



**Provincial Department of Education  
Northern Province**

**Third Term Examination – 2018  
Business & Accounting Studies**



**Grade 10**

**Time: 3 Hours**

**Business and Accounting Studies I**

**NB:**

- Answer *all* questions in Part I.
- In each of the questions 1 to 40, pick one of the alternatives (1), (2), (3), (4) which you consider as **correct** or **most appropriation**.
- Mark a cross (×) on the number corresponding to your choice in the answer sheet provided.

- Answer the questions 1-5 using the passage given below.  
Karunyan considered the food need of increased patients affected by non-communicable diseases and started a business producing food using rice flour and kurakkan flour, with the help of Karnan who completed a diploma course in food technology, in the name of 'Katpakatharu Natural Food'.
01. Human need and want fulfilled by the above Natural Food business are,
- (1) Rice flour string hopper, Food
  - (2) Rice flour string hopper, Kurakkan flour roddi
  - (3) Food, Kurakkan flour roddi
  - (4) Food, technological knowledge
02. Which of the following can be considered as capital in factors of production?
- (1) Effort of Karunyan
  - (2) Knowledge of Karnan related to preparing natural food
  - (3) Cereals used to prepare natural food
  - (4) Equipment used to prepare natural food
03. Which of the following can be considered as the customers of 'Katpakatharu Natural Food' business?
- (1) Karunyan
  - (2) Diabetic patients
  - (3) Karnan
  - (4) Raw material supplier
04. A legal environment force to be considered by the owner of the above business is,
- (1) Consumer Affairs Authority
  - (2) Budget policies
  - (3) Inflation
  - (4) Modern technology
05. A legal requirement of 'Katpakatharu Natural Food' business is,
- (1) Not mandatory to register
  - (2) Should be registered under Business Name Ordinance No. 6 of 1918
  - (3) Should be registered under Companies Act No. 7 of 2007
  - (4) Should be registered under Shops and Offices Act No. 14 of 1954
06. A characteristic of want is,
- (1) can be created
  - (2) limited
  - (3) essential
  - (4) common for all
07. The stakeholder who activates business plan properly and makes decision correctly is,
- (1) owner
  - (2) manager
  - (3) employees
  - (4) supplier

08. An internal environment force is,  
 (1) supplier (2) competitors (3) customers (4) managers
09. Interest, inflation, full employment and savings are included under,  
 (1) political environment (2) economic environment  
 (3) technological environment (4) global environment
10. Which of the following can be identified by analyzing internal environment?  
 (1) strength, weakness (2) opportunity, threat (3) strength, opportunity (4) weakness, threat
11. Select the statement which shows an opportunity of a business.  
 (1) Entrance of a competitor  
 (2) Special skill and dedication of employees  
 (3) Government's tax concessions to business  
 (4) Introduction of new production methods by business
12. A profit oriented public sector business is,  
 (1) state company (2) co-operative  
 (3) partnership (4) clubs and associations
13. The following are some characteristics of various business organizations.  
 A – Ability to enjoy all profit and losses by owner  
 B – Limited liability  
 C – Ability to share losses  
 D – Legal entity  
 E – Independent decision making  
 Out of above, select the answer which contains the characteristics of incorporated companies only.  
 (1) A, E (2) C, E (3) B, E (4) B, D
14. A fact related to partnership business mentioned in Companies Act No.7 of 2007 is,  
 (1) Registration of partnership (2) Maximum number of partners  
 (3) Dissolution of partnership (4) Capital of partnership
15. Which of the following cannot be considered as a characteristic of state corporation?  
 (1) No legal personality  
 (2) Ownership and administration by government  
 (3) Continued existence  
 (4) Established under special or general act
16. A private sector business organization established based on democratic principles is,  
 (1) franchise business (2) sole proprietorship business  
 (3) co-operative societies (4) incorporated companies
17. The amounts payable by a business as a result of past transactions or events are called,  
 (1) liabilities (2) assets (3) equity (4) expense
18. The increase in equity except increase by additional capital invested by owner is called,  
 (1) drawing (2) income (3) expense (4) assets
19. Ashwini started a business which rents out decorative curves for special functions and occasions, investing cash Rs. 300 000 and bank loan Rs. 200 000. The correct accounting equation for this transaction is,

