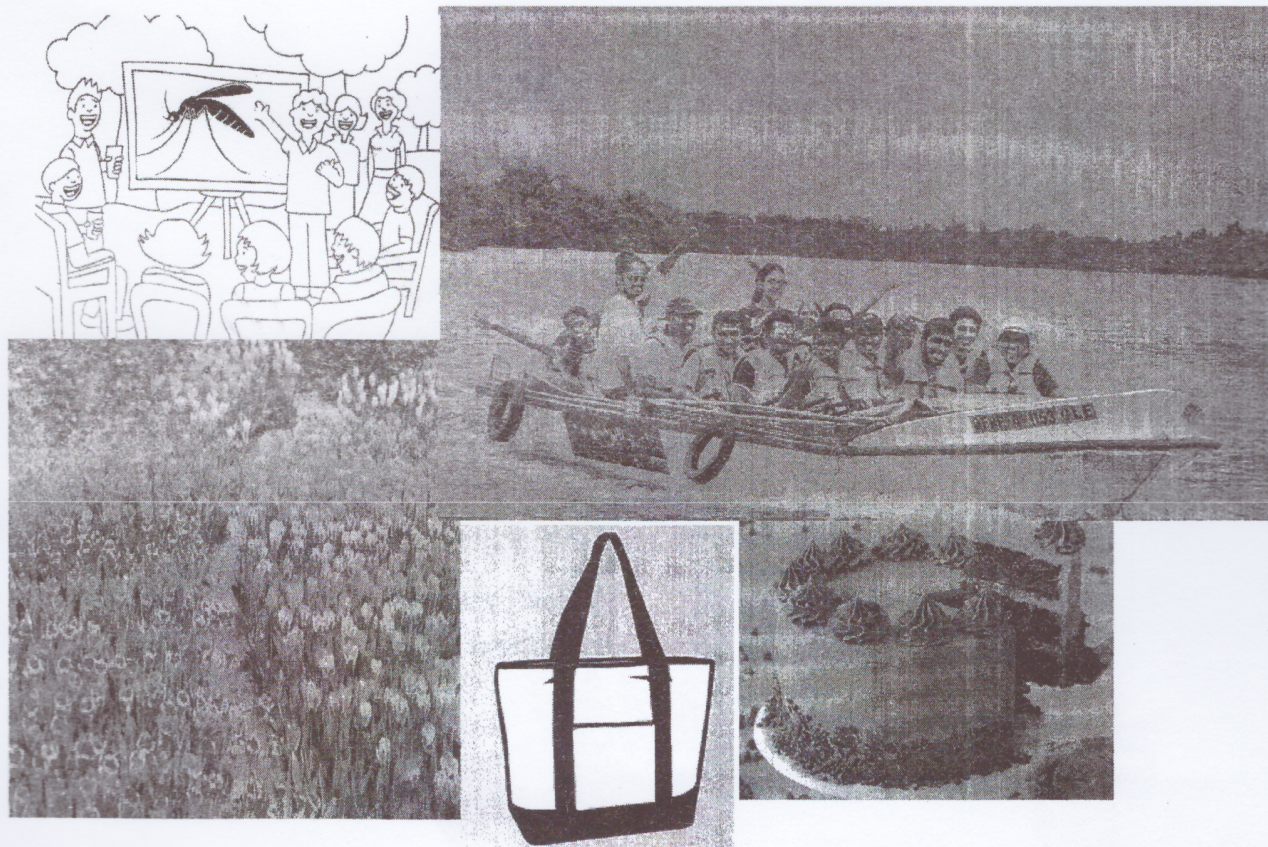




Department of Examinations – Sri Lanka
G.C.E. (O/L) Examination – 2021(2022)

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 are to be included.

Department of Examinations - Sri Lanka
National Evaluation and Testing Service
G.C.E. (O/L) Examination - 2021 (2022)

60 - Business and 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
Question no. 03	08 marks	
Question no. 04	08 marks	

2 x 8 = 16 marks

Part II - Accounting

Question no. 05	12 marks	} For any 02 Questions
Question no. 06	12 marks	
Question no. 07	12 marks	

2 x 12 = 24 marks

Total Marks 60

Calculating final marks

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

G.C.E.(O/L) EXAMINATION - 2021 (2022)

Common Techniques of Marking Answer Scripts.

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

1. Each Assistant Examiner should use red colour ball-point pen for marking answer scripts.
2. A purple colour ball-point pen should be used by Chief Examiners.
3. Code number of the Assistant Examiner should be noted down on front page of each answer script. Enter marks in **clear numerals**.
4. Write off incorrectly written numerals with a clear single line and authenticate the alterations with Examiner's initial.
5. Enter the marks of each subsection of a question as a rational number in the given space of Δ and the final marks of each question should be entered as a total rational number in the given space of $\square$ by denoting respective question number as well. Use the column assigned for the Examiners to write marks.
6. Evaluation Mark Finalizer should use blue or black colour pen to verify the accuracy of the marks.

Example: Question No. 03

(i)		✓	$\Delta \frac{4}{5}$
			
			
(ii)		✓	$\Delta \frac{3}{5}$
			
			
(iii)		✓	$\Delta \frac{3}{5}$
			
			

03	(i)	$\frac{4}{5}$	+	(ii)	$\frac{3}{5}$	+	(iii)	$\frac{3}{5}$	=	$\frac{10}{15}$
	(ii)									

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. Cut off the cages for the subject number and the subject to be clearly visible. 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 '✓' 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 and write cross mark. Point-out areas by a check mark, where marks can be offered.
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 marks 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, Paper I, II and III Marks should be entered numerically in the separate mark sheets and should also be written in words.

For subjects 21 Sinhala language and literature and 22 Tamil Language and literature, paper I marks once entered numerically should be written in words. Use separate marks sheets for the papers II and III and enter the total marks in the "Total marks column". Write the relevant detailed marks against each of the total mark.

N.B.:-

I. 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.

II. Each page of the mark sheet should be compulsorily verified by the Assistant Examiner who entered marks to the mark sheet, Assistant Examiner who checked the mark sheet, the

Verifying Examiner of the evaluation marks and Chief Examiner by placing respective code number and the signature.

