year 2023 – Rs. 60,000

IV. (a)

Receipts	Date	Description	V.N	Payments	Analysis Columns			
					Travelling	Refreshment	Stationery	Other
10,000	11/01	Beverages	00344	120		120		
	11/04	Stationery	00356	560			560	
	11/06	Travelling	00368	340	340			
	11/10	Bus Fare	00378	320	320			
	11/11	Tools for repairing	00452	760				760
	11/15	Computer Service Charges	00486	340				340
	11/18	Cleaning Charges	00562	540				540
	11/19	Refreshments	00589	600		600		
		Battery Replacement	00676	530				530
				4,110	660	720	560	2,170
	30.11.23	Balance c/d		5,890				
10,000				10,000				
5,890		Balance b/f						

06. I. (a) General Journal is a journal that can be used to record transactions that are not recorded in other prime entry books.

Source Document – Journal Voucher

(b) Fixed Asset Purchasing

Recording drawings by Owner

II. (a)

(A) Sales A/c Dr 100,000
Purchase A/c Dr 100,000
Trade Creditor Cr 100,000
Trade Debtor Cr 100,000

(B) Suspense A/c Dr 20,000
Discount Given Cr 10,000
Discount Received Cr 10,000

(C) Drawings Dr 15,000
Cash A/c Cr 30,000

(D) Building Maintenance A/c Dr 5,000
Cash A/c Cr 5,000

(b) Loss for the period – Rs. 135,000

III.

Debit		Bank Account (Adjusted)		Credit	
Date	Description	Value	Date	Description	Value
	Balance B/f	20,000		Loan Payment	60,000
	Dividend Received	34,000		Cheque Book Charge	18,000
	Balance C/f	24,000			
		78,000			78,000
				Balance B/f	24,000

(b)

Bank reconciliation statement for the month of March 2023

Adjusted bank balance		(24,000)
Add- Cheque not presented to the bank		
• Cheque Number - 347	13,300	
• Cheque Number - 768	40,500	
• Cheque Number - 984	65,000	
		118,800
Less - Unrealized cheque		
• Cheque Number - 1,234	35,100	
• Cheque Number - 2,245	46,500	
• Cheque Number - 3,100	78,000	(159,600)
Bank balance as per the bank statement as at 31.03.2023		(64,800)

IV. (a)

Production cost statement

Raw Material	300,000	
Stock as at 31.12.2023	(5,000)	
	295,000	
Mechanical Engineer Salary	150,000	
Direct Other Cost	25,000	
Total Prime Cost	470,000	470,000
Electricity	30,000	
Supervisor Salary	60,000	
Factory Rent`	40,000	
Total Production Overhead Cost		130,000
Total Production Cost		600,000

07. I. (a) Scrap Value of an asset is a value that is expected to be sold the asset at the end of the useful life time of the asset.

(b) Cost of the asset

Estimated use of life of the asset

Scrap value of the asset

II.

“Enrich Sports Club”
Income Statement
For the Year Ended 31.12.2023

Membership Fee Income	150,000	230,000
Donation Received	80,000	
Expenses		
Postal Fee	20,000	
Stationery Cost	64,000	
Building Rent	13,000	
Electricity Expenses	35,000	
Annual Get to gather cost	92,000	
		(224,000)
Excess for the period		6,000

III. (a) / (b)

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

Sales			3,000,000
Less – Cost of Sales			
Stock as at 01.04.2021	300,000		
Purchases	1,200,000		
Cost of goods presented for sales		1,500,000	
Less : Stock as at 31.03.2022		(30,000)	(1,470,000)
Gross Profit			1,530,000
Discount Received			30,000
Interest Income			50,000
Distribution Expenses			
Discount Given	20,000		
Promotional Expenses	86,000		
Travelling Cost	45,000		
Carried Outwards Cost	50,000		
Bad Debts	45,000	246,000	
Administration Expenses			
Property, Plant & Equipment Depreciation	600,000		
Electricity Expenses	83,000		
Building Rent	25,000		
Salary	450,000		
Water Expenses	34,000		
Repair Cost	34,000		
Stationery Expenses	83,000	1,309,000	
Financial expenses			(1,555,000)
Net Profit			55,000

Enrich Business School
Statement of Financial Position
as at 31.12.2023

	Cost	Acc: Dep	Net Book Value
--	------	----------	----------------

Non-current assets			
Property, Plant & Equipment	3,000,000	1,600,000	1,400,000
			1,400,000
Fixed Deposit		500,000	500,000
Current assets			
Closing Stock		30,000	
Receivable Interest Income		30,000	
Trade Receivables		90,000	
Cash at Bank		335,000	485,000
Total Assets			2,385,000
Capital as at 01.04.2021		2,228,000	
Add: Net Profit		55,000	
Less: Drawings		(45,000)	2,238,000
Noncurrent liabilities			
Current liabilities			
Trade Creditors		120,000	
Accrued Electricity		23,000	
Accrued Water		4,000	147,000
Equity and liabilities			2,385,000

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