No.75

MARKER CODE			

Student Personal Identification Number (SPIN)					

TONGA GOVERNMENT
MINISTRY OF EDUCATION AND TRAINING

TONGA SCHOOL CERTIFICATE

2015

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

INSTRUCTIONS

1. This paper has **FIVE Sections** and is out of **200 MARKS.**

SECTION 1	**Conceptual Basis of Accounting**	**30 Marks**
SECTION 2	**Accounting Process**	**60 Marks**
SECTION 3	**Financial Accounting and Reporting of Business Activity.**	**60 Marks**
SECTION 4	**Accounting Processes and Principles of different business ownership**	**30 marks**
SECTION 5	**Accounting System**	**20 Marks**

2. Write your **Student Personal Identification Number (SPIN)** on the top right hand corner of this page and on page 23.
3. Answer ALL questions in the space provided in this booklet.
4. Use **BLUE** or **BLACK** ball point pen. DO NOT write in pencil.
5. If you need more space for any answer, ask the supervisor for extra paper.
6. Check that your paper consists of 23 pages.

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

TOTAL MARKS ____ / **200**

SECTION 1: **The Conceptual Basis of Accounting** **(30 marks)**

Question 1

1. Define accounting.

____

____

____

____

2 marks	
2	
1	
0	
NR	

2. In the space provided, state the user that uses the accounting information in i-v.

	Accounting Information	**User**
i.	Business Net Profit	
ii.	Stock Turnover	
iii.	Current Ratio	
iv.	Return on Capital	
v.	Net Profit Percentage	

5 marks	
5	
4	
3	
2	
1	
0	
NR	

3. Define the following accounting concepts and give an example of each.

i. **Accounting Entity**

Definition:

____

____

____

Example

____

____

____

2 marks	
2	
1	
0	
NR	

ii. **Going Concern**

Definition

____

____

2 marks	
2	
1	
0	
NR	

Example

____

____

iii. **Accounting Period**

Definition

____

____

2 marks	
2	
1	
0	
NR	

Example

____

____

iv**.** **Historical Cost**

Definition

____

____

2 marks	
2	
1	
0	
NR	

Example

____

____

v. **Monetary Measurement**

Definition

____

____

2 marks	
2	
1	
0	
NR	

Example

____

____

4. Part A. (10 marks)

Use the accounting equation OE=A-L and the transactions given below to show the relationship between owners equity (OE), liabilities(L) (sources to funds) and Assets (A)(Uses of funds) An example has been done for you.

	OE =	**A -**	**L**
Example	***-100***	***-100***	
1.			
2			
3			
4			
5			

Example: Owner's withdraw cash for own use $100.

1. Owner commenced business by contributing $30 000 cash to the business and a building of $50,000.
2. Bank loan of $10 000 to assist with the commencement of the business.
3. Purchased a business vehicle which cost $11 000.
4. Purchase shop fittings and furniture $8 000.
5. Pay loan $300.

Part B. (3 marks)

Put a tick to show whether the items given is a source of fund or a use of funds.

Item	**Source of Funds**	**Use of Funds**
Owner's Equity		
Assets		
Liabilities		

3 marks	
3	
2	
1	
0	
NR	

SECTION 2 ACCOUNTING PROCESS (60 marks)

Question 1 Accounting Equation (15 marks)

Given below are the transactions for Holiday Taxi owned by Uata & Sons Ltd.

A. Paid advertising $100.
B. Charged client for taxi fees $200.
C. For Uata & Son Ltd birthday paid for birthday cake $50.
D. Received $450 from client in full settlement of account of $500.
E. Upgrade computer at a cost of $5000 and paid 20% deposit, remainder on short term Loan.
F. Write off a client account $50.

You are required to show the effect of each transaction on the accounting equation below and find the new balance after each transaction. Transaction A has been completed for you as an example.

