

MARKER CODE				



STUDENT ENROLMENT NUMBER (SEN)									

TONGA FORM SIX CERTIFICATE

2022

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time allowed: 3 Hours

INSTRUCTIONS:

1. Write your **Student Enrolment Number (SEN)** on the top right-hand corner of this page.
2. This paper consists of **FOUR SECTIONS** and is out of 70 weighted scores.

SECTION	STRANDS	TOTAL SKILL LEVEL
ONE	CONCEPTUAL BASIS OF ACCOUNTING	11
TWO	ACCOUNTING PRACTICES	32
THREE	ACCOUNTING REPORTS	16
FOUR	DECISION MAKING	11
	TOTAL	70

3. Answer ALL QUESTIONS. Write your answers in the spaces provided in this booklet.
4. Use a **BLUE** or **BLACK** ball point pen only for writing. Use a pencil for drawing if required.
5. If you need more spaces for answers, ask the supervisor for extra paper. Write your **Student Enrolment Number (SEN)** on each additional sheet, number the questions clearly and insert them in the appropriate places in this booklet.
NOTE: There is a **Formulae Sheet** on page 23.
6. Check that this booklet contains pages **2-23** in the correct order and that pages 20-22 have been deliberately left blank.

YOU MUST HAND IN THIS BOOKLET TO THE SUPERVISOR BEFORE YOU LEAVE THE EXAMINATION ROOM.

SECTION ONE:**CONCEPTUAL BASIS OF ACCOUNTING****Question One**

On 15th November a sole proprietor used the one business cheque for purchases of stock (food items) for the business (\$800) and personal groceries (\$200).

- a. Identify the Accounting Concept applied to this transaction in business recording.

Skill level 1	
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- b. Explain how this concept in (a) is applied in the financial report preparation of the business.

Skill level 3	
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Question Two

Sione Palu owns Nuku'alofa Electrical shop at Nuku'alofa selling large electrical appliances such as washing machine, refrigerators, TVs and stereos.

Identify **ONE** (1) external user who would be interested in the financial statements prepared for Nuku'alofa Electrical shop for the year ended 30th June 2022.

Skill level 1	
1	
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Question Three

John and Sons Ltd is a company which has traditionally valued its inventory in a First in First out basis. Management are considering changing to the Weighted Average cost method of valuation because they consider it more appropriate. This change is planned for the next accounting period.

- a. Name the accounting principle violated if the changes were made.

Skill level 1	
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- b. Name the accounting principle which is favoured by this change.

Skill level 1	
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Question Four

The following accounting equation shows a selection of transactions for Sione Palu Company Ltd.

Transaction	Bank+	Accounts Receivable+	Equipment+	Expenses =	Accounts Payable +	Loan+	Capital+	Revenue
Balance	9000	3000	55 000		8000	20000	39000	
No.1	+2000							+2000
Balance	11000	3000	55000		8000	20000	39000	2000
No.2	+500	-500						
Balance	11500	2500	55000		8000	20000	39000	2000
No.3	-800						-800	
Balance	10700	2500	55000		8000	20000	38200	2000
No. 4			+1000		+1000			
Balance	10700	2500	56000		9000	20000	38200	2000
No 5	-400			+400				
Balance	10300	2500	56000	400	9000	20000	38200	2000

Give an example of a capital expenditure from the accounting equation given above by **stating** the number of the transaction and **describe** that transaction.

Skill level 2	
2	
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Question Five

Revenue received in advanced involves the recognition of temporary liabilities that exists at the balance date.

Define the following financial elements as stated in the Statement of Concepts.

a. Liability

Skill level 1	
1	
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b. Revenue

Skill level 1	
1	
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NR	

SECTION TWO: ACCOUNTING PRACTICES

PART A: Processing

Question One

Describe the purpose of chart of Accounts in the accounting process.

Skill level 2	
2	
1	
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Question Two

The following is an extract of transactions from Sione's calendar detailing his tourist resort during the two weeks in October.

Transactions:

- October 2 Paid Van expenses \$1,000
 4 Tour income received in cash \$200
 7 Purchased equipment on short term loan \$2000
 9 Used one cheque for purchase of tour food \$700 and personal groceries \$250
 11 Accounts Receivable pays \$450 in full settlement of \$500 Account.
 13 Term deposits matures cash in for \$2500.

- a. Use the transaction on 2nd October to complete the following diagram in the accounting process.

i. Document



ii. Journal

i. Skill level 1	
1	
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ii. Skill level 1	
1	
0	
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Question Three

Discuss the difference between General Ledger and Subsidiary Ledger.

Skill level 4	
4	
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PART B: Accounting Subsystems**Question One: Cash Subsystem**

Petty Cash Voucher	
Date: 10/10/2022	No. 95
For postage stamp	\$30.00
Signed: N. Palu	

Petty Cash Voucher	
Date: 15/10/2022	No. 96
For Bus fare	\$20.00
Signed: N. Palu	

Complete the Cash Payment Journal below to record those two documents above assuming that cheque no.100 was written on 16th October 2022 for those documents.

