

MARKER CODE			



Student Personal Identification Number					

TONGA GOVERNMENT
MINISTRY OF EDUCATION AND TRAINING

TONGA FORM SIX CERTIFICATE

2015

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time allowed: 3 Hours

INSTRUCTIONS

1. Write your **Student Personal Identification Number (SPIN)** in the box on the right corner of this booklet and on **page 31**.
2. There are **SIX SECTIONS** in this paper, all of which are **COMPULSORY**. Answer ALL questions and allocate your time as follows:

	<u>Marks</u>	<u>Time</u>
Section 1: Multiple Choice Questions	20	18 minutes
Section 2: Conceptual Basis of Accounting	20	18 minutes
Section 3: Processing	33	30 minutes
Section 4: Accounting System	51	46 minutes
Section 5: Accounting Reports	56	50 minutes
Section 6: Analysis, Interpretation and Decision Making	20	18 minutes
	200	180minutes
	===	=====

3. Answer the questions in the spaces provided in this booklet. If you need more space for your answers, ask the supervisor for extra paper. Write your **SPIN** on all extra sheets used and number the questions clearly.
4. Check that this booklet contains pages **2-31** in the correct order.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL MARKS

200

SECTION 1**MULTIPLE CHOICE****(20 MARKS)**

ALL ten questions are compulsory. Each question is worth 2 marks.
Write the **letter** of the best answer to each question in the space provided on the back flap of this booklet.

1. What is the main purpose of financial reports?

- A. Keep track of the business expenses.
- B. Organise financial information for users.
- C. Minimise business tax for the accounting period
- D. Provide useful financial information to external parties.

2 marks	
2	
1	
0	
NR	

2. Which financial statement uses the expanded accounting equation?

- A. Balance Sheet
- B. Income Statement
- C. Cash Flow Statement
- D. Statement of Accounting Policies

2 marks	
2	
1	
0	
NR	

3. The principle of consistency means that:

- A. the balance sheet must always balance.
- B. the accounting methods used by an entity never change.
- C. the same accounting methods are used by all firms in an Industry.
- D. the effect of any change in an accounting method will be disclosed and reported.

2 marks	
2	
1	
0	
NR	

4. The process of counting, listing and valuing of stock at the end of the accounting period is known as Stock:

- A. Cards.
- B. Taking.
- C. Counting.
- D. Revaluation.

2 marks	
2	
1	
0	
NR	

5. The going concern concept refers to a presumption that:

- B. that the entity will be profitable in the coming year.
- C. the entity will not be involved in a merger within a year.
- C. the entity will continue to operate in the foreseeable future.
- D. none of the above.

2 marks	
2	
1	
0	
NR	

6. Businesses operate Petty Cash Imprest Systems because this

- A. make payments by cheque easier.
- B. makes it easier for the recording of loan repayments.
- C. is an effective method of paying minor business expenditure.
- D. enables employees to obtain personal loans from the business.

2 marks	
2	
1	
0	
NR	

7. An amount of \$500 for sales returns is omitted from the determination of gross profit. What is the effect on the reported profit of \$5000?

A. decrease profit by \$500
 B. increase profit by \$500
 C. decrease profit by \$4500
 D. increase profit by \$5500

2 marks	
2	
1	
0	
NR	

8. Ukulele Pacific Stores is a legal entity, having limited liability and having life perpetuity .

This type of business ownership is a/an :

A. company.
 B. sole trader.
 C. partnership.
 D. incorporated club.

2 marks	
2	
1	
0	
NR	

9. A trial balance as at 31/12/2014 reported a rent expense account of \$4 800. An annual rent premium of \$3600 was recorded paid during the financial year . At balance date, two months' rent was prepaid. The correct amount for Rent Expense in the Statement of Financial Performance would be:

A. \$ 600
 B. \$ 800
 C. \$4 200
 D. \$5 400

2 marks	
2	
1	
0	
NR	

10. Velonika discovered that she incorrectly treated a revenue expenditure as a capital expenditure item. Which of the following will be understated as a result of this error?

A. Net Profit
 B. Total Assets
 C. Total Assets
 D. Total Liabilities

2 marks	
2	
1	
0	
NR	

SECTION 2: CONCEPTUAL BASIS OF ACCOUNTING (20 MARKS)
Part 1

You are required to use the financial information of the business ‘Latu Plants’ prepared by the accountant for the end of the financial year 30 June 2014 to answer the questions followed:

Latu Plants
Report on operations for the 12 months ended 30 June 2014

	\$
Balance Sheet information	
Cash at bank (30 June 2014)	25 000
Other business assets (30 June 2014)	85 000
Liabilities (30 June 2014)	45 000
Profit and Loss information	
Sales	210 000
Gross profit	100 000
Net profit	50 000

- a. You are required to give a definition of accounting.

