

Western Province – Colombo Zone
Business and Accounting Studies 1 – Midterm Test 2013

Grade 11

Time: 01 hour

Answer all questions.

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- 1). Sumanadasa is a clerk working Government Department, He spends his free time cultivating vegetables in his own garden .He consumes his harvest. This helps him to reduce his expenses, his friend Gunapala grows fruits in his garden, where he sells half of the harvest to the economic centre and earns a good income .According to the above Sumanadasa's and Gunapala's production could be categorized as,
- Fruits and Vegetable production
 - Indirect production and Large scale production
 - Direct and Indirect production
 - Secondary and Tertiary production
- 2). Which is not a difficulty of Barter system?
- Difficulty in storing goods
 - Difficulty in measuring goods
 - There were no excess of goods
 - Difficulty in transporting goods
- 3). What is the most important feature of money irrespective of the different mediums used?
- It has to be in printed form
 - It has to be issued by recognized Institution
 - It should be commonly accepted
 - It should be able to divide into smaller units

- 4). "Now I am involved in e-commerce ".What is meant by this statement?
- i). Perform trade via fax and letters
 - ii)..Perform trade via computer and internet
 - iii). Perform trade via telephones and fax
 - iv). Perform trade via newspaper advertisements and credit cards
- 5). Humans are gifted with Agriculture, Forestry , Fisheries and Mining from the nature, when we extract them as it is, it is known as,
- i). Primary production
 - ii). Secondary production
 - iii). Tertiary production
 - iv).Core production
- 6). What is the base for classifying business as sole-proprietorships, partnerships and companies?
- i). According to the objective
 - ii). According to the ownership
 - iii). According to the liability
 - iv). According to the scale
- 7). Which is not a feature of co-operatives?
- i). Democratic control
 - ii). Distribution of surplus among members
 - iii). Perform activities for the welfare of members
 - iv). Distribute profits/losses according to the share capital
- 8). Before preparing a business plan, a businessmen must,
- i). Not identifying the business opportunities
 - ii). Preparing the Income statement
 - iii). Preparing the Trial balance
 - iv). Forecast Human Resource requirements

- 9). Which is the correct formula for total production?
- i). Direct other expenses + Indirect other expenses
 - ii). Primary cost + Direct cost
 - iii). Overhead cost + Direct material cost
 - iv). Primary cost + Production Overhead cost
- 10). Which Institution monitors the banks and other Financial Institutions in Sri Lanka?
- i). The Treasury
 - ii). Central Bank of Sri Lanka
 - iii). Peoples' Bank
 - iv). Bank of Ceylon
- 11). The principle of Indemnity is not applicable for,
- i). Marine Insurance
 - ii). Fire Insurance
 - iii). Motor Insurance
 - iv). Life Insurance
- 12). Which answer gives the components of communication?
- i). Speed, cost, sender, receiver
 - ii). Sender, message, mode, receiver
 - iii). Sender, receiver, message, clearness
 - iv). Speed, cost, sender, receiver
- 13). Column X shows the elements of transportation and Column Y shows some examples,
- | X | Y |
|---------------|----------------|
| i). Way | A. Electricity |
| ii). Mode | B. Air way |
| iii). Power | C. Car |
| iv). Terminal | D. Air Port |

What is the correct answer which gives the correct match between column X and Y.

i). 1A, 2B, 3C, 4D

ii). 1B, 2A, 3C, 4D

iii). 1B, 2C, 3A, 4D

iv). 1B, 2C, 3D, 4A

14). "Saman pays his supermarket bills using debit cards". Debit cards, belong to,

i). Near money

ii). Fiat money

iii). Bank money

iv). E - Money

15). Select the correct statement relevant to the "BIN CARD".

i). It controls the value of stocks

ii). It records the correct value of stocks at any given time

iii). It records the balance of stocks as and when it is required

iv). It records the quality of stocks as and when it is required

*Answer question 16 & 17 based on the information given below. As at 30th November favorable bank balance of the cash book was Rs.5000.00. A standing order payment which was recorded on the cashbook was Rs.1000.00. Cheques issued but not presented for payment 3000.00.

