

STUDENT EDUCATION NUMBER									



## Sāmoa School Certificate

# ACCOUNTING 2016

### QUESTION and ANSWER BOOKLET

Time allowed: 3 Hours & 10 Minutes

**INSTRUCTIONS:**

1. You have 10 minutes to read **before** you start writing.
2. Write your **Student Education Number (SEN)** in the space provided on the top right hand corner of this page.
3. Answer **ALL QUESTIONS**. Write your answers in the spaces provided in this booklet.
4. If you need more space for answers, ask the Supervisor for extra paper. Write your SEN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

STRANDS	Page number	Time (minutes)	Weighting
1. ACCOUNTING APPLICATIONS	2	50	30
2. FINANCIAL ACCOUNTING	7	65	34
3. THE ACCOUNTING PROCESS	15	65	36
<b>TOTAL</b>		180	100

**CHECK!** This booklet contains pages 2-23 in the right order.

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

**STRAND 1**

**Accounting Applications**

**Weighting 30**

1. What is the purpose of accounting?

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<b>Skill Level 1</b>

2. *Financial accounting is different from Management accounting.*

Define the term *financial accounting*.

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<b>Skill Level 1</b>

3. Describe the nature of accounting.

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<b>Skill Level 2</b>

4. Name an area of specialization in accounting required by the business below:

Skill Level 1

<p><u>LEUAINA ENTERPRISE LIMITED</u> <u>JOB VACANCY–SENIOR ACCOUNTANT</u></p> <p>Duties included management of financial of functions such as:</p> <ul style="list-style-type: none"><li>• Account Payable/Receivable</li><li>• Reconciliation of Account</li><li>• Maintain proper accounting records</li><li>• Prepare financial reports</li></ul>
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5. Explain how these users use accounting information in decision making process.

(a) Creditor

Skill Level 2

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(b) Government

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6. Describe ONE area of specialisation in accounting as a career.

Skill Level 2

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7. *Fiaola Simona requests a loan from the National Bank of Sāmoa to buy a new computer. The loan officer asked him a few questions.*

(a) Name ONE non-accounting information that the bank should ask Fiaola before making their decision.

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<b>Skill Level 1</b>

(b) Explain why non-accounting information is important to the bank.

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<b>Skill Level 3</b>

8. *A function of accounting is to analyse and interpret financial information.*

Name another function of accounting.

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<b>Skill Level 1</b>

9. *Internal users of accounting information rely heavily on the information from the past in order to prepare financial budgets and forecasts for the next financial year.*

Name ONE user who is interested in this information.

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<b>Skill Level 1</b>

10. How can management accountants help small businesses?

**Skill Level 1**

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11. *Sene prepares a Statement of Financial Performance for her business at every financial period.*

**Skill Level 3**

Explain the purpose of Sene's Financial Statement.

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12. *Faamu owns a local restaurant in town. Large number of customers eat at her restaurant which is noted for its delicious food and fine dining.*

**Skill Level 3**

Explain the non-financial information for the restaurant success.

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13. Explain the purpose of credit notes as source documents in business transactions.

**Skill Level 3**

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14. Define the term *cost accounting*.

**Skill Level 1**

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15. *Tafunai prepared a financial statement for his uncle's wedding.*  
Discuss why it is important for Tafunai to prepare a financial report.

**Skill Level 4**

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**STRAND 2**

**Financial Accounting**

**Weighting 34**

1. *Island View is a car rental business owned by Lusi and John.*

Name this type of business ownership.

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**Skill Level 1**

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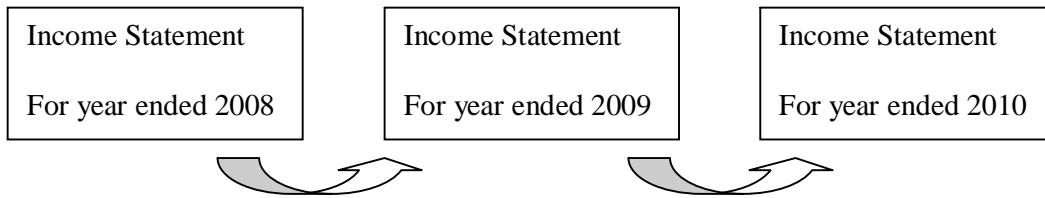
2. What is the accounting concept that determines the recording of fixed assets in the Statement of Financial Position?

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**Skill Level 1**

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3. Name the accounting concept illustrated by the above diagram.

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**Skill Level 1**

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4. Define the term *disclosure concept*.

