



Department of Examinations - Sri Lanka
G.C.E. (O/L) Examination - 2019

60 - Business & Accounting Studies

Marking Scheme



This document has been prepared for the use of Marking Examiners. Some changes would be made according to the views presented at the Chief Examiners' meeting.

Amendments to be included

Department of Examinations - Sri Lanka
National Evaluation & Testing Service

G.C.E. (O/L) Examination - 2019

60 - Business & Accounting Studies

Total marks

Paper I	01 x 40 marks	40 marks
Paper II	Question number 01 is compulsory	20 marks

Part I - Business Studies

Question no. 02	08 marks	} For any 02 Questions $2 \times 8 = 16$ marks
Question no. 03	08 marks	
Question no. 04	08 marks	

Part II - Accounting

Question no. 05	12 marks	} For any 02 Questions $2 \times 12 = 24$ marks
Question no. 06	12 marks	
Question no. 07	12 marks	

Total Marks 60

Calculating final marks

Total Marks for Paper I	=	40
Total Marks for Paper II	=	60
Final Marks	=	100

Common Techniques of Marking Answer Scripts.

It is compulsory to adhere to the following standard method in marking answer scripts and entering marks into the mark sheets.

1. Use a red color ball point pen for marking. (Only Chief/Additional Chief Examiner may use a mauve color pen.)
2. Note down Examiner's Code Number and initials on the front page of each answer script.
3. Write off any numerals written wrong with a clear single line and authenticate the alterations with Examiner's initials.
4. Write down marks of each subsection in a \triangle and write the final marks of each question as a rational number in a \square with the question number. Use the column assigned for Examiners to write down marks.

Example:

Question No. 03

(i)

.....

✓

\triangle
 $\frac{4}{5}$

(ii)

.....

✓

\triangle
 $\frac{3}{5}$

(iii)

.....

✓

\triangle
 $\frac{3}{5}$

03

(i)

$\frac{4}{5}$

+

(ii)

$\frac{3}{5}$

+

(iii)

$\frac{3}{5}$

=

\square
 $\frac{10}{15}$

MCQ answer scripts: (Template)

1. Mark the correct options on the template according to the Marking Scheme. Cut off the marked windows with a blade. Cut off the cages for Index Number and the number of correct options so as to be able to keep the template correctly on the answer script. Cut off a blank space to the right of each options column to mark the answers. Submit the prepared template to the Chief Examiner for approval.
2. Then, check the answer scripts carefully. If there are more than one or no answers Marked to a certain question write off the options with a line. Sometimes candidates may have erased an option marked previously and selected another option. In such occasions, if the erasure is not clear write off those options too.
3. Place the template on the answer script correctly. Mark the right answers with a 'v' and the wrong answers with a 'X' against the options column. Write down the number of correct answers inside the cage given under each column. Then, add those numbers and write the number of correct answers in the relevant cage.

Structured essay type and essay type answer scripts:

1. Cross off any pages left blank by candidates. Underline wrong or unsuitable answers. Show areas where marks can be offered with check marks.
2. Use the right margin of the overland paper to write down the marks.
3. Write down the marks given for each question against the question number in the relevant cage on the front page in two digits. Selection of questions should be in accordance with the instructions given in the question paper. Mark all answers and transfer the marks to the front page, and write off answers with lower marks if extra questions have been answered against instructions.
4. Add the total carefully and write in the relevant cage on the front page. Turn pages of answer script and add all the marks given for all answers again. Check whether that total tallies with the total marks written on the front page.

Preparation Of Mark Sheets.

Except for the subjects with a single question paper, final marks of two papers will not be calculated within the evaluation board. Therefore add separate mark sheets for each of the question paper. Enter paper I marks in "Total Marks" column of the mark sheet and write them in words as well. Enter paper II Marks in the " Total Marks" Column and include the relevant details. For the subject 43 Art, marks for Papers I,II and III should be entered numerically in the mark sheets.

For subjects 21 Sinhala language and literature and 22 Tamil Language and literature, paper I marks once entered numerically should be written in words. For the papers II and III enter the detailed marks separately and put the total in each paper in the relevant column.

Final marks for paper I, paper II or paper III should always be rounded up to the nearest whole number and they should never be kept as decimal or half values.

60 - Business Studies & Accounting

Marking Scheme Final Marks

• Paper I	40
• Paper II	
• Question No. 01	20
• Part I question (02 x 08)	16
• Part II question (02 x 12)	24
Total Marks	100

Question No

01.

