MARKER CODE				

STUDENT ENROLMENT NUMBER (SEN)									

TONGA SCHOOL CERTIFICATE

2021

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 70 weighted scores.

SECTION	STRANDS	TOTAL SKILL LEVEL
1	CONCEPTUAL BASIS OF ACCOUNTING	25
2	ACCOUNTING PRACTICES:-	18
	PART A: Processing	9
	PART B: Accounting Systems	9
3	ACCOUNTING REPORTS	15
4	DECISION MAKING	12
	TOTAL	**70**

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 space 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 none of the pages are blank.

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

SECTION 1: CONCEPTUAL BASIS OF ACCOUNTING

QUESTION ONE: ACCOUNTING CONCEPTS

1. Tiva operates a jewellery store in her hometown. She imports jewellery from India and records it in Tongan pa'anga.

   State the accounting concept that is being applied.

Skill level 1	
1	
0	
NR	

2. Define Historical Cost.

Skill level 1	
1	
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NR	

3. State which concept or principle has been violated in the following statements below.

   i. The business and personal finance accounts are the same, so no drawings at all.

Skill level 1	
1	
0	
NR	

   ii. The accounting data was not available in time to influence decisions.

Skill level 1	
1	
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NR	

4. Analyse the definition of accounting to describe the functions, nature and scope of accounting.

Skill level 4	
4	
3	
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NR	

5. Users of accounting information make decisions based on an organisation's financial situation.

   Name a user who would be interested in the value of business assets which can be used as loan security.

Skill level 1	
1	
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NR	

6. Define understandability as a qualitative characteristic of accounting.

Skill level 1	
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NR	

7. Comparability and Consistency are two characteristics of accounting information.

Discuss the relationship between these characteristics.

Skill level 4	
4	
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QUESTION TWO: FINANCIAL ELEMENTS

1. Farmhouse Fruits & Veges (FVV) is owned by sole proprietor Frankie Smith and sells a range of organic fruit, vegetables, jams, and preserves. You can refer to Farmhouse Fruits & Veges as FVV in your answers.

   Farmhouse Fruits & Veges had the following accounts in its financial statements:

   - Accounts payable
   - Accounts receivable
   - Bank overdraft
   - Building
   - Drawings
   - Equipment
   - GST payable
   - Insurance
   - Interest on loan

   a. Define Liabilities.

Skill level 1	
1	
0	
NR	

   b. List **TWO (2)** liabilities from the Accounts of Farmhouse Fruits and Veges mentioned above.

Skill level 2	
2	
1	
0	
NR	

c. Describe the roles of an auditor that was hired by Farmhouse Fruits & Veges.

Skill level 2	
2	
1	
0	
NR	

d. Frankie understands that, as a sole proprietor, she has unlimited liability.

Describe what this means for Frankie in relation to Farmhouse Fruits & Veges.

Skill level 2	
2	
1	
0	
NR	

If Frankie decides to expand her business from operating as a sole trader to company:

e. Discuss the disadvantages of operating as a company instead of sole trader.

Skill level 4	
4	
3	
2	
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NR	

SECTION 2: ACCOUNTING PRACTICES

PART A: Processing

QUESTION ONE: ACCOUNTING CYCLE

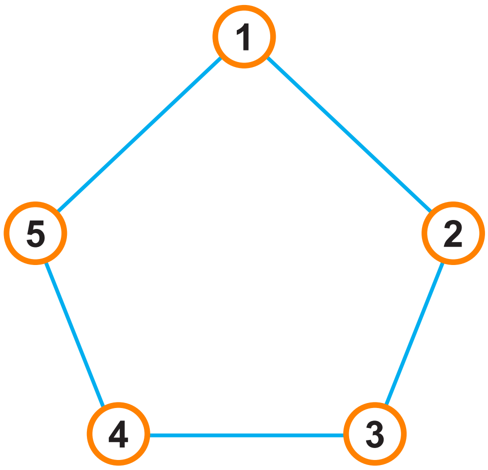
1. The stages of the accounting process under the Manual Accounting System involves Input, Process, Storage and Output.

   Identify the stage that the Financial Statements belong to.

   ____

Skill level 1	
1	
0	
NR	

ACCOUNTING CYCLE



2. The diagram above represents the accounting cycle or accounting process of a business entity.

   Identify the number that represents the stage of Ledgers.