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**Skill Level 1**

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5. Explain the difference in the Owner's Equity Section between the two business ownerships shown below.

<b>Skill Level 3</b>

<b>EXTRACT 1:</b>	
Proprietorship:	
Capital	75,000
Net Profit	<u>12,250</u>
	87,250
Less Drawings	<u>9,200</u>
Owner's Equity	<u>\$78,050</u>

<b>EXTRACT 2:</b>	
Shareholder's equity:	
Paid up Capital	160,000
Retained Profit	<u>25,000</u>
Total Shareholder's Equity	<u>\$185,000</u>

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6. *When accountants prepare financial statements, they prefer to understate rather than overstate profit and assets.*

<b>Skill Level 1</b>

Identify the accounting concept being used.

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7. The 'going concern concept' states that the existing entity will continue to operate in the future.

<b>Skill Level 3</b>

Explain why this is important in accounting.

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8. Listed below are the liabilities and assets for Samoana Car Rental as at 30 June 2016.

<b>Skill Level 3</b>

Cash at Bank	50,000
Account Receivable	30,000
Inventory	60,000
Account Payable	40,000
Prepayment	2,000
Land	80,000
Building	60,000
Accrued expenses	5,000
Petty cash	250
Bank overdraft	7,500
Loan	15,000

Using the above information, total all the current assets and current liabilities for Samoana Car Rental. Show your calculations.

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9. In Clubs and Societies, name ONE particular component of the Owner's Equity section in the Statement of Financial Position.

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Skill Level 1

10. Describe how the monetary concept is used in the preparation of financial statements.

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Skill Level 2

11. *Tom is an accountant and his brother Steve runs an Art Gallery Business at Malifa. Tom advises his brother that the life of his business is divided into equal time periods.*

What is the accounting concept that requires Steve to operate his business?

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Skill Level 1

12. *Tom also advised his brother to record a business cheque of \$1000 he used to pay his son's school fees.*

Name the accounting concept that Steve should use to separate his personal records from his business records.

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Skill Level 1

13. Name the type of business ownership where the owner's private assets may be sold to pay the debts of the business.

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Skill Level 1

14. The owner's equity section for Paula Proprietorship shows the following information.

<b>Skill Level 2</b>

	1 January 2015	31 December 2015
Capital (Paula)	\$30,000	\$21,000

Describe a possible cause for the change in Paula's Capital.

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15. Describe a characteristic of a partnership ownership.

<b>Skill Level 2</b>

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16. Describe how the adoption of going concern concept limits the usefulness of accounting reports.

<b>Skill Level 2</b>

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17. Use Lisa Stowers Shop's Trial Balance to prepare a fully classified statement of Financial Performance for year ended 31<sup>st</sup> March 2016.

<b>Skill Level 4</b>

**Lisa Stowers Shop**  
**Trial Balance as at 31 March 2016**

	<b>DEBIT</b>	<b>CREDIT</b>
Inventories (1 April 2016)	6,689.00	
Telephone	291.00	
Customs duty	372.00	
Purchases	6,432.00	
Drawings	1,000.00	
Advertising	784.00	
Land	10,000.00	
Light and Power	350.00	
Accounts Receivable	2,424.00	
Sales Salaries	5,200.00	
Delivery Expenses	864.00	
Cash at Bank	9,000.00	
Office equipment	1,200.00	
Office salaries	2,300.00	
Discount allowed	500.00	
Discount received		300.00
Sales		16,988.00
Accounts Payable		5,266.00
Loan		2,034.00
Capital		22,818.00
	<b>\$47,406.00</b>	<b>\$47,406.00</b>

Additional information:

- Inventories 31 March 2016 \$10,688

Lisa Stowers Shop  
Statement of Financial Performance for year ended 31 March 2016

	\$	\$	\$
Sales			
Less Cost of Goods Sold			
Gross Profit			
Plus Other Gains			
Total Profit			
Selling & Distribution Expenses			
General & Administrative Expenses			
Financial Expenses			
Total Expenses			
Net Profit			



**STRAND 3**

**The Accounting Process**

**Weighting 36**

1. *In order to run a business effectively, the management needs a good system of internal control.*

Define the term *internal control*.

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**Skill Level 1**

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2. Cash is most commonly the cause of theft or fraud in a business.

(a) Give ONE feature of internal control over cash receipts.

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**Skill Level 1**

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(b) Give ONE feature of internal control over cash payments.

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**Skill Level 1**

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3. Prepare General Journal entries to record the following balance day adjustments. Narrations are not required.

