



Centre Number	Candidate Number

MINISTRY OF EDUCATION AND HUMAN RESOURCE DEVELOPMENT

SOLOMON ISLANDS SCHOOL CERTIFICATE

2017

BUSINESS STUDIES

QUESTION AND ANSWER BOOKLET

TUESDAY 7TH NOVEMBER 9:00 AM

**TIME: 3 HOURS PLUS
10 Minutes Reading Time**

<u>SECTION</u>	<u>CONTENT</u>	<u>MARK</u>
A	Multiple Choice Questions	20
B	Short Answer Questions	70
C	Long Answer Questions	70
	TOTAL	160

INSTRUCTIONS TO CANDIDATES

1. DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.
2. WRITE BOTH YOUR CENTRE NUMBER AND CANDIDATE NUMBER IN THE BOX PROVIDED AT THE TOP RIGHT HAND CORNER OF THIS PAGE.
3. BEFORE YOU BEGIN EACH PART, READ THROUGH THE INSTRUCTIONS CAREFULLY.
4. WRITE BEST ANSWER LETTERS TO **SECTION A** IN THE FOLD OUT FLAP OF THIS BOOKLET.
5. WRITE YOUR ANSWERS TO **SECTION B** AND **C** IN THE SPACES PROVIDED IN THIS BOOKLET.
6. USE 10 MINUTES READING TIME TO READ THROUGH THE PAPER
7. YOU ARE REQUIRED TO USE A RULER IN SOME QUESTIONS
8. PAGE **26** IS LEFT BLANK DELIBERATELY.

THIS BOOKLET CONTAINS 27 NUMBERED PAGