MARKER CODE				

STUDENT ENROLMENT NUMBER									

TONGA SCHOOL CERTIFICATE

2016

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

INSTRUCTIONS

1. This paper consists of **FOUR QUESTIONS** and is out of **80 SKILL LEVEL.**

QUESTION	Topics	Total Skill Level
1	Conceptual Basis of Accounting	21
2	Accounting Process/Sub-systems	22
3	Financial Report	17
4	Decision making process	20
	TOTAL	80

2. Write your **Student Enrolment Number (SEN)** on the right hand corner of this page.
3. Answer **ALL** questions in the space provide 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 19 pages in the correct order and that pages 18-19 has been deliberately left blank.

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

QUESTION 1: CONCEPTUAL BASIS OF ACCOUNTING

1. Matakaiongo has been operating Ongo Sports Shop in Nuku'alofa. Vilisoni on the other hand has been operating the Soni Sports Shop in Nuku'alofa. On 31st July 2016 Matakaiongo and Vilisoni decided to joint in business and form M & V Sports Shop under an agreement by both side. Name the type of business ownership in which M & V Sport Shop belongs to.

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Skill level 1	
1	
0	
NR	

2. List **TWO** (2) disadvantages of a Sole Trader business over a company.

i. ____

ii. ____

Skill level 2	
2	
1	
0	
NR	

3. Discuss **TWO** (2) disadvantages of a Company over a Partnership form of business.

i. ____

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ii. ____

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Skill level 4	
4	
3	
2	
1	
0	
NR	

4. Discuss **TWO** (2) advantages of a partnership over a sole trader business ownership.

i. ____

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ii. ____

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Skill level 4	
4	
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5. Define Accounting.

Skill level 1	
1	
0	
NR	

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6. Describe accountability as a function of accounting.

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Skill level 2	
2	
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0	
NR	

7. Define reliability as a qualitative characteristic of accounting information.

Skill level 1	
1	
0	
NR	

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8. Describe how the characteristic of comparability applied in the preparation of financial report.

Skill level 2	
2	
1	
0	
NR	

9. Define historical cost concept.

Skill level 1	
1	
0	
NR	

10. Define revenues.

Skill level 1	
1	
0	
NR	

11. The table below shows the effect of one of the transaction that took places in Christopher's Retail store.

Assets =	**Liabilities +**	**Proprietorship**
- $300		- $300

Describe the possible transaction that has the effect given above.

Skill level 2	
2	
1	
0	
NR	

QUESTION 2 ACCOUNTING PROCESS/SUB-SYSTEMS

1. 'Eniketi processed her accounting data manually. Under what stage of the account process would the source documents be?

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Skill level 1	
1	
0	
NR	

2. Felise took $10.00 from the petty cash box to pay for stationeries. Identify the source document used to record this type of transaction.

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Skill level 1	
1	
0	
NR	

3. Sione is the owner of Hemaloto Retail Store. On 3rd June 2016, $1,500 was used to buy a new deep freezer for the storage of meats. Identify the journal where this transaction would be recorded on.

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Skill level 1	
1	
0	
NR	

4. Folau decided to prepare his ledger accounts on either the T-Format or the three column ledger format. Explain to Folau the advantage of using the three column ledger format.

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Skill level 1	
1	
0	
NR	

5. Toakase owns a hair salon business at Pangai Ha'apai. On 1st June 2016, the business bank account shows a credit balance of $350. At the end of June the following were extracted from the business's records:

Bank Statement balance:	$184 Dr
Cash Receipts Journal, bank column total:	$1,500
Cash Payments Journal, bank column total:	$1,150

The following information was also found:

Outstanding cheques were: No.	146	$45
	147	$35
	149	$56

A deposit of $250 was made on 30th June, did not appear on the Bank Statement

An automatic payment of $70 had been made to the National Pacific Insurance to cover June's premium.

i. Explain the importance of preparing a Bank Reconciliation Statement.

Skill level 1	
1	
0	
NR	

ii. What does it mean to have a Dr balance with the bank statement.

Skill level 1	
1	
0	
NR	

iii. Prepare a Bank Reconciliation Statement for Toakase hair salon as at 30th June 2016.

Toakase hair salon
Bank Reconciliation Statement as at 30th June 2016

	$	$

Skill level 4	
4	
3	
2	
1	
0	
NR	

6. The table below shows the chart of accounts from the records of Polikalepo's Retail Store. You are required to complete the table by entering a possible account number for each account.

Polikalepo's Retail Store Chart of Account

Accounts	Account's No.
Assets:	
Current Assets:	
Cash at Bank	
Cash on hand	
Accounts Receivable:	
Lesieli	
Seini	
Inventory	
Fixed Assets:	
Land and Building	
Furniture	
Expenses:	
Purchase	
Electricity	
Wages	
Liabilities:	
Creditors:	
'Apa	
Fononga	
Proprietorship:	
Capital	
Drawing	
Revenues:	
Sales	
Commission received	

Skill level 2	
2	
1	
0	
NR	

7. Matakaiongo just finished a trial balance for his business and he was happy that his trial balance balanced. Describe **ONE** (1) limitation of a trial balance.

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Skill level 2	
2	
1	
0	
NR	

8. Describe the purpose for keeping an account receivable subsidiary ledger and control accounts.

Skill level 2	
2	
1	
0	
NR	

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Skill level 1	
1	
0	
NR	

9. Vilisoni Jr bought goods on credit from Paula. What type of account is Paula's account.

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10. Theresa employed Lesieli as the shopkeeper for her shop. Lesieli is also responsible for looking after the cash. She collected the cash from the customers. She recorded only the cash received from debtors. She is also responsible for doing the banking on any time she wished to.