(a) Accrued wages \$500

(b) Insurance paid in advance \$1,000

	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
(a)			
(b)			

**Skill Level 1**

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**Skill Level 1**

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**SAMOA COMMERCIAL BANK**  
APIA, SAMOA

PAY Ah Liki Wholesale Co Ltd

6 June 2013

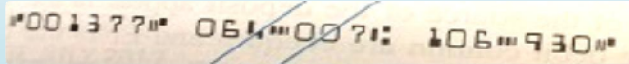
OR BEARER

THE SUM OF Two hundred fifty two tala 56 sene

\$252.56

(Amount in Words)

**ROBERT ROBSON**



4. Use the document above to answer the following:

(a) What is the name of the given document?

Skill Level 1

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(b) Who is the payee?

Skill Level 1

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Use the account receivable ledger account below to answer Number 5, 6 and 7.

**Account Receivable**

<b>Date</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Sept-01	Balance GJ			10,000 Dr
05	Sale SJ	3,000		13,000
15	Cash		5,000	

5. What is the ending balance of the account receivable ledger account?

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<b>Skill Level 1</b>

6. Which financial statement is required to report account receivables?

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<b>Skill Level 1</b>

7. *The transaction on September 15 is cash received from accounts receivables.*

Which journal was this amount originally from?

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<b>Skill Level 1</b>

8. Describe the first stage of the Accounting Process (Accounting Cycle).

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<b>Skill Level 2</b>

Use the general ledger accounts below to answer Number 9.

**Sales**

Date	Account	Debit	Credit	Balance
1 July 2014	Balance			2,000 Dr

**Equipment**

Date	Account	Debit	Credit	Balance
1 July 2014	Balance			60,000 Cr

**Service Revenue**

Date	Account	Debit	Credit	Balance
1 July 2014	Balance			120,000 Cr

9. Identify the account that would appear in the following financial statements.

(a) Trading account

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\_\_\_\_\_

<b>Skill Level 1</b>

(b) Profit and Loss account

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<b>Skill Level 1</b>

(c) Balance Sheet

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<b>Skill Level 1</b>

10. *The following information has been extracted from the financial statements of Sami Faasau, a sole trader for 2015 and 2016.*

	<b>2015</b>	<b>2016</b>
Cash at bank	495,000	480,000
Accounts receivable	390,000	370,000
Inventory	940,000	960,000
Prepaid expenses	45,000	70,000
Plant and equipment	650,000	600,000
Accounts payable	929,000	870,500
Accrued expenses	6,000	3,500

Use the information provided to calculate the current ratio for 2015 and 2016. Show formula and calculations.

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<b>Skill Level 3</b>

11. Fiafia Ltd purchased new equipment on 1 January 2013 at a cost of \$420,000. The company estimated that the equipment has a residual value of \$45,000. The equipment is expected to be used for 5 years.

(a) Calculate the depreciation expense using the straight line method for year 2013 to 2015.

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<b>Skill Level 3</b>

(b) Give the general entry to record depreciation expenses at the end of 2014. Write the narration for this transaction.

		Debit	Credit

<b>Skill Level 3</b>

12. *Below is the Cash Receipts Journal and Sale Journal for Soti's Shop.*

CASH RECEIPTS JOURNAL

Date	Account	Post Ref.	Bank	Discount allowed	Sales	Accounts Receivable
Jul-01	A. Salu	√	3,500			3,500
	S. Olano	√	4,000	50		4,050
	Sales	√	10,500		10,500	
	T. Alofa	√	2,500			5,500

SALES JOURNAL

Date	Account	Post Ref.	Sales	Account Receivable
Jul-01	T. Alofa	√	7,500	7,500
	A. Salu	√	9,500	9,500
	S. Olano	√	11,000	11,000

Prepare S. Olano's ledger account in the Accounts Receivables Subsidiary Ledgers from the journals above.

<b>Skill Level 2</b>

S.Olano


13. Record the following transactions for the Marist Social Tennis Club in the Receipts and Payments Account.

2015

- Sept 5      Deposit \$300 subscriptions received from 10 members  
 10      Purchase tennis ball \$50  
 15      Collect player's fee \$60  
 20      Cleaning and maintenance \$250  
 25      Received a donation from local shop \$300  
 30      Paid electricity and telephone \$110  
 30      Received \$30 Subscription from A. Tuli

**MARIST TENNIS CLUB  
 RECEIPTS & PAYMENTS AS AT 30<sup>TH</sup> SEPT 2015**

<b>Skill Level 2</b>

Receipts	Payments



