

STUDENT EDUCATION NUMBER

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GOVERNMENT OF SAMOA
MINISTRY OF EDUCATION, SPORTS AND CULTURE

Samoa Secondary Leaving Certificate

ACCOUNTING

2017

QUESTION and ANSWER BOOKLET

Time allowed: 3 Hours & 10 minutes

INSTRUCTIONS

1. You have 10 minutes to read **before** you start the exam.
2. Write your **Student Education Number (SEN)** in the space provided on the top left 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, 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.

CURRICULUM STRANDS		Page	Time (min)	Weighting
STRAND 1:	CONCEPTUAL BASIS OF ACCOUNTING	2	18	14
STRAND 2:	PROCESSING	4	36	8
STRAND 3:	ACCOUNTING SUBSYSTEMS	5	54	42
STRAND 4:	ACCOUNTING REPORTS	13	54	22
STRAND 5:	ANALYSIS, INTERPRETATION AND MAKING DECISIONS	19	18	14
TOTAL			180	100

Check that this booklet contains pages 2-22 in the correct order and that none of these pages are blank.

HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION

1. *Accrual basis is one method of accounting which must be used even though the revenues and expenses may not have been actually received or paid in cash during an accounting period.*

Describe Cash Basis Accounting.

SL 2

2. Describe how investors use accounting information.

SL 2

3. Explain what it means by establishing accountability.

SL 3

Eric Smith Ltd received their final accounting reports from their accountant on 10th December 2016. The reports were for the period ended 31st March, 2016.

4. Explain the qualitative characteristic that was violated by the accountant in the above case.

SL 3

5. Discuss how the following pair of accounting concepts are related.

Going Concern and ***Accounting Period***.

SL 4

1. Define credit *transactions*.

SL 1

2. A company called EGT Traders issues a monthly statement to all its accounts receivables at the end of the month.

What is the importance of this statement in the business operations?

SL 1

3. Sundry Accounts Payables names are recorded in the Purchases Journal using the original copies of all the invoices issued by the business.

Why do these names also appear in the Purchases Returns Journal?

SL 1

4. Describe the function of the General Journal.

SL 2

5. Explain the **debit** and **credit rules of asset accounts**, used for processing accounting transactions.

SL 3

STRAND 3: ACCOUNTING SUBSYSTEMS Weighting 42

1. Define how the following control measure helps prevent theft and fraud from occurring in the payment of wages.

Adequate supervision of the time records.

SL 1

2. An annual salary is negotiated between the employer and employee and is expressed on a yearly basis.

State the general formula in order to obtain an employee's fortnightly gross pay.

SL 1

3. A payroll register (sometimes known as a payroll, pay sheet, wages book) is prepared each pay period.

Identify any ONE input element to be included in the details for a payroll register.

SL 1

4. Name the principle of internal control described in each case;

(a) *Both officers arrive at the same conclusion after checking information.*

SL 1

(b) *Errors made by one person should be detected by another in the normal course of duties.*

SL 1

(c) *The impact of specialising responsibilities promotes care and efficiency.*

SL 1

(d) *An order form would be signed by an officer with authority to order inventories.*

SL 1

- (e) Documents are necessary to capture the information that is to be entered in the accounting system.

SL 1

Use the following information to answer Number 5 -7.

STOCK CARD										
<i>Description: Home Entertainment</i>										
Stock No. 12										
Location: Warehouse										
		IN			OUT			BALANCE		
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
			\$	\$		\$	\$		\$	\$
2016										
Jan 1	Balance							10	500	5000
8	Invoice # 234				4	500	2000	6	500	3000
13	Order #751	2	525	1050				8	506	4050
17	Credit note #15				1	500	500	7	507	3550
29	Order #223	5	530	2650				12	517	6200

5. Identify the inventory valuation method this Furniture Business uses.

SL 1

6. State the merchandise involved from the above stock card.

SL 1

7. What was the transaction dated 17th January 2016.

SL 1

Use the following to answer Number 8.

Serial No.....					
Type.....		Manufacturer.....		Account No.....	
Location.....		Supplier.....		Estimated Residual Value.....	
Date of Purchase.....		Estimated Life.....		Depreciation rate.....	
Depreciation Method.....			Taxable rate of Depreciation.....		
Date	Particulars	Original Cost	Annual Accounting Depreciation	Accumulated Depreciation	Tax Depreciation

8. Name the document above which shows the need for internal control of non-current assets.

SL 1

9. Adequate insurance cover should also be maintained against any unforeseen circumstances.

Identify the stated internal control procedure for the storage of non-current assets.

SL 1

10. Define *Diminishing Value Method* of calculating depreciation.

SL 1

Use the following information to answer Number 11 and 12.

If the stock taker reveals fewer items in stock than are represented on the stock ledger card, the card is adjusted to show the actual quantity on hand. The value of the inventory shortage is then recorded by a balance day adjustment.

11. State whether the above transaction shows an inventory gain (surplus) or an inventory loss (shortage).

SL 1

12. Record this as a balance day adjustment in the General Journal. Narration is not required.

SL 1

Date	Particulars	Folio	Debit	Credit

13. State the purpose of bank reconciliation.

SL 1

14. Name the output elements for the cash subsystem.

SL 1

15. One employee of Letava Traders receives cash for the business. The same employee is also involved in recording all the transactions in the accounting records.

What internal control weakness is likely to affect the cash subsystem?