16). The balance of the adjusted cashbook as at 30th Nov.2010 should be

i). Rs. 6000

ii). Rs. 7000

iii) Rs. 4000

iv). Rs.1000

17). The balance of the bank statement as at 30th November 2010 should be

i). Rs. 5000

ii). Rs. 7000

iii) Rs. 3000

iv). Rs. 1000

18). Select the correct double entry for dishonored cheques?

i). Bank column – Debit,

Dishonored cheques A/C- Credit

ii). Dishonored cheques A/C- Debit,

Bank column – Credit

iii). Cash column- Debit,

Bank column – Credit

iv). Bank column- Debit,

Debtors A/C – Credit

19). Select the correct accounting equation.

i). Assets =

Capital - Liabilities

ii). Assets =

Capital + Liabilities

iii). Capital =

Assets + Liabilities

iv). Liabilities =

Capital +Liabilities

20). Thomas has taken money from his business for personal use. Correct double entry related to the transaction is,

- | | | |
|-------|-----------------|------------------|
| i). | Cash – Debit | Capital -Credit |
| ii). | Expenses –Debit | Cash - Credit |
| iii). | Drawings –Debit | Cash - Credit |
| iv). | Drawings –Debit | Capital - Credit |

21). Following are the expenses for manufacturing of 10 tables by "Moratuwa Furniture's Company".

Direct Cost Rs. 3000.00

Overhead Cost Rs. 1000.00

The Unit Cost is,

- i). Rs. 300.00 ii). Rs. 200.00 iii). 400.00 iv). 100.00

22). Entering a purchasing invoice of Rs. 25,000.00 twice in books is a,

- i). Error of Omission
ii). Compensating error
iii). Error of Duplication
iv). Error of Principles

23). What are the fixed assets found in book shop?

- i). Books, Book Shelves, Buildings
ii). Books, debts, cash in hand
iii). Book Shelves, Buildings, Cash Register
iv). Book shelves, Debts, Cash in hand

24). Following expressions were done throughout a week by a business. Select the capital expense.

- i). Paid Rs.20000.00 for fixed assets
ii). Paid Rs.15000.00 for repairs for machines
iii). Paid Rs.30000.00 for furniture purchased to resell
iv). Paid Rs.30000.00 as compensation for a injured employer

25). Instance where the cash discount is deducted?

- i). When purchasing goods on cash
ii). When payments are made during the agreed time frame
iii). When making payments via cheques
iv). When making a payment in cash or by a cheque at the time of purchasing good

26). Select the transaction which does not effect the agreement of the Trail Balance.

- i) Discount Received Rs. 500/- was not recorded in the discount received Account
- ii). A sales Invoice worth Rs. 10000/- was not recorded
- iii). Rs. 1000/- worth Insurance expenses was recorded as Rs.10000/- in the Insurance exp account
- iv). Cash purchases worth Rs.50000/- was recorded as Rs.5000/- in the purchases account

27). Select the transaction which will reduce the value of both assets and capital.

- i) Obtaining a cash loan of Rs.6000.00
- ii). Selling of an asset worth Rs.5000.00 for Rs.6000.00
- iii). Drawing Rs 2000.00 from the business for the owners personal use
- iv). Cash purchases of Rs.1000.00

28). Advertising paid in advance falls under,

- i). Capital Expenses
- ii). Prepayments
- iii). Revenue Expenses
- iv). Accrued Expenses

29). The total of discounts allowed will be debited to the relevant accounts. This is as per,

- i).The double entry principle
- ii).Discounts received is an expense
- iii).Discount allowed column is not an account
- iv).The accounting practice

30). The balance of discount allowed Rs.300/- was recorded in discounts received account. Select correct journal entry to rectify this error.

- i). Discount allowed Dr Rs.300/ Suspense account Cr Rs.300
- ii).Discount allowed Dr Rs. 300/ Suspense account Dr Rs.300/ Discount received Cr. Rs. 300
- iii).Discount allowed Dr Rs.300/ Discount allowed Dr Rs.300/ Suspense account Cr Rs.600
- iv).Discount received Dr Rs300/ Discount allowed Dr Rs 300/.Suspense account Cr Rs. 600

31). Following are some statements made by an inexperience accounts clerk. What is the correct statement among them?

- i).Total of the returns inward journal should be debited to the sales account
- ii). All transactions related to purchases should be recorded in the sales journal
- iii).Total of the petty cash book should be debited to miscellaneous expenses account
- iv).Fixing expense of machines should be debited to relevant machinery account

32). A company has an asset cost Rs.12, 000, its useful lifetime is estimated as 5 years and scrap value will be Rs. 2,000. What is the annual depreciation and cumulative depreciation at the end of the third (3rd) year?