   ____

Skill level 1	
1	
0	
NR	

3. Describe the importance of computers in accounting.

   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____
   ____

Skill level 2	
2	
1	
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QUESTION TWO: ACCOUNTING RECORDS

1. The following journals were extracted from the financial records of Sumo Store for the year ended 30 June 2020.

Cash Payments Journal (extract)

Date	Particulars	Discount ($)	Bank ($)	Creditors ($)
May 25, 2020	Kelly	100	500	600

Cash Receipts Journal (extract)

Date	Particulars	Discount ($)	Bank ($)	Debtor ($)
June 11, 2020	Smith	40	500	540

a. List the transactions related to the journals above.

i. May 25

____

____

____

ii. June 11

____

____

____

Skill level 2	
2	
1	
0	
NR	

2. The following ledgers were extracted from the financial records of Loli Store for the year ended 30 June 2020.

Vehicle

Date	Particulars	Debit ($)	Credit ($)	Balance ($)
May 21	Tume	500		500 Dr

Krishna

Date	Particulars	Debit ($)	Credit ($)	Balance ($)
May 2	Sales	200		200 Dr
May 14	Cash		150	50 Dr
	Discount Allowed		15	35 Dr

Sara

Date	Particulars	Debit ($)	Credit ($)	Balance ($)
May 12	Purchases		170	170 Cr

a. **Use the ledgers provided for Loli Store to prepare the following Journals.**

GENERAL JOURNAL

Date	Particulars	Debit ($)	Credit ($)

CASH RECEIPT JOURNAL

Date	Particulars	Discount Allowed	Bank	Sales	Debtors	Others

PURCHASES JOURNAL

Date	Particulars	Debit ($)	Credit ($)

SALES JOURNAL

Date	Particulars	Debit ($)	Credit ($)

Skill level 3	
3	
2	
1	
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NR	

PART B: Accounting Systems

QUESTION ONE: CASH SUBSYSTEM

1. Describe the reasons for the differences in the business cash records and the Bank Statement.

Skill level 2	
2	
1	
0	
NR	

2. Cihan's business uses petty cash imprest system to finance small payments. The following transactions have been extracted from the petty cash vouchers for the month of January 2021:

Jan 1	Cash cheque no. 401 for petty cash imprest $50
5	Paid stamps $2.10, voucher no. 1
8	Paid for typewriter ribbon $1.56, voucher no. 2
9	Paid for travelling $3.10, voucher no. 3
11	Paid postage $2.50, voucher no. 4
16	Paid for taxi $1.50, voucher no. 5
22	Paid for stationary $1.96, voucher no. 6
25	Paid for postage $3.00, voucher no. 7
29	Paid advertisement $3.79, voucher no. 8
31	Paid for tea $2.90, voucher no. 9
	Drew reimbursing cheque no. 402

Required: Use the information given above to prepare the Petty Cash book for Cihan's business.

Petty Cash Book
For the Month Ended January 2021

Date	Particulars	Voucher	Receipt	Payment	Postage	Travel	Sundry

Skill level 3	
3	
2	
1	
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NR	

QUESTIO TWO: ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE SUBSYSTEM

Skill level 1	
1	
0	
NR	

1. Name a source document used for recording accounts payable.

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

Skill level 2	
2	
1	
0	
NR	

3. State **ONE (1)** internal control procedure for accounts payable.

Skill level 1	
1	
0	
NR	

SECTION 3: ACCOUNTING REPORTS

1. Describe the reasons for preparing closing accounts.

Skill level 2	
2	
1	
0	
NR	

2. Describe the purpose of preparing the Statement of Financial Position.

Skill level 2	
2	
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3. Bay Havea operates a shop known as BH Superstore. Given below are the General Ledger balances of BH Superstore as at 31 March 2021.

Ledger Balances	($)
Cash at bank	7 500
Accounts payable	2 500
Land & Buildings	105 000
Furniture	6 000
Loan from ANZ Bank	25 000
Accounts receivable	9 500
Net Sales	85 000
Net Purchases	40 000
Advertising	8 000
Rent received	6 000
Interest expense	1 500
Salaries	14 000

Capital	81 100
Accumulated depreciation – Furniture	600
Bad Debts	500
Commission received	1 000
Prepaid advertising expenses	1 000
Salaries due	2 000
Rent received in advance	500
Commission due but not received	100
Depreciation expense – Furniture	600
Opening Inventories	10 000

Note: All incomes and expenses have been adjusted.

Required:

Complete the Adjusted Trial Balance of BH Superstore as at 31 March 2021 by filling in appropriate amounts in Debit or Credit column. No ledger balance amount will be repeated.