Cash Payment Journal

Date	Cheq no	Particulars	Detail	Payments	Travelling	Postage	Stationary	Others

Skill level 2	
2	
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Question Two

Pita is the Treasurer of Bulldog Rugby Club and he has been asked to prepare a Schedule of Duties to ensure cash transactions are properly accounted for.

Ana gave Pita the following list of key points to include in his Schedule of Duties.

Your treasurer's Schedule of Duties should include

1. Filing documents as evidence of transactions
2. Using a _____ system for small cash expenses.
3. Preparing a bank reconciliation
4. Ensuring controls are in place to safeguard both cash receipts and cash payments

a. State the documents Pita should prepare and file as evidence of:

i. Cash received by the club.

Skill level 1	
1	
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ii. Cash paid by the club

Skill level 1	
1	
0	
NR	

b. Complete key point 2 in the schedule of duties by filling in the gap in the space provided below

Using a _____ system for small cash payment

Skill level 1	
1	
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NR	

c. Explain the importance of preparing a bank reconciliation.

Skill level 3	
3	
2	
1	
0	
NR	

- d. Apart from your answer to (a) and (c) on page 8, state **ONE** (1) other control over:

- i. Cash received by the club:

Skill level 1	
1	
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- ii. Large payments made by the club

Skill level 1	
1	
0	
NR	

Question Three: Inventory Subsystem

- a. Describe the importance of inventory within a retail business.

Skill level 2	
2	
1	
0	
NR	

- b. From the following information, show the stock card using the FIFO method.

Inventory on hand on 1st November 2022 was 200 units at \$10 per unit

Credit Purchases:

Nov 1 800 units at \$9 per unit

10 700 units at \$11 per unit

Credit Sales:

Nov 2 300 units for \$6000

13 500 units for \$10 000

Purchases Return

Nov 12 50 units at \$11 per unit

Sales Return

Nov 14 20 units for \$400. These goods were originally sold on Nov 13

Skill level 3	
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Skill level 2	
2	
1	
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Question Four: Payroll Subsystem

The following is information about the payroll of J Vete for the week ended 16 November 2022.

Prepare the Payroll register for the week.

<i>Name</i>	<i>Ordinary</i>	<i>1 ½ time</i>	<i>Double</i>	<i>Hourly Rate</i>
S. Palu	38	3		\$10.00
A. Manu	31			\$8

i. **Tax information:**

S Palu \$77.75

A Manu \$13.05

ii. *All employees contribute 3% of their ordinary earnings to a superannuation fund*

iii. ***Details of other deductions***

Employees	Health Insurance	Social club	Credit Union
S Palu	20	2	-
A Manu	16	2	50

Prepare the Payroll register below for the week by completing the table below to determine the net pay of each employee.

Name	Hours			Earnings			Gross Pay	Deductions					Net Pay
	Ord	1 ½	Double	Ord	1 ½	Double		Tax	Health Insurance	Super Annuation	Others	Total	

Skill level 4	
4	
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Question Five: Non-Current Assets Subsystem

Assets of the business can be classified into Current Assets and Non-current Assets.

- a. Define Non-Current assets.

Skill level 1	
1	
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- b. Non-current assets are further classified in the Balance Sheet as Intangible Assets, Investments and Fixed Assets.

You are required to provide **TWO (2)** examples for each classification in the table below.

Example	Fixed Assets	Intangible Assets	Investment
1			
2			

Skill level 2	
2	
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SECTION THREE:**ACCOUNTING REPORTS****Question One**

Given below is the Trial balance extracted from Sione Pulu's business as at 30th June 2022.

Trial Balance – Sione Pulu
As at 30th June 2022

Bank	1 420	Sales	148 230
Salaries	57 930	Rent on building	8 410
Insurance	670	Acc depreciation – Motor Vehicles	7 600
Motor Vehicle	20 480	Interest	390
Office furniture	10 300	Acc depreciation – Office furniture	3 090
Return Inwards	2 690	Provision for doubtful debts	200
Discount Allowed	140	Discount Received	270
Accounts Receivable	15 000	Mortgage on building	40 000
Delivery Expenses	2 520	Accounts Payable	19 100
Building	80 300	Capital	92 000
Bad Debts	2 050		
Purchases	82 620		
Stationeries	520		
Office Expenses	390		
Drawings	1 100		
Inventories	20 600		
Electricity	2 160		
Land	18 400		
	319 290		319 290

Additional Information are balance date adjustments:

- i. Inventory at 30th June 2022 \$15,200
- ii. Interest on mortgage still owing 2,000
- iii. Rent received in advance 400
- iv. Insurance paid in advance 30
- v. Bad debts written off 150
- vi. Provision for doubtful debts to be 2% of accounts receivable
- vii. Interest still to be received \$210
- viii. Adjust accumulated depreciation on motor vehicle at 40% per annum on cost and office furniture at 35% per annum on cost.

- a. Write the adjusting entries for Provision for doubtful debts.

Date	Particulars	Dr	Cr

Skill level 3	
3	
2	
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- b. Prepare the Post Closing Trial Balance at 30th June 2022. Use T-Form format.