60 - Business & Accounting Studies

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) 02 marks
(iii) 04 marks
(iv) 04 marks

Total 12 marks

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

Total 12 marks

OL/2021(2022)/60-E-I, II

සියලු ම හිමිකම් ඇවිරිණි / முழுப் பதிப்புரிமையுடையது / All Rights Reserved

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 இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம்
 Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
 இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரීட்சைத் திணைக்களம் இலங்கைப் பரīட்சைத் திணைக்களம் இலங்கைப் பரīட்சைத் திணைக்களம் இலங்கைப் பரīட்சைத் திணைக்களம்
 Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka

60 E I, II

අධ්‍යයන පොදු සහතික පත්‍ර (සාමාන්‍ය පෙළ) විභාග, 2021(2022)
 கல்விப் பொதுத் தராதரப் பத்திர (சாதாரண தர)ப் பரீட்சை, 2021(2022)
 General Certificate of Education (Ord. Level) Examination, 2021(2022)

ව්‍යාපාර හා ගිණුම්කරණ අධ්‍යයනය **I, II**
 வணிகக் கல்வியும் கணக்கீடும் **I, II**
 Business and Accounting Studies **I, II**

පැය තුනයි
 மூன்று மணித்தியாலம்
 Three hours

අමතර කියවීමේ කාලය - මිනිත්තු 10 යි
 மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
 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**Instructions:**

- * 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 given answer sheet.
- * Further instructions are given on the back of the answer sheet. Follow them carefully.

- Answer the questions No. 1 to 5 paying attention to the following case.

An educational program on 'Let's Prevent Dengue' was conducted at Dumbara Maha Vidyalaya with the human resources of Dumbara Regional Hospital, Dumbara Police station and Thrift and Credit Cooperative Society and the financial sponsorship of Gamunu, the owner of Gamunu Rubber Products business and his employees. The students, teachers and parents of Dumbara Maha Vidyalaya and Madalanda Vidyalaya participated in that program.

1. What is the human need satisfied by the awareness program conducted on 'Let's Prevent Dengue' in the above case?
 (1) Health (2) Education (3) Security (4) Entertainment
2. An example for an internal environmental factor of Dumbara Maha Vidyalaya is
 (1) the students and teachers of Dumbara Maha Vidyalaya.
 (2) the students and parents of Dumbara Maha Vidyalaya.
 (3) the students and teachers of Madalanda Vidyalaya.
 (4) the teachers and parents of Madalanda Vidyalaya.
3. A private sector business organization included in the above case is
 (1) Dumbara Regional Hospital. (2) Thrift and Credit Cooperative Society.
 (3) Dumbara Maha Vidyalaya. (4) Dumbara Police station.
4. Dumbara Regional Hospital is
 (1) a drugs manufacturing business. (2) a for profit business.
 (3) a service providing business. (4) a private sector business.
5. Select the answer indicated an example for the production factor, 'entrepreneurship' of the Gamunu Rubber Products business.
 (1) Rubber used for products
 (2) Money employed for business
 (3) Gamunu, the owner of the business.
 (4) Employees of the business

[see page two]

OL/2021(2022)/60-E-I, II

- 2 -

6. Supun is conducting an electric bulbs manufacturing business. A threat to this business is
- (1) the skilled employees leaving the business.
 - (2) the increasing of demand for solar power bulbs products.
 - (3) not paying the installment of the bank loan obtained by the business.
 - (4) not maintaining the financial statements of the business in proper order.
7. Ruwan produces cane products in his house and sells them by going from door to door. Ruwan is
- (1) a fixed large scale retail trader.
 - (2) a fixed small scale retail trader.
 - (3) a mobile small scale wholesale trader.
 - (4) a mobile small scale retail trader.
8. Which of the following is **not** an economic environmental factor affected to businesses?
- (1) Interest rate
 - (2) Foreign exchange rate
 - (3) Literacy rate
 - (4) Inflation rate
9. Gayan purchased his air ticket and paid using a Bank of Ceylon debit card. To do this transaction, Gayan should have
- (1) a credit card of Bank of Ceylon.
 - (2) no any account in Bank of Ceylon.
 - (3) a fixed deposit with a cash balance equivalent to the amount spent in the Bank of Ceylon.
 - (4) a savings account with a cash balance equivalent to the amount spent in the Bank of Ceylon.
10. A licensed commercial bank operated under a license issued by Central Bank of Sri Lanka is
- (1) State Mortgage and Investment Bank.
 - (2) National Savings Bank.
 - (3) Sanasa Development Bank.
 - (4) People's Bank.

• Answer the questions No. 11 and 12 using the following case.

Piyal was slightly injured by an accident while he was travelling by a rented trishow. At the same time, the owner who drove the trishow, informed his insurance company Sri Lanka Insurance Cooperation Limited about this accident via a short message using the mobile phone.

11. According the above incident, select the answer that shows the first party, the second party and the third party involved in insurance respectively.
- (1) Piyal, the owner of the trishow and Sri Lanka Insurance Cooperation Limited
 - (2) Sri Lanka Insurance Cooperation Limited, Piyal and the owner of the trishow
 - (3) The owner of the trishow, Sri Lanka Insurance Cooperation Limited and Piyal
 - (4) The owner of the trishow, Piyal and Sri Lanka Insurance Cooperation Limited
12. What is the communication medium of the short message used by the owner of the trishow to inform the accident in the above case belongs to?
- (1) Electronic verbal
 - (2) Electronic written
 - (3) Sign written
 - (4) Electronic sign
13. Elements of transportation and the examples for them are given in the following table.

Elements of transportation	Examples for the elements of transportation
1. Way	A - Opening a fuel station with modern facilities
2. Mode	B - Opening the expressway from Mirigama to Kurunegala
3. Power	C - Establishing a new railway station in Jaffna
4. Terminal	D - Launching a Luxury train service from Mount Lavinia to Kankasanturai

Select the answer that the above elements of transportation have been matched with the examples respectively.