Transaction	Bank	+ Accounts Receivable	+Equipment	+Expenses	=	Accounts Payable	+Short Term Loan	Capital	Revenue
Example:A	6400 -100	3000	45000	+100	=	2400	4000	48000	
B					=				
C					=				
D					=				
E					=				
F					=				
Ending Balances					=				

Question 2 Journal Ledgers and Documents **(45 marks)**

'Ana Mafi was in business with the following assets and liabilities on July 1, 2010.

Cash at bank $6,000, Building $4,000, Van $1,500, Stock $7,500

Debtors:'Ana Tonga $350, Sela Finau $50

Loan $4,000, Creditors: Si'I Kae Ola $400, Molisi Tonga $300

(Note: All sales amounts include Sale Tax of 10% of Selling Price)

2010		
July 1	Cash Sales	$1, 045
2	Paid wages	$ 200
3	Bought goods from Tong Hua Ltd	$ 500
4	Sold goods to Pita Loloma	$ 242
5	'Ana Mafi withdraw goods for own use	$ 200
6	Bought goods from Si'I Kae Ola	$ 300
7	Pita Loloma returned goods	$ 88
8	Sold goods to 'Ana Tonga	$ 605
9	Bought goods from Molisi Tonga	$ 100
10	Returned goods to Si;I Kae Ola	$ 20
11	Received $100 from Pita Loloma for settlement his account	
	Goods returned from 'Ana Tonga	$ 66
12	Pay Molisi Tonga $380 to settle the account on 1st July 2010	
13	Bank charges for keeping the accounts	$ 10
14	Write off Sela Finau's account	
15	Purchase Office Equipment from PTH Ltd	$ 400
16	Returned goods to Molisi Tonga	$ 10
17	Cash sales $253, Received Commission	$ 15
18	Pay electricity $200, Wages	$ 500

Part A

You are required to complete the General Journal given below and then prepare the rest of the given journals. (Total all Journals ready to post to the ledger)

General Journal

Date	Particulars	Debit	Credit
2010 July 1	Cash at bank Building Stock Van Sela Finau ‘Ana Tonga Loan Si’I Kae Ola Molisi Tonga	6,000 4,000 7,500 1,500 50 350	 4,000 400 300

(8 marks)

Sales Journal

Date	Particulars	Sales $	Sales Tax $

(6 marks)

Sales Return Journal

Date	Particulars	Sales $	Sales Tax $

(6 marks)

Cash Receipt Journal

Date	Particulars	Discount	Receipt	Bank	Sales	Sales Tax	Debtors	Others

(9 marks)

Part B

a) Complete the following Ledger accounts

Debtor's Control a/c

Date	Particulars	Debit	Credit	Balance

(6 marks)

Date	Particulars	Debit	Credit	Balance

(5 marks)

b) Use the transactions for part (a) to complete the table below by

(i) Identifying the source document from which the entries on the given dates would have originated.

(ii) Indicating whether the source document is an original or Carbon Copy.

July 2 is done for you as an example

Transactions	**Documents**	**Original/Carbon Copy**
Example:July 2	Receipt	Original
July 3		
July 5		
July 10		
July 13		
July 15		

(5 marks)

Section 3 **Financial Accounting & Reporting** **(60 marks)**

Question 1
Given below are the balances of the accounts for Sauliloa Retail business.

Trial Balance of Sauliloa's Store
as at 30 June 2011

Customs Duty	200	Creditors	700
Purchases	8,000	Sales	15,000
Cash on hand	70	Capital	8,000
Debtors	460	Purchases Return	250
Cartage Outward	140	Bank	290
Delivery Van	3,500	Commission Received	180
Advertising	600	Discount Received	70
Cartage Inwards	420	Accumulated Depreciation-Delivery Van	200
Stock at 1/7/2010	1,700	Interest received	90
Sales Returns	150	Mortgage	2,000
Share at Molisi Tonga	1,000		
Buildings	4,000		
Bad debts	130		
Travelling Expenses	210		
Office Furniture	910		
Discount Allowed	150		
Sales Commission	70		
Salesman Wages	900		
Office Salaries	1,200		
Insurance	210		
Goodwill	1,200		
Postage and Telephone	310		
Drawings	1,250		
	26,780		**26,780**