- i. 02 marks
- ii. 02 marks
- iii. 02 marks
- iv. 02 marks
- v. 02 marks
- vi. 02 marks
- vii. 02 marks
- viii. 02 marks
- ix. 02 marks
- x. 02 marks

Total 20 marks

Part I

02. (i) 02 marks
(ii) 02 marks
(iii) 02 marks
(iv) 02 marks

Total 08 marks

03. (i) 02 marks
(ii) 02 marks
(iii) 02 marks
(iv) 02 marks

Total 08 marks

04. (i) 02 marks
(ii) 02 marks
(iii) 02 marks
(iv) 02 marks

Total 08 marks

Part II Accounting

05. (i) 02 marks
(ii) 02 marks
(iii) 04 marks
(iv) 04 marks

Total 12 marks

06. (i) 02 marks
(ii) 04 marks
(iii) 02 marks
(iv) 04 marks

Total 12 marks

07. (i) 02 marks
(ii) 02 marks
(iii) 08 marks

Total 12 marks

ஸ்ரீ லக்ஷ்மி விநாயக டெபார்ட்மென்டில்
 இலங்கைப் பரீட்சைத் திணைக்களம்
 ஈ.பொ.ஈ.(ஈ.பெல) விநாயக - 2019
 க.பொ.த (சா.தர)ப் பரீட்சை - 2019

60

Business & Accounting Studies

Paper I - Answers
புத்திரம் - விடைகள்

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

பின்னாலே பதிலைக் கொடுத்தால் } உன் பிழைகளைக் கொண்டு
விசேட அறிவுறுத்தல் } ஒரு சரியான விடைக்கு

01

பெருகித்
புள்ளி வீதம்

தலை ஷேஜ்/ மொத்தப் புள்ளிகள் $01 \times 40 = 40$

பலவே திட்டங்களை டீக்கவென பரிசீலிப்பதற்கு உதவியாகவும், சமீபத்தில் பட்டியலிடப்பட்டிருக்கும் உதாரணத்திற்கு அமைய பஸ்தேர்வு வினாக்களுக்குரிய புள்ளிகளை பஸ்தேர்வு வினாப்பத்திரத்தின் இறுதியில் பதிவு.

25

40

25

40

Business & Accounting Studies – II

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

At the general meeting of past pupils association of Mihirithanne Maha Vidyalaya, the principal stated that the students who are coming from Rangama area are late to school due to not having a bus on that route. As a solution for this, Amila, Ruwan and Nayana, three past pupils of the school started a business as 'Aruna Tours' on 1st of October 2019 by purchasing a small, used bus, employing Rs. 200 000 each and obtaining a bank loan of Rs. 400 000 at annual interest rate of 6%. This bus is used for tours as well as for transportation on Rangama route.

Following is a summary of transactions occurred during the month ended 31.10.2019.

	Rs.
• Receipts from the bus:	
from passengers	96 000
from tours	45 000
• Paid expenses:	
fuel expenses	38 000
bus repairing expenses	9 000
wages to driver	35 000
other expenses	7 000

Following information are provided as at 31.10.2019.

- The bus is depreciated annually at 12% on straight line basis.
- Receivables on tours is Rs. 15 000.
- Annual insurance fee of Rs. 12 000 and monthly wages of helper of Rs. 15 000 have not been paid.

On 31.10.2019, three owners decided to purchase a new bus for the business and information related to it was searched on internet. An employee was also recruited on the same day.

- (i) (a) State the human need satisfied by the 'Aruna Tours' business and indicate how 'Aruna Tours' fulfils that need.
 - (b) What is the type of business organization that the past pupils association of Mihirithanne Maha Vidyalaya belongs, according to the ownership?
 - (ii) Nayana states that the business name, 'Aruna Tours' is required to be registered.
 - (a) Do you agree with the Nayana's statement?
 - (iii) Name two internal environmental factors of a business and give examples for them using the 'Aruna Tours' business in the case. (To provide the answers, use a table similar to one given below)
- | Internal environmental factors | Example |
|--------------------------------|---------|
| 1. | |
| 2. | |
- (iv) (a) Write a communication media and a communication method for it that are included in the case.
 - (b) Write an activity that belongs to planning of management process in this case.
 - (v) Write the accounting equation with values of 'Aruna Tours' business as at 01.10.2019.
 - (vi) (a) Write the double entry related to paying wages to the driver of 'Aruna Tours' business.
 - (b) What is the total amount of the wages that should be in Income Statement prepared for the month ended 31.10.2019 of 'Aruna Tours' business?
 - (vii) Write two prime entry books and two source documents that are used to record the transactions of 'Aruna Tours' business.
 - (viii) Calculate the cash balance of 'Aruna Tours' business as at 31.10.2019.
 - (ix) Calculate the profit or loss of 'Aruna Tours' business for the month ended 31.10.2019.
 - (x) What are the total equity and the total liabilities of 'Aruna Tours' business as at 31.10.2019?

(02 × 10 = 20 marks)

01.

(i) (a) Transportation.

(½ mark)

Using a bus for transportation

Using a bus for Tours

(½ Mark)

(b) • Private Sector Business

• Societies

(01 Mark)

(ii) (a) Agree / Yes.

