MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2019

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 Weighted scores.

SECTIONS	TOPICS	TOTAL SKILL LEVEL
A	**CONCEPTUAL BASIS OF ACCOUNTING**	**28**
B	**ACCOUNTING PRACTICES**	**23**
C	**ACCOUNTING REPORTS**	**17**
D	**DECISION MAKING**	**12**
	TOTAL	**80**

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 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 in this booklet.
   NOTE: There is a **Formulae Sheet** on page **23**.
6. Check that this booklet contains pages 2-23 in the correct order and that pages 21-22 has been deliberately left blank.

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

SECTION A: CONCEPTUAL BASIS OF ACCOUNTING

QUESTION 1: FEATURES OF BUSINESS OWNERSHIP

1. a. Ana owns and operates a tailoring business under the name 'Ana's Tailors'.

Describe a feature of this type of business ownership.

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b. List another type of business ownership that is different from Ana's tailoring business.

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QUESTION 2: NATURE AND FUNCTIONS OF ACCOUNTING

1. The major role of an accountant for any business organization is to prepare financial statements for internal and external users.

a. Define external users.

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b. List **ONE** (1) example of an external user of financial information.

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c. Describe the type of information needed by the user mentioned in question 1b. above.

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Skill level 2	
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2. Identify **ONE** (1) specialized area of accounting in Tonga.

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Skill level 1	
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3. Define book keeping.

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Skill level 1	
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4. An application of Relevance in the financial statement is the recording of buildings at their market value rather than at historic cost which could have a big impact on the value of assets to assist in the business's application for a loan.

   Define Relevance.

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Skill level 1	
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5. The annual report prepared for Payless Store was for the year ended 30 September 2018. It finished early and was ready to be viewed on 5 October 2018.

   Explain how this meets the characteristics of Timeliness but may not meet the characterisitics of Reliability.

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Skill level 4	
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QUESTION 3: ACCOUNTING PRINCIPLES

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1. Define Accrual Basis.

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2. At the end of the year, Susana owes the chefs in her pizza shop wages of $800 that relate to the last two weeks of the year. This will be paid three days after the end of the financial year.

   Using the concept of Accrual Accounting, describe how the wages would be reported in the financial statement.

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Skill level 2	
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3. Tammy is an accountant. Tammy advised his brother Dr Manulele to record the business cheque of $1 200 he used to pay his children's school fees.

   Name the accounting concept Dr Manulele should use to separate his personal records from his business records.

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Skill level 1	
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4. State the Double entry concept rules.

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Skill level 1	
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5. Define Revenue.

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Skill level 1	
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QUESTION 4: ACCOUNTING EQUATION

1. The two transactions set out in the Accounting Equation below relate to Sione Tonga's retail store for the month of September 2018.

   You are required to provide a suitable narration (descsription) of the transaction that has the effect shown in the table below.
   Your answers must be related to the given accounting equation and must include amounts.

Date	*Assets*			=	*Liabilities +*		*Owner's Equity*
	Cash at Bank	*Equipment*	*Debtors*	=	*Loan*	*Creditor*	
Sept 2	*-700*	*+2 600*		=		*+1 900*	
6	*-700*			=	*-500*		*-200*

Transactions:

Sept 2

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Skill level 2	
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Sept 6

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Skill level 2	
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2. State the Extended Accounting Equation by including the Revenues and Expenses component.

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Skill level 1	
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3. Complete the analysis chart below by analysing each transaction given.

Date	Transaction	Accounts affected	Type of account	Nature of account	Increase or Decrease	Dr/ Cr	Amount
2018 Jun 1 cash	Tekiboy Junior invested $20 000 into his retail store.						
8	Tekiboy Junior used $200 worth of goods for own use.						

Skill level 3	
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SECTION B: ACCOUNTING PRACTICES

QUESTION 1: JOURNALS AND LEDGER

Given below are the ledger balances and journals taken from the books of *Fatima Trading* business for the month of June 2018.