Balance Day Adjustments:

a. Stock on hand 30/06/2011 $1,870
b. Commission received in advance $ 30
c. Advertising due to be paid $ 50
d. Travelling expenses paid in advance $ 40
e. Office salaries prepaid $100
f. Insurance due to be paid $ 10
g. Interest due to be received $ 60
h. Depreciation to be provided on delivery van at 2% on cost
i. Bad debts written off $20
j. The net profit reported at Year ending 30/06/2011 was $3720

Part A

You are required to prepare a well-classified Statement of Financial Position for year ended 30 June 2011. (Show working capital.) (30 marks)

Statement of Financial Position – Sauliloa Store for year ended 30 June 2011.

Proprietorship			
Represented by			
Current Assets			

Less Current Liabilities			
Working Capital			
Add Non Current Assets			
Intangible Asset			
INVESTMENT ASSET			
Fixed Assets			
Less Long Term Liabilities			

Part B.

Use the Trial Balance and Balance Day adjustment to complete the table below by classifying the expenses under the given headings & their respective amount as they will appear in a well-classified Statement of Financial Performance.(An example has been done for you)

Classification	Expenses	Amount
Selling Expenses: Example	1. Sales Commission	70
General Administration Expenses		
Financial Expenses		

(10 marks)

Question 2 Analysis and Interpretation of Financial Statement (20 marks)

Part A

Study carefully the following Balance Sheet structures and answer the questions that follow.

Balance Sheet A

Total Assets 100%	Outside Liability 20% Owner's Equity 80%

Balance Sheet B

Total Assets 100%	Outside Liability 50% Owner's Equity 50%

Balance Sheet C

Total Assets 100%	External Liabilitie s 90% Owner's Equity 10%

a. Explain briefly in not more than ONE sentence how total assets in **Balance Sheet B** are being funded.

____

____

____

1 mark	
1	
0	
NR	

b. State ONE possible advantage a business with **Balance Sheet A** might have.

i. ____

ii. ____

iii. ____

1 mark	
1	
0	
NR	

c. Discuss why a business with **Balance Sheet C** is not in a satisfactory position.

1 mark	
1	
0	
NR	

____

Part B

The following information was extracted from the accounting records of Sione Mafi's retail business in respect to the year ended 30 June 2011.

Sales (all credit)		**900 000**
Less Cost of goods sold		
Opening Inventory	110 000	
Purchases	530 000	
	640 000	
Less Closing Inventory	120 000	**520 000**
Gross Profit		**380 000**
Less Selling Expenses	100 000	
Administrative Expenses	220 000	
Financial Expenses	23 000	**343 000**
Net Profit		**37 000**

Assets	
Sundry Debtors	170 000
Inventories	130 000
Motor Vehicles	21 000
Furnitures	60 000
	381 000
Liabilities	
Sundry Creditors	76 000
Long term Loan	80 000
Capital	223 000
Bank	2 000
	381 000

Required:

a. Complete the table below by using the given information to calculate the ratios and percentages.

	Ratios	**Formula**	**Calculations & Answer**
i.	Markup Percentage		
ii.	Net Profit Percentage		
iii.	Current Ratio		
iv.	Liquid Ratio		
v.	Debt Ratio		

(13 marks)

b. Briefly describe in one sentence the liquidity position of the business. Use figures from part (a) to support your answer.

2 marks	
2	
1	
0	
NR	

____

____

c. Describe briefly how well the owner controls his business. Use figures from part (a) to support your answer.

2 marks	
2	
1	
0	
NR	

____

____

____

____

SECTION 4 **Accounting Processes and Principles of Different Business Ownerships** **(30 marks)**

Question 1

Part A

1. In the table below complete the features showing the characteristics of the stated business ownerships using the given headings.

