



Department of Examinations - Sri Lanka

G.C.E. (O/L) Examination - 2018

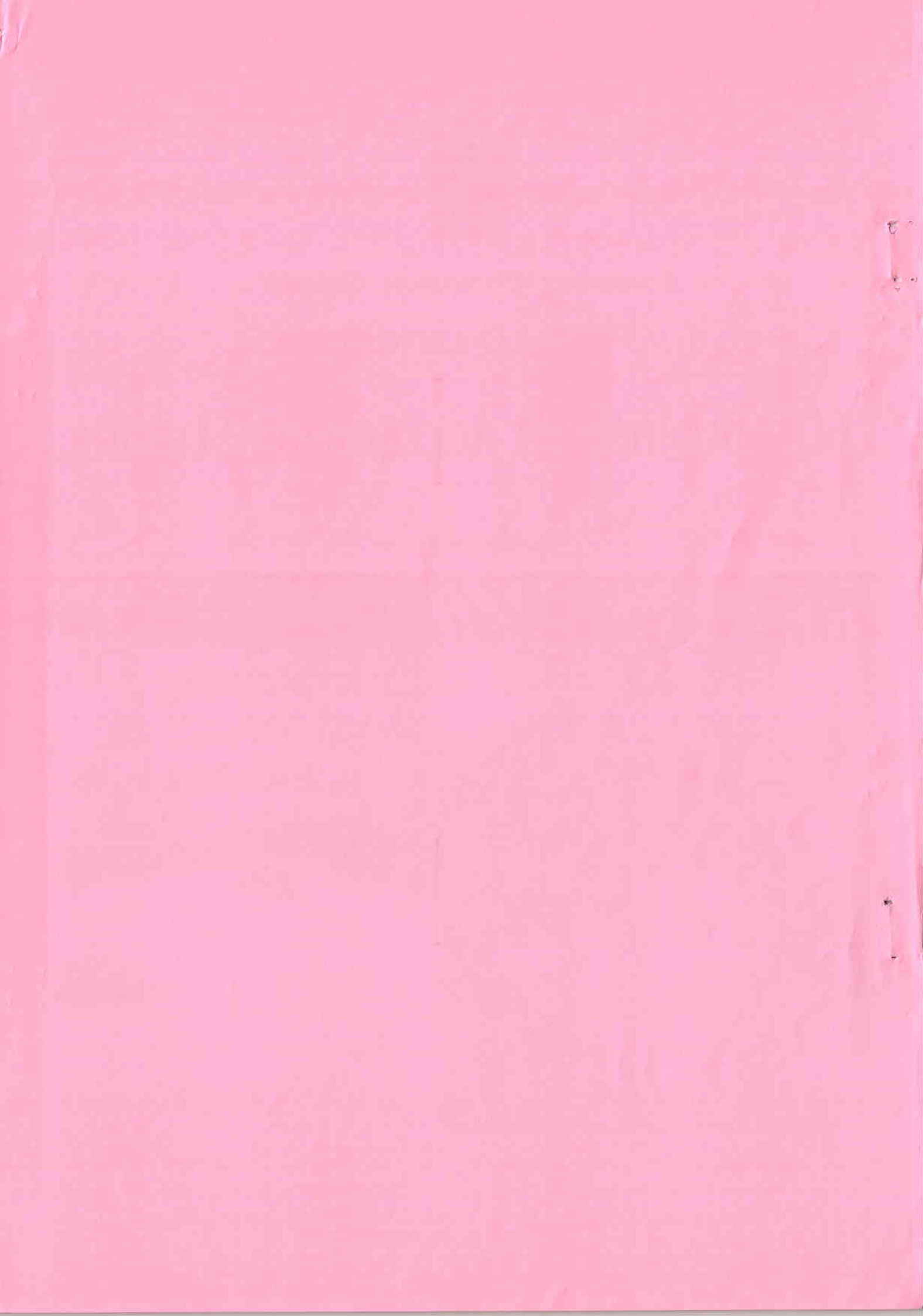
# 60 - Business & Accounting Studies

## 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





- Use the following information to answer the questions No. 35 to 40.

Following are a few balances extracted from the trial balance of Janaka's business as at 31.12.2017.

