

MARKER CODE				



STUDENT ENROLMENT NUMBER (SEN)									

TONGA NATIONAL FORM SEVEN CERTIFICATE 2020

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time allowed: 3 Hours + 10 minutes reading time

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	TOPICS	TOTAL SKILL LEVEL
A	CONCEPTUAL BASIS OF ACCOUNTING	24
B	PROCESSING AND ACCOUNTING SYSTEMS	9
C	ACCOUNTING REPORT	10
D	DECISION MAKING PROCESS	27
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.
6. Check that this booklet contain pages **2-15** in the correct order and that none of the pages is blank.

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

SECTION A: CONCEPTUAL BASIS OF ACCOUNTING

1. *Public Companies must present their financial reports in accordance to accounting standards. One of the standards is the International Financial Reporting Standard [IFRS].*

Describe the purpose of the International Financial Reporting Standard.

Skill level 2	
2	
1	
0	
NR	

2. Define the following accounting concepts:

a. Accounting Entity.

Skill level 1	
1	
0	
NR	

b. Monetary concept.

Skill level 1	
1	
0	
NR	

3. State **ONE** legal requirement when forming a Public Company.

Skill level 1	
1	
0	
NR	

4. Under a Sole Trader business, the net profit is owned by the owner. Under a Partnership business, the residual profit is shared by the partners. Describe **ONE** legal requirement for a Partnership in terms of the profit distribution.

Skill level 2	
2	
1	
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5. Describe the legal requirement for a Partnership business in terms of a Partnership agreement.

Skill level 2	
2	
1	
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6. *One of the common agreements between the partners written in the partnership agreement is the interest on drawing.*

Describe the nature of this agreement.

Skill level 2	
2	
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7. *One of the disadvantages of a Partnership business over a Public Company is that the owners of the Partnership business have unlimited liability.*

Explain the meaning of unlimited liability giving an example to clarify your answer.

Skill level 3	
3	
2	
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8. *One of the advantages of a public company over a partnership business is that the company's ownership is transferable.*

Explain the meaning of this transferability giving an example to clarify your answer.

Skill level 3	
3	
2	
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9. *Accounting information is required to have certain qualitative characteristics.*

Define the following qualitative characteristics.

- a. Timeliness

Skill level 1	
1	
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NR	

- b. Objectivity

Skill level 1	
1	
0	
NR	

10. Explain the relationship between the current cost of a fixed asset and the net realizable value of that fixed asset.

Skill level 3	
3	
2	
1	
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NR	

11. Describe the basis of recognizing revenue under the accrual basis of accounting.

Skill level 2	
2	
1	
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NR	

SECTION B: PROCESSING AND ACCOUNTING SYSTEMS

1. Matakaiongo and Vilisoni are planning to form a partnership business. Identify one way of forming this business.

Skill level 1	
1	
0	
NR	

2. On 1st July 2020, Toakase and Wayne agreed to form TW Traders. Toakase is to contribute a piece of land and building at an agreed value of \$30,000 and \$90,000 respectively. Wayne is to contribute inventories at an agreed value of \$40,000 and enough cash so that his share of the total capital is one third $[1/3]$.

You are required to prepare the general journal entries to show the contribution by both partners.

General Journal

Date	Particulars	Dr (\$)	Cr (\$)

Skill level 2	
2	
1	
0	
NR	

3. Koli has prepared the reports for KS Manufacturing business. The business has been using the job order costing system for the past few years. For the job # 101, the factory overhead has been over applied by \$450.

You are required to prepare the general journal entry to close this over applied overhead:

General Journal

Date	Particulars	Dr (\$)	Cr (\$)

Skill level 2	
2	
1	
0	
NR	

4. *Kelela, the owner of Masani Furniture Ltd is planning to use the Job order system as the costing method for her business.*

Discuss FOUR objectives of a job cost system.

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Skill level 4	
4	
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NR	

SECTION C:**ACCOUNTING REPORT**

1. *The following information is related to S&S Traders, a partnership business owned by Sefo and Soni.*

- Sefo contributed \$40,000 while Soni contributed \$60,000 on 1st July 2019 to start the business

The partnership agreement shows:

- Salaries to partners – Sefo \$30,000; Soni \$20,000
- Interest on capital is 10% per annum on opening capital balance
- Interest is charged on drawing for the year in excess of the agreed salaries amount at a rate of 5% per annum.
- A bonus is to be shared equally a 10% on the amount of sales in excess of \$ 120,000.
- Residual profit or loss is to be shared between Sefo and Soni at a ratio of 2:3 respectively.