Post Closing Trial Balance – Sione Pulu
As at 30th June 2022

Accounts	\$	Accounts	\$

Skill level 3	
3	
2	
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Question Two

Describe the purpose of **Statement of Movement in Equity**.

Skill level 2	
2	
1	
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NR	

Question Three

Identify **ONE** (1) type of account that is not closed at Balance Day.

Skill level 1	
1	
0	
NR	

Question Four

The following information has been extracted from the book of Vaituimate Golf club.

Assets and Liabilities as at 30 June 2021 (Extract)

Assets	\$	Liabilities	\$
Cash at Bank	1 760	Accounts Payable – Refreshment	290
Accounts Receivable - Refreshment	142	Accumulated depreciation- Equipment	3 800
Inventories – refreshment	480	Subscription in advance	120
Subscription in arrears	80	Wages of groundkeeper accrued	210
Income prepaid	46		
Clubhouse	35 000		
Investments	5 000		
Equipment	6 000		

Receipts and Payments for the year ended 30th June 2022 were

Receipts	\$	Payments	\$
Entrance fees	800	Fuel and oil	360
Subscription received	6 200	Ground keeper's wages	5 300
Sales of refreshment	3 800	Repairs to tractor	300
Donations	45	Addition to clubhouse	13 000
Accounts receivable – refreshment	640	Accounts Payable - Refreshment	460
Tournament fees	750	Electricity	430
Sales of investment	5 400	Purchases of Refreshment	300
		Insurance	320
		Audit fee	50
		Rates	750

On 30th June 2022 the following information was available

- i. Inventories of refreshment at 30th June 2022 were \$630
- ii. Insurance prepaid was \$40
- iii. Subscription in arrears \$90
- iv. Groundkeeper's wages accrued were \$130
- v. Interest charged by Accounts receivable \$20
- vi. Subscription prepaid were \$70
- vii. Discount allowed on accounts receivable \$18
- viii. Accounts Payable – Refreshment balance was \$133
- ix. Accounts Receivable – Refreshment balance was \$67
- x. Accounts Receivable on refreshment of \$15 was written off as bad debts
- xi. Refreshment return for accounts receivable was \$10

- a. Calculate the Credit sales for the club by preparing the Accounts Receivable Control Account and determine the Total Sale Value from the Refreshment Activity.

i. **Accounts Receivable Control Account**

Date	Particulars	\$	Date	Particulars	\$

Skill level 4	
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ii. **Total Sales Value** = \$ _____

- b. Prepare the Subscription account for the Golf club for the year 30th June 2022.

Subscription account

Date	Particulars	\$	Date	Particulars	\$

Skill level 3	
3	
2	
1	
0	
NR	

SECTION FOUR:**DECISION MAKING****Question One**

Describe the purpose of analysing financial information.

Skill level 2	
2	
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Question Two

State **ONE** (1) Management Effectiveness ratio.

Skill level 1	
1	
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Question Three

Given below are ratios and percentages taken from Sione Palu's business record for two consecutive years together with the industry average

Ratios & Percentages	2020	2021	Industry Average
Gross Profit %	45%	50%	45%
Net Profit%	15%	20%	18%
Selling and distribution Expenses%	10%	10%	10%
Administration Expenses %	12.5%	12%	12%
Financial Expenses%	7.5%	8%	5%
Return on Owners Equity	50%	66%	25%
Working Capital Ratio	1.5:1	2:1	2:1
Quick Assets Ratio	0.66:1	0.7:1	1.5:1
Proprietorship Ratio	0.57:1	0.4:1	0.55:1

Comment on the Financial Performance (Profitability) of this business over these two years.

Skill level 4	
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Skill level 4	
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TONGA FORM SIX CERTIFICATE

ACCOUNTING

FORMULAE FOR RATIO ANALYSIS

Formulae for Analysis of Financial Information

▪ Mark Up Percentage	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$
▪ Gross Profit Percentage	$\frac{\text{Gross Profit}}{\text{Net Sales}} \times \frac{100}{1}$
▪ Expenses Percentage	$\frac{\text{Expenses}}{\text{Net Sales}} \times \frac{100}{1}$
▪ Net Profit Percentage	$\frac{\text{Net Profit}}{\text{Net Sales}} \times \frac{100}{1}$
▪ Return on Owners Equity	$\frac{\text{Net Profit}}{\text{Average Owners Equity}} \times \frac{100}{1}$
▪ Return on Average Total Assets	$\frac{\text{Net Profit}}{\text{Average Total Assets}} \times \frac{100}{1}$
▪ Working Capital Amount	Current Assets - Current Liabilities
▪ Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
▪ Liquid Ratio	$\frac{\text{Current Assets} - (\text{Inventories} \text{ } \text{Prepayments})}{\text{Current Liabilities} - (\text{Secured Bank Overdraft})}$
▪ Equity Ratio	$\frac{\text{Owners Equity}}{\text{Total Assets}}$
▪ Debt Ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
▪ Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventories}}$
▪ Accounts Receivable Collection Period	$\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times \frac{365}{1}$