	<b>Assets</b>	=	<b>Equity</b>	+	<b>Liability</b>
(1)	500 000		200 000		300 000
(2)	500 000		300 000		200 000
(3)	300 000		300 000		-
(4)	200 000		-		200 000

20. A commission income received by a business affects on,

- (1) assets and liabilities (2) assets and expense  
(3) expense and liabilities (4) assets and equity

21. Information of Dinesh business for the year 2017 is given below.

Capital on 2017.01.01	Rs. 350 000
Expenses for financial year	Rs. 120 000
Income for financial year	Rs. 100 000

Capital invested by owner in June 30 is Rs. 50 000. The value of owner's equity on 2017 December 31 is,

- (1) Rs. 450 000 (2) Rs. 500 000 (3) Rs. 380 000 (4) Rs. 350 000

22. The accounts which show debit side balances are,

- (1) assets accounts, expense accounts (2) liabilities accounts, equity accounts  
(3) income accounts, liabilities accounts (4) liabilities accounts, assets accounts

23. Monthly rent of a business Rs. 10 000 was paid. The correct double entry to record this transaction is,

- (1) Cash account Dr. Rs. 10 000 (2) Rent account Dr. Rs. 10 000  
Rent account Cr. Rs. 10 000 Cash account Cr. Rs. 10 000  
(3) Bank account Dr. Rs. 10 000 (4) Rent account Dr. Rs. 10 000  
Rent account Cr. Rs. 10 000 Bank account Cr. Rs. 10 000

24. Which of the following statements is incorrect in relation to account balances in a normal condition?

- (1) Debtors account having credit balance  
(2) Discount received account having credit balance  
(3) Bank loan account having credit balance  
(4) Investment account having debit balance

25. Select the correct pair of prime book and source document from the following.

- (1) Cash account – invoice (2) Purchase journal – invoice  
(3) Sales journal – payment voucher (4) General journal – receipt

26. Abishek started a business investing Rs. 300 000 in cash. The prime entry book used to record this transaction is,

- (1) purchase journal (2) ledger (3) cash book (4) general journal

27. Cash balance of a business was Rs. 155 000. Thereafter, the following transactions were carried out. What is the cash balance now in the business?

- Salary paid Rs. 10 000
- Goods drawing Rs. 5 000
- Purchase of goods from Arun Rs. 10 000
- Rent income received Rs. 25 000

- (1) Rs. 140 000 (2) Rs. 165 000 (3) Rs. 155 000 (4) Rs. 170 000

28. The discount provided by creditor when settlement was made to him within the time limit given is called,

- (1) quantity discount (2) trade discount (3) discount received (4) discount allowed