Accounts Payable ledger balances as at 1 June 2018:

Account	**$**
C Poti	920 Cr
K Maimai	350 Cr
S Poko	2 000 Cr
K Lotu	300 Cr
L Puma	500 Cr

Fatima Trading
General Journal

Date	**Particulars**	**Debit**	**Credit**
2018 June 22	Furniture	2000	
	Accounts Payable – C Poti		2000

Cash Payment Journal

Date	**Particulars**	**Rec. no**	**Discount**	**Bank**	**Creditors**	**Purchases**
2018 Jun 2	Purchases	B61		500		500
4	C Poti	B62	40	740	780	
5	K Maimai	B63	10	230	240	
11	S Poko	B64	50	900	950	
12	L Puma	B65		400	400	
22	K Lotu	B66		120	120	
29	C Poti	B67	80	1 220	1 300	
			$180	$4 110	$3 790	$500

Purchases Journal

Date	Debtor	Invoice no.	Amount
2018 Jun 2	C Poti	804	400
8	S Poko	805	260
14	K Maimai	806	400
17	C Poti	807	800
21	L Puma	808	250
26	S Poko	809	450

Purchases Returns and Allowances Journal

Date	Debtor	Credit Note no.	Amount
2018 Jun 6	C Poti	614	50
23	L Puma	615	20
28	S Poko	616	80

1. Use the ledger balances and the journals given above to prepare the following ledger accounts.

Creditors Control Account

Date	Particulars	Debit	Credit	Balance

Skill level 3	
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2. **C Poti Account**

Date	Particulars	Debit	Credit	Balance

Skill level 2	
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3. **S Poko Account**

Date	Particulars	Debit	Credit	Balance

Skill level 2	
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4. **Purchases Account**

Date	Particulars	Debit	Credit	Balance

Skill level 2	
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5. State the purpose of ledgers.

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Skill level 1	
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QUESTION 2: BANK RECONCILIATION

L. Toume balanced her bank account at 1st August 2018 and it showed a credit balance of $9 720.50. After a comparison with the bank records (which showed a debit balance of $7 290.18 at 31st August), the following differences were noted.

- *T. Koo's* dishonoured cheque had been debited in the bank statement $116
- Outstanding lodgements: $94 and $26
- Interest on overdraft $64
- Unpresented cheques: #572 $764, #579 $125
- Bank fee $10
- Interest on government bonds $216

Other information:

Cash Receipts Journal:
Aug 31 Entries to date $22 062.47

Cash Payments Journal:
Aug 31 Entries to date $20 427.15

1. Describe the purpose of bank reconciliation.

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Skill level 2	
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2. *L. Toume's* bank statement showed a Dr balance. State the meaning of this Dr balance.

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Skill level 1	
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3. Prepare *L. Toume's* Bank Account in the ledger.

Bank Account

Date	Particulars	Debit	Credit	Balance

Skill level 2	
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4. Prepare *L. Toume's* Bank Reconciliation Statement as at 31st August 2018.

Skill level 3	
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5. Identify **ONE** (1) source document used for bank reconciliation recordings.

Skill level 1	
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QUESTION 3: PERSONAL BUDGET

Sana is very keen to buy a computer for her family to use. She could use the computer to help her with her school administration tasks and also it would be useful for her two sons.
A computer costs about $5 000 but Sana only has about $1 000 in her savings account at the bank.

Discuss **TWO** (2) advantages of preparing a personal budget by Sana before buying the computer.

Skill level 4	
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SECTION C: ACCOUNTING REPORTS

Bereck's Boutique is a sole proprietor business. The following worksheet has been extracted from the books of account at 31 March 2019.

Accounts	Trial Balance		Adjustment		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Advertising	3 000					
Buildings	55 000					
Capital		54 757				
Cash at Bank	5 650					
Creditors Control		6 000				
Debtors Control	16 000					
Accumulated Depreciation – Motor Vehicle		2 000				
Discount Allowed	2 000					
Drawings	3 000					
Freight Inwards	246					
Goodwill	12 000					
Insurance	1 600					
Interest		200				
Inventories 1 April 2018	15 240					
Land	15 000					
Mortgage on Premises		60 000				
Motor Vehicle	10 000					
Purchases	20 000					
Rates	400					
Rent from shops		6 160				
Returns Inwards	1 746					
Salaries	8 000					
Sales		40 000				
Telephone	235					
	$169 117	$169 117				

Skill level 3	
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Additional Information:

- Inventories at 31 March 2019 $17 000
- Insurance of $240 has been paid in advance
- Depreciation is to be charged on Motor Vehicle at 15% using the Straight Line method
- Unpaid salaries $640
- Write off bad debt $285

You are required to use the above worksheet together with the additional information to:

1. Complete the above worksheet by filling in the adjustment columns and the adjusted trial balance.

2. Describe the needs for making adjustments at balance day.

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Skill level 2	
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3. Prepare a fully classified Statement of Financial Performance for the year ended 31 March 2019.