(01 mark)(b) Business is conducted by another name other than owners' names *(01 mark)*

(iii)

Internal Environment Factors	Examples
1. Owners	Amila, Ruwan, Nayana
2. Managers	Amila, Ruwan, Nayana
3. Employees	Driver, Helper, Employee

*½ Mark for each environment factor (½ × 2 = 01 mark)**½ Mark for each example (½ × 2 = 01 mark)*

(iv) a) – Oral – Principal addressing at the annual general meeting

- Electronic - Searching the information on internet

(½ × 2 = 01 mark)

b) Deciding to purchase a new bus

(01 Mark)

(v)	Assets	=	Equity	+	Liabilities
	Rs.		Rs.		Rs.
	1 000 000	=	600 000	+	400 000

or

Assets	=	Equity	+	Liabilities
Rs.		Rs.		Rs.
+ 6 00 000	=	+ 600 000		-
+ 400 000	=	-	+	400 000
1 000 000	=	600 000	+	400 000

or

Assets	=	Equity	+	Liabilities
Rs.		Rs.		Rs.
+ 600 000 Cash	=	+ 60 0000 Capital		
+ 400 000 Cash	=		+	400 000 Bank loan
1 000 000	=	600 000	+	400 000

*For Correct Accounting Equation with values (02 mark)**For indicating the effect a transition $\frac{1}{2} \times 2 = 01$ mark*

(vi)	Salary a/c	Dr. Rs. 35 000
	Cash a/c	Cr. Rs. 35 000

(01 mark)

(b) Rs. 50 000

or

Wages of driver	Rs. 35 000
Wages of helper	Rs. <u>15 000</u>
	Rs. <u>50 000</u>

(01 mark)

(vii) Prime entry books :

Cash book , General Journal

($\frac{1}{2} \times 2 = 01$ mark)

Source documents :

Receipts, Paying Voucher, Journal Voucher

($\frac{1}{2} \times 2 = 01$ mark)

(viii)

Cash book

	Rs.		Rs.
Capital a/c	600 000	Motor Vehicle bus	1000 000
Bank loan	400 000	Fuel	38 000
Cash from Passengers	96 000	Bus repairing	9 000
Tours	45 000	Wages to driver	35 000
		Other Expenses	7 000
		31/10 Balance c/d	52 000
	1 141 000		1 141 000
01/11 Balance b/f	52 000		

or

Receipts :

	Rs
Capital A/C	600 000
Bank loan	400 000
Cash from :- Passengers	96 000
Tours	45 000
	1,141,000

Payments

Motor Vehicle (Bus)	1000 000
Fuel	38 000
Bus Repairing	9 000
Wages to driver	35 000
Other Expenses	7 000
	1089 000
31/10 Cash Balance	52 000

(02 Mark)

(ix)

Income

	Rs.		Rs.
Income from bus Passengers -	96 000	} $\frac{1}{2}$	156 000
from Tours -	60 000		

Expenses

Fuel	38 000	} $\frac{1}{2}$	
Bus repairing	9 000		
Wages for driver	35 000		
Wages for helper	15 000		
Other expenses	7 000	} $\frac{1}{2}$	(117 000)
Depredation for the bus	10 000		
Insurance	1 000		
Loan interest	2 000		
Net profit			<u>39 000</u> $\frac{1}{2}$

(02 Marks)

(x) • Total Equity - Rs. 639 000 (01)

Or

• Capital - Rs. 600 000 $\frac{1}{2}$ Net Profit $\frac{1}{2}$ - Rs. 39 000Total equity 639 000

(01 Mark)

• Total Liabilities Rs. 418 000 (01)

Or

Bank loan	Rs.	400 000	} $\frac{1}{2}$
Accrued Bank loan Interest	Rs.	2 000	
Accrued wages	Rs.	15 000	} $\frac{1}{2}$
Accrued Insurance	Rs.	1 000	
		<u>418 000</u>	

(01 Mark)

(i)	(ii)	(iii)	(vi)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	20
02	02	02	02	02	02	02	02	02	02	20

Part I - Business Studies
(Answer two questions only.)

2. (i) (a) What is a human want?
(b) Write **two** characteristics of a human want. (02 marks)
- (ii) State whether the following statements are **true or false**.
(a) Businessmen can create human needs but human wants cannot be created.
(b) Suppliers of a production business are an internal environmental factor of that business.
(c) Any person or institute who purchased ordinary shares of incorporated companies is an owner of it.
(d) Businesses always act on the aim of profit. (02 marks)
- (iii) Sumana in Koggala is conducting a business with the help of Kanthi by cultivating cinnamon in her land and producing 'Hela Kurundu Tea' to sell to tourists who visit Madolduwa, businesses in town and local consumers.
(a) Write an example each from the case for the employees and customers, the stakeholders of the 'Hela Kurundu Tea' business.
(b) Write a reason for each stakeholder that you mentioned above (iii)(a) to pay an interest in 'Hela Kurundu Tea' business. (02 marks)
- (iv) Following are some business names.
1. Shakthi Batik Producers
2. Sakura Mushrooms
3. Suwaya Hospital
4. Sagara Driving School
(a) Write the human need satisfied by each of the above businesses.
(b) State the type of business that each of the above businesses belongs according the nature of product. (02 marks)
- (Total 08 marks)**

02.

