01. (A) Fill in the blanks in the following passage with the most suitable words selected from those given within brackets.

Write down numbers (1 to 5) in your answer booklet, and write the word selected by you against each number.

**Accounting is the language of business.**

Financial Accounting is a major branch of (1) funding, accounting that describes the collection, recording and extraction of financial (2) information, inflation in order to periodically summarize (3) profit, credit and loss, financial position and cash flow in accordance with legal, professional and capital market requirements.

(4) Management Accounting on the other hand is the branch of accounting for internal use. Its (5) objective, reason is to inform and control the functions of management.

(05 marks)

(B) Construct five (05) sentences to bring out the meaning of the following words:

(1) subsidiary (2) depreciation (3) invoice (4) fixed assets (5) dividend

(05 marks)

(C) Assume that you are the Chief Accountant of a business enterprise. You have to obtain approval from the Chief Financial Officer (CFO) to conduct physical verification of the inventory items of your organization before the end of the month. You are required to write a memo to get the approval from the CFO.

Write a memo including the following points:

- purpose.
- time frame.
- details of staff to be deployed.
- the volume of work.

(10 marks)

(Total 20 marks)
02. (a) Assume that you are the Assistant Accountant at “Mahen and Sons Publishing House”. Your company needs a large quantity of quality paper for its day to day work. You have been asked by your Head of Department to propose a method to purchase quality paper available in the market at the best price.

(i) Describe the method you propose.

(ii) State two(02) advantages of the proposed method. (05 marks)

(b) A branch of a reputed commercial bank has been opened recently in very close proximity to the company where you work as an Accounts Executive. You have been informed by the management to write a letter to the manager of the bank, inquiring about requirements to open a bank account for the company.

**Write only the body of the letter.**
(Do not write the addresses, salutation, ending etc.)

Include the following:

- Inquire about the minimum amount necessary as an initial deposit.
- documents that should be produced.
- rates of interest for call deposits.
- facilities provided by the bank such as overdraft facility.

(05 marks)
(Total 10 marks)

03. Study the following bar chart. Write a paragraph interpreting the information in the chart, commenting on trends and comparing relevant data as appropriate. You may include any other observations you have made.

Use about 150 words.

![Government Expenditure on Health and Education](Central Bank Report)

(Central Bank Report)

(15 marks)
04. You are working as an Executive at **Amazing Beverages (Pvt) Ltd.** which is a reputed company producing soft drinks. The company owns a factory in Kaduwela close to the Kelani river. A new product with the brand name “MIHIRI” is to be launched on 15\textsuperscript{th} August 2014, at 6.00 p.m. at “Amara Reception Hall”, No. 55, Gangabada Reserve, Kaduwela, followed by refreshments. You are in charge of this launch and have to draft the invitation to be sent out to all customers and well-wishers.

**Write the invitation**, including the following:

- Chief Guest (Hon. Satyawadee, Minister of Internal Trade).
- Guest of Honour, Mr. H Angunakola, Chairman of Sri Lanka Business Circle.
- Invitees to be in their seats by 5.50 p.m.
- Dress code - casual.
- Contact No: (011) 654301-10, Ms. Aveesha
  
  (for any clarification/confirm attendance)
Unauthorized Finance Business (UFB) activities are promoted primarily by offering or guaranteeing very high returns when compared with those offered by formal financial institutions. In many instances, a majority of the investors attracted to such UFBs are not aware of the illegality and / or the inherent risks in investing in these institutions. In addition to attractive returns, the possibility of evading taxes and the opportunity to engage in money laundering are identified as some of the other factors that tempted investors to invest in these UFBs. These investors deliberately ignore the repercussions in view of the high returns that are offered. As a result of the faulty and unviable nature of the business models of the UFBs as well as the mismanagement of funds by them, these entities finally collapse, and the investors finally lose their hard earned money, sometimes their lifetime savings. At the same time, the failure of UFBs, tends to affect public confidence in regulated financial institutions and therefore impacts on financial system stability as well.

UFBs conducted by unscrupulous persons are engaged in advertising and soliciting of deposits without authorization under the laws governing finance business in a country. Many countries have faced the issue of unauthorized finance business mainly due to greedy investors pursuing unsustainable quick and high returns. One key feature of these entities is that they use the funds mobilized from members who subsequently join the scheme to pay high returns to existing members. Globally such schemes are called “Ponzi Schemes” and were named after the collapse of the fraudulent investment scheme carried out by Charles Ponzi in 1920 in Boston. Bailing out UFBs that fail at the cost of the general public is neither appealing nor fair and could result in a significant revenue loss to the Government.

As there was no legal framework which enables taking measures against UFBs, relevant provisions were included in the Finance Companies Act No. 78 of 1988 making, carrying on finance business without registration illegal. As the acceptance of deposits is an integral part of finance business the lacuna of a definition for the term ‘deposit’ has given rise to difficulties in providing the offence of carrying on finance business without authority. Taking advantage of this loophole, the persons / institutions who mobilized public funds structured their instruments with the intention of avoiding the provisions of the law that prevailed. For example, instead of using the word ”Deposit”, some UFBs created various fund mobilization products such as “promissory notes”, “fund management agreement” and “investment certificates” to collect funds from the general public.

Thus the need to amend the Finance Companies Act which was enacted about 20 years ago was recognized by the Central Bank and the Financial Sector, particularly following the failure of several unauthorized entities in 2008/ 2009.

*Courtesy, Central Bank of Sri Lanka.*
(1) State three(03) facts which make Unauthorized Finance Businesses (UFBs) attractive to investors.

(2) Explain briefly what is meant by “Ponzi Schemes”.

(3) How does the failure of UFBs affect the following parties?
   (a) investors.
   (b) regulated financial institutions.
   (c) the government.

(4) What is the loophole that became an advantage to UFBs?

(5) According to the text, what has to be done in the future to form a legal framework against UFBs?
   (15 marks)

07. Write an Essay on any one(01) of the following topics. Use about 200 words.

(1) Why I want to be an Accounting Technician.

(2) Good Governance in the business world.

(3) The impact of the computer in business communication.

(4) Sri Lanka’s imports and exports.

(5) Television destroys communication among family and friends.

Your essay will be assessed on the following criteria:

- Introduction and conclusion.
- Content.
- Language, organization and logical presentation of ideas.

(20 marks)