29. Petty cash imprest amount of Gaya business is Rs. 2 000. Petty cash expense made using petty cash imprest amount received is Rs. 1 750. Petty cash reimbursement for next month is,  
 (1) Rs. 1 750                      (2) Rs. 2 000                      (3) Rs. 2 250                      (4) Rs. 250
30. Credit balance bank account is,  
 (1) an asset                      (2) a liability                      (3) an income                      (4) an expense
31. Debit balance of bank account of a business was Rs. 14 800 on 31.05.2018 and credit balance bank statement was Rs. 14 000. The possible reason for this difference is,  
 (1) Cheque issued but not presented at bank Rs. 800  
 (2) Direct remittance Rs. 800  
 (3) Dividend received by bank Rs. 800  
 (4) Insurance paid by bank on standing order Rs. 800
32. Which of the following cannot be recorded in bank reconciliation statement?  
 (1) direct deposit                      (2) unrepresented cheque                      (3) unrealized cheque                      (4) unrealized cheque
33. .... is recorded in purchase journal. The correct phrase suitable for the blank is,  
 (1) all purchases by cash                      (2) all credit purchases  
 (3) goods purchased on credit basis for resale                      (4) credit purchase of non-current assets
34. Select the transaction which cannot be recorded in a general journal.  
 (1) Credit purchase of machine for business use                      (2) Credit purchase of goods for resale  
 (3) Credit purchase of land for business                      (4) Goods drawing of owner
35. Which of the following is not an advantage of computerized accounting?  
 (1) Time and labour can be saved.                      (2) Accuracy of accounting reports  
 (3) Updated information can be easily obtained.                      (4) Accounting systems can be changed easily.
36. A statement prepared using debit and credit balances of ledger accounts is called,  
 (1) trial balance                      (2) statement of financial position  
 (3) statement of profit or loss                      (4) income statement
37. One of dual functions of cash book is functioning as prime entry book. Another one is functioning as,  
 (1) prime entry book                      (2) day book                      (3) ledger                      (4) general journal
38. Some steps in accounting routine processes are given below.  
 A – Preparing source documents                      B – Preparing ledger accounts  
 C – Carrying out transactions                      D – Preparing prime books  
 (1) C, A, D, B                      (2) A, B, C, D                      (3) B, A, D, C                      (4) D, C, A, B
39. Suspense account is,  
 (1) an asset account                      (2) an expense account  
 (3) a liability account                      (4) a temporary account
40. Drawing account was balanced as Rs. 23 000 instead of Rs. 32 000. The correct rectifying entry for this error is,  
 (1) Drawing account Dr. Rs. 18 000                      (2) Suspense account Dr. 9 000  
     Suspense account Cr. Rs. 18 000                      Drawing account Cr. Rs. 9 000  
 (3) Drawing account Dr. Rs. 9 000                      (4) Drawing account Dr. Rs. 9 000  
     Suspense account Dr. Rs. 9 000                      Suspense account Cr. Rs. 9 000



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**Grade 10**

**Business and Accounting Studies II**

**NB:** Answer *five* questions only as instructed. Any extra questions answered if not struck off by the candidate himself, will be crossed out by the examiner, without being marked.

- Including questions No. I, answer questions selecting *two* questions from each of the parts I and II.
- Write your answers in neat handwriting.

01. Using the following case, answer the questions (i) – (x).

Santhiya who completed a diploma course in cake icing started a business on 01.01.2018 in the name of 'Roja Cake-icing Center' supplying decorative cake-icing items for birthday and wedding functions based on customers' orders. As Santhiya had designing skill, there was high demand for her cake designing. She obtained good design patterns from internet. She obtained orders from distance customers also and supplied cake items through courier. She decided to modernize the business according to new trends in current business environment and decided to obtain a bank loan for this activity.

The following transactions were carried out by Roja Cake-icing Center during first two week of January 2018.

	Rs.
01.01.2018 Capital invested	100 000
03.01.2018 Raw material purchase – cash	50 000
- credit	25 000
05.01.2018 Purchase of equipment from Warun	40 000
07.01.2018 Assistant salary paid	4 000
10.01.2018 Electricity charge paid	3 000
13.01.2018 Bank loan received	30 000
14.01.2018 Sales income	120 000

- (i) (a) Write two strengths of Santhiya business.
- (b) Who are considered as customers of the above business?
- (ii) Write two advantages of Santhiya business.
- (iii) (a) State the human need fulfilled by Santhiya business.
- (b) Name the document to be submitted by business to obtain bank loan.
- (iv) (a) Santhiya wants to join Radha in this business. Name the suitable type of business after joining Radha.
- (b) Write two advantages of business organization you named in (iii) (a)
- (v) Record the transaction under taken on 01.01.2018 in the following accounting equation.  
$$\text{Assets} = \text{Equity} + \text{Liability}$$
- (vi) (a) Write a non-current asset in the above business.
- (b) Write a non-current liability in the above business.
- (vii) Provide the prime entry book and source document for the transaction undertaken on 05.01.2018.
- (viii) Write the double entry for bank loan obtained.
- (ix) What is the total value of purchase of Santhiya business for first two weeks?
- (x) Prepare cash account for first two weeks of the above business and find cash balance. (2×10=20Marks)

## PART I - Business Studies

Answer only *two* questions.