3 marks	
3	
2	
1	
0	
NR	

- b. Using information of the “**Latu Plants**”, explain THREE functions of accounting.

3 marks	
3	
2	
1	
0	
NR	

- c. Using the business of “**Latu Plants**”, you are required to give one uses of accounting information for each of the users of the business information given below.

USERS	Uses of Accounting information
i. Government departments	
ii. Creditors	
iii. Owners/managers	

3 marks	
3	
2	
1	
0	
NR	

- d. In each of the THREE circumstances below, the information of the business of Latu Plants has been used as a basis for decision making.

You are required to identify and explained a desirable qualitative characteristic missing in each of the given data below. (6 marks)

	<i>Missing Characteristic</i>	<i>Explanation of the application of the characteristic identified</i>
i. A complete final accounting reports of the Latu Plants was presented to the Owners six months after June 30, 2014.		
ii. The business made a net profit of \$50 000 for year ended 30 June 2015. A considerable improvement on the previous financial year when the net profit of the business was \$10 000		
iii. The owner of the business prepared his own accounts using his own records for the day's business and from invoices received from suppliers. No receipts were given or kept. Cash received was kept in a cash drawer		

2 marks	
2	
1	
0	
NR	

2 marks	
2	
1	
0	
NR	

2 marks	
2	
1	
0	
NR	

- e. Explain the meaning of the following accounting concepts and give an example of the application to preparation of the Latu's accounting reports.

CONCEPTS	Meaning and Application of the concept
i. Accrual Basis	
ii. Matching	
iii. Conservatism	

3 marks	
3	
2	
1	
0	
NR	

- f. Explain the relationship between Qualitative Characteristics '**relevant and 'reliability'**

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2 marks	
2	
1	
0	
NR	

SECTION 3:**ACCOUNTING PROCESS****(33 MARKS)****1. Transaction Analysis /Accounting Equation (9 marks)**

Viliami Fatai is in business as a furniture retailer. You are required to complete the table below to analyse transactions for the first five days of operations

Transactions	Accounts affected	What entry? Dr / Cr	Reason for DR/CR entry
Example : Paid Advertising	Bank Advertising	CR DR	Decrease in asset cash Increase in advertising expenses
Owner commenced business by introducing \$6000 cash and a vehicle worth \$40 000			
Bought land from ALP Finance Co for \$60 000			
Paid ALP Finance Co \$10 000			
The business obtained a \$100 000 loan from the bank			

2. Journal and Ledgers (24 marks)**Part 2a Journals (12 marks)**

On 1 January 2015 SFifita a retailer of Nualei had he following balances in the general ledger.

- **Inventories \$4 000,**
- **Land \$35 000,**
- **Furniture \$20 000,**
- **Cash at bank(OD) \$1000.00,**
- **Loan \$25 000**

The business transactions for the first month are as below:

January	4	Bought Furniture for \$2000 from Jones Ltd
	5	Purchased goods for \$150 from K Latu
	11	Paid wages \$100
	14	Payment to settle account to K Latu \$150
	15	Purchased goods for \$400 from L'Ofa
	18	Paid electricity \$50
	21	Cash Purchases \$500

You are required to use the above given information from the books of SFifita to prepare the followings:

- (i) **General Journal**
- (ii) **Cash Payment Journal**
- (iii) **Purchases Journal**
- (iv) **Furniture**

i. **GENERAL JOURNAL** (Narrations are not required)

Date	Particulars	Debit (\$)	Credit (\$)

4 marks	
4	
3	
2	
1	
0	
NR	

ii. **CASH PAYMENTS JOURNAL**

Date	Particulars	Discount	Bank	Purchases	Creditors	Sundries

4 marks	
4	
3	
2	
1	
0	
NR	

iii. **PURCHASES JOURNAL**

Date	Sundry Creditors	\$

2 marks	
2	
1	
0	
NR	

iv. **FURNITURES Ledger Account****FURNITURES ACCOUNT**

Date	Particulars	Debit	Credit	Balance

2 marks	
2	
1	
0	
NR	

Part 2b Ledgers (12 marks)

You are required to study carefully the given analysed journal entries presented in the table below relating to Keveni Latu's Shop for the month of June 2015.