	Rs.
Capital .....	300 000
Stock (as at 01/01/2017) .....	40 000
Sales .....	250 000
Purchases .....	150 000
Carriage inwards .....	3 000
Debtors .....	35 000
Insurance expenses .....	18 000
Administrative salaries .....	26 000
Financial expenses .....	4 000
Discounts received .....	2 000
Other income .....	5 000
Discounts allowed .....	10 000

Additional information:

- \* The annual insurance fee for the year of 2017 is Rs.20 000.
- \* Rs 3 000 of debtors should be written off as bad debts.
- \* Cost of stock as at 31.12.2017 is Rs.30 000.

35. Cost of sales for the year ended 31.12.2017 is  
 (1) Rs.87 000. (2) Rs.120 000. (3) Rs.160 000. (4) Rs.163 000.
36. The gross profit of the business for the year ended 31.12.2017 is  
 (1) Rs.87 000. (2) Rs.90 000. (3) Rs.130 000. (4) Rs.163 000.
37. The amount of insurance paid in cash of this business for the year ended 31.12.2017 is  
 (1) Rs.2 000 (2) Rs.18 000 (3) Rs.20 000. (4) Rs.22 000.
38. The amount of debtors in financial position statement of this business as at 31.12.2017 is  
 (1) Rs.3 000. (2) Rs.32 000. (3) Rs.35 000. (4) Rs.38 000.
39. The net profit of this business for the year ended 31.12.2017 is  
 (1) Rs.31 000. (2) Rs.33 000. (3) Rs.36 000. (4) Rs.38 000.
40. Total equity of the owner of this business as at 31.12.2017 is  
 (1) Rs.331 000. (2) Rs.333 000. (3) Rs.336 000. (4) Rs.338 000.

\* \*

3. (i) (a) What is the retail business?  
 (b) Name **two** types of accounts in commercial banks. (02 marks)
- (ii) State whether the following statements are **true** or **false**.  
 (a) The main difference between the retail business and wholesale business is the intention of the buyer.  
 (b) A cheque with special crossing can be deposited in a current account in any commercial bank.  
 (c) While the risk in property insurance is certain, the risk in life insurance is uncertain.  
 (d) The act of the sender in regarding the message is the response in the communication process. (02 marks)
- (iii) Saranga Batick producers sent a stock of Batick designs to Ramesh in Singapore by air.  
 (a) Name the importer and the exporter mentioned here.  
 (b) State examples for the element of transportation the way and mode, related to the transportation method included here. (02 marks)
- (iv) Vimal's Rs. 2 000 000 valued motor vehicle which insured at Sri Lanka insurance co-orporation on the same value, met with an accident and caused a Rs. 500 000 damage and made small injuries to Sunimal who was walking in pavement.  
 Related to the insurance in the above case,  
 (a) Name the first party.  
 (b) Name the second party.  
 (c) Name the third party.  
 (d) State the value of the claim that Vimal could received. (02 marks)  
**(Total 08 marks)**

03.

- (i) (a) Retail business means selling goods and services for final consumption. (01 mark)
- (b) • Savings Accounts  
 • Fixed Deposits Accounts  
 • Current Accounts  
 ( $\frac{1}{2} \times 2 = 01$  mark)
- (ii) (a) True  
 (b) False  
 (c) Flase  
 (d) False  
 ( $\frac{1}{2} \times 4 = 02$  marks)
- (iii) (a) Importer - Ramesh  
 Exporter - Saranga Batick Producer  
 ( $\frac{1}{2} \times 2 = 01$  mark)
- (b) Way - airway  
 mode - Airplane / Airbus  
 ( $\frac{1}{2} \times 2 = 01$  mark)

- (iv) (a) Wimal  
 (b) Sri Lanka Insurance Co-operation  
 (c) Sunimal  
 (d) Rs. 500 000