02. (i) (a) Categorize businesses based on nature of products produced by businesses.  
(b) Provide two examples for each category according to the above classification. (02 marks)
- (ii) State whether the following statements are true or false.  
(a) 'Common for all', 'cannot be created' and 'limited' are the characteristics of needs.  
(b) Anything produced by man in order to facilitate manufacturing process is known as labour.  
(c) The institutions and persons who supply the goods and services similar to those of a business are called suppliers.  
(d) If initial capital of a partnership is more than Rs. 1 000, it should create agreement in written format in accordance with Frauds Prevention act. (02 marks)
- (iii) Gayathri furniture manufacturing business is a business producing furniture for home and offices. Write the factors of production for production process of the above business and provide one example for each factor you named. (02 marks)
- (iv) RameshKanna is conducting his business in the name of 'Ramesh Business'.  
(a) Under which type of business can the above business be included?  
(b) Would you consider the above business has legal personality? Give reasons for your answer. (02 marks)
- (Total 08 marks)
03. (i) Some external environment forces are given below.
- |  |                               |
|--|-------------------------------|
| 1. Stability of government                     | 6. Budget policies            |
| 2. Income distribution                         | 7. Companies Act No.7 of 2007 |
| 3. Nano technology                             | 8. Savings                    |
| 4. Consumer Affairs Authority act No.9 of 2003 |                               |
| 5. Digital technology                          |                               |
- Categorize the above forces and factors under the following headings.
- |                         |                              |
|-------------------------|------------------------------|
| 1. Economic environment | 2. Political environment     |
| 3. Legal environment    | 4. Technological environment |
- (02 marks)
- (ii) State whether the following statements are true or false.  
(a) Inability of businesses to exist for long term, adverse impacts on local culture etc. create negative impacts on business environment.  
(b) The method of distributing national income of a country among the country's people is income distribution.  
(c) Opportunities and threats are identified by studying external environment of a business.  
(d) Co-operative societies and clubs are included in profit oriented private businesses. (02 marks)
- (iii) Saravanan who studied at Agriculture Training School and obtained Agriculture Diploma certificate started a business involving cultivating and selling fruits.  
(a) Write the objectives of Saravanan business.  
(b) State four stakeholders who are interested on this business. (02 marks)
- (iv) Chandran conducts a business selling herbal drinks, near to main bus stand. Many customers come to his business daily.  
(a) Write an opportunity of this business.  
(b) Write a future possible threat of this business. (02 marks) (Total 08 marks)

04. (i) (a) State two criteria used to categorize business organizations.  
 (b) Write two not-for-profit private organizations. (02 marks)
- (ii) State whether the following statements are true or false.  
 (a) Various methods of fulfilling human needs are called wants.  
 (b) The person who takes risk, introduces innovations and makes decision for business activities is called manager.  
 (c) The relationship between the persons who carry out the business activities to earn profit is called sole proprietorship.  
 (d) State corporations are the state business organizations which carry out the activities according to government financial rules and regulations and administrative regulations. (02 marks)
- (iii) Names of some business organizations are given below.  
 A – Mohammad company ltd  
 B – Selva Stores  
 C – Sri Lanka Telecasting Corporation  
 D – Sri Lanka Railway Department  
 (a) Out of above, write two names of business organizations which have legal personality.  
 (b) Out of above, write two names of business organizations which have unlimited liability. (02 marks)
- (iv) (a) State two characteristics of co-operatives.  
 (b) Write two advantages of registering a business. (02 marks)
- (Total 08 marks)

### PART II - Accounting

*Answer only two questions.*

05. (i) (a) What do you mean by business transaction?  
 (b) Write the components of accounting which can be created as a result of transaction. (02 marks)
- (ii) The following ledger accounts are maintained in a business.
- |                      |                      |
|----------------------|----------------------|
| 1. Debtors account   | 5. Drawing account   |
| 2. Insurance account | 6. Creditors account |
| 3. Bank loan account | 7. Salaries account  |
| 4. Machine account   | 8. Capital account   |
- Categorize the above accounts under the following heading.
- |                      |            |
|----------------------|------------|
| 1. Assets account    | (02 marks) |
| 2. Liability account |            |
| 3. Expense account   |            |
| 4. Equity account    |            |
- (iii) State which side of the following account has 'increase' or 'decrease' the following ledger accounts.