- i). Rs. 2,000 / Rs. 2,000
- ii). Rs. 2,400 / Rs. 8,200
- iii). Rs. 10,000 / Rs 6,000
- iv). Rs. 2,000 / Rs 6,000

33). Wages paid was correctly recorded in the cash book as Rs.850/-, but in wages account it is recorded as Rs.8500/-. What is this error?

- i). Error of omission
- ii). Compensating error
- iii). Error of commission
- iv). Error of duplication

34). Match the environmental factors in column X with the relevant environment forces in column Y.

X	Y
A. Managers	1. International Forces
B. Resources	2. Increase in female employment
C. Economic Environment	3. Dedication/ Experience
D. Global Environment	4. Strong financial capabilities

- i). A4, B2, C2, D1
- ii). A3, B4, C2, D1
- iii). A2, B3, C4, D1
- iv). A1, B3, C3, D4

35). Select the abnormal item from the following credit balances.

- i). Cr. balance in the interest A/C
- ii). Cr. balance in a debtors A/C
- iii). Cr. balance in the return outward A/C
- iv). Cr. balance in the discounts received A/C

36). It was found that, there was a deficit of Rs.250 in the debit side when agreeing the trail balance. Select the double entries used to arrive at a temporary agreement of the trail balance.

- i). Suspense A/C Dr Rs.250/-
Trail balance Cr Rs. 250/-
- ii). Suspense A/C Dr Rs. 250/-
.....
- iii). Trail balance Dr Rs. 250/-
Suspense A/C Cr Rs. 250/-
- iv).
Suspense A/C Cr Rs.250/-

37). What is not considered as product?

- i). Time
- ii). Services
- iii). Goods
- iv). Ideas

38). What factors is considered as an Input?

- i). Activities
- ii). Information
- iii). Event
- iv). Goods and Services

39). What is considered as overhead costs?

- i). Direct material, Direct labor, Direct other expenses
- ii). Indirect materials, Indirect labor, and Indirect other expenses
- iii). Direct materials. Indirect materials, Direct labor and indirect labor
- iv). All cost items are considered

40). What is the document issued from a seller to a buyer including details of the transaction?

- i). Credit card
- ii). Goods received Notice
- iii). Debit card
- iv). Invoice

Western Province – Colombo Zone

Business and Accounting studies 11 – Midterm Test 2013

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Time: 02 hours

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- Answer question 01 is compulsory.
 - Select two questions from section- A and two questions from section -B.

01).

Study the following paragraph and answer question no. (i) to (v) .

- Kumudu grows vegetables in her garden and gets a good harvest. After the consumption of her family excess is sold to a hotel near by and an additional income is gained. Her husband and two children help her cultivating activities. A neighbor's three-wheeler is used to transport vegetables to the hotel. She is determined to succeed in a business and to form a Pvt.Ltd. Company. Therefore she deposits the profits in a bank account.
- Name 2 needs and respective wants mentioned above.
 - a. What is the type of production that this belongs to?
b. What is the type of business organization that this business belongs to?
 - State the direct labor and indirect labor relevant to production.
 - Name two (2) business support services mentioned above.
 - Give two (2) limitations of Pvt. Ltd. companies.

(2x5 = 10 Marks)

Use the following information to answer question no. (vi) to (x).

- Details of income and expenses of Kumudu's business for the month of June 2013 are as follows.

1. Purchase of vegetable seeds	Rs. 7,500/-
2. Purchase of fertilizer	Rs. 2,000/-
3. Value of vegetable taken for family's consumption	Rs. 1,500/-
4. Tree-wheel charges	Rs. 900/-
5. Purchases of plastic bins for transport of vegetables	Rs. 2,500/-
6. Income from sales of vegetables	Rs. 24,000/-

- vi). According to which concept, value of vegetables taken for family's consumption is considered as an expense of the business. (2 Marks)

vii). Classify expenses mentioned above as capital expenditure and revenue expenditure. (2 Marks)

viii). Assuming that the balance brought forward is Rs.4, 200/-, enter the above transactions in a cash book. (3Marks)

ix). Balance the cash book you prepared. (1Mark)

x). Show how transactions no. 03 and 05 affect to the basic accounting equation. (2 Marks)

(Marks 20)

Section A

02).