You are asked to reprepare the following ledger accounts. Use the THREE (3) column format.

- (i) **Cash at Bank Account**
(ii) **Furniture Account**
(iii) **T 'Atoa Account**

Date	Particulars	Dr	Cr
June 1	Cash at Bank Land	4000	4000
June 3	Furniture Acme Furniture Co.	5000	5000
June 5	T 'Atoa Furniture	2000	2000
June 10	Inventories Capital	100	100
June 15	T'Atoa Sales	200	200
June 20	Cash at Bank Furniture	1000	1000
June 21	Land Cash at Bank	1000	1000
June 23	Cash at Bank T 'Atoa	400	400
June 24	Loan from Bank Cash at Bank	500	500

i. Cash at Bank Account

Cash at Bank Account				
Date	Particulars	Dr	Cr	Balance

4 marks	
4	
3	
2	
1	
0	
NR	

ii. Furniture Account

Furniture Account				
Date	Particulars	Dr	Cr	Balance

4 marks	
4	
3	
2	
1	
0	
NR	

iii. T 'Atoa

T 'Atoa Account				
Date	Particulars	Dr	Cr	Balance

4 marks	
4	
3	
2	
1	
0	
NR	

SECTION 4:**ACCOUNTING SYSTEMS****(51 MARKS)****1. Internal controls (6 marks)**

- a. Briefly explain the purpose of an internal control system built in to the accounting system of a business.

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2 marks	
2	
1	
0	
NR	

- b. You are required to give an internal control procedure in accounting for :

- i. accounts receivable.

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2 marks	
2	
1	
0	
NR	

- ii. buying of fixed assets.

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2 marks	
2	
1	
0	
NR	

2. Accounting for Credits (14 marks)

You are required to study the list of accounts given below then answer the question that follows.

Opening Figures as of : 1 June 2015 :

Dr Balance for Debtors Account \$22 000

Cr Balance for Creditors Account \$50 000

- Goods purchased on credits \$20 000
- Goods sold on credits \$30 000
- Cash received from debtors \$10 000 (discount \$1500)
- Cash paid to suppliers \$13 000 (discount \$2000)
- Cash purchases \$20 000
- Cash Sales \$15 000
- Bad Debts written off \$ 3 000
- Interest on overdue accounts of debtors..... \$800
- Accounts settled by contra between debtors and creditors... \$1100

a) You are required to prepare the:

- i. Debtors Control Account as at 30/06/2015
- ii. Creditors Control Account as at 30/06/2015

Debtors Control Account				
Date	Particulars	Dr	Cr	Balance

(5 marks)

Creditors Control Account				
Date	Particulars	Dr	Cr	Balance

(5 marks)

b) **Doubtful Debts (4 marks)**

The WXY Enterprises general ledger shows:

Account Receivable \$2 000 Dr

Provision for doubtful debts \$100 Cr

Balance Date Required Adjustments:

- i. Accounts Receivable is to be written off as irrecoverable \$200
- ii. Adjust the provision for doubtful debts to be 5 % of Accounts Receivable.

You are required to give the general journal entry to adjust the provision for doubtful debts to be 5% of Accounts Receivable.

4 marks	
4	
3	
2	
1	
0	
NR	

3. Accounting for Inventories (10 marks)

- a) Explain the two reasons for the importance of internal control over inventory.

i. _____

ii. _____

2 marks	
2	
1	
0	
NR	

- b) Name the THREE inventory valuation methods commonly used by businesses.

i. _____

ii. _____

iii. _____

3 marks	
3	
2	
1	
0	
NR	

- c) You are required to give the general journal entries recorded under the two systems of inventory recording.

Recorded Transactions	Periodic System	Perpetual Inventory System
1. Purchases inventory \$3000 from MH Ltd Wholesales		
2. Sold Inventory for cash as 100 units @ \$40, goods costed \$35 per unit		

5 marks	
5	
4	
3	
2	
1	
0	
NR	

4. **Accounting for Fixed Asset (9 marks)**

- a) Lopa'ukamea Gas Station has a fleet of the vehicles. One of the vehicles has been disposed at the end of the third year of operations.

The disposed vehicle has the following details:

- was purchased at a cost of \$40 000 and the vehicle has an expected useful life of 5 years or 200 000 kilometers useful life . The vehicle has a residual value of \$5 000.
- an extra space was installed to the vehicle before used amounted to \$4 000. The vehicle had produced 100 000 km in its third year.
- at the end of the second year the vehicle has balance for Accumulated Depreciation of \$1600.
- a 20 % per annum was charged on reducing value method.