Bereck's Boutique

Statement of Financial Performance for the year ended 31 March 2019

Skill level 4	
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4. Prepare a fully classified Statement of Financial Position for the year ended 31 March 2019.

Bereck's Boutique

Statement of Financial Position as at 31 March 2019

Skill level 4	
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5. Define balance date.

Skill level 1	
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6. Identify **ONE** (1) type of account to be closed at balance date.

Skill level 1	
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7. The Free Wesleyan Church of Tonga is recognised as one of the community organisations in Tonga.

   Describe **ONE** (1) feature of community organisations.

Skill level 2	
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SECTION D: DECISION MAKING

QUESTION 1: ANALYSIS AND INTERPRETATION

Study the financial statements below before answering the following questions.

Revenue Statement

Sales	$600 000
Cost of Sales	$450 000
Selling Expenses	$50 000
Administration Expenses	$30 000
Financial Expenses	$10 000

Balance Sheet as at 31 March 2019			
Current Assets		***Current Liabilities***	
Cash on Hand	**1 000**	**Creditors**	**46 400**
Debtors	**20 000**	**Bank overdraft (secured)**	**5 000**
Stock	**150 000**	**Wages due**	**300**
Prepayment	**700**	***Long Term Liability***	
Non-current Assets		**Loan**	**40 000**
Equipment 100 000		***Proprietorship***	
Less Accumulated Depreciation 30 000	**70 000**	**Capital**	**130 000**
		Plus Net Profit	**70 000**
			200 000
		Less Drawings	**50 000**
	$241 700		**$241 700**

1. Define financial ratios analysis.

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Skill level 1	
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2. Use the information on page 18 to complete the table below by stating the formula and then calculate each of the following ratios and percentages.

Ratio	Formula	Calculations	Answer
1. Liquid Ratio			
2. Current Ratio			
3. Equity Ratio			

Skill level 3	
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3. Based on your calculations above and other relevant ratios and percentages, make recommendations on the measures needed to improve the liquidity position of the business.

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Skill level 4	
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QUESTION 2: SMALL BUSINESSES IN TONGA

1. State how this cultural obligation of a ‘funeral’ affects the running of a local business.

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Skill level 1	
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2. List **ONE** (1) crucial factor you need to consider before setting up a new business.

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Skill level 1	
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3. Describe the significance of having good management skills of a business.

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TSC ACCOUNTING 2019

FORMULAE SHEET

FORMULAE FOR RATIO ANALYSIS

Formulae for Analysis of Financial Information

- **Mark Up Percentage** $\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$

- **Gross Profit Percentage** $\frac{\text{Gross Profit}}{\text{Net Sales}} \times \frac{100}{1}$

- **Expenses Percentage** $\frac{\text{Expenses}}{\text{Net Sales}} \times \frac{100}{1}$

- **Net Profit Percentage** $\frac{\text{Net Profit}}{\text{Net Sales}} \times \frac{100}{1}$

- **Return on Owners Equity** $\frac{\text{Net Profit}}{\text{Average Owners Equity}} \times \frac{100}{1}$

- **Return on Average Total Assets** $\frac{\text{Net Profit}}{\text{Average Total Assets}} \times \frac{100}{1}$

- **Working Capital Amount** **Current Assets - Current Liabilities**

- **Current Ratio** $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

- **Liquid Ratio** $\frac{\text{Current Assets} - (\mathit{Inventories}\ \ \mathit{Prepayments})}{\text{Current Liabilities} - (\mathit{Secured\ Bank\ Overdraft})}$

- **Equity Ratio** $\frac{\text{Owners Equity}}{\text{Total Assets}}$

- **Debt Ratio** $\frac{\text{Total Liabilities}}{\text{Total Assets}}$

- **Inventory Turnover** $\frac{\text{Cost of Goods Sold}}{\text{Average Inventories}}$

- **Accounts Receivable Collection Period** $\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times \frac{365}{1}$