

MARKER CODE				



STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2017

ACCOUNTING

QUESTION AND ANSWER BOOKLET

Time Allowed: 3 Hours

INSTRUCTIONS:

1. This paper consists of **FOUR SECTIONS** and is out of **80 Skill Level**.

SECTION	TOPICS	Total Skill Level
1	Conceptual Basis of Accounting	17
2	Accounting Process and Systems	29
3	Financial Reports	20
4	Decision Making	14
TOTAL		80

2. Write your **Student Enrolment Number (SEN)** on the top right-hand corner of this page.
3. Answer **ALL** questions in the spaces provided in this booklet.
4. Use **BLUE** or **BLACK** ball point pen. **DO NOT** write in pencil.
5. If you need more spaces for answers, ask the supervisor for extra paper.
6. Check that your paper consists of **19** pages.

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

SECTION 1: CONCEPTUAL BASIS OF ACCOUNTING

There are different types of business ownership that exist in Tonga.

1. Examine each of the following situations and name the type of business ownership that each situation refers to.

- a. The shareholders of PTH Ltd may receive a share of the profits in the form of dividends.

Skill level 1	
1	
0	
NR	

- b. Sione Fifita the owner of Fifita's Trading Store can often work his own hours and run the business as he sees fit.

Skill level 1	
1	
0	
NR	

2. Discuss **TWO** (2) disadvantages of a Partnership over a company business.

Skill level 4	
4	
3	
2	
1	
0	
NR	

3. Discuss **TWO** (2) advantages of a Company business

Skill level 4	
4	
3	
2	
1	
0	
NR	

4. Describe the purpose of accounting.

Skill level 2	
2	
1	
0	
NR	

5. Define Book keeping.

Skill level 1	
1	
0	
NR	

6. **The information presented in historical concept is claimed to be out of date therefore those information are not relevant for decision making.**

Define the qualitative characteristic of Relevant.

Skill level 1	
1	
0	
NR	

7. ***Mortgage is classified as a Liability.***

Define the concept of Liabilities.

Skill level 1	
1	
0	
NR	

Accounting Policy (extracted from the Vaikau'aki Maintenance Business)

Operating Revenue

Operating revenue recognised in the Income Statement includes the amounts received and receivable for industrial machinery maintenance services provided for customers.

8. Fully describe how the accrual basis has been applied to the measurement of operating revenue.

Skill level 2	
2	
1	
0	
NR	

SECTION 2: ACCOUNTING PROCESS AND SYSTEMS

Part A: Accounting Process

1. Source Document

A **source document** is the original record containing the details to verify a transaction entered in an accounting system.

Identify the Source Document used by Kaleli's Store for the following transactions.

	Transactions	Source Documents
i.	Owner of Kaleli's Store withdrew goods for personal use \$300	
ii.	Bank charges fees of \$7	
iii.	Sold goods to Meleane \$200	
iv.	Debtors returned back into the business \$100 worth of faulty goods.	

Skill level 1	i	ii	iii	iv
1				
0				
NR				

2. Ledgers

- a. The accounting cycle shows that the information recorded in the Journals will be posted to the ledgers.

Define Ledgers.

Skill level 1	
1	
0	
NR	

- b. Use the information below to prepare the ledger accounts that follow.

On 1st August 2017, Sioeli started a retail business with cash \$10000 and stock worth \$2000.

His transactions during August were as follows.

August 2	Bought goods for \$200 cash from Mesui Traders.
4	Bought Goods from Payless \$150
7	Purchased goods from Rocy Shop \$300
12	Sold goods to Sela \$500
16	Bought equipment on credit from EM Jones \$2000
22	Issue an invoice to Mafi for sale of goods \$200
28	Received an invoice from Poko's Store for purchase of goods \$230

i. Sales Account

Date	Particulars	Debit	Credit	Balance

Skill level 2	
2	
1	
0	
NR	

ii. **Purchases Account**

Date	Particulars	Debit	Credit	Balance

Skill level 2	
2	
1	
0	
NR	

- c. **Trial Balance is a summary of all the balances contained in the Ledger; a check for accuracy, and used to prepare financial statements.**

Describe **ONE** (1) limitations of Trial Balance.