You are required to calculate the Depreciation charges at the end of the third year operation of the vehicle under each given depreciation method.

Depreciation Methods	Units of Used Method	Reducing Value Method	Straight Line Method
Workings			
Answers			

9 marks	Unit of Used Method	Reducing Value Method	Straight Line Method
3			
2			
1			
0			
NR			

5. **Accounting for Cash (6 marks)**

Prepare a Bank Reconciliation Statement to calculate the balance as per Cash at bank account after reconciliation for ABC Ltd for the month of August 2015.

- Balance as per Bank Statement on 31/08/2015 was \$10 000(Cr).
- Deposits not yet credited by the bank totalled \$3 300.00.
- **The following cheques were not presented to the bank for payments :**
 - Chq no. 0055 \$350.00
 - Chq no. 0045 \$245.00
- **Error on posting**
The Bank had incorrectly posted a cheques of \$150 as \$105.

	\$	\$

(6 marks)

6. PAYROLL (6 marks)

a. Name three ways of paying payroll to employees

- i. _____
- ii. _____
- iii. _____

3 marks	i.	ii.	iii.
1			
0			
NR			

b. Payroll Register of ABC Shops

Earnings		Total Gross Pay	Total Deductions		Net Pay
Ordinary Earnings	Overtime Earnings		IRD	Others	
\$1200	\$600	\$1800	160	100	\$1540

Using the given payroll register, you are required to give the General Journal Entries to record the employees payroll for the pay period.

Date	Particulars	DR	CR

3 marks	
3	
2	
1	
0	
NR	

SECTION 5: ACCOUNTING REPORTS (56 MARKS)

Part A: BALANCE DAY ADJUSTMENTS/Closing Entries/Reversing Entries (8 marks)

The situations given below relates to the business of ABC Enterprises. The business balance date is 30 June 2015

You are required to study carefully the given situations that has resulted from business operations during the month of March 2015 and provide the journal entries required for recording of balance day adjustments, closing entries and reversing entries.

1. **Journal entry must include account entry with correct amount**
2. **Additional Information :** As at balance date : 30 June 2015
 - Insurance Account balance \$4000.00
 - Advertising Expenses amounted \$2500.00

Situation 1

ABC Enterprises paid an annual insurance premium of \$3600 on the 1 March 2015.

Adjusting Entry	
Closing Entry	
Reversing Entry	

4 marks	
4	
3	
2	
1	
0	
NR	

Situation 2 :

The business has unpaid advertising debt \$2500.00 at balance date with the Tonga Broadcasting Commission.

Adjusting Entry	
Closing Entry	
Reversing Entry	

4 marks	
4	
3	
2	
1	
0	
NR	

Part B: Reports Preparation

- a. Profit Organizations Financial Reporting (20 marks)

The following trial balance was prepared for the ABC Secretarial Agency a service business owned by Sione Latu of Tofoa.

**ABC Secretarial Agency
Trial Balance as at 31 December 2014**

	Dr \$	Cr \$
Shop Fittings	40 000	
Insurance	2000	
Staff Salaries	4500	
Securities Wages	3 500	
Rent Paid	750	
Telephone Expenses	500	
Drawings	27 000	
Land	100 000	
General Expenses	2 100	
Shop Expenses	6 200	
Staff Retirement Tax	550	
Interest on loans	4 500	
Debtors	10 100	
Income from Clients		80 000
Loan (@ 8 % due 2016)		50 000
Interest Received		2 000
Accumulated Depreciation – Shop Fittings		14 000
Bank	5 850	
Capital		61 550
	207 550	207 550

Additional Information

- 1. Income Owing \$3000**
- 2. Interest on loan unpaid \$1500**
- 3. Depreciation on Shop fittings is 15 % pa on Reducing Value**
- 4. Depreciation on Land \$1000 on cost**

- i. You are required to prepare a fully classified Statement of Financial Performance taking into account the balance day adjustments.

Note : Expenses Classification are to be under Administrative Expenses, Staff Compensation Expenses, Financial Expenses.

[illegible]

(10 marks)

- ii) You are required to prepare a fully classified Statement of Financial Position taking into account the balance day adjustments.

[illegible]

(10 marks)

- b. Community Organizations (22 marks)

You are required to study carefully the accounts of the **Tonga Judo Club** for the year ended 31 December 2014.