	Business Ownership	**How many owners**	**Profit**
i.	Sole Trader		
ii.	Partnership		
iii.	Limited Liability Company		
iv.	Clubs and Societies		

(8 marks)

2. Describe 3 advantages and 3 disadvantages of a sole trader business here in Tonga.

Advantages

i. ______________________

ii. ______________________

iii . ______________________

3 marks	
3	
2	
1	
0	
NR	

Disadvantages

i. ______________________

ii. ______________________

iii. ______________________

3 marks	
3	
2	
1	
0	
NR	

3. You are required to identify the 4 causes of small businesses failure here in Tonga with a recommendation for improvement for each.
(Include cultural factors.) Causes of small business failure.

Causes of small business failure	**Recommendation**
i.	
ii.	
iii.	
iv.	

(8 marks)

4. Study the given ownership section extracts below and select the appropriate business ownership from the list below for each owner's equity. Write your answer on the space provided.

1. Limited liability companies
2. Partnership
3. Tongan Board Clubs and Societies
4. Sole trader (small businesses)

(8 marks)

Name of ownership : ________________

Capital	2 000	
Plus Net Profit	600	
	2 600	
Less Drawings		1 000
Capital at end		**1 600**

Name of ownership : ________________

Capital	- Suliana Joe	20 000
	- Tulia Masa	10 000
Current	- Suliana Joe	10 000
	- Tulia Masa	5 000

Name of ownership : ________________

Issued and Paid up Capital	150 000
Reserves:	
General Reserve	80 000
Retained Earnings	50 000
	280 000

Name of ownership : ________________

Balance	2 000	
Plus surplus	1 050	
		3 050
130 000		

SECTION 5: ACCOUNTING SYSTEMS (20 marks)

Question1

1. Explain the need for internal control over cash.

2 marks	
2	
1	
0	
NR	

2. You are required to explain two importance of how each of the three areas of cash control tabled below assist in controlling cash in any business.

Three Areas of Cash Control		Importance in Controlling Cash
1	Preparation of budgets and comparison to actual income and spending	i. ii.
2	Using a petty cash system to control small cash payments	i. ii.
3	Prepare a bank reconciliation statement	i. ii.

(6 marks)

3. Use the information given for W.Nelson to prepare the cash at bank account and prepare the bank reconciliation statement for the month ending 31st January 2010.

W.Nelsons

Bank Reconciliation Statement as at 31 December 2009

		$
Debit balance as per bank statement		100
Add unpresented cheques		
No 204	$20	
209	$50	70
		170
Less Deposit not yet credited		50
Credit balance as per Cash at Bank account		120

W. Nelsons

Cash Receipts Journal (extract)

Date	**Bank**
2010 Jan	$
1	42
10	175
15	116
21	27
30	100

W. Nelsons

Cash Payments Journal (extract)

Date	Cheque no	Bank
2010 Jan		
2	215	19
10	216	41
14	217	116
17	218	24
28	219	87
	220	436
30	221	10

W.Nelsons

Bank Statements

Date	Particulars	Debit	Credit	Balance
2010 Jan 1				100dr
2	Deposit		50	
	Deposit		42	
	209	50		58dr
7	215	19		77dr
11	Deposit		175	
	216	41		57cr
12	Interest on Overdraft	17		40cr
16	Deposit		116	156cr
21	Deposit		27	
	218	24		159cr
29	219	87		72cr

(i) **Cash at Bank Account**

Date	**Particulars**	**Dr**	**Cr**	**Balance**

(4 marks)

(ii) **W. Nelsons**

Bank Reconciliation Statement as at 31 January 2010

______ Balance as per bank statement 72

______Deposits not yet credited

______Unpresented cheques

No 204 20.00

217 116.00

220 436.00

221 10.00 ______

______balance as per Bank Account ______

(8 marks)

Student Personal Identification Number (SPIN)					

TONGA SCHOOL CERTIFICATE

2015

ACCOUNTING

(Markers Use Only)

SECTION	MARKS	CHECK MARK	TOTAL MARKS
1			30
2			60
3			60
4			30
5			20
TOTAL MARKS			200