Skill level 2	
2	
1	
0	
NR	

Part B: Accounting Systems

Internal Control

To control means to guide, to supervise, and to keep moving in the intended direction.

1. Cash Subsystem

Cash is an important resource needed to carry out a business.

a. Describe **TWO** (2) methods of internal control over cash.

- i. _____
- ii. _____

Skill level 2	
2	
1	
0	
NR	

b. Name **TWO** (2) types of cash use in business.

Skill level 1	
1	
0	
NR	

c. Describe the Purpose of a petty cash fund.

Skill level 2	
2	
1	
0	
NR	

d. **Bank Reconciliation Statement.**

i. State the importance of Bank Reconciliation.

Skill level 1	
1	
0	
NR	

- ii. Prepare a Bank Reconciliation Statement to calculate the balance as per Cash at Bank account for *Anga'ofa Store* for the month of August 2017.

- Balance as per Bank Statement on 31/08/17 was \$6 000 (Dr).
- Deposits not yet credited by the bank totalled \$650.00.

The following cheques were not presented to the bank for payments:

- Chq no. 552877 \$125.00
- Chq no. 552882 \$ 96.00
- Chq no. 552888 \$ 40.00

Anga'ofa Store
Bank Reconciliation Statement as at 31 August 2017

[illegible]

Skill level 4	
4	
3	
2	
1	
0	
NR	

- iii. Identify the meaning of a CR balance with the bank statement.

Skill level 1	
1	
0	
NR	

3. Personal Budget

State the importance of personal budgeting in life.

Skill level 1	
1	
0	
NR	

4. Internal Control for Accounts Receivable.

- a. Identify the type of accounts for business debtors.

Skill level 1	
1	
0	
NR	

- b. Describe the internal control procedures for account receivable.

Skill level 2	
2	
1	
0	
NR	

5. Internal Controls for Accounts payable

The following information relates to Taumu'alelei Shop for the month of July 2017.

BALANCE AS AT 1 JULY 2017 for Account Payable	\$50000
• Credit purchase during the year	\$12000
• Cash sale during the year	\$15000
• Cash paid to supplier	\$10000
• Interest charged by suppliers for overdue accounts	\$100
• Discount allowed for prompt payments of accounts	\$100
• Contra accounts	\$1500

You are required to prepare the Account Payable Control Account of Taumu'alelei Shop for the month of July 2017 using the 3-column ledger format.

Account Payable Control Account

Date	Particulars	Dr	Cr	Balance

Skill level 3	
3	
2	
1	
0	
NR	

SECTION 3:**FINANCIAL REPORTS**

Every business should prepare financial reports at the end of every financial period.

1. List **TWO** (2) financial reports of a sole trader business.

- i. _____
- ii. _____

Skill level 1	i	ii
1		
0		
NR		

2. Describe the nature and features of community organisations.

Skill level 2	
2	
1	
0	
NR	

3. Identify what type of account is entrance fee.

Skill level 1	
1	
0	
NR	

4. The following Trial Balance was prepared for Fe'ofa'aki Trading Shop as at 31 March 2017:

Fe'ofa'aki Trading Shop
Trial Balance as at 31 March 2017

	\$		\$
Account Receivable	4,200	Accounts Payable	3,200
Bad Debts	750	Capital	86,390
Bank	2,460	commission	3,600
Cartage Outwards	2,590	Mortgage(due Oct 2025)	70,000
Delivery van(cost)	21,000	Sales	240,000
Drawings	25,000		
Electricity	1,200		
Fixtures and Fittings(cost)	7,000		
Insurance	1,800		
Interest	6,700		
Inventory,1 April 2016	10,800		
Loss on sale of van	2,500		
Petrol and oil	3,640		
Petty cash	50		
Premises(cost)	120,000		
Purchases	176,000		
Wages-shop	17,500		
	\$403,190		\$403,190

Additional Information:

- i. Inventory on hand at 31 March 2017,\$26,000
- ii. Petrol and oil unpaid \$270
- iii. Commission due but not yet received,\$300
- iv. Insurance of \$200 has been paid in advance
- v. Depreciation is to be on Fixtures and fittings at 10% per annum based on cost and on the delivery van at 20% per annum based on cost.