- (1) B, D, A, C (2) B, D, C, A (3) D, B, A, C (4) D, C, A, B

(see page three)

OL/2021(2022)/60-E-I, II

-3-

14. Evaluating the sales of the year 2021 by the sales manager belongs to the ①
function in the management process and selling goods subject to the 5% discount in 2022 belongs
to the ② of the marketing mix.
Select the answer that shows the correct terms to the places ① and ② in the above statement
respectively.
- (1) Controlling, Promotion (2) Planning, Price
(3) Planning, Promotion (4) Controlling, Price
15. Ranga invested Rs.250 000 earned by him in ordinary shares of a Public Limited Company. He
received Rs.10 000 from the profit earned by that company in the year 2021. After that, he sold
all the shares for Rs.350 000. Select the answer that shows the correct terms for the returns
Ranga earned from this investment.
- (1) Interest income, dividends (2) Dividends, capital gains
(3) Profits, capital gains (4) Capital gains, interest income
16. What is the source of investment that does not have a fixed rate of return?
- (1) Fixed deposits (2) Treasury bills
(3) Saving deposits (4) Ordinary shares
17. Select the answer including only the accounts recorded according to the double entry principle
of decrease debit and increase credit.
- (1) creditors account, drawings account, sales account, insurance charges account
(2) bank loan account, creditors account, discounts allowed account, commission income account
(3) wages account, debtors account, salaries account, cash account
(4) capital account, creditors account, bank loan account, discounts received account
18. A non current asset of a furniture manufacturing business is
- (1) receivable building rent. (2) furniture for sale.
(3) carpenter table. (4) cash in hand.
- Answer the questions No. 19 to 21 using the following information.
- Following are some transactions occurred in a business.
- A – Purchasing a stock of goods of Rs.25 000 in cash
B – Selling a stock of goods which was purchased at Rs.10 000 for Rs.12 000 on credit
C – Receiving amount of Rs.5 000 from a debtor
D – Purchasing a table of Rs.50 000 on credit for the business office
19. From the above transactions, the transaction affected for the equity of the accounting equation
of this business is
- (1) A. (2) B. (3) C. (4) D.
20. After the above transactions, the value of assets of the accounting equation of this business
increases by
- (1) Rs.15 000. (2) Rs.17 000. (3) Rs.52 000. (4) Rs.92 000.
21. If the total liabilities of the business was Rs.80 000 before the above transactions, what is the
value of total liabilities after these transactions?
- (1) Rs.75 000 (2) Rs.90 000 (3) Rs.130 000 (4) Rs.142 000
22. The source document and the prime entry book used to record purchasing a car of
Rs.2 000 000 for sale on credit in a used cars buying and selling business are respectively
- (1) paying voucher and purchases journal.
(2) journal voucher and general journal.
(3) purchases invoice and general journal.
(4) purchases invoice and purchases journal.

[see page four]

OL/2021(2022)/60-E-I, II

-4-

23. A cheque of Rs.15000 received from Ravi a debtor has been recorded in the ledger of the business. When depositing this cheque in the bank account, the correct double entry should be as
- | | |
|--|--|
| (1) Bank account Dr. Rs.15000
Cash account Cr. Rs.15000 | (2) Bank account Dr. Rs.15000
Ravi's account Cr. Rs.15000 |
| (3) Cash account Dr. Rs.15000
Bank account Cr. Rs.15000 | (4) Cash account Dr. Rs.15000
Ravi's account Cr. Rs.15000 |
24. The petty cash imprest of a business is Rs. 5000. The balance of petty cash book in this business was Rs. 800 as at 31.01.2022. The total amount of expenses columns brought to ledger from the petty cash book on the same day is
- (1) Rs. 800. (2) Rs. 4200. (3) Rs. 5000. (4) Rs. 5800.
25. What is the transaction that the journal voucher is used as a source document?
- (1) Purchasing a stock of goods of Rs.10000 for sale on credit
(2) Purchasing furniture of Rs.50000 for use of business in cash
(3) Obtaining a loan of Rs.200000 to the business from a financial institution
(4) Obtaining a stock of goods of Rs.5000 for the personal use of owner from the business
26. Sadun paid Rs.2000 for tuition fees of his son Kasun from a cheque of the business. What is the double entry relevant to record this transaction?
- | | |
|--|---|
| (1) Drawings account Dr. Rs.2000
Bank account Cr. Rs.2000 | (2) Drawing account Dr. Rs.2000
Cash account Cr. Rs.2000 |
| (3) Kasun's account Dr. Rs.2000
Bank account Cr. Rs.2000 | (4) Kasun's account Dr. Rs.2000
Cash account Cr. Rs.2000 |
27. A reason for that the balance of bank account in Amal's business is less than the balance of bank statement received as at 31.03.2022 is that
- (1) the cheque of Rs.15000 deposited on 30.03.2022 was not realized.
(2) the cheque of Rs.25000 issued to Ruwan on 29.03.2022 was not presented to the bank.
(3) the bank had paid the insurance fee of March of Rs.1000 on standing order.
(4) the bank had charged Rs.1500 as bank charges for the month of March.
28. Select the answer that indicates an error that is not revealed from a trial balance prepared at the end of an accounting year.
- (1) Purchases of Rs.1500 in cash is recorded only in cash book.
(2) When paying a creditor, discount received of Rs.500 was not recorded in discount received account.
(3) Credit purchase of Rs.55000 was recorded correctly in the purchase journal, but was credited as Rs.50000 to the creditors account.
(4) Paid insurance charges of Rs.1500 has been recorded in cash book correctly but it was debited to the rate account.
29. Paying telephone charges of Rs.9000 in a business has been debited to telephone charges account as Rs.900. Select the relevant journal entry to rectify this error.
- | | |
|---|---|
| (1) Telephone charges account Dr. Rs.8100
Cash account Rs.8100 | (2) Telephone charges account Dr. Rs.8100
Suspense account Rs.8100 |
| (3) Telephone charges account Dr. Rs.9000
Suspense account Rs.9000 | (4) Telephone charges account Dr. Rs.9000
Cash account Rs.9000 |

(see page five)

13780

OL/2021(2022)/60-E-I, II

-5-

30. The Samagi Sports Club has 100 members and the monthly membership fee is Rs. 50 per member. Annual membership fee of 70 members has been received for the year ended 31.12.2021. The membership fee income to be stated in the Income Statement for the year ended 31.12.2021 is
- (1) Rs. 3 500. (2) Rs. 5 000. (3) Rs. 42 000. (4) Rs. 60 000.

- Answer questions No. 31 and 32 using the following information.

Following are expenses to produce 1000 kilograms of cakes in a cake manufacturing business during the month ended 31.03.2022.

	Rs.
Wheat flour	100 000
Eggs	10 000
Other materials	20 000
Wages of cake maker	45 000
Rent of business (Monthly)	10 000
Electricity bill of business (Monthly)	15 000

31. The prime cost for the production of cakes for the month ended 31.03.2022 is
- (1) Rs. 145 000. (2) Rs. 155 000. (3) Rs. 175 000. (4) Rs. 200 000.
32. What is the selling price of one kilogram of cake if retaining a 10% profit margin?
- (1) Rs. 143.00 (2) Rs. 192.50 (3) Rs. 200.00 (4) Rs. 220.00

- Answer questions No. 33 and 34 using the following information.

