MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

MINISTRY OF EDUCATION and TRAINING
Kingdom of Tonga

TONGA FORM SIX CERTIFICATE

2023

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
A	CONCEPTUAL BASIS OF ACCOUNTING	13
B	ACCOUNTING PRACTICES	35
C	ACCOUNTING REPORTS	12
D	DECISION MAKING PROCESS	10
	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 space 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 contain pages 2-23 in the correct order and that pages 21-22 have been deliberately left blank.

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

SECTION A: CONCEPTUAL BASIS OF ACCOUNTING

1. *Bren Taki* owns *Nukuálofa Electrical*, a shop in Nukuálofa selling large electrical appliances such as microwaves, washing machines, refrigerators and TVs.

   a. Name the **user** who would be most interested in the financial statements prepared for *Nukuálofa Electrical* in order to see whether the business is providing a return on their investment.

   ____

   ____

Skill level 1	
1	
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NR	

   b. List **TWO (2)** additional **users** who would have an interest in the financial information of *Nukuálofa Electrical* besides the one you mentioned above in **a.**

   i. ______________________________

   ii. ______________________________

Skill level 2	
2	
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NR	

2. Identify the **concept** or **characteristic** of accounting information which best suits each of the situations given below.

   a. The cost of stationery is too small to be shown separately in the balance sheet.

   ____

   ____

Skill level 1	
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0	
NR	

   b. Business accounts only include items which have direct money values.

   ____

   ____

Skill level 1	
1	
0	
NR	

3. *Jen* of *Jen's Jeans* compares the figures in her Balance Sheet with that of other clothing retailers.
Explain how using *historical cost* for the inventory that *Jen's Jeans* owns, assists with the **verifiability** of the figures.

Skill level 3	
3	
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NR	

4. Define the following qualitative **characteristics** of accounting information:

a. Comparability

Skill level 1	
1	
0	
NR	

b. Relevance

Skill level 1	
1	
0	
NR	

5. The **repairs on computers** in *Tammy's Shop* are reported as an **expense** in the Statement of Financial Performance.

a. Define **Expenses**.

Skill level 1	
1	
0	
NR	

b. The **Accounting Equation** shows that **A = L + OE**.

Describe how **computer repairs** affect **Owner's Equity**.

Skill level 2	
2	
1	
0	
NR	

SECTION B: ACCOUNTING PRACTICES

PART A: Source Documents

Anand Enterprises keeps the source documents of the business for record keeping.
Study the source document given below and the following answer the following questions.

BANK OF SOUTH PACIFIC

STAMP DUTY PAID

Date: 01/05/2023

Pay ....*Sam Butter*......................................or bearer
The sum of ....three thousand three hundred..............dollars
and ....fifty five cents only...............................$3 300.55

J.Bond
J. Bond

05 3001937 02497294

1. Name the **source document** shown.

Skill level 1	
1	
0	
NR	

2. *On July 15, the business wrote off a debtor's account (Seerat Muja) upon receiving information of her death.*

   Name the **source document** *Anand Enterprises* would use.

Skill level 1	
1	
0	
NR	

PART B: Accounts Payable Control Account

Raj Kana operates a grocery business. The business sells goods on cash and credit.
The information below was extracted from the business record for the year ended 31 March 2023.

Summary of Information	Amount ($)
Cash Purchases	30 000
Cash Sales	32 000
Cash paid to Accounts Payable	23 000
Accounts Payable as at 1 April 2022	32 650
Cash received from Accounts Receivable	10 000
Accounts Receivable as at 1 April 2022	54 020
Accounts Receivable as at 31 March 2023	25 470
Bad Debts written off	180
Discount received from Account Payable	18
Purchases Returns and Allowances	2 560
Credit Purchases	49 560

Required:

1. Prepare the **Accounts Payable Control Account** as at 31 March 2023.

Accounts Payable Control Account				
Date	**Particulars**	**Debit**	**Credit**	**Balance**

Skill level 3	
3	
2	
1	
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NR	

2. A Schedule of Accounts Payable was also prepared for *Raj Kana's* grocery business.

Describe the **relationship** between the **Schedule of Accounts Payable** with the **Accounts Payable Control Account.**

Skill level 2	
2	
1	
0	
NR	

PART C: Trial Balance

Once the ledger accounts for *Raj Kana's* grocery business have been prepared, the balances from those accounts can be used to construct the Trial Balance.

Describe the **limitations** of Trial Balance.

Skill level 2	
2	
1	
0	
NR	

PART D: Internal Control

1. One of the principles of good **Internal Control** is that 'one employee should not be responsible for consecutive aspects of a transaction'.
Define this **principle**.

Skill level 1	
1	
0	
NR	

2. Describe the **importance** of building a good internal control system into the business accounting system.

Skill level 2	
2	
1	
0	
NR	

3. Study the case study given below and answer the question that follow.

Kara, the owner of a bustling restaurant, entrusted *Lucy* with the crucial task of managing the restaurant's finances. *Lucy*'s role encompasses various responsibilities, including preparing employee pay, maintaining meticulous payment records, signing pay checks, and overseeing the restaurant's bank account. *Lucy* distributes employee wages in sealed envelopes every Friday morning. *Kara*, confident in her familiarity with the staff, opts not to implement formal time sheets to track employee hours, relying instead on her personal knowledge of the team.

