MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2018

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 80 Skill Level.

SECTIONS	TOPICS	TOTAL SKILL LEVEL
ONE	**CONCEPTUAL BASIS OF ACCOUNTING**	21
TWO	**ACCOUNTING PROCESS AND SYSTEMS**	30
THREE	**FINANCIAL REPORTS**	15
FOUR	**DECISION MAKING**	14
	TOTAL	80

3. Answer ALL QUESTIONS. Write your answers in the spaces provided in this booklet.
4. In addition to this booklet, you should also receive a **Formulae Sheet.**
5. Use a **BLUE** or **BLACK** ball point pen only for writing. Use a pencil for drawing if required.
6. If you need more spaces 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 of this booklet.
7. Check that this booklet contains pages 2-19 in the correct order and that none of the pages is blank.

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

SECTION ONE: CONCEPTUAL BASIS OF ACCOUNTING

Part A: Conceptual Basis

1. Analyse the following features of business ownership that exist in Tonga. Name the type of business ownership that each feature below refers to.

Skill level 1	
1	
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   a. The owner keeps all the profit.

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Skill level 1	
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   b. The business has an unlimited life.

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2. Discuss **ONE** (1) advantage of a Partnership over a Sole Trader business.

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Skill level 4	
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3. Define **Accounting**.

Skill level 1	
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4. State the function of accounting from the definition provided below.

Skill level 1	
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Accounting provides the information which enables management to plan and control the activities of the business.

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5. Discuss why accountants use the historical cost basis for the measurement and reporting of Balance Sheet assets in terms of the accounting characteristics of reliability and comparability.

Skill level 4	
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6. Accounting is very diverse and accountants often specialize in a particular area. Describe Financial Accountant as one of the specialized area.

Skill level 2	
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Skill level 1	
1	
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7. Define Accounting Entity Concept.

8. State the appropriate concept for each statement below.

Skill level 1	
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a. Land purchased in 2008 for $10000 is recorded in the books at this value.

Skill level 1	
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b. Enables different items to be added together.

9. PTH Ltd sells hardware. It has listed a Delivery truck as one of its Asset.

Define Assets.

Skill level 1	
1	
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Part B: Accounting Equation

Complete the Accounting Equation by showing the effects (- or +) of the transactions given below.

a. has been done for you as an example.

a. Owner invested $400 cash into the business

	Assets				=	Liabilities	+	Proprietorship
	Office Equipment	Debtors+	Delivery van	Bank	=	Loan+	Creditors+	Capital
	1000	800	6000	4200		5000	500	6500
a.				+400				+400
b.								
c.								
d.								

b. Bought a delivery van $40,000 and paid a 50% as a deposit.

c. Sold an old computer for $200 cash.

d. Obtained $3000 loan from MBF bank

Skill level 3	
3	
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SECTION TWO: ACCOUNTING PROCESS AND SYSTEMS

Part A: Accounting Process

1. Describe **ONE** (1) importance of computers in Accounting.

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Skill level 2	
2	
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2. **Source Documents**

Business documents are the standard forms used to record the details of transactions.

Hop, Skip & Jump sporting goods retailers has the following transactions for the month of June 2018.

Identify the appropriate source document for each transaction below.

a. Cash received from customers for buying running shoes $500.

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Skill level 1	
1	
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b. John Pata returned faulty goods to the business $300

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Skill level 1	
1	
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3. **Ledgers**

a. State an advantage of the three column ledgers.

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Skill level 1	
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b. The following is a selection of Journal extracts for Tonga Treasures for the month of June.

Cash Receipts Journal				
Discount	Bank	Sales	Debtors	Sundry
$180	$7820	$4200	$3600	$200

Cash Payments Journal				
Discount	Bank	Purchases	Creditors	Sundry
$50	$8150	$2700	$4000	$1500

Sales Journal
Total $2800

i. You are **REQUIRED** to use the journal extracts above to update the following accounts in the General Ledger of Tonga Treasures.

Bank					
Date	Particulars	Debit	Credit	Balance	Dr/Cr
June 1	Balance			3000	Dr

Skill level 1	
1	
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ii.

Sales					**Dr/Cr**
Date	Particulars	Debit	Credit	Balance	Dr/Cr

Skill level 1	
1	
0	
NR	

iii.

Discount Allowed					**Dr/Cr**
Date	Particulars	Debit	Credit	Balance	Dr/Cr

Skill level 1	
1	
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4. Describe **ONE** (1) significance of preparing a trial balance.

Skill level 2	
2	
1	
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Part B: Accounting Systems

Internal Control is a general term which can be used to describe ways in which the accounting system of a business can function effectively.

1. Describe **ONE** (1) principle of good internal control system.

Skill level 2	
2	
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2. **Cash Subsystem**

Petty Cash System

a. Describe the accounting procedure for operating a petty cash fund system.

Skill level 2	
2	
1	
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NR	

b. State the source document used for recording petty cash fund.

Skill level 1	
1	
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NR	

3. Describe the internal controls which could prevent the following error or omission taking place"

Theft of cheques by the staff opening the mail.

Skill level 2	
2	
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4. **Bank Reconciliation Statement**

Discuss the importance of bank reconciliations as a form of internal control over cask.

