1. **Underline the correct answer.**

   i) Which of the following is **not** a function of money?
   
   (a) Store of value.  
   (b) Measure of value. 
   (c) Mean of exchange.  
   (d) Store of wealth.

   ii) Which of the following companies belong to the public sector?
   
   (a) Ceylon Electricity Board  
   (b) Odel 
   (c) Dialog  
   (d) Durdens Hospital

   iii) Which of the following is a characteristic of a public limited company?
   
   (a) Minimum one director  
   (b) Sells shares to the public 
   (c) Small organizations  
   (d) Maximum of fifty members

   iv) Producing or finding what people need for themselves is called
   
   (a) self sufficiency.  
   (b) imports. 
   (c) exports.  
   (d) barter system.

   v) The early form of trade was called the
   
   (a) self sufficient system.  
   (b) marketing system. 
   (c) barter system.  
   (d) surplus system.

   vi) Which one of the following is an example for an aid to trade?
   
   (a) Sales  
   (b) Discount  
   (c) Transport  
   (d) Imports

   vii) Humans have unlimited wants, but it is not possible to fulfill all these wants due to
   
   (a) wastage of resources.  
   (b) lack of opportunity cost. 
   (c) shortcomings of the economic system.  
   (d) scarcity of resources.

   viii) A partnership has
   
   (a) two to fifty owners.  
   (b) two owners. 
   (c) two to twenty owners.  
   (d) two or more owners.

   ix) The Marketing Department deals with
   
   (a) recruitment and selection.  
   (b) conducting trade. 
   (c) recording transactions.  
   (d) advertising the products.
x) Which of the following is not a fixed asset?
   (a) Debtor (b) Land (c) Motor vehicles (d) Furniture

xi) The wages and salaries of workers are paid by the
   (a) Finance Department. (b) Marketing Department.
   (c) Administrative Department. (d) Human Resource Department.

xii) Which of the following is a long-term liability?
     (a) Building (b) Bank loan (c) Creditors (d) Cash

xiii) What type of communication is a \( \mathcal{R} \) sign?
      (a) Horizontal (b) Verbal (c) Vertical (d) Non-verbal

xiv) Which of the following is the correct accounting equation?
     (a) Assets = Capital - Liabilities (b) Capital = Assets + Liabilities
     (c) Assets = Capital + Liabilities (d) Liabilities = Assets + Capital

xv) Which one of the following consists of basic human needs?
     (a) Tea, pizza, water (b) Shelter, food, clothes
     (c) Education, food, tea (d) Frock, shirt, shelter

xvi) Which one of the following is an example for capital?
     (a) Water (b) Tools (c) Workers (d) Money

xvii) When the Marketing Manager communicates with the HR Manager within the organization it is called
      (a) vertical upward communication.
      (b) vertical downward communication.
      (c) horizontal communication.
      (d) internal communication.

xviii) Who is not a user of accounting information?
       (a) Owners / shareholders (b) Predators
       (c) Investors (d) Creditors

xix) A 'share' represents the \( \ldots \) of a company.
     (a) colour (b) size
     (c) ownership (d) number of employees

xx) Which of the following is not included in the communication process?
    (a) Cost (b) Medium (c) Feedback (d) Message

\[ \text{Total} = 2 \times 20 = 40 \text{ marks} \]
2. Write the correct terms for the following definitions.

<table>
<thead>
<tr>
<th></th>
<th>People and organizations who owe us money</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii.</td>
<td>Assets which have a life span of less than one year.</td>
</tr>
<tr>
<td>iii.</td>
<td>A process which identifies customer wants and satisfies them in a profitable way.</td>
</tr>
<tr>
<td>iv.</td>
<td>The economic system where all the businesses and resources of the country are owned by the private sector.</td>
</tr>
<tr>
<td>v.</td>
<td>The next best alternative forgone.</td>
</tr>
<tr>
<td>vi.</td>
<td>Deals with the production, distribution and consumption of goods and services.</td>
</tr>
<tr>
<td>vii.</td>
<td>Communication that occurs between people at different levels in an organization.</td>
</tr>
<tr>
<td>viii.</td>
<td>A company which sells shares only to relatives and friends.</td>
</tr>
<tr>
<td>ix.</td>
<td>When a country buys goods from another country.</td>
</tr>
<tr>
<td>x.</td>
<td>Can be easily carried around.</td>
</tr>
</tbody>
</table>

[Total = 10 marks]

PART B

Write brief answers.

01. (i) State two failures of the barter system.

   a)  

   b)  

   (2 marks)

(ii) State two functions of money.

   a)  

   b)  

   (2 marks)

contd.....to page 4
(iii) Name four aids to trade.
   a) __________________________________________
   b) __________________________________________
   c) __________________________________________
   d) __________________________________________

   (2 marks)

(iv) Mention two differences between the public sector and the private sector.
   a) __________________________________________
   b) __________________________________________

   (4 marks)
   [Total = 10 marks]

02. (i) State two disadvantages of using IT in business communication.
   a) __________________________________________
   b) __________________________________________

   (2 marks)

(ii) What are the four factors of production? Name and define briefly.
   a) __________________________________________
   b) __________________________________________
   c) __________________________________________
   d) __________________________________________

   (4 marks)

(iii) What is a planned economic system?

   __________________________________________
   __________________________________________

   (2 marks)

(iv) Briefly explain the basic economic problem.

   __________________________________________
   __________________________________________

   (2 marks)
   [Total = 10 marks]
03. (i) State four advantages of marketing.

a) 

b) 

c) 

d) 

(4 marks)

(ii) Explain two functions of the Human Resource Department.

a) 


b) 

(2 marks)

(iii) State whether the following are fixed assets, current assets, long-term liabilities or current liabilities.

a) Mortgage 

b) Machinery 

c) Cash at bank 

d) Creditors 

(4 marks)

[Total = 10 marks]
04. **Complete the effects of the following accounting transactions.**

The 2\textsuperscript{nd} transaction has been completed as an example.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner started the business with $20,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchased goods worth $3000 cash</strong></td>
<td>+3000 (stock)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>-3000 (cash)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sold goods for $450 cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased a motor vehicle for $40,000 on credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner puts in $10,000 to the business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sold goods on credit for $5700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors paid the business $700 cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The business paid creditors $40,000 by cheque</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors paid the business, remaining $5000 by cheque.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bought $8000 worth of goods and paid by cheque.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner puts in $3000 extra to the business.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Total = 20 marks]

**END**