You are required to use the information given on page 12 to answer the following questions.

- a. Write the General Journal Entries for the balance day adjustments given below.(narrations are not to be given)

General Journal

Balance Day Adjustments	Date	Particulars	Debit	Credit
ii)	31 March 2017			
iii)	31 March 2017			
iv)	31 March 2017			

Skill level 3	
3	
2	
1	
0	
NR	

- b. Provide **TWO** (2) reasons for the need to do balance day adjustments.

i. _____

ii. _____

Skill level 2	
2	
1	
0	
NR	

- c. Prepare the closing entries at the end of the accounting period for the following accounts.

General Journal

Accounts	Date	Particulars	Debit	Credit
Petrol				
(to close off the petrol and oil account on balance day)				
Commission				
(to close off the commission account on balance day)				
insurance				
(to close off the insurance account on balance day)				

Skill level 3	
3	
2	
1	
0	
NR	

5. Describe the reasons why we need to prepare closing accounts.

Skill level 2	
2	
1	
0	
NR	

6. Provide **TWO** (2) types of accounts that are not closed on balance day.

- i. _____
- ii. _____

Skill level 2	
2	
1	
0	
NR	

Prepare a Statement of Financial Performance for Fe'ofa'aki Trading Shop for the year ended 31 March 2017.

SECTION 4: DECISION MAKING
ANALYSIS AND INTERPRETATION

RESOURCE ONE



Sione Fifita of Veitongo owns a small business, Rich Juice, that sells fresh pawpaw smoothies and fruit juices from a travelling truck.

All the ingredients are bought from local farmers.

Few cyclones that happened last year caused the high prices for pawpaw.

Sione Fifita is considering growing his own fruit.

Rich Juice is well known in the Nuku'alofa area for their healthy ingredients and good service.

Rich Juice has managed to keep the selling price of the smoothies and juices the same over the last two years.

The table below summarises the Sales, Cost of Goods sold and Gross Profit data for Rich Juice for the year ended 31 August 2017

Rich Juice
Income Statement (extract) for the year ended 31 August 2017

	\$
Sales	120,000
Costs of Goods Sold	48,000
Gross Profit	72,000

1. Refer to Resource One on page 16 to answer the following questions.

- a. Complete the table below by calculating the mark-up and gross profit percentage for 2017. Show working in the space provided in the table.

Analysis Measure	2016	2017	Industry Averages
% change in sales	30%	20%	28%
Mark-up%	200%		180%
Gross Profit%	67%		65%

Skill level 2	
2	
1	
0	
NR	

- b. Comment on Rich Juice financial performance by using the information shown in part a).

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Skill level 4	
4	
3	
2	
1	
0	
NR	

2. Interpretation of Financial Statements

- a. The following information analysis was calculated from the financial statements of Fifita & Sons for the year 2016 and 2017.

	2016	2017
Current Ratio	2.60: 1	1.18: 1
Liquid ratio	1.66: 1	.72:1
Debt to Equity Ratio	0.45: 1	0.67: 1
Total Expenses Ratio	0.2 :1	0.5 : 1

Required:

- b. Study the analysed information given above and answer the following questions.

- i. Given above are various financial ratios. You are required to state the importance of the financial ratio for decision making.

Skill level 1	
1	
0	
NR	

- ii. The Liquid ratio declined to .72: 1 in 2017.

Recommend **TWO** (2) appropriate measures needed to improve the liquidity position.

Skill level 4	
4	
3	
2	
1	
0	
NR	

3. Problems of Small Businesses in Tonga

In 2016 Siosi ‘Ofa started a small business located at Kolofo‘ou named “Beauty Hair Salon”.

a. List **TWO** (2) factors that was considered by Siosi before she starts her business.

i. _____

ii. _____

Skill level 1	
1	
0	
NR	

b. Describe **TWO** (2) cultural factors that contribute to the success of Siosi’s business.

Cultural factor 1: _____

Cultural factor 2: _____

Skill level 2	
2	
1	
0	
NR	