Skill level 4	
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5. **Personal Budget**

Describe **ONE** (1) feature of a personal budget.

Skill level 2	
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6. **Internal Controls for Accounts Receivable**

a. Describe **ONE** (1) control procedure for Account Receivable.

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Skill level 2	
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The following information relates to 'Ofa Li'oa Store for the month of December 2017.

Balance as at 1st December 2017 for Account Receivable $4000

- *Total from the Sales Journal $5000*
- *Total from the Debtors column in the Cash receipts Journal $1500*
- *Interest charged by the business on overdue accounts $500*
- *Bad debts $500*
- *Contra accounts $500*
- *Total from the Sales Return Journal $120*
- *Discount allowed for prompt payment $40*

b. You are required to use the information given above to prepare the Account Receivable Control Account below.

Account Receivable Control Account

Date	Particulars	Dr	Cr	Balance

Skill level 3	
3	
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7. Describe the need for account payable subsidiary ledger.

Skill level 2	
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NR	

SECTION THREE: FINANCIAL REPORTS

1. Describe the difference between a trading and service enterprise.

Skill level 2	
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2. Sione Fiefia owns a furniture business known as Fiefia's Furnitures located at Kolofo'ou. Given below is a Trial balance extract and additional information for the business as at 31st March 2018.

Fiefia's furniture
Trial Balance (extract) as at 31st March 2018

	$		$
Rent	4000	Loan	12000
Salaries	1000	Accumulated depreciation-furniture	80
Account Receivable	5000	Commission received	4000
Bad debts	400		
Furniture	15500		

Additional Information as at 31st March 2018

1. Additional bad debts to be written off $100
2. Rent paid in advance $100
3. Commission due but not yet received $170
4. Salaries due to be paid $120

You are required to:

i. Prepare the General Journal entries for the balance day adjustments (1-3) in the space provided.

General Journal

Balance Day Adjustments	**Date**	**Particulars**	**Dr**	**Cr**
1	31st March 2018			
2	31st March 2018			
3.	31st March 2018			

Skill level 3	
3	
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ii. Identify a type of account to be closed at balance day.

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Skill level 1	
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3. Describe **ONE** (1) reason for preparing closing accounts.

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Skill level 2	
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4. This question deals with presentation of financial statements.

Tevita Siu the owner of Wood ‘n” Things has given Sina Kakala (accountant) the following adjusted Trial balance for “Wood ‘n’ Things.

Wood ‘n” Things

Trial balance as at 31 March 2018

electricity	6800	Accounts Payable	9000
Advertising	7200	Accumulated Depreciation on Shop fittings	9000
Bank	2100	Capital	54800
Depreciation on Shop Fittings	6500	Commission received	200
Discount Allowed	1200	Accrued Expenses	300
Drawings	34000	Loan (due2025)	13500
Goodwill	15000	Purchases Returns	2000
Interest on Loan	2400	sales	205000
Inventory 1/4/2017	27000		
Office expenses	9400		
Prepayment	1000		
Purchases	84000		
Sales wages	25800		
Shop Fittings	52000		
Shop Rent and Insurance	16000		
Telephone and Fax Rental	3400		
	$ 293,800		$293,800

Additional Information

Inventory on Hand at 31 March 2018 $30,000

a. **YOU ARE REQUIRED TO** use the information above to answer the following question. Prepare a Classified Statement of Financial Performance suitable for presentation in Sina’s Annual Financial Report to Tevita.

Wood ‘’n” Things
Statement of Financial Performance
For the year ended 31 March 2018

Sales			**205000**
Less Cost of Goods Sold			
Gross Profit			
Add sundry Income			
Less operating Expenses			
Selling Expenses			
Administration Expenses			
Financial Expenses			
Net Profit			

Skill level 3	
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5. Describe the nature and features of community organisations.

Skill level 2	
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6. State **TWO** (2) local examples of community organisations in your area.

Skill level 1	
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i. ______________________________

Skill level 1	
1	
0	
NR	

ii. ______________________________

SECTION FOUR: DECISION MAKING

Part A: Analysis and Interpretation

1. Define financial ratios analysis.

Skill level 1	
1	
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2. Study the table below which relate to Tui Meat, a butchery owned by Sione Tui of Pahu.
Use it to answer the questions that follow.

Ratios	**2015**	**2016**	**2017**	**Industry average**
Current ratio	.68:1	.98:1	1.60:1	1.50:1
Equity ratios	.58:1	.48:1	.40:1	.55:1
Net Profit Percentage	21%	25%	23%	24%
Expenses Percentage	42%	35%	38%	36%
Mark Up Percentage	48%	62%	59%	60%

a. Use the comparative figures given above to comment on the business's Financial Performance.

Skill level 4	
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b. Recommend **TWO** (2) measures needed to improve the Profitability of the business.

Skill level 4	
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Skill level 1	
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c. Give **ONE** (1) example of a ratio that measures the Liquidity position of the business.

Part B: Small Businesses in Tonga

There are important factors that we need to consider before starting a new business.

1. Describe **ONE** (1) important factor that contribute to the smooth operation of the business.

Skill level 2	
2	
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2. State **TWO** (2) factors that contributed to the failures of small businesses here in Tonga.

Skill level 2	
2	
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