SL 1

16. Use the given information to prepare Eric MJ's Bank Reconciliation Statement as at 31/12/2016.

<i>Credit balance as per bank statement</i>		<i>\$4344.03</i>
<i>Debit balance as per bank account</i>		<i>\$3241.38</i>
<i>Outstanding deposits</i>		<i>\$790.00</i>
<i>Unpresented cheques;</i>		
No. 123	<i>\$56.00</i>	
126	<i>\$876.50</i>	
128	<i>\$586.30</i>	
129	<i>\$373.85</i>	

ERIC MJ
BANK RECONCILIATION STATEMENT AS AT 31/12/2016

SL 2

17. Describe the internal control procedures for cash receipts.

SL 2

18. Describe the internal control procedures for cash payments.

SL 2

19. Explain the need for **internal control** over **payroll**.

SL 3

20. Explain the need for **internal control** over **fixed assets**.

SL 3

21. Explain the purpose of keeping an **accounts receivables control account**.

SL 3

22. Discuss the difference in calculating cost of goods sold under the periodic and the perpetual inventory system.

SL 4

23. Discuss the difference in calculating closing inventory under the periodic and the perpetual inventory system.

SL 4

STRAND 4:	ACCOUNTING REPORTS	Weighting 19
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1. *Good accounting reports have several distinct features.*

Name the feature given in each case regarding the financial statements prepared on balance day.

(a) Reports must be simple enough to be understood by those for whom they are intended.

SL 1

(b) Reports should be prepared in a consistent form and provide similar information from one accounting period to the next.

SL 1

- (c) The information in the reports must be presented in a form that is most useful to the people for whom the information is intended.

<hr/> <hr/>	SL 1

2. Identify ONE limitation related to each financial statement given.

- (a) Statement of Financial Performance.

<hr/> <hr/>	SL 1

- (b) Statement of Financial Position.

<hr/> <hr/>	SL 1

- (c) Statement of Changes in Cash Position.

<hr/> <hr/>	SL 1

- (d) Statement of Accounting Policies.

<hr/> <hr/>	SL 1

3. Name the community organization in Samoa which has recently promoted awareness for breast cancer disease.

SL 1

4. Describe the function of the Statement of Changes in Cash Position.

SL 2

5. Describe the nature and features of community organizations.

SL 2

The following information has been extracted from the books of the Panina Tennis Club Inc. Use the relevant information to answer Questions 6 and 7.

Panina Tennis Club Inc			
Statement of Assets and Liabilities as at 31st December 2015			
Accumulated Funds:			
Balance			<u>\$1090</u>
Assets:			
Cash at bank	526		
Inventories - refreshments	304		
Prepaid insurance	10		
Subscriptions in arrears	40		
Furniture (cost)	400		
Less Acc. Depreciation	<u>100</u>	<u>300</u>	1180
Less Liabilities			
Accrued wages	30		
Prepaid subscriptions	<u>60</u>	<u>90</u>	
			<u>\$1090</u>

A Summary of Receipts and Payments for the year ended 31st December 2016			
Receipts:		Payments:	
Entrance fees	400	Delivery of Expenses-refreshments	37
Subscriptions	2400	Insurance	120
Competition fees	300	Electricity	310
Donations	150	Postage & stationery	70
Sale of inventories	2140	Telephone	240
		Purchase-refreshments	620
		Wages	1700
		Social expenses	1218
		Hire of equipment	<u>180</u>
	<u>\$5390</u>		<u>\$4495</u>

Additional Information on 31st December 2016

- Subscriptions owing \$15
- Subscriptions paid in advance \$45
- Wages owing \$60
- Prepaid Insurance \$15
- Inventories-refreshments \$388
- Provide for depreciation on furniture 15% of cost.

6. Prepare the Trading Account for Refreshments.

SL 3

Panina Tennis Club Inc
Refreshments Trading Account for year ended 31st December 2016

7. Prepare the Subscriptions Account in the ledger. Use the T-Form Presentation.

SL 3

Subscriptions Account

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8. Prepare a Statement of Income and Expenditure for year ended 31st December 2016.

SL 4

Panina Tennis Club Inc
Statement of Income and Expenditure for year ended 31st December 2016

Income:			
Less Expenditure:			
Surplus/Deficit-Accumulated funds			

Use the information given to answer Number 1 and 2.

FINANCIAL RATIOS

Measure	31 st March 2016	31 st March 2017
Gross Profit ratio	_____	19.44%
Net profit ratio	1.6%	2.08%
Rate of return on owner's equity	2.84%	4.75%
Rate of turnover on total assets	4.55%	6.28%
Ratios of expenses to sales		
Cost of goods sold	83.04%	80.56%
Selling expenses	11.43%	11.67%
Administrative expenses	1.60%	2.77%
Finance Expenses	2.32%	2.92%
Ratios of expense groups to operating expenses		
Cost of goods sold	84.39%	82.26%
Selling expenses	11.62%	11.91%
Administrative expenses	1.63%	2.83%
Finance expenses	2.36%	2.97%
Working capital ratio	6.57:1	1.63:1
Quick asset ratio	2.09:1	0.72:1
Proprietorship ratio	71.72%	61.54%
Debt ratio	28.28%	38.46%
Rate of turnover over inventories	4.43times (82.42 days)	6.11times (59.74 days)
Rate of turnover over accounts receivables	4.29times (82.17 days)	5.79times (63.04 days)

1. Calculate the gross profit percentage for 31st March 2016.

SL 2

2. Calculate the total operating expenses ratio for 31st March 2017.

SL 2

3. Differentiate between gross profit ratio and net profit ratio.

SL 3

4. Differentiate between Inventory Turnover and Accounts Receivables Turnover.

SL 3

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ACCOUNTING

2017

(For Scorers only)

CURRICULUM STRANDS	Weighting	Scores	Chief Scorer
STRAND 1: CONCEPTUAL BASIS OF ACCOUNTING	14		
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TOTAL	100		