Sulochana's business is conducted in a rented building for Rs. 10 000 per month. Rs. 80 000 has been paid as building rent for the year ended 31.12.2021.

33. Select the journal entry relevant to the adjustment of building rent of Sulochana's business for the year ended 31.12.2021.
- (1) Building rent account Dr. Rs. 40 000
 Accrued building rent account Rs. 40 000
- (2) Receivable building rent account Dr. Rs. 40 000
 Building rent revenue account Rs. 40 000
- (3) Building rent account Dr. Rs. 80 000
 Cash account Rs. 80 000
- (4) Building rent account Dr. Rs. 120 000
 Accrued building rent account Rs. 120 000
34. Building rent should be included in the Statement of Financial Position of Sulochana's business as at 31.12.2021 as
- (1) accrued building rent Rs. 40 000. (2) building rent receivable Rs. 40 000.
 (3) accrued building rent Rs. 80 000. (4) accrued building rent Rs. 120 000.

[see page six]

OL/2021(2022)/60-E-I, II

-6-

- Answer the questions No. 35 to 40 using the following information.
The trial balance of Kusal's business as at 31.12.2021 is as follows.

	Debit (Rs.)	Credit (Rs.)
Sales		450 000
Purchases	200 000	
Stock as at 01.01.2021	100 000	
Motor vehicles at cost	800 000	
10% Bank loan		100 000
Cash balance	15 000	
Insurance fee	7 000	
Received rent		3 000
Employees salary	12 000	
Capital as at 01.01.2021		600 000
Debtors	46 000	
Creditors		35 000
Bank loan interest	8 000	
	<u>1 188 000</u>	<u>1 188 000</u>

Additional information:

1. Remaining stock as at 31.12.2021 is Rs. 80 000.
 2. Rs. 4 000 should be written off as bad debts from debtors as at 31.12.2021.
 3. The rent to be received as at 31.12.2021 is Rs. 2 000.
35. The cost of sales of the Kusal's business for the year ended 31.12.2021 is
(1) Rs. 150 000. (2) Rs. 220 000. (3) Rs. 300 000. (4) Rs. 380 000.
 36. The Gross profit of the Kusal's business for the year ended 31.12.2021 is
(1) Rs. 70 000. (2) Rs. 150 000. (3) Rs. 230 000. (4) Rs. 300 000.
 37. The Net profit of the Kusal's business for the year ended 31.12.2021 is
(1) Rs. 200 000. (2) Rs. 202 000. (3) Rs. 204 000. (4) Rs. 206 000.
 38. The amount of total liabilities of Kusal's business as at 31.12.2021 is
(1) Rs. 37 000. (2) Rs. 100 000. (3) Rs. 135 000. (4) Rs. 137 000.
 39. The amount of total assets of Kusal's business as at 31.12.2021 is
(1) Rs. 937 000. (2) Rs. 939 000. (3) Rs. 941 000. (4) Rs. 943 000.
 40. The equity of Kusal's business as at 31.12.2021 is
(1) Rs. 202 000. (2) Rs. 600 000. (3) Rs. 802 000. (4) Rs. 804 000.

**

[see page seven]

Department of Examination of Sri Lanka
National Evaluation and Testing Service

Confidential

G.C.E (O/L) Examination - 2021 (2022)

Subject No

60 (E)

Subject

Business and Accounting Studies.

Answer – Paper I

Question Number	Number of Answer	Question Number	Number of Answer	Question Number	Number of Answer	Question Number	Number of Answer
01.	2	11.	3	21.	3	31.	2
02.	1	12.	2	22.	4	32.	4
03.	2	13.	1	23.	1	33.	1
04.	3	14.	4	24.	2	34.	1
05.	3	15.	2	25.	4	35.	2
06.	2	16.	4	26.	1	36.	3
07.	4	17.	4	27.	2	37.	2
08.	3	18.	3	28.	4	38.	4
09.	4	19.	2	29.	2	39.	2
10.	4	20.	3	30.	4	40.	3

විශේෂ උපදෙස් } එක් පිළිතුරකට ලකුණු 01 බැගින්
tpNrl mwpTWj;jy; xUJrupahd tpilf;F Gs;sp tPjk;

මුළු ලකුණු / nkhl;jg; Gs;spfs; 01 × 40 = 40

පහත නිදසුනෙහි දක්වන පරිදි බහුවරණ උත්තරපත්‍රයේ අවසාන තීරුවේ ලකුණු ඇතුළත් කරන්න.
fPo; Fwpg;gplg;gl;bUf;Fk; cjhuuz;jpw;F mika gy;Nju;T tpdhf;fSf;Fupa Gs;spfs gy;Nju;T tpdhg;gj;jpuj;jpd; ,Wjpapy; gjpf.

නිවැරදි පිළිතුරු සංඛ්‍යාව
rupahd tpilfspd; njhif

25

40 gij;puk; I,d; nkhl;jg;Gs;sp

I පත්‍රයේ මුළු ලකුණු

25

40

Business & Accounting Studies – II

Part – II

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

Divan, a management graduate, a positive thinker who likes to take risks lives in Koggala, the tourism Paradise. He started a business as 'Ganguli Safari' on 01.01.2022 by investing Rs. 800 000 of his own money and a bank loan of Rs. 500 000 at an annual interest of 12% to provide boat service to go to the Madol Doova crossing the Koggala lake to foreign and local tourists who come to visit Madol Doova. On the same day, he purchased a safari boat for Rs. 800 000 and safety jackets for Rs. 120 000 in cash and recruited an experienced safari boat rider, Thilak for a monthly salary of Rs. 35 000 and an untrained employee, Kumara for a monthly salary of Rs. 10 000. On the same day, he rented a building for Rs. 7 000 per month near Madol Doova where there are many tourism bungalows.

Following are the transactions occurred for the month ended 31.01.2022.

	Rs.
• Paid fuel expenses	85 000
• Paid insurance charges	8 000
• Paid port charges	15 000
• Paid other expenses	20 000
• Total boat service income received	310 000

After analysing the income and expenditures of the business in the month of January, Divan has decided to expand the business from February by purchasing another two safari boats on credit.

Additional information:

- Safari boats by 12% and safety jackets by 50% should be depreciated annually.
- The electricity bill for the month of January was Rs. 1 000. It has not been paid till 31.01.2022.
- The boat rider's salary and untrained employee's salary for the month of January were paid during the month of January but the building rent has not been paid as at 31.01.2022.