BH Superstore Adjusted Trial Balance for the year ended 31 March 2021		
	Debit ($)	**Credit ($)**

Skill level 3	
3	
2	
1	
0	
NR	

4. Jena owns a supermarket located in 'Eua. The unadjusted trial balance for the year ended 30 June 2020 is provided below:

Jena Supermarket
Trial Balance as at 30 June 2020

	Dr ($)	Cr ($)
Capital		9 000
Sales		7 860
Purchases Returns		200
Bank		800
Bad Debts	150	
Selling Expenses	760	
Rent received		430
Commission received		550
Cartage Inwards	180	
Delivery Vehicle	12 600	
Accumulated Depreciation – Delivery Vehicle		600
Light and Power	180	
Insurance	500	
Accounts Receivable	940	
Accounts Payable		430
Loan		6 000
Building	4 800	
Stock 1/7/2019	3 400	
Government Bond	1 000	
Purchases	1 310	
Interest on Loan	50	
	25 870	25 870

Additional Information:

1. *Stock on hand, 30 June 2020 $900*
2. *Bad debts written off $40*
3. *Interest on loan due $50*
4. *Rent received in advance $150*
5. *Insurance prepaid $80*

Prepare a fully classified Statement of Financial Performance for Jena Supermarket for the year ended 30 June 2020.

Jena Supermarket **Statement of Financial Performance for the year ended 30 June 2020**			

Skill level 4	
4	
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1	
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NR	

5. Bronwyn owns and operates a store in Ha'apai. The unadjusted trial balance for the year ended 31st March 2020 is given below:

Trial Balance of Bronwyn Enterprise as at 31 March 2020

Ledger Accounts	Debit ($)	Credit ($)
Stock at 1/04/19	11 160	
Net purchases	45 000	
Wages	17 100	
Electricity	6 530	
Building at cost	97 200	
Plant	20 000	
Cash at bank	12 500	
Accounts Receivables	5 080	
Office expenses	4 950	
Drawings	8 000	
Insurance	1 200	
Sales		97 100
Interest received		380
Accumulated Depreciation on Plant		4 000
Accounts Payable		5 680
Commission received		1 180
Capital		120 380
	228 720	228 720

The following adjustments are required at the balance date:

1. Wages due $160.
2. Insurance paid in advance $180.
3. Commission due but not received $60.
4. Interest received in advance $40.
5. Stock at 31/03/20 $3 500.
6. Net Profit for the year ended 31 March 2020, $16 260.

Prepare a fully classified Statement of Financial Position for Bronwyn Enterprise for the period ending 31 March 2020.

Bronwyn Enterprise **Statement of Financial Position as at 31st March 2020**			

Skill level 4	
4	
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SECTION 4: DECISION MAKING

1. Define financial ratio analysis.

Skill level 1	
1	
0	
NR	

2. State **ONE (1)** ratio that is important in evaluating the short term financial stability of the business.

Skill level 1	
1	
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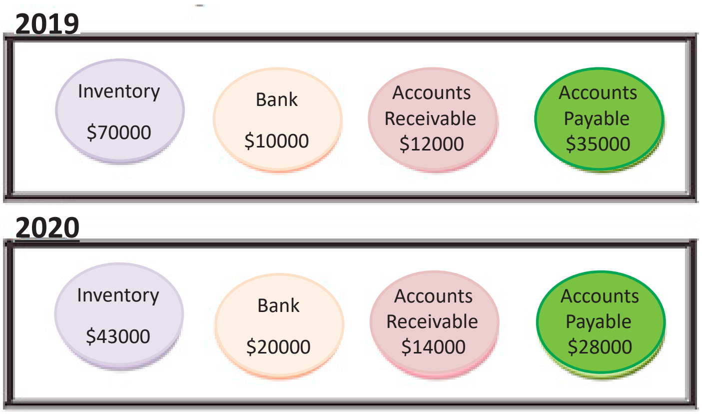
3. The financial information given below relates to Riki's Store.



Complete the table below by calculating the current and liquid ratios.

	2019	2020
Current ratio	________:1	2.75:1
Liquid ratio	0.63:1	________:1

Skill level 2	
2	
1	
0	
NR	

4. Provided below are results of Kapa's business:

		2019	2020	Industry Average
i)	Quick asset ratio	2.20:1	1.67:1	2:1
ii)	Debt ratio	0.43:1	0.68:1	0.50:1
iii)	Age of debtors	33 days	46 days	35 days
iv)	Stock turnover	6 times	4 times	5 times
v)	Return on total assets	15.8%	20.9%	50%
vi)	Net Profit percentage	35%	45%	50%

a. Use the information above to comment on the management effectiveness of the business.

Skill level 4	
4	
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NR	

b. Make recommendations of the measures needed to improve the management effectiveness of Kapa's business.

Skill level 4	
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2	
1	
0	
NR	

TSC ACCOUNTING 2021

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** $\frac{\text{Current Assets} - (\mathit{Inventories\ \ Prepayments})}{\text{Current Liabilities} - (\mathit{Secured\ Bank\ Overdraft})}$
- **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** $\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales}} \times \frac{365}{1}$