Other information for the year ended 30th June 2020 were:

- Sales \$160,000
 - Partner's drawing account as \$40,000 for Sefo and \$20,000 for Soni
 - Net Profit for the year was amounted to \$100,000
- a) You are required to prepare a Profit Distribution Statement for S&S Traders at 30th June 2020.

Skill level 4	
4	
3	
2	
1	
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NR	

- b) Prepare Sefo's Current Account for the year ended 30th June 2020 to show the final balance of his account.

Sefo's Current Account

Skill level 4	
4	
3	
2	
1	
0	
NR	

2. The board of directors for Tiktok Ltd has declared a \$200,000 final dividend for the financial year ended 30th June 2020 to be paid from the Retained Earnings Account.

You are required to prepare the general journal entry for this final dividend that has been declared.

General Journal

<i>Date</i>	<i>Particulars</i>	<i>Dr (\$)</i>	<i>Cr (\$)</i>

Skill level 2	
2	
1	
0	
NR	

	30/6/2018	30/6/2019	30/6/2020
	(\$)	(\$)	(\$)
Sales	<u>10,000</u>	<u>12,000</u>	<u>15,000</u>
Less Cost of goods sold:			
Stock (at beginning of year)	3,000	4,000	5,000
Add Purchases	<u>8,000</u>	<u>10,000</u>	13,000
	11,000	14,000	18,000
Less Stock (at end of year)	<u>4,000</u>	<u>5,000</u>	8,000
	<u>7,000</u>	<u>9,000</u>	<u>10,000</u>
Gross Profit	<u>3,000</u>	<u>3,000</u>	5,000
Less:			
Selling expenses	1,700	1,900	2,300
Administrative expenses	<u>600</u>	<u>600</u>	<u>700</u>
	<u>2,300</u>	<u>2,500</u>	<u>3,000</u>
Net Profit	<u>\$700</u>	<u>\$500</u>	<u>\$2,000</u>

a) Horizontal Analysis method.

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4. *Fetu'u Jr, the Financial Accountant for TM Ltd, is looking for an assistance to help him prepare a budget for the first quarter of 2021. He came asking help and you agreed.*

The following information were collected from the company:

- From past experiences, 80% of the monthly budgeted sales are on credit.
- 70% of the credit sales are collected within the month of sales, 15% are collected within the month following the sales, 12% are collected in the second month following the sales and 3% are uncollected.
- All purchases are made on credit and that the company pays 75% within the month of the purchase where the company receives 2% discount. The remaining balance is paid in the following month after the purchase.
- Selling expenses are expected to be \$8,200. Administrative expenses are expected to be \$7,400 per month which include monthly depreciation of \$1,000. Financial expenses are expected to be \$2,400 per month. All selling, administrative and financial expenses (except depreciation) are paid for when incurred.
- The company is planning to purchase equipment during January 2021 at a cost of \$23,000. A loan payable of \$10,000 will be repaid during February.
- The company anticipated cash at bank balance at 1st January 2021 to be \$27,000.
- Estimated sales and purchases are as follows:

Month	Sales (\$)	Purchases (\$)
November 2020	30,000	20,000
December 2020	20,000	10,000
January 2021	28,000	14,000
February 2021	22,000	12,000
March 2021	24,000	13,000

You are required to use the information collected to prepare a monthly cash budget for the first quarter of the year 2021.

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- [illegible]

Skill level 4	
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6. A company has produced and sold 20,000 units during the month of July 2020. Fixed cost is \$40,000 and the variable cost per unit is \$8. The product was sold at \$12 per unit.

Calculate the company's contribution margin.

Skill level 2	
2	
1	
0	
NR	

7. *Cost volume profit (CVP) analysis are constructed based on various assumptions. You are required to discuss the significant of four (4) assumptions used under the CVP analysis.*

[illegible]

Skill level 4	
4	
3	
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