- (i) (a) Different ways of satisfying human needs

(01 mark)

- (b) Not essential
Being diverse
Can be created
Complexity
Unlimited

($\frac{1}{2} \times 2 = 01$ mark)

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

($\frac{1}{2} \times 4 = 02$ marks)

(iii) (a) Employees – Kanthi

Customers - Tourist who visit Madolduwa

Businesses in town

Local consumers

$(\frac{1}{2} \times 2 = 01 \text{ mark})$

(b) Kanthi

– To obtain a reasonable salary

Job Security

Tourists

– Obtaining Products at a fair price

Businesses in town

– Obtaining a quality product (quality kurundu tea)

Local Consumers

$(\frac{1}{2} \times 2 = 01 \text{ mark})$

(iv) (a) 1. Clothing

2. Food

3. Health

4. Education

(01 Mark for 3 or 4 correct answers)

($\frac{1}{2}$ Mark for 02 correct answers)

(b) 1. Commodity manufacturing business

2. Commodity manufacturing business

3. Service providing business

4. Service providing business

(01 Mark 4 correct answers)

($\frac{1}{2}$ Mark for 02 or 03 correct answers)

02	i	ii	iii	iv	
	a b	a b c d	a b	a b	08
	01 01	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$	01 01	01 01	08

3. (i) (a) What is a commercial bank?
 (b) Write two factors that should be considered, when selecting a communication method. (02 marks)
- (ii) State whether the following statements are true or false.
 (a) Fixed deposits receive high return compare to savings deposits.
 (b) Utmost good faith, the principle of insurance is relevant only to the property insurance.
 (c) Communication is exchanging information only among external individuals and institutions.
 (d) Selling local products by a country to a foreign country or countries is known as export trading. (02 marks)
- (iii) A cheque of Rs.200 000 with a special crossing has been issued to Sri Lanka Telecom PLC who owns a current account in People's Bank, by Sri Lanka Port Authority who owns a current account in Bank of Ceylon.
 (a) Write the auxiliary service provided by Sri Lanka Port Authority and Sri Lanka Telecom PLC separately.
 (b) According to the above case, indicate how the cheque issued by Sri Lanka Port Authority had been crossed. (02 marks)
- (iv) Wipula met with an accident while driving his father's motor vehicle and Wipula informed it to the insurance company using his phone. Though Wipula requested the claim of damage estimated by the insurance agent who came to the accident place, it was rejected.
 (a) What is the principle of insurance that caused to reject the claim to Wipula?
 (b) Identify the electronic communication process included in the above case and write examples for Sender, Message, Mode, Receiver, Response and Feedback of it. (02 marks)
- (Total 08 marks)

03.

- (i) (a) A commercial bank is a financial institute that offers various services for business while maintaining savings accounts, fixed deposits and current accounts

(01 mark)

- (b) • Appropriateness/ Suitability
 • Speed
 • Cost
 • Clarity
 • Easy to use
 • Comprehensibility

($\frac{1}{2} \times 2 = 01$ mark)

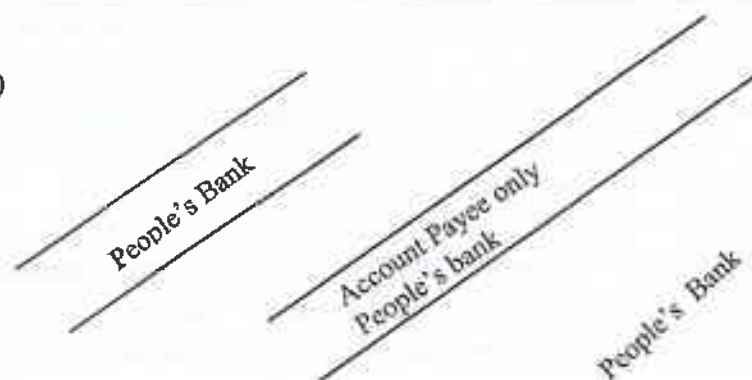
- (ii) (a) True
 (b) False
 (c) Flase
 (d) True

($\frac{1}{2} \times 4 = 02$ marks)

- (iii) (a) Sri Lanka Port Authority – Transportation
 Sri Lanka Telecom PLC – Communication

($\frac{1}{2} \times 2 = 01$ mark)

(b)

*(01 mark)*

(iv) (a) Insurance interest

(½ Mark)

- (b)
- Sender - Wipula
 - Message - Vehicle met with an accident
 - Mode - Electronic / verbal/ electronic verbal
 - Receiver - Insurance company
 - Response - Obtaining the message
- Informing the arrival of agent
 - Feedback - Arrivals of the agent

*(½ Marks for each two examples)**(01 ½ Marks)*

03	i		ii				iii		iv		
	a	b	a	b	c	d	a	b	a	b	<u>08</u>
	01	01	½	½	½	½	01	01	½	01 ½	08