Required:

After reviewing the case study, where weaknesses in the internal control procedures for the payroll system were identified, provide recommendations to the owner to enhance these controls.

Skill level 4	
4	
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NR	

PART E: Bank Reconciliation Statement

Lite Shop has the following information as at 30th June 2023.

i. Cash Journals Total
Cash receipts $315.58 (exclusion of item in number iii below)
Cash payments $260.25 (exclusion of item in number iii below)

ii. Items on Cash Journals not on Bank Statement
Unpresented cheques $26.50
Outstanding deposits $80.80

iii. Items on Bank Statement not in Cash Journals
Interest charged on Overdraft $1.50
Bank charges $7.50
Direct deposit $54.60

iv. Credit balance as per Bank Statement at 30th June $396.63

v. Debit balance as per Bank account at 1st June $350.00

vi. Cheque no. 10 was listed as $145 in the bank statement but it was recorded as $154 in the Cash Payment Journal. Upon investigating it was discovered that this discrepancy resulted from an error made by the bank.

Required

a. Name the **bank** records of the cash of the business.

____

Skill level 1	
1	
0	
NR	

b. Prepare *Lite Shop*'s **Bank Reconciliation Statement** as at 30th June 2023.

Lite Shop **Bank Reconciliation Statement as at 30th June 2023**		
	$	$

Skill level 4	
4	
3	
2	
1	
0	
NR	

PART F: Accounting for Inventories

Use the information below and your knowledge to answer the questions that follow.

Fisi and *Tisi* sell dresses. The following transactions took place during the month of January.

Jan	1	Balance 10 dresses at $25 each.
	2	Purchased 15 dresses at $20 each.
	5	Sold 14 dresses at $30 each.
	7	Purchased 25 dresses at $12 each.
	10	Sold 20 dresses at $20 each.
	16	Purchased 35 dresses at $9 each.
	30	Sold 25 dresses at $15 each.

Required:

a. Define **Inventories**.

____

____

Skill level 1	
1	
0	
NR	

b. Complete the Stock Ledger card for *Fisi* and *Tisi* using the **Weighted Average Cost (WAC)** method under Perpetual System.

Stock Ledger Card Item: Dress Method: Weighted Average Cost										
Date	**Particulars**	**Receipt**			**Issued**			**Balance**		
		Qty	**Price**	**Total**	**Qty**	**Price**	**Total**	**Qty**	**Price**	**Total**

Skill level 3	
3	
2	
1	
0	
NR	

c. Describe the **procedures** that should be implemented in accounting for and controlling the purchase of inventories.

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____

____

____

____

Skill level 2	
2	
1	
0	
NR	

PART G: Accounting for Depreciation of Fixed Assets

Tom's taxi business purchased a new vehicle for $23 000 cash on 1st January 2022. It is estimated to have a salvage value of $5 000 and is expected to be driven 100 000 kilometres during its useful life.

The expected kilometres driven for the five-year period are as follows:

Year	**Kilometres**
2018	28 000
2019	19 000
2020	24 000
2021	16 000
2022	13 000

Required:

a. Define **Depreciation.**

____

____

____

____

Skill level 1	
1	
0	
NR	

b. Using **Units of Use method**, calculate the depreciation charged for the first three years and complete the fixed asset register below.

	Cost	**Depreciation**	**Accumulated Depreciation**	**Book Value**
2018				
2019				
2020				

Skill level 3	
3	
2	
1	
0	
NR	

PART H: Accounting for Payroll

The information below is related to the payroll of *Moon Store* for 10th September 2023.

Employees	Hours worked		Hourly Rate
	Ordinary Hours	Time and Half	
Ben Keri	40	12	$30.00
John Good	40	4	$50.00
Siti May	40	8	$40.00

Deductions:

- Pay As You Earn Tax:
  - Ben Keri $300
  - John Good $400
  - Siti May $250

- Superannuation:
  - 5% of Ordinary Earnings

- Others:
  - Ben Keri $80
  - John Good $60
  - Siti May $70

Required:

Complete the **Payroll Register** below to show the Net Pay for each employee.

Employees	Hours		Earnings		Gross Pay	Deductions			Net Pay
	Ord	1 ½	Ord	1 ½		Tax	Super	Others	
Ben Keri									
John Good									
Siti May									

Use this space for calculation.

Skill level 4	
4	
3	
2	
1	
0	
NR	

SECTION C: ACCOUNTING REPORTS

PART A: Accounting for Bad and Doubtful Debts

ABC Limited has the following information.

ABC Limited **Trial Balance (extract) as at 30 June 2023**		
	Debit	**Credit**
Accounts Receivable	20 500	
Allowance for Doubtful debts		800

Additional information:

i. Write off Bad Debts $500
ii. Adjust an Allowance for Doubtful Debts of 3% of Accounts Receivable.