- (i) (a) What is the human need satisfied by 'Ganguli Safari' business?
- (b) According to the ownership of the business, what is the type of business organization that 'Ganguli Safari' business belongs to?
- (ii) Following are five business environmental factors of 'Ganguli Safari' business:
- (a) Koggala, the tourism paradise
 - (b) Divan's management degree
 - (c) Thilak, experienced boat rider
 - (d) Kumara, untrained employee
 - (e) Madol Doova situated near business building

State whether each of the above business environmental factors to the 'Ganguli Safari' business, as a strength, a weakness, an opportunity, or a threat. (To provide the answer, use a table similar to one given below. The answer for first business environment factor (a) has been given for you.)

Business environmental factor	
(a)	an opportunity
(b)	
(c)	
(d)	
(e)	

- (iii) Write an example for each of the following management functions using the 'Ganguli Safari' business.
- (a) Organizing (b) Controlling
- (iv) Write an example for each of the following factors of production relevant to the service provided by 'Ganguli Safari' business.
- (a) Land (b) Labour (c) Capital (d) Entrepreneurship
- (v) (a) Write the amounts of equity and liability of 'Ganguli Safari' business as at 01.01.2022 separately.
(b) Write two assets with the amounts of 'Ganguli Safari' business as at 01.01.2022.
- (vi) (a) Mention the source document and prime entry book relevant to record the accrued electricity bill of Rs.1000 in 'Ganguli Safari' business as at 31.01.2022.
(b) Write the double entry relevant to that 'Ganguli Safari' business purchased safety jackets of Rs.120000 in cash.
- (vii) State the net value of each non-current asset of 'Ganguli Safari' business as at 31.01.2022 separately.
- (viii) Calculate the cash balance of 'Ganguli Safari' business as at 31.01.2022.
- (ix) Calculate the net profit or loss of 'Ganguli Safari' business for the month ended 31.01.2022.
- (x) In 'Ganguli Safari' business,
(a) how much is the amount of equity as at 31.01.2022?
(b) how much is the amount of total assets as at 31.01.2022?

(62 × 10 = 20 marks)

1.(i) (a) Transportation

(01 mark)

(b) Private Sector

(01 mark)

(ii)

Business environmental factor	
(a)	
(b)	Strength
(c)	Strength
(d)	Weakness
(e)	An Opportunity

(½ × 4 = 02 marks)

(iii) (a) Organizing

- Employing capital
- Obtaining the bank loan
- Purchasing a safari boat
- Purchasing of safety jackets
- Recruiting an experience employee
- Recruiting an untrained employee
- Obtaining a rented building

(01 mark for any answer)

(b) **Controlling** – Analyzing the income and expenditures of the business
in the month of January.

(01 mark)

(iv) (a) Land – Koggala Lake

(b) Labour – Thilak - boat Rider,
Kumara untrained employee

(c) capital – Money
– Safari boat
– Safety jackets
– Rented building
– Fuel

(d) Entrepreneurship – Divan, positive thinker who like to take risk

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

(v) (a) As at 01.01.2022

Equity Rs. 800 000

Liabilities Rs. 500 000

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

(b) Assets

Boat – Rs. 800 000

Safety Jackets – Rs. 120 000

Cash – Rs. 380 000

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

(vi) (a) Source document – Journal voucher
Prime entry book – General journal

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

(b) Safety jackets account Dr 120 000
Cash account Cr 120 000

(01 mark)

(Vii)

Safari boat – Rs. 792 000

Safety Jackets – Rs. 115 000

(1 x 02 = 02 marks)

(viii)

Cash account

Date	R.N	Description	L.F	Value (Rs)	Date	V.N	Description	L.F	Value (Rs)
		Capital		800 000			Boat		800 000
		Bank Loan		500 000			Safety Jacket		120 000
		Service Income		310 000			Fuel		85 000
							Insurance		8 000
							Port Charges		15 000
							Other expenses		20 000
							Driver Salary		35 000
							Untrained Emp		10 000
							Salary		
							b/c/d		517 000
									161 0 000
		B/B/D		1 610 000					
				517 000					

(½ mark for three receipts items)

Cash Balance Rs. 517 000

(01 mark for eight payments items)

(½ marks for correct cash balance)

(ix)

Statement of Profit Calculation

	Rs.	Rs.
Service Income		
Boat Service Income		310 000
Less: Expenses		
Bank loan interest	* 5 000	
Boat rider salary	45 000	
Building rent	7 000	
Fuel	85 000	
Insurance	8 000	
Port charges	15 000	
Other expenses	20 000	
Depreciation of boat	* 8 000	
Depreciation of safety jackets	* 5 000	
Electricity Charges	* 1 000	
		(199 000)
Net Profit		111 000

(01 mark for four * marks)

(01 mark for correct net profit)

(x.) (a)

Equity as at 31.01.2022 = Rs. 911 000

(01 mark)

OR

1

Capital	+	Net Profit
800 000		111 000

(b) Assets as at 31.01.2022 - Rs.1 424 000

(01 mark)

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	20
01	02	02	02	02	02	02	02	02	02	02	20

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

2. (i) Write two unique characteristics of cooperative societies. (02 marks)
- (ii) State whether the following statements are true or false.
- The human needs arise naturally while wants can be created.
 - Competitors of a business is an internal environmental factor of it.
 - Sri Lanka railway department is a service providing business.
 - The liability of partners in a partnership is limited. (02 marks)
- (iii) Following are two incidents that took place while Saman was going home from school with his father.

- Father bought a map book for Saman from Sumudu book sellers.
- Father bought five kilograms of rice from Lanka Sathosa Limited.

State the human need satisfied by each of the above incidents and the type of business organization (according to the objective) that involved in satisfying the said needs belongs. (To provide the answer use a table similar to one given below.)

Incident	Human need satisfied	The type of business organization (according to the objective)
1		
2		

(02 marks)

- (iv) Nayana, who was conducting a successful business of gardening and selling flowers, in Nuwara Eliya as 'Sakura Flowers' faced difficulty to pay the bank installment of Rural bank last year because of fungal disease occurred. But, due to her business knowledge, commitment and the encouragement given by the government providing organic fertilizer, she has been successful in this year.
- Write two stakeholders of 'Sakura Flowers' mentioned in the above case.
 - Write the reason to register the name of 'Sakura Flowers' business mentioned in the above case. (02 marks)

(Total 08 marks)

2. (i.)

- Democratic control
- Voluntary and open membership
- Collective ownership of members
- Common expectations and needs

(1 x 2 = 02 marks)

(ii)

- True
- False
- True
- False

(½ x 4 = 02 marks)

(iii)

Incident	Human Need Satisfied	The type of business organization (According to the objective)
1	Education	For Profit Organization
2	Food	Not For Profit Organization

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

(iv) (a) Owner / Nayana

Financial Institution / Rural Bank

Government

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

(b) Nayana conduct her business in a different name other than the her full name.

(01 mark)

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

3. (i) Write two advantages of maintaining a current account.

(02 marks)

(ii) State whether the following statements are true or false.

- (a) When transacting with cheques, crossing is compulsory.
- (b) The insurance principle of indemnity is not relevant for life insurance.
- (c) In a communication process, the message exchanged between the sender and the receiver is connected through a communication medium.
- (d) A disadvantage of railway transportation is the inability of using it upto the destination in mostly of time.

(02 marks)

(iii) Raja, a potato cultivator in Jaffna, using a telephone informed Prabath, an owner of supermarket in Colombo that he is sending 50 kilograms of potatoes to Pettah railway station by Friday night mail. Prabath agreed to get the stock of potatoes and informed it to Raja and requested the lorry driver and an employee to go to the Pettah railway station.

- (a) Write an example for the response which is an element of the communication process included in the above case.
- (b) Name the retailer and the whole seller in the above case separately.

(02 marks)

(iv) While walking on the jogging path Jagath picked up a People's bank cheque of Rs.500 000 fallen on the ground floor. The name 'Ruwana Perera' was written on the face of the cheque and the phrase 'Accounts payee only, Bank of Ceylon' was written within two parallel lines.

- (a) Name the drawee and payee of this cheque separately.
- (b) None of the parties can cash the amount of this cheque from a bank counter. What is the reason for that?

(02 marks)**(Total 08 marks)**

3. (i)

- Ability to make payment via cheque
- Ability to obtain bank overdraft facilities
- To collect remittance
- To active standing order
- Receiving a bank statement

(1 x 2 = 02 marks)

(ii.) (a) False

(b) True

(c) True

(d) True

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

(iii) (a) Response - Prabath agreed to get the stock of potatoes. (01 mark)

(b) Retailer - Prabath

Whole Seller - Raja ($\frac{1}{2} \times 2 = 01$ mark)

(iv) (a) drawee - Peoples Bank

Payee - Ruwan Perera ($\frac{1}{2} \times 2 = 01$ mark)

(b) It is a Crossed cheque (01 mark)

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

4. (i) Write two benefits of investing in ordinary shares. (02 marks)

(ii) State whether the following statements are true or false.

(a) Leading is the process of directing human resources appropriately when implementing a planned process.

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

(c) Investing a certain amount of earned income in an effective source while expecting an economic return by a person is an investment.

(d) Treasury bills are issued by commercial banks on behalf of the government. (02 marks)

(iii) While Dasun is selling his Kithul jaggery products at a special discount in Pettah railway station with three employees, instructs them the duties that should be fulfilled by each. Using the above case,

(a) Write an example for the leading, a management functions.

(b) Write an example for price, a variable of marketing mix. (02 marks)

(iv) Amal and Saman won a jackpot and shared it equally. Amal started a retail trade business from the money he received and purchased a land from the rest. Saman invested a half of the money he received to buy shares in a public limited company in the Colombo stock market and deposited the rest in a fixed deposit.

(a) Who received an interest income as return in the above case?

(b) What is the name of the return that both Amal and Saman can receive? (02 marks)

(Total 08 marks)

4.(i)

- Receiving dividends
- Earn capital gains by selling at a higher price than the purchased price.
- Sell ordinary shares at any time and obtain cash
- Present at a collateral when obtaining loans
- Appoint directors by voting
- Contribute to the decision making of a company by being appointed as a director.

(1 x 2 = 02 marks)

(ii) (a) True

(b) True

(c) True

(d) False

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

(iii)(a) Leading - Instruct each employee the duties that should be fulfilled by each.

(01 mark)

(b) Price - Selling Kithul Jaggery product at a special discount.

(01 mark)

(iv) (a) saman

(01 mark)

(b) Capital Gains

(01 mark)

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

Part II - Accounting
(Answer two questions only)

5. (i) What is the main purpose of Accounting? (02 marks)
- (ii) Write the source document and the prime entry book separately for each of the following transactions occurred in a business.
- (a) Purchasing a stock of goods of Rs. 50 000 in cash
- (b) Purchasing furniture of Rs. 100 000 on credit for the use of the business. (02 marks)
- (iii) The total amount of assets and liabilities of Raju's business as at 01.01.2022 are as follows:

	Rs.
Motor vehicle	250 000
Stock of goods	140 000
Debtors	20 000
Cash balance	100 000
Total liabilities	50 000

Following are how the transactions occurred in Raju's business during the month of January 2022, impacted on the accounting equation:

Date	Assets				= Equity + Liabilities	
	Motor Vehicle (Rs.)	Stock of good (Rs.)	Debtors (Rs.)	Cash (Rs.)	Equity (Rs.)	Creditor (Rs.)
05/01		+ 9 000				+ 9 000
10/01				- 10 000	- 10 000 (Insurance fees)	
14/01			- 7 000	+ 7 000		
20/01				- 8 000		- 8 000
25/01		- 15 000	+ 25 000		+ 10 000 (Profit)	

Required:

- (a) Write the transaction with the amount occurred on 14.01.2022;
- (b) What is the amount of equity as at 25.01.2022?
- (c) What is the amount of total current assets as at 25.01.2022?
- (d) Indicate how the following transaction occurred in Raju's business on 31.01.2022 impacted on the above accounting equation.
- Investing Raju's private motor vehicle of Rs. 300 000 to his business. (04 marks)
- (iv) The sales transactions occurred in Narada's wholesale business during the month of January 2022 are given below.

05.01.2022	Selling a stock of goods to Chamara at Rs. 45 000 on credit	(Invoice No. 520)
14.01.2022	Selling a stock of goods at Rs. 60 000 in cash	(Receipt No. 428)
25.01.2022	Selling a stock of goods to Nuwan at Rs. 100 000 on credit	(Invoice No. 521)
	Trade discount is 5%	

Required:

The followings of Narada's business for the month of January 2022.

- (a) Sales Journal
- (b) Sales account
- (c) The total amount of sales

(04 marks)
(Total 12 marks)

5.

- (i) Accounting is needed to provide useful information to interested parties of a business for their decision making.

(02 marks)

- (ii) (a) Source Document - Payment voucher
Prime entry book - Cash book

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

- (b) Source document - Journal voucher
prime entry book - General journal

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

- (iii) (a) Receiving money from debtors Rs. 7 000

(01 mark)

- (b) Equity as at 25.01.2022 Rs. 480 000

(01 mark)

- (c) Current Assets as at 25.01.2022 Rs.261 000

(01 mark)

OR

Stock of good	-	134 000
Debtors	-	38 000
Cash	-	<u>89 000</u>
		<u>261 000</u>

(Any correct three or two items $\frac{1}{2}$ marks)

(d)

	Assets (Rs.)				=	Equity + (Rs.)	Liabilities (Rs.)
Date	Motor vehicle	Stock of goods	Debtors	Cash	=	Equity	Liabilities
01.31	+ 300 000	-	-	-	=	+ 300000	-

or

- (d) Assets = Equity + Liabilities
+300 000 = +300 000 + -

(01 mark)

(iv) (a)

Sales Journal

Date	Invoice No	Buyer	Total Value	Ledger Page
05.01.2022	520	Chamara	45 000	½
25.01.2022	521	Nuwan	95 000	½
31.01.2022		credited to the sales account	140 000	01

(02 marks)

(b)

Sales Account

Date	Description	L.F	Value (Rs)	Date	Description	L.F	Value (Rs)
				14.01	Cash		60 000
				31.01	Debtors		140 000

(01 mark)

(c) Value of total sales

Rs. 200 000

(01 mark)

05	(i)	(ii)		(iii)				(iv)			
		a	b	a	b	c	d	a	b	c	12
	02	01	01	01	01	01	01	02	01	01	12

1. (i) Name the elements of prime cost. (02 marks)
 (ii) Nimal started a business for manufacturing canvas fabric bags on 01.01.2022 and purchased machinery of Rs.120000 for it.
 Following are the production expenses for the month of January.

	Rs.
Building rent	20 000
Wages of the bag sewers	60 000
Wages of watchier	25 000
Purchases of canvas fabric	200 000
Bag design expenses	30 000
Electricity expenses	8 000
Machine repairing expenses	14 000
Depreciation of machines	3 000

At the end of the month no any stock of canvas fabrics and cost of canvas bag is Rs.1200.

Required:

For manufacturing canvas fabric bags in the month of January

- (a) Prime cost
 (b) Production overhead cost. (02 marks)

- (iii) Following is the trial balance of Kasun's business as at 31.01.2022.

	Debit (Rs.)	Credit (Rs.)
Cash	110 000	
Sales		540 000
Purchases	300 000	
Telephone charges	8 000	
Rates	2 000	
Motor vehicle	250 000	
Land & Building	800 000	
Creditors		60 000
Capital		900 000
Suspense account	30 000	
	<u>1 500 000</u>	<u>1 500 000</u>

Following are the accounting errors identified in preparing the above trial balance.

- (a) Paid telephone charges Rs.6000 has been recorded as Rs.8000 in telephone charges account.
 (b) Paid Rs.16000 to creditors has been credited to relevant creditors' account.
 (c) Paid building repairing expenses Rs.100000 has been debited to building account.

Required:

- (a) Suspense account before rectifying the above errors
 (b) Journal entries to rectify the above errors (04 marks)

- (iv) Gayan's business has a favourable bank account balance of Rs.24000 as at 31.03.2022. However, the balance of bank statement received on the same day differed to this. Following reasons are identified for this difference later.

- Cheques that were not recorded in Gayan's current account by the bank:
 - The cheque deposited but not realized, Rs.14000
 - The cheque issued but not presented to the bank, Rs.15000
- The transactions that were not recorded in the bank account of Gayan's business:
 - Loan installment of Rs.10000 paid by bank on standing order
 - Direct remittances of Rs.30000 received to bank from debtors

Required:

- (a) Adjusting the bank balance of bank account of business as at 31.03.2022
 (b) Preparing the bank reconciliation statement as at 31.03.2022 (04 marks)

(Total 12 marks)

6.

(i)

- Direct material cost
- Direct labor cost
- Other direct cost

(02 Marks)

(01 marks for two items)

(ii) (a)

Prime cost Rs.

Purchase of canvas fabric 200 000

Wages of the bag sewers 60 000

Bag design expenses 30 000Prime cost 290 000

(01 Mark)

(½ marks for two items)

(b) Production overhead cost

Rs.

Building rent 20 000

Wages of the watcher 25 000

Electricity expenses 8 000

Machine repair expenses 14 000

Depreciation of machines 3 00070 000

(01 mark)

(iii)

(a)

Suspense Account

Date	Description	L. F	Value (Rs)	Date	Description	L. F	Value (Rs)
	The difference in the trial balance		30 000				

(01 mark)

(b)

General Journal

	Date	Voucher No	Description	L. F	Dr (Rs.)	Cr (Rs.)
(a)			Suspense account (Dr.) telephone Charges Account [correction of the paid telephone charges Rs. 6 000 has been recorded as Rs. 8 000 in telephone charges account]		2 000	2 000
(b)			Creditors account (Dr.) suspense Account [correction of the paid 16 000 Rs. to creditors has been credited to relevant creditors account]		32 000	32 000
(c)			building repairing expenses a/c (Dr.) building Account (Correction of the paid building repairing expenses Rs. 100 000 has been debited to building account)		100 000	100 000

(½ x 03 for three journal entries = 1 ½ marks)

(½ x 03 for three narrations = 1 ½ marks)

(iv)

(a)

Bank Account

Date	Description	L. P	Value (Rs.)	Date	Description	L. F	Value (Rs.)
31.03.2022	b/C/F		24 000		Loan installment		10 000
	Direct remittances		30 000		b/c/d		44 000
			<u>54 000</u>				<u>54 000</u>
	b/c/f		44 000				

(02 marks)

(b)

Bank reconciliation Statement

	Rs.	Rs.
Adjusted bank balance as at 31.03.2022		44 000
Add : Cheque not presented to the bank	15 000	15 000
		59 000
Less- Unrealised cheque	14 000	(14 000)
Bank balance as per the bank statement as at 31.03.2022		45 000

(02 marks)

	i	ii	iii	iv	
	a	b	a	b	12
06	02	01	01	3	02
					12

7. (i) Name two financial statements prepared by a not for profit organization. (02 marks)
- (ii) Following is the Income Statement of 'Shakthi Sports Society' prepared for the year ended 31.12.2021 with errors.