4. (i) (a) What is marketing?
 (b) Write **two** items included in the variable of product of Marketing Mix. (02 marks)
- (ii) State whether the following statements are **true** or **false**.
 (a) Management is the process of fulfilling business aims using the unlimited resources efficiently.
 (b) When fulfilling objectives of marketing in a business, the most important variable of Marketing Mix is place.
 (c) Sri Lanka Securities and Exchange Commission is a monitoring body prevailing in the financial system of Sri Lanka.
 (d) Central Bank of Sri Lanka issues treasury bills for the government to fulfil the long term financial needs of the government. (02 marks)
- (iii) The following is a statement made by a marketing manager of a business, when introducing a product.
 "The cost of heat protected, blue coloured new lunch box is Rs. 100. It was decided to price with 10% profit margin on cost and introduce initially at schools in the town through sales promoters."
 (a) Write an example for each variable, product, price, place and promotion of marketing mix in the above statement.
 (b) Write an example for a function of planning included in the above statement. (02 marks)
- (iv) Sama has a saving deposit of Rs. 100 000, Amara has a fixed deposit of Rs. 80 000 and Ruwan has a share market investment of Rs. 50 000.
 (a) Among three investors included in the above case, who has done the riskiest investment?
 (b) "The expected return of Sama should be higher than the expected return of Ruwan." Do you agree with this statement? Write a reason for the answer. (02 marks)
(Total 08 marks)

04.

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

or

Marketing is the process of producing , pricing, promotion and distribution of products for the satisfaction of human needs and wants.

(01 mark)

- (b)
- Quality
 - Attributes
 - Style
 - Container
 - Brand name
 - Quantity
 - Guarantee
 - Services

(½ x 2 = 01 mark)

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

($\frac{1}{2} \times 4 = 02$ marks)

- (iii) (a) Product - Heat protected, blue coloured lunch box
 Price - Cost Rs. 100
 Profit Margin 10%
 Sales Price Rs.110
 Place - Near the schools in the town
 Promotion - Through sales promoters

($\frac{1}{2}$ Marks for each two answers)

(01 Mark)

- (b) Deciding to do the initial introduction at schools

(01 Mark)

- (iv) (a) Ruwan

(01 Mark)

- (b) • No / disagree
 • As the share market investment has a high risk, the expected return of Ruwan is higher.

($\frac{1}{2} \times 2 = 01$ marks)

04	i		ii				iii		iv		
	a	b	a	b	c	d	a	b	a	b	08
	01	01	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	01	01	01	01	08

Part II - Accounting
(Answer two questions only.)

5. (i) (a) What is the equity of a business?
(b) Write two situations that the equity of a sole proprietorship business changes? (02 marks)
- (ii) Write double entries for the following transactions.
(a) Receiving a cheque of Rs. 7 000 from debtor, Madawa
(b) Nadun, who is the owner of a furniture shop taking a dining table of Rs. 35 000 from his business for his personal use. (02 marks)
- (iii) Following are how four transactions of Sahan's business impacted on the accounting equation.

Date	Transaction	Assets (Rs)	=	Equity (Rs)	+	Liabilities (Rs)
02.10.2019	1	Stocks + 15 000				Creditors + 15 000
03.10.2019	2	Furniture + 25 000 Cash - 25 000				
04.10.2019	3	Stocks - 10 000 Debtors + 12 000		Profit + 2 000		
05.10.2019	4	Cash - 9 000		Discounts received + 1 000		Creditors - 10 000

Further, as at 01.10.2019 Sahan's business total assets are Rs. 250 000 and total liabilities are Rs. 50 000.

Required:

- (a) Writing the above 1, 2, 3 and 4 transactions with values
(b) State the basic accounting equation of business with values as at 05.10.2019 after recording the above transactions. (04 marks)
- (iv) Monthly petty cash imprest of Ruwan Traders received for November is Rs. 1 000. Petty cash payments for the month of November are as follows.

Date	V.N.	Description	Amount (Rs.)
02.11.2019	01	Postal charges	150
10.11.2019	02	Travelling expenses	80
15.11.2019	03	Refreshment expenses	200
29.11.2019	04	Three wheeler charges	200

Required:

Recording above transactions in a petty cash book and balancing it as at 30.11.2019

(04 marks)

(Total 12 marks)

05.

- (i) (a) • Equity is the amount of assets of a business owned by the owners.

or

- Equity is the amount by subtracting the total liability from the total assets of a business.

(01 mark)

- (b) Employing additional capital

Drawings

Income / Revenue

Expenses

($\frac{1}{2} \times 2 = 01$ marks)

(ii) (a) Cash	a/c	Dr.	Rs.7 000
Madawa's	a/c	Cr.	Rs.7 000

(01 mark)

(b) Drawings	a/c	Dr.	Rs.35 000
Purchases	a/c	Cr.	Rs.35 000

(01 Mark)

- (iii) (a) 1. Purchasing a stock of Rs.15 000 on credit
2. Purchasing a furniture of Rs.25 000 in cash
3. - Selling a stock of goods which cost Rs. 10 000 for Rs.12 000 on credit
- Selling a stock of goods which cost Rs.10 000 with a profit of Rs.2 000 on credit
4. - Receiving of Rs.1 000 discount when paying of a creditor Rs.10 000
- Paying of Rs. 9 000 to pay off a creditor of Rs.10 000
- Paying Rs.9 000 to a debtor subject to 10% discount

(½ x 4 = 02 marks)

(b)

Assets(Rs)	=	Equity (Rs)	+	Liabilities (Rs)
258 000	=	203 000	+	55 000
$\frac{1}{2}$		01		$\frac{1}{2}$

or

	Assets(Rs)	=	Equity (Rs)	+	Liabilities (Rs)
as at 01.01.2019	250 000 + 8 000	}	=	200 000 + 3 000	}
	$\frac{1}{2}$				
as at 05.10.2019	258 000	=	203 000	+	55 000

(02 marks)

(iv) (a)

Ruwan Traders

Patty Cash book for the month of November 2019

Receipts	L /F	Date	Description	V N	Payme nts	Analyses Columns				L F
						Postal	Trave -lling	Refer sh ment	Ledg er acco unt	
1 000 $\frac{1}{2}$		01.11	Cash account							
		02.11	Postal Charges	01	150	150	-	-		
		10.11	Travelling expenses	02	80	-	80	-		
		15.11	Refreshment	03	200	-	-	200		
		29.11	expenses	04	200	-	200	-		
			Three wheeler charges		630	150	280	200		
		30.11	Balance c/d	$\frac{1}{2}$	370	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$		
1 000					1 000					
370 $\frac{1}{2}$		01.12	Balance b/f							

(½ marks for the format)

05	i		ii		iii		iv	12 12
	a	b	a	b	a	b		
	01	01	01	01	02	02		

(04 marks)

6. (i) (a) What is 'trial balance'?
- (b) Write **two** accounting elements included in the Statement of Financial Position. (02 marks)
- (ii) Some transactions of Sithum's business and how they have been recorded by a newly recruited accounts clerk are given below.

01.03.2019	Employing addition capital	Rs. 50 000
02.03.2019	Purchases on credit	Rs. 45 000
03.03.2019	Paying electricity bill	Rs. 8 000
04.03.2019	Purchases of furniture	Rs. 12 000
05.03.2019	Sales in cash	Rs. 30 000

Ledger Accounts:**Cash Account**

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
01/03	Capital a/c		50 000	03/03	Electricity a/c		8 000
05/03	Sales a/c		30 000	04/03	Furniture a/c		12 000

Capital Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
				01/03	Cash a/c		50 000

Purchases Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
04/03	Cash a/c		12 000				

Electricity Bill Account

Date	Description	L/F	Amount (Rs.)	Date	Description	L/F	Amount (Rs.)
				03/03	Cash a/c		8 000

Required:

- (a) Writing errors occurred with values, when recording the above transactions
- (b) Journal entries to rectify any **two** errors mentioned above (ii)(a) (04 marks)
- (iii) Nirmal started a business to produce and sell flower vases by using used plastic bottles. Following are the information related to the month of May 2019.

	Rs.
Purchases of plastic bottles	13 000
Wages of maker of flower vases	6 000
Painting cost of flower vases	2 500
Electricity charges	3 000
Purchase of a flower vases making machine	60 000

Additional information:

- The machine should be depreciated annually at 10% on straight line method.
- By using all materials 100 flower vases were produced during the month of May.

Required:

Preparing the statement of production cost for the month ended 31.05.2019 (02 marks)

- (iv) Following are the information extracted from the bank statement received for the month ended 31.03.2019 of Sam's business.

Credit balance as at 01.03.2019 Rs. 11 000

Deposits:

02/03 Cash Rs. 20 000

05/03 Cheque 758011 Rs. 22 000

15/03 Direct remittances Rs. 15 000

Deductions:

04/03 Wages Cheque 352301 Rs. 10 000

25/03 Thusitha Cheque 352302 Rs. 20 000

30/03 Bank charges Rs. 3 000

Required:

- (a) Preparing the bank statement for the month of March 2019

- (b) Name an item from the above information that is used to adjust the bank account of the business (04 marks)

(Total 12 marks)

6.

- (i) (a) A trial balance is a list prepared at the end of a period with debit and credit balances of ledger accounts in the ledger of a business.

(01 mark)

- (b)
- Assets
 - Liabilities
 - Equity

($\frac{1}{2} \times 2 = 01$ mark)

- (ii) (a)
1. Credit purchases of Rs.45 000 was not recorded in the ledger accounts.
 2. - Paying electricity bill of Rs.8 000 was recorded correctly in the cash account but credited to electricity bill account.

or

- Paying electricity bill of Rs.8 000 was credited to the electricity bill account.

or

- Paying electricity bill of Rs.8 000 was credited to both cash account and electricity bill account.

3. - Purchases of furniture Rs.12 000 was recorded correctly in the cash account but debited to the purchases account.

or

- Purchases of furniture Rs.12 000 was debited to the purchases account.

4. - Sales in cash Rs.30 000 was recorded only in the cash account.

or

- Sales in cash Rs.30 000 was correctly recorded in the cash account but not credited to the sales account.

or

- Sales in cash Rs.30 000 was not credited to the sales account.

(02 Marks for three or four correct answers)

(01 Mark for two correct answers)

(½ Mark for one correct answer)

(b)

General Journal

<i>Date</i>	<i>J.V.N</i>	<i>Description</i>	<i>L. F</i>	<i>Debit (Rs)</i>	<i>Credit (Rs)</i>
		Purchases a/c Dr. Creditors a/c (Rectifying not recording credit purchases of Rs.45000 in the accounts)		45 000	45 000
		Electricity bill a/c Dr. Suspense a/c (Rectifying recording electricity bill payments of Rs.8000 in the credit side of the electricity bill account)		16 000	16 000
		Furniture a/c Dr. Purchases a/c (Rectifying to debit furniture purchasing Rs.12 000 debited to the purchases account)		12 000	12 000
		Suspense a/c Dr. Sales a/c (Rectifying not recording sales in cash Rs.30 000 in the sales account)		30 000	30 000

(½ Marks for each correct journal entry)

(½ Marks for each narrator)

(01 × 02 Marks)

(iii)

Nirmal's Business**Statement of Production cost for the month ended 31.05.2019**

	Rs.	Rs.
Direct materials: Purchases of plastic bottles	13 000	
Direct Labour: Wages of maker of flower vases	6 000	
Prime cost $\left(\frac{1}{2}\right)$		19 000
Indirect materials: Painting cost	2 500	
Indirect other expenses: Electricity charges	3 000	
Depreciation of machines	500 $\left(\frac{1}{2}\right)$	
Production overhead cost $\left(\frac{1}{2}\right)$		6 000
Total Production cost		<u>25 000</u> $\left(\frac{1}{2}\right)$

(02 Marks)

(iv) (a)

Sam's Business**Bank statement for the month of March**

Date	Description	Debit Rs.	Credit Rs.	Balance Rs.
03.01.2019	Balance b/f	-	-	11 000 $\left(\frac{1}{2}\right)$
01.03.2019	Cash	-	20 000	31 000
04.03	Wages (352301)	10 000	-	21 000
05.03	Cheque deposit (758011)	-	22 000	43 000
15.03	Direct remittances	-	15 000	58 000
25.03	Thusitha -352302	20 000	-	38 000
30.03	Bank Charges	3 000	-	35 000 $\left(\frac{1}{2}\right)$
		$\left(\frac{01}{01}\right)$	$\left(\frac{01}{01}\right)$	

(03 Marks)

(b) - Direct remittances Rs.15 000

or

- Bank Changes Rs. 3 000

(01 mark)

06	i	ii	iii	iv	
	a b	a b		a b	12
	01 01	02 02	02	03 01	12

7. (i) (a) What is bad debts?

(b) What is the objective of preparing an Income Statement by non for profit organization?

(02 marks)

(ii) Number of members of Pubudu youth society is 100. Monthly membership fee per member is Rs. 50. Following are some transactions related to the month of October 2019.

	Rs.
Purchases of stationeries	3 000
Purchases of newspapers and magazines	6 000
Postal fee	500
Donations received	3 000

Additional information:

- 20 members had not paid membership fee for the month of October.
- Balance of the Receipts and Payments account as at 01.10.2019 was Rs. 5 000.

Required:Preparing Receipts and Payments account of Pubudu youth society for the month ended 31.10.2019 *(02 marks)*

(iii) Trial balance of Sanka's retail business as at 31.12.2018 is as follows.

	Debit (Rs.)	Credit (Rs.)
Buildings (at cost)	350 000	
Provisions for depreciation (as at 01.01.2018)		140 000
Stock (as at 01.01.2018)	30 000	
Purchases	220 000	
Sales		300 000
Debtors	40 000	
Creditors		30 000
Discounts allowed	2 500	
Discounts received		2 000
Electricity charges	5 000	
Bad debts	1 500	
12% Bank loan		100 000
Bank loan interest	10 000	
Cash balance	35 000	
Telephone charges	2 000	
Capital		124 000
	<u>696 000</u>	<u>696 000</u>

Additional Information:

- Stock as at 31.12.2018 is Rs. 22 000.
- Buildings should be depreciated annually at 20% on straight line method.
- Accrued electricity charges as at 31.12.2018 is Rs. 1 000.

Required:

(a) The Statement of Profit and Loss for the year ended 31.12.2018

(04 marks)

(b) The Statement of Financial Position as at 31.12.2018

*(04 marks)**(Total 12 marks)*

07

- (i) (a) When an organization cannot recover the money from debtors due to any reason, such unrecoverable amount is called bad debts.

(01 mark)

- (b) An income statement is prepared to calculate the net results of the economic activities (surplus or deficit) conducted by the Not for profit organization within a specific time period.

(01 mark)

(ii)

Pabudu youth society**Cash receipt and payment account for the month ended 31.10.2019**

	Rs.		Rs.
01.10.2019 Balance b/f	$\frac{1}{2}$ 5 000	Purchases of Stationery	3 000*
Membership fee	$\frac{1}{2}$ 4 000	Purchases of papers and magazine	6 000*
Donations	3 000 *	Postal expenses	500*
		31/10/2019 Balance c/d	$\frac{1}{2}$ 2 500
	12 000		12 000
01.11.2019 Balance b/f	2 500		

*($\frac{1}{2}$ Marks for 4 items *)**(02 Marks)*

(iii) (a)

Sanka's retail business

Profit and loss account for the year ended 31.12.2018 } $\frac{1}{2}$

	Rs.	Rs.		Rs	Rs.
Stock as at 01.01.2018		30 000	Sales		300 000
Purchases		220 000			
Cost of goods to be sold		250 000			
less :					
Stock as at 31.12.2018		(22 000) $\frac{1}{2}$			
Cost of sales		228 000 $\frac{1}{2}$			
Cross profit c/d		72 000 $\frac{1}{2}$			
		300 000			300 000
<u>Distribution expenses</u>					
Discount allowed	2 500		Gross Profit b/f		72 000
Bad debts	1 500		Discount received		2 000
		4 000	Net Loss transferred to capital account $\frac{1}{2}$		20,000
<u>Administration expenses</u>					
Depre: of building	70 000 $\frac{1}{2}$				
Electricity	6 000 $\frac{1}{2}$				
Telephone Charges	2 000				
		78 000			
<u>Financial expenses</u>					
Bank loan interest	12 000 $\frac{1}{2}$				
		12 000			
		94 000			94 000

(04 marks)

(b)

Sanka's retail business
Statement of Financial position as at 31.12.2018

	Rs.	Rs.	Noncurrent Assets	Cost Rs	Accu. Dep. (Rs)	Carrying amount
Capital	124 000		Building			
Less: Net Loss ^(1/2)	(20 000)			350 000	210 000 ^(1/2)	140 000
		104 000		350 000	210 000	140 000 ^(1/2)
			<u>Current Assets</u>			
			Closing stock as at 31.12.2019		22 000 ^(1/2)	
<u>Non current liabilities</u>			Debtors		40 000	
12% Bank Loan	100 000		Cash		35 000	
		100 000				97 000
<u>Current liabilities</u>						
Creditors	30 000					
Accrued electricity	1 000 ^(1/2)					
Accrued bank loan interest	2 000 ^(1/2)					
		33 000				
		237 000				237 000

(04 marks)

(iii) (a)

Sanka's Retail Business
Profit or loss statement for the year ended 31-12-2018

} $\frac{1}{2}$

	Rs.	Rs.	Rs.
Sales			300 000
Less: Cost of sales			
Stock as at 01.01.2018		30 000	
Purchases		220 000	
Cost of goods to be sold		250 000	
Less: stock as at 31.12.2018		(22 000)	$\frac{1}{2}$
Cost of sales			(228 000) $\frac{1}{2}$
Gross Profit			72 000 $\frac{1}{2}$
Discount received			2 000
			74 000
<u>Distribution expenses</u>			
Discount allowed	2 500		
Bad debts.	1 500		
		4 000	
<u>Administration expenses</u>			
Building depreciation	70 000	$\frac{1}{2}$	
Electricity	6 000	$\frac{1}{2}$	
Telephone	2 000		
		78 000	
<u>Financial expenses</u>			
Bank loan interest	12 000	$\frac{1}{2}$	
		12 000	
			(94 000)
Net loss transferred to capital a/c $\frac{1}{2}$			20 000

(04 marks)

(b)

Sanka's Retail Business
Statement of financial position as at 2018.12.31 $\left(\frac{1}{2} \right)$

	Cost Rs.	Acc.dep. Rs.	Carrying amount (Rs)
<u>Non current Assets</u>			
Building	350 000	210 000 $\left(\frac{1}{2} \right)$	140 000
	350 000	210 000	140 000 $\left(\frac{1}{2} \right)$
<u>Current Assets</u>			
Stock as at 31.12.2018		22 000 $\left(\frac{1}{2} \right)$	
Debtors		40 000	
Cash		35 000	
			97 000
Total Assets			237 000
Capital		1 24 000	
Less: Net loss		$\left(\frac{1}{2} \right)$ (20 000)	
			104 000
<u>Non current liabilities</u>			
12% Bank loan			
		100 000	100 000
<u>Current Liabilities</u>			
Creditors		30 000	
Accrued. Electricity		1 000 $\left(\frac{1}{2} \right)$	
Accrued. Bank loan interest		2 000 $\left(\frac{1}{2} \right)$	
			33 000
			237 000

04 marks

07.	(i)	(ii)	(iii)	
	a b		a b	12
	01 01	02	04 04	12