Required:

Prepare the **General Journal** entries to record the following:

i. Further Bad Debts $500
ii. Adjust the Allowance for Doubtful Debts 3% of Accounts Receivable

No.	Particulars	Debit ($)	Credit ($)
i.			
ii.			

Skill level 3	
3	
2	
1	
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NR	

PART B: Statement of Accounting Policies

The Statement of Accounting Policies was also prepared for *ABC Limited.*

Describe the **purpose** of the Statement of Accounting Policies.

Skill level 2	
2	
1	
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NR	

PART C: Closing Journal Entries

1. Name **ONE (1)** account that is not closed on balance day.

Skill level 1	
1	
0	
NR	

2. Describe **ONE (1) reason** for preparing closing journal entries.

Skill level 2	
2	
1	
0	
NR	

PART D: Community Organisations

The following information was provided by the Treasurer of *Fofoánga Club*.

Fofoánga Club **Statement of Financial Position as at 30 June 2022**			
Assets	**$**	**Liabilities**	**$**
Cash at Bank	4 000	Subscriptions in Advance	820
Inventory – Canteen	2 650	Accrued Wages	200
Equipment – Canteen	3 000	Mortgage	900
Prepaid Electricity	100	**Accumulated Funds**	7 830
	$9 750		**$9 750**

The summary of receipts and payments for the year ended 30 June 2023 are as follows:

Receipts	**$**	**Payments**	**$**
Subscriptions	1 140	Wages – Canteen	600
Entrance Fees	350	Rates	30
Sales – Canteen	5 150	Electricity – Canteen	400
		Purchases of Inventory - Canteen	780

Additional Information as at 30 June 2023:

- Depreciation on Equipment for canteen $200
- Inventory on hand for canteen $900
- Subscriptions due $580
- Subscriptions received in advance $400
- Accrued wages $80
- Electricity $280 was paid in advance

Required:

From the information given above, prepare the **Canteen Trading Statement** of *Fofoánga Club* for the year ended 30 June 2023.

Fofoánga Club **Canteen Trading Statement for the year ended 30 June 2023**		

Skill level 4	
4	
3	
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NR	

SECTION D: DECISION MAKING PROCESS

The following information given below has been extracted from the books of *Zing Zang Enterprises* for the year ended 30 June 2023.

Statement of Financial Performance of *Zing Zang Enterprises* for the year ended 30 June 2023

	$
Sales (All Credit)	90 000
Less Cost of Goods Sold	54 000
Gross Profit	36 000
Less Operating Expenses	10 400
Net Profit	25 600

Statement of Financial Position of *Zing Zang Enterprises* as at 30 June 2023

	$	$	$
Owner's Equity			
Capital at the beginning		28 400	
Add Net Profit		25 600	
		54 000	
Less Drawings		5 300	
Capital at the end			**48 700**
Current Assets			
Accounts Receivable	26 000		
Inventory	43 600	69 600	
Less **Current Liabilities**			
Accounts Payable	19 400		
Bank Overdraft	10 300	29 700	
Fixed Assets			
Equipment (Net)		13 900	
Long Term Liabilities			
Mortgage		5 100	
			48 700

Additional information

- Opening Accounts Receivable on 1st July 2022 was $24 000.

Required:

1. Using the information given, calculate the following **ratios** and **percentages** (correct to two decimal places) for the year ended 30 June 2023. Show full working.

	Ratio / Percentage	Working	Answer (two decimal places)
a.	Net Profit percentage		
b.	Acid Test ratio		
c.	Rate of Return on Owner's Equity		
d.	Debtors Turnover (days)		

Skill level 3	
3	
2	
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0	
NR	

2. *Saka Shop* owns and operates a supermarket. Shown below is the summary of the management effectiveness analysis.

Analysis Measure	**2021**	**2022**	**Industry Average**
Rate of Inventory Turnover	23 times	25 times	20 times
Current Ratio	1.5:1	1.8:1	2:1
Debt Ratio	0.43:1	0.68:1	0.40:1
Age of Accounts Receivable	48 days	52 days	30 days

a. Comment on the **Management Effectiveness** of *Saka Shop* using the results of the analysis and the industry averages.

Skill level 4	
4	
3	
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NR	

b. Complete the table below by listing any one **ratio** or **percentage** used to measure Profitability, Liquidity and Financial Stability of *Saka Shop*.

	Ratio / Percentage
Profitability	i. ________________________________
Liquidity	ii. ________________________________
Financial Stability	iii. ________________________________

Skill level 1	
1	
0	
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Skill level 1	
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Skill level 1	
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TFSC ACCOUNTING 2023

FORMULAE SHEET

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	$\frac{\text{Current Assets} - (\textit{Inventories Prepayments})}{\text{Current Liabilities} - (\textit{Secured Bank Overdraft})}$
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	$\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times \frac{365}{1}$