Extract A

<u>Receipts and Payments for the year ended 31 December 2014</u>	
Receipts	\$
Subscriptions	10 000
Sale of Canteen	6 000
Entrance Fees	400
Payments	\$
Purchase of Canteen	3 000
Wages (refreshments)	850
New Equipment	1 200

Extract B

Balance Sheet Balances as at 31 December.....		
	2013 Beginning of the period	2014 End of the period
Canteen Stock	500	750
Subscription in arrears	250	400
Subscription in advance	150	200
Creditors - Canteen	100	150
Equipment	200	To be determined
Cash at Bank	300	To be determined

Additional Information:

Excess of Income over Expenditure for the period ending 31 December 2014 was \$12 800.

- i. You are required to prepare the Tonga Judo Club Receipts and Payments for the year ending 31 December 2014.

	\$	\$

Receipt Mark	
4	
3	
2	
1	
0	
NR	

Payment Mark	
4	
3	
2	
1	
0	
NR	

- ii. Prepare the subscription account of Tonga Judo Club for the year ended 31 December 2014.

SUBSCRIPTION ACCOUNT			
Particulars	Dr	Cr	Balance

Payment Mark	
4	
3	
2	
1	
0	
NR	

- iii. Prepare a classified Statement of Assets and Liabilities for Tonga Judo Club as at 31 December 2015.

Tonga Judo Club
Statement of Financial Position as at 31 December 2014

(10 marks)

Part C: Reports Concepts (6 marks)

- a. **“Financial reports have limitations that make the information provided less useful for business decisions”.**

You are required to state two **limitations that** can be found in the Statement Financial Performance of the businesses.

(i)	
(ii)	

2 marks	
2	
1	
0	
NR	

- b. Use the given information below of the Lopa Shops to show the calculation of the business reported net profit.

Capital 1 July 2013	\$150 000
Capital 30 June 2014	\$190 000
Drawings for the year	\$ 10 000
Additional Capital	\$ 20 000

Show your workings.

--

4 marks	
4	
3	
2	
1	
0	
NR	

SECTION 6: ANALYSIS, INTERPRETATION AND DECISION MAKING
(20 MARKS)

The following financial information has been prepared for Friends CAFE, which provide dining for the areas of Nuku'alofa.

Friends CAFE

Statement of Financial Performance for the year ended 31 December 2014

	2014
Income	
Sales(All sales were on credit)	96 000.00
Cost of Good Sold	36 000.00
Gross Profit	60 000.00
Less Expenses	
Administrative Expenses	10 000.00
Bad Debts	1 900.00
Depreciation on Buildings	500.00
Depreciation on Equipment	800.00
Salary	2 000.00
Doubtful Debts	200.00
Interest on Mortgage	2 500.00
Other operating expenditure	13 000.00
Total Expenditure	42 800.00
Net Profit	17 200.00

Other Information:

	2014
Total Owner's Equity (1 January 2013 \$250 000)	\$335 000.00
Total Assets (1 January 2013 \$400 000)	\$640 000.00
Average Accounts Receivable	\$15 000.00
Average Inventories	\$20 000.00

- a. Complete the table below by calculating the following and showing the appropriate formula for the Financial Year ending on 31 December 2014.

		Formula and Working	Answer
i.	Expenses Ratio percentage		
ii.	Profit Margin Percentage		
iii.	Return on Equity Percentage		
iv.	Return on Assets (in %)		
v.	Debt Ratio (in %)		
vi.	Debtors Turnover (in days Collection)		

12 Marks	i.	ii.	iii.	iv.	v.	vi.
2						
1						
0						
NR						

- b) Explain the importance of Financial ratio analysis and interpretation.

2 marks	
2	
1	
0	
NR	

- c) Explain the financial problems suggested by a high debt ratio.

2 marks	
2	
1	
0	
NR	

- d) Explain the meaning of the following financial ratio position:

- (i) **a stock turnover of 4 times a year.**

2 marks	
2	
1	
0	
NR	

- (ii) **a current ratio less than one.**

2 marks	
2	
1	
0	
NR	

Student Personal Identification Number					

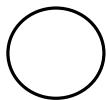
TONGA NATIONAL FORM SIX CERTIFICATE 2015 ACCOUNTING

Answer Sheet

Remember you are to write the letter of the correct answer only.

1. 3. 5. 7. 9.	2. 4. 6. 8. 10.
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Number
Correct



x 2 =

	20
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QUESTION TOTALS (Marker Only)

SECTION NUMBER	EXAM MARK	CHECK MARK	TOTAL
MULTIPLE CHOICE			20
2			20
3			33
4			51
5			56
6			20
TOTAL			200