1) State the important stages of Evolution of Business? (2 Marks)

11) State 04 (four) Macro Environment forces and list 02 (two) factors each relevant to each Environment force. (2 Marks)

111) Briefly explain the following,

a). Direct Production.

b). Indirect Production. (2x2 Marks)

iv). It is possible to classify Business Organizations in to different types such as, sole proprietorships, and partnerships. But these business organizations have certain features in common. Write four (04) such common features. (2 Marks)

(Marks 10)

03).

1). a). State the objective of crossing a cheque and explain how it is achieved?

(2 Marks)

b). What are the important factors to be considered when writing a cheque?

(2 Marks)

- 11). Briefly explain any two (02) of the following:
- Primary production
 - Secondary production
 - Tertiary production
- (2 Marks)

- 111). Briefly explain the following,
- Indemnity
 - Proximate cause
- (2 Marks)

- iv). Transportation is useful for business activities. Explain shortly the actions that could be taken in order to improve the transportation system in Sri Lanka? (2 Marks)
- (Marks 10)

- 04). 1). What is communication? (2 Marks)

- 11). Explain the inter relationship among Uni- banking, ATM, and ATM cards. (2 Marks)

- 111). List four (04) differences between savings accounts and term deposits. (2 x 2Marks)

- iv). State two (02) disadvantages faced by a business for not maintain a proper ware housing (storing) system. (2 Marks)
- (Marks 10)

Section B

05).

1) Following transactions are related to Martins Business.

Transaction	Equipment	+ stocks	+ cash	= creditors	+ Loan	+Capital
1			+600 000			+ 600 000
2	+ 75 000		- 75 000			
3			+200 000		+ 200 000	
4		+100 000	- 100 000			
5		+ 50 000		+ 50 000		
6		- 10 000	+ 20 000			+10 000

- (a) Give examples for transactions 1 to 6. (6Marks)

11) The following information is related to a garments factory for the month of December 2012.

	Rs.
01.12.12 Raw Material stock	40 000 .00
31.12.12 Raw Material stock	12 000 .00
Raw Material purchased	50 000 .00
Carriage Inward	1 000 .00
Purchased Return of Raw Material	500 .00
Direct salaries	10 000 .00
Supervision salaries	6 000 .00
Electricity / Power	1 500 .00
Rates	2 200 .00
Insurance	1 000 .00
Labels and Thread	600 .00
Units Produced	100 .00
Profit margin	20%

Calculate the following

- Cost of raw materials used. (1 Mark)
- Calculate the total production cost. (1 Mark)
- Calculate the unit selling price. (2 Marks)

(Marks 10)

06).

I). Write the journal entries to correct the following errors.

- Total of the sales journal has been understated by Rs. 2,000.
- Balance of Rs.600 of stationary account has been totally omitted from the books.
- Traveling expenses of Rs. 600 has not been recorded in traveling expense account.
- Salaries of Rs.1, 000 has been recorded in salaries account as Rs. 100.

(e). Paid interest of Rs. 750 has been recorded in the interest received account.

(1x5Marks)

ii). Prepare the suspense account and find the opening balance.

(5Marks)

07).

I). (a) What is a petty cash book?

(b) What is meant by impress system?

(1x2Marks)

II) The balance of the bank column of Sadaruwan's cash book was Rs.48, 420/- as at 30/04/2004. This was different from the balance stated in the bank statement. The following reasons were identified for the difference of the balances.

- Direct remittances Rs. 3, 000/-.
- The Bank as deducted Rs.100/- from the account as bank charges.
- Standing order recorded as Rs. 1, 000/-.
- A Cheque worth Rs. 4, 000/- was issued, but not presented to the bank.
- A Cheque worth Rs. 2, 500/- was deposited, but was not realized.

Considering the above prepare the following:

(a) The Adjusted Cash Book.

(b) Calculate the bank balance as at 30/04/2004 according to the bank reconciliation.

(6Marks)

iii) Fill in the following table.

Name of the A/C	Amount Paid	Accrued Amount	To the Profit and Loss A/C
Rates & Rent	Rs.8,000	Rs.1,000
Telephone	Rs. 500	Rs.5,500
Salaries & Wages	Rs.6,000	Rs.7,000
Loan Interest	Rs. 900	Rs.100

(2Marks)