	Rs.	Rs.
Income		
Membership fees	18 000	
Donations receipts	10 000	28 000
Expenses		
Expenses for Sport Competitions	8 000	
Electricity bill charges	1 500	
Tickets income	10 000	(19 500)
Net Profit		8 500

Additional Informations:

- The number of members of this sports society is 100.
- Annual membership fee for a member is Rs. 200.
- It was decided to depreciate sports equipment purchased at Rs. 5 000 on 10% annually.

Required:

Preparing the correct Income Statement for the year ended by 31.12.2021 of 'Shakthi Sports Society'. (02 marks)

- (iii) The trial balance of Nirmala's business as at 31.12.2021 is as follows.

	Debit (Rs.)	Credit (Rs.)
Sales		500 000
Purchases	375 000	
Land & Buildings (at cost)	500 000	
Motor vehicle (at cost)	600 000	
Debtors	9 000	
Creditors		15 000
Building rent	18 000	
Discounts received		5 000
Discounts allowed	2 000	
Sales persons salary	8 000	
Bank charges	1 500	
Electricity charges	2 500	
10% Bank loan		100 000
Capital as at 01.01.2021		624 000
Carriage inwards	10 000	
Stock as at 01.01.2021	15 000	
Cash balance	3 000	
	<u>1 544 000</u>	<u>1 544 000</u>

Additional information:

- Remaining cost of stock as at 31.12.2021 is Rs. 20 000.
- Accrued Building rent is Rs. 2 000 as at 31.12.2021.
- Motor vehicles should be depreciated at 20% per annum on straight line basis.

Required:

- (a) The Statement of Profit or Loss for the year ended 31.12.2021 (04 marks)
- (b) The Statement of Financial Position as at 31.12.2021 (04 marks)
- (Total 12 marks)

7. (i)

- Receipt and Payment account
- Income Statement / Income and Expenditure Account

(1 x 2 = 02 marks)

(ii)

Shakthi Sports Society
Income Statement for the year ended 31.12.2021

	Rs.		Rs.
<u>Income</u>			
Membership fees	20 000	½	
Donations receipts	10 000	½	
Tickets income	10 000		40 000
<u>Expenses</u>			
Depreciation of sports equipment	500	½	
Expenses for sports competitions	8 000		
Electricity bill charges	1 500		(10 000)
Surplus			30 000
			½

(02 marks)

iii (a)

Nirmala's business
The Statement of Profit or Loss
For the year ended 31st December 2021

½

	Rs.	Rs.		Rs.	Rs.
Stock as at 01/01/2021		15 000	Sales		800 000
Purchases	375 000				
+ carriage inwards	10 000	385 000			
Cost of goods to be sold		400 000			
stock as at 31/12/2021		(20 000)	½		
Cost of sales		380 000	½		
Gross profit c/d		420 000	½		
		800 000			800 000
<u>Distribution expenses</u>			Gross Profit c/f		420 000
Discount allowed			<u>Other Income</u>		
Depreciation of motor vehicle	2 000		Discount received		5 000
Sales person salary	120 000	½			425 000
	8 000				
<u>Administration Expenses</u>		130 000			
Electricity charges	2 500				
Building rent	20 000	½			
		22 500			
<u>Finance and other expenses</u>					
Bank loan interest	10 000	½			
Bank charges	1 500				
		11 500			
Net profit transferred to capital account		261 000	½		
		425 000			425 000

(04 marks)

(b)

Nirmala's business

The statement of financial position as at 31st December 2021

	Rs.	Rs.		Cost Rs	Acc. Dep. Rs.	Carrying amount Rs.
Capital on 01.01.2020		624 000	<u>Non Current Assets</u>			
+ Net Profit	½	261 000	Land and Building	500 000	-	500 000
		885 000	Motor Vehicle	600 000	(120 000)	480 000 ½
<u>Non Current Liabilities</u>				1 100 000	(120 000)	980 000 ½
10% bank Loan		100 000	<u>Current Assets</u>			
<u>Current Liabilities</u>			Stock 31/12/21		20 000 ½	
Creditors	15 000		Debtors		9 000	
Accrued bank loan	10 000 ½		Cash		3 000	
Interest	2 000 ½					32 000
Accrued Building rent		27 000				
		1 012 000				1 012 000

(04 marks)

(iii) (a)

Nirmala's Business
For the year ended 31st December 2021
The Statement of Profit of Loss

½

	Rs.	Rs.	Rs.
Sales			800 000
Less: Cost of Sale			
Stock as at 01.01.2021		15 000	
Purchasing		375 000	
Carriage Inwards		10 000	
Cost of goods to be sold		400 000	
Stock as at 31.12.2021	½	(20 000)	
Cost of Sales		380 000	(380 000) ½
Gross Profit			420 000 ½
Other Income			
Discount received			5 000
			425 000
<u>Distribution Expenses</u>			
Depreciation of motor vehicle	120 000 ½		
Discount allowed	2 000		
sales person salary	8 000		
<u>Administration Expenses</u>			
Electricity charges	2 500	130 000	
Building rent	20 000 ½		
<u>Financial and other Expenses</u>			
Bank loan interest	10 000 ½	22 500	
Bank charges	1 500		
		11 500	
			(164000)
Net profit transferred to capital a/c			<u>261 000</u> ½

(04 marks)

(b)

Nirmala's Business

The Statement of financial position as at 31st December 2021

	Cost Rs.	Acc. Dep. Rs.	Carrying Amount Rs.
<u>Non Current Assets</u>			
Land and building	500 000	-	500 000
Motor vehicle	600 000	(120 000)	480 000
	1 100 000	(120 000)	980 000
<u>Current Assets</u>			
Stock as at 31.12.2021		20 000	
Debtors		9 000	
Cash		3 000	
			32 000
			<u>1 012 000</u>
Capital on 01.01.2021		624 000	
+ Net Profit		261 000	
<u>Non Current Liabilities</u>			
10% Bank Loan			100 000
<u>Current Liabilities</u>			
Creditors		15 000	
Accrued Building rent		2 000	
Accrued Bank Loan Interest		10 000	
			27 000
			<u>1 012 000</u>

(04 marks)

	(i)	(ii)	(iii)		
7			a	b	12
	02	02	04	04	12