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

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

4. (i) (a) What is 'management'?  
 (b) Write **two** benefits received by investing in ordinary shares? (02 marks)
- (ii) State whether the following statements are **true** or **false**.  
 (a) Planning is the process of investigating whether the planned activities have happened in that order.  
 (b) The target market is the share of the market consisting of consumers that a business can satisfy in a more attractive and profitable way.  
 (c) When selecting an investment, only the risk of that investment should be considered.  
 (d) Employing some amount of money from the earnings in an effective way with the purpose of having an economic benefits is an investment. (02 marks)
- (iii) Rathna who does not like to take high risk, sold a land for Rs.1500000 which was bought at Rs.1200000 one year ago. She expects to use this money for her daughter's higher education by next month.  
 (a) What is the value of the benefit received by Rathna from the transaction of selling the land?  
 (b) What is the term used for the benefit mentioned in (a) above?  
 (c) What is the most suitable source of investment to invest her money until it is used for her daughter's education?  
 (d) State the reason for your suggestion given in (c) above. (02 marks)
- (iv) The organizers decided to visit Anuradhapura and Polonnaruwa on 31.03.2018 for the annual school trip. Students were appointed to committees of first-aids and refreshments. After the trip, principal inquired about the progress of the trip and the class teacher provided the report.  
 (a) State **two** management functions in the above case.  
 (b) Write an example for each management function mentioned in (a) above. (02 marks)  
(Total 08 marks)

04.

- (i) (a) a) Management is the process of planning organizing leading and controlling the resources owned by a business in order to achieve objectives of a business efficiently and effectively

(01 mark)

05.

- (i) (a) Asset is a resource controlled by the business as a result of a past transaction and from which future economic benefits are expected to flow to the business.

*(01 mark)*

- (b) Decrease of equity                      debit  
Increase of equity                              credit

*(01 mark)*

(ii) (a)

Transactions	Source document	Prime Entry book
(a)	Journal Voucher	General Journal
(b)	Sales Invoice	Sales Journal
	<i>(½ x 2 = 01 mark)</i>	<i>(½ x 2 = 01 mark)</i>

(iii) (a)

Transaction	Assets (Rs)			= Equity (Rs) + Liabilities (Rs)		
	Furniture and Equipment	Stock	Cash	Equity	Bank Loan	Creditors
Balance as at 01.01.2018	160 000	70 000	25 000	235 000	-	20 000
1	-		+ 100 000	-	+ 100.000	-
2		+ 50 000	-	-		+ 50 000
3			- 8 000			- 8 000
4		- 25 000	+ 40 000	+ 15 000		
5			- 5 000	- 5 000		

*(½ x 4 = 02 marks)*

- (b) (1) Current assets = Rs. 247 000  
 (2) Non current assets = Rs. 160 000  
 (3) Current liabilities = Rs. 62 000  
 (4) Non current liabilities = Rs. 100 000

*(½ x 4 = 02 marks)*



(iv) (a)

**Purchase Journal**

Date	Invoice No.	Supplier	Total value Rs.	Led. page	$\frac{1}{2}$
2018.05.03	612	Sameera	3 800		$\frac{1}{2}$
05.18	305	Pahan	500		$\frac{1}{2}$
05.31		Debited to the Purchase A/C	<u>4 300</u>		$\frac{1}{2}$

(02 marks)

(b) Dr. Purchase Account Cr.

Date	Description	L/F	Value Rs.	Date	Description	L/F	Value Rs.
2018.05.31	Creditors a/c		4.300				

Dr. Sameera Account Cr.

Date	Description	L/F	Value Rs.	Date	Description	L/F	Value Rs.
				2018.5.3	Purchase a/c		3 800

Dr. Pahan Account Cr.

Date	Description	L/F	Value Rs.	Date	Description	L/F	Value Rs.
				2018.5.18	Purchase a/c		500

Three Accounts with Correct formats  $\frac{1}{2}$  mark

(02 marks)

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

(b)

**Kavindu's Business**  
**Statement of Financial position**  
**as at 31.12.2017**

	Cost Rs.	Accu: dep: Rs.	Net book value Rs.
<u>Non current Assets</u>			
Land and Building	300 000	-	300 000
distri vehicle	400 000	100 000 $\frac{1}{2}$	300 000 $\frac{1}{2}$
	700 000	100 000	600 000
<u>Current Assets</u>			
Closing stocks		25 000 $\frac{1}{2}$	
debtors		18 800 $\frac{1}{2}$	
Cash		7 000	50 000
Total Assets			650 800
Capital		500 000	
Add. Net profit		29 300 $\frac{1}{2}$	529 800
<u>Non current Liabilities</u>			
9 % Bank Loan			100 000
<u>Current Liabilities</u>			
Creditors		17 000	
Accrued bank Interest		4 500 $\frac{1}{2}$	21 500
Total equity and <u>liabilities</u>			650 800

(04 marks)