Name of account	Increase	Decrease
Building account		
Electricity account		
Rent received		
Creditors account		

- (iv) Nishath started a business on 01.01.2018. The following transactions were carried out during first week of January 2018.

- |  |             |
|--|-------------|
| 1. Capital invested                    | Rs. 100 000 |
| 2. Bank loan received                  | Rs. 50 000  |
| 3. Credit purchase of goods from Nizar | Rs. 10 000  |
| 4. Rent paid in cash                   | Rs. 5 000   |

Record the above transaction in the following accounting equation.

Transaction No.	Assets	= Equity	+ Liabilities

(04 marks)

(Total 12 marks)

06. (i) (a) What do you mean by 'receipt'?

(b) Write two sources of cash receipts of a business.

(ii) Provide the double entry for the following transactions.

(a) Credit sales to Kumanan Rs. 10 000

(b) Cheque issued to Vimala Rs. 20 000 was dishonoured by bank.

(02 marks)

(iii) Petty cash expenses of Saraswathi business for April 2018 are given below.

Petty cash imprest amount is Rs. 2 000.

		Rs.
01.04.2018	Cash balance	400
01.04.2018	Reimbursement	?
01.04.2018	Cleaning expense	200
04.04.2018	Refreshment expense	150
07.04.2018	Three wheeler expense	250
11.04.2018	Paid to Ravi	300
13.04.2018	Postage	100
16.04.2018	Reimbursement	?

**Required,**

Prepare petty cash with analysis columns such as post, traveling, refreshment miscellaneous and ledger.

(04 marks)

(iv) Credit purchase details of Chitra business which purchases and sells stationery items are given below.

2018.06.01 Net value of goods purchased from Wimal in invoice No.230 is Rs. 24 000.

2018.06.10 Net value of goods purchased from Warun in invoice No.245 is Rs. 32 000.

2018.06.16 Net value of goods purchased from Vanitha business in invoice No.50 is Rs. 14 000.

2018.06.25 Net value of goods purchased from Vanitha in invoice No.67 is Rs. 24 000.

**Required,**

(a) Purchase journal for June 2018

(b) Relevant ledger accounts

(04 marks)

(Total 12 marks)



07. (i) (a) Write two activities that a businessman can carry out through telebanking service.  
 (b) What do you mean by bank overdraft? (02 marks)
- (ii) Prepare trial balance using the following ledger balances of Thasarata business on 2018.05.31.
- |                  |            |           |            |
|------------------|------------|-----------|------------|
| Debtor           | Rs. 30 000 | Sales     | Rs. 35 000 |
| Bank overdraft   | Rs. 5 000  | Insurance | Rs. 5 000  |
| Discount allowed | Rs. 3 000  | Machine   | Rs. 40 000 |
| Capital          | Rs. 50 000 | Salaries  | Rs. 12 000 |
- (02 marks)
- (iii) Bank account of Siva business for August 2018 was Rs. 15 000, a favourable balance. But bank statement balance was different. The reasons for the difference are as follows.
- The following cheques have not been realized up to 2018.03.31.
 

Cheque No. 56	Rs. 5 000
Cheque No. 89	Rs. 6 500
  - The following cheques have not been presented up to 2018.03.31
 

Cheque No. 650	Rs. 7 000
Cheque No. 985	Rs. 4 500
  - Insurance paid by bank on standing order Rs. 3 000.
- Required,**
- Adjusted bank account on 31.08.2018
  - Bank reconciliation statement on 31.08.2018 (04 marks)
- (iv) The trial balance of Gaya business was not equal on 31.01.2018. The different amount Rs. 5 000 was debited in suspense account. Later the following errors were found.
- Electricity account balance Rs. 5 000 has not been carried to trial balance.
  - Credit sales Rs. 11 000 has been recorded twice in the accounting books.
- Required,**
- Journal entries to rectify the above errors
  - Suspense account (04 marks)
- (Total 12 marks)