



Samoa Secondary Leaving Certificate

ACCOUNTING

2018

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 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, 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. Describe the basic accounting equation.

SL 2

2. Expenses are what a business spends money on. It simply means, money is issued for payment. However, there are expenses where money is not issued for payment called non cash expenses. Give an example of a non cash expense.

SL 2

3. Assets are what a business owns for several years for business operations. Depreciation is the allocation of the depreciable amount of a non-current asset over its useful life. Explain the application of such method on intangible assets.

SL 3

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.

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| SL 3 |
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| STRAND 3: | ACCOUNTING SUBSYSTEMS | Weighting 42 |
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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.

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| SL 1 |
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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.

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| SL 1 |
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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.

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

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

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

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

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

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

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| SL 1 |
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Use the following information to answer Number 5 -7.

| STOCK CARD | | | | | | | | | | |
|---------------------------------|-----------------|-----|-----------|------------|-----|-----------|------------|---------|-----------|------------|
| Description: Home Entertainment | | | | | | | | | | |
| 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.

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| SL 1 |
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6. State the merchandise involved from the above stock card.

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| SL 1 |
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7. What was the transaction dated 17th January 2016.

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| SL 1 |
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Use the following to answer Number 8.

| Serial No..... <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> Type..... Location..... Date of Purchase..... Depreciation Method..... </div> <div style="width: 30%;"> Manufacturer..... Supplier..... Estimated Life..... Taxable rate of Depreciation..... </div> <div style="width: 30%;"> Account No..... Estimated Residual Value..... Depreciation rate..... </div> </div> | | | | | |
|--|-------------|---------------|--------------------------------|--------------------------|------------------|
| 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.

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| SL 1 |
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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.

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| SL 1 |
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10. Define *Diminishing Value Method* of calculating depreciation.

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| SL 1 |
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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).

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| SL 1 |
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12. Record this as a balance day adjustment in the General Journal. Narration is not required.

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| SL 1 |
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| Date | Particulars | Folio | Debit | Credit |
|------|-------------|-------|-------|--------|
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13. State the purpose of bank reconciliation.

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| SL 1 |
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14. Name the output elements for the cash subsystem.

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| SL 1 |
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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?

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| SL 1 |
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16. Use the given information to prepare Eric MJ's Bank Reconciliation Statement as at 31/12/2016.

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|---|------------------|
| <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> | |
| <i>No. 123</i> | <i>\$56.00</i> |
| <i>126</i> | <i>\$876.50</i> |
| <i>128</i> | <i>\$586.30</i> |
| <i>129</i> | <i>\$373.85</i> |

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

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| SL 2 |
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17. Describe the internal control procedures for cash receipts.

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| SL 2 |
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18. Describe the internal control procedures for cash payments.

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| SL 2 |
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19. Explain the need for **internal control** over **payroll**.

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| SL 3 |
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20. Explain the need for **internal control** over **fixed assets**.

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| SL 3 |
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21. Explain the purpose of keeping an **accounts receivables control account**.

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| SL 3 |
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22. Discuss the difference in calculating cost of goods sold under the periodic and the perpetual inventory system.

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| SL 4 |
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23. Discuss the difference in calculating closing inventory under the periodic and the perpetual inventory system.

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| SL 4 |
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| 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.

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

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- (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.

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

- (a) Statement of Financial Performance.

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| <hr/> <hr/> | <table border="1"><tr><td>SL 1</td></tr><tr><td></td></tr></table> | SL 1 | |
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- (b) Statement of Financial Position.

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| <hr/> <hr/> | <table border="1"><tr><td>SL 1</td></tr><tr><td></td></tr></table> | SL 1 | |
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- (c) Statement of Changes in Cash Position.

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| <hr/> <hr/> | <table border="1"><tr><td>SL 1</td></tr><tr><td></td></tr></table> | SL 1 | |
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- (d) Statement of Accounting Policies.

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

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| <hr/> <hr/> | <table border="1"><tr><td>SL 1</td></tr><tr><td></td></tr></table> | SL 1 | |
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4. Describe the function of the Statement of Changes in Cash Position.

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| SL 2 |
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5. Describe the nature and features of community organizations.

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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 31 st 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 31 st 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.

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| SL 3 |
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Panina Tennis Club Inc
Refreshments Trading Account for year ended 31st December 20:

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

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| SL 3 |
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Subscriptions Account

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

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| SL 4 |
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Panina Tennis Club Inc
Statement of Income and Expenditure for year ended 31st December 2016

| | | | |
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| Income: | | | |
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| Less Expenditure: | | | |
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| 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.

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

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| SL 2 |
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3. Differentiate between gross profit ratio and net profit ratio.

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| SL 3 |
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4. Differentiate between Inventory Turnover and Accounts Receivables Turnover.

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| SL 3 |
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5. From the table (page19), discuss the results of ratios and percentages for Earning Capacity of business over the two years.

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| SL 4 |
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| STUDENT EDUCATION NUMBER | | | | | | | | | |
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ACCOUNTING

2017

(For Scorers only)

| CURRICULUM STRANDS | Weighting | Scores | Chief Scorer |
|--|------------|--------|--------------|
| STRAND 1: CONCEPTUAL BASIS OF ACCOUNTING | 14 | | |
| STRAND 2: PROCESSING | 8 | | |
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| STRAND 5: ANALYSIS, INTERPRETATION AND MAKING DECISIONS | 14 | | |
| TOTAL | 100 | | |