Skill level 1	
1	
0	
NR	

i. Identify **ONE** (1) type of cash used by Theresa's shop.

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ii. Explain the methods of internal control over cash used by Theresa.

Skill level 3	
3	
2	
1	
0	
NR	

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iii. Explain the importance of personal budgeting for Theresa.

Skill level 1	
1	
0	
NR	

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QUESTION 3: FINANCIAL REPORT

1. Given below is the Trial Balance for Kelela's Shop as at 30 June 2016.

Trial Balance for
Kelela's Shop as at 30th June 2016

	$		$
Accounts Receivable	2,500	Accounts Payable	1,600
Bank	8,900	Mortgage	50,000
Buildings (cost)	120,000	Loan	5,000
Equipment (cost)	10,100	Sales	180,000
Purchases	70,000	Purchase Return	5,200
Sales Return	6,000	Commission Received	1,200
Drawings	10,000	Capital - Kelela	43,500
Rent	16,000		
Advertising	11,250		
Insurance	1,600		
Telephone	2,000		
Stock (01/07/2015)	15,900		
Custom Duty	4,000		
Cartage Outwards	250		
Interest on Mortgage	3,000		
Salaries	5,000		
	$286,500		**$286,500**

Additional information:

- ☐ Stock on hand 30/06/2016 $17,250
- ☐ Prepaid insurance $400
- ☐ Salaries due but unpaid $500
- ☐ Commission due but not received $300
- ☐ Advertising paid in advance $250
- ☐ Depreciation is to be charged on building at 5% on cost and on equipment at $1,000 per annum.

i. Name the financial report of a sole trader business that shows the owner's equity of the business.

Skill level 1	
1	
0	
NR	

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ii. Explain the reasons why we need to make adjustments on the balance date?

Skill level 2	
2	
1	
0	
NR	

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Skill level 2	
2	
1	
0	
NR	

iii. Give **TWO** (2) accounts that are not closed on balance day.

a) ____

b) ____

iv. Complete the worksheet below using the trial balance on page 9 and the additional information.

Worksheet

Accounts	Dr ($)	Cr ($)	Adjustments ($)		Adjusted Trial Balance ($)		Profit & Loss Statement ($)		Balance Sheet ($)	
			Dr	*Cr*	*Dr*	*Cr*	*Dr*	*Cr*	*Dr*	*Cr*
Accounts Receivable	2,500									
Bank	8,900									
Building (cost)	120,000									
Equipment (cost)	10,100									
Purchase	70,000									
Sales Return	6,000									
Drawings	10,000									
Rent	16,000									
Advertising	11,250									
Insurance	1,600									
Telephone	2,000									
Stock 01/07/15	15,900									
Custom Duty	4,000									
Cartage Outwards	250									
Interest on Mortgage	3,000									
Salaries	5,000									
Accounts Payable		1,600								
Loan		5,000								
Mortgage		50,000								
Sales		180,000								
Purchase Return		5,200								
Commission Received		1,200								
Capital-Kelela		43,500								
	$286,500	$286,500								

Skill level 3	3	2	1	0	NR

Skill level 3	3	2	1	0	NR

v. Prepare a classified Statement of Financial Performance for the year ended 30th June 2016 for Kelela's Shop.

Kelela's Shop
Statement of Financial Performance for the year ended 30th June 2016

	$	$

Skill level 3	
3	
2	
1	
0	
NR	

vi. Explain the importance to club members of forming an incorporated society.

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Skill level 2	
2	
1	
0	
NR	

Skill level 1	
1	
0	
NR	

vii. In a club, what type of account is entrance fee.

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QUESTION 4 DECISION MAKING PROCESS

Melesa has been running her own business for the past few years. Seeking help about her business, she came to you with the following information.

	2013	**2014**	**2015**	**2016**	**Industry average - 2016**
Gross Profit %	36%	34%	37%	39%	35%
Total expenses %	22%	20%	25%	27%	23%
Net Profit %	17%	14%	14%	13%	15%
Equity Ratio	0.66 : 1	0.64 : 1	0.60 : 1	0.55 : 1	0.65 : 1

i. State **ONE** (1) factor that Melesa needs to consider before starting her business.

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Skill level 1	
1	
0	
NR	

ii. Explain the importance of financial ratio analysis.

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Skill level 1	
1	
0	
NR	

iii. Identify **TWO** (2) ratios that could be used to measure the liquidity position of Melesa's business.

a) ____

b) ____

Skill level 2	
2	
1	
0	
NR	

iv. Using the given financial information for Melesa's business, you are required to analyse and interpret the trend of the profitability ratios being calculated.

Skill level 3	
3	
2	
1	
0	
NR	

v. Comment on Melesa's business performance and financial position using the comparative figures over the years given, industry average and the results of analysis

Skill level 4	
4	
3	
2	
1	
0	
NR	

vi. You are required to make recommendations on the measures needed to improve the Financial Stability of the business.

Skill level 4	
4	
3	
2	
1	
0	
NR	

vii. State **ONE** (1) cultural factor that affects the operations of Melesa's business.

Skill level 1	
1	
0	
NR	

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viii. List **TWO** (2) non-cultural factors that contribute positively to the running of Melesa's business.

Skill level 2	
2	
1	
0	
NR	

a) ____

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b) ____

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ix. Explain **ONE** (1) cultural factor that may contributes to the success of Melesa's business.

Skill level 2	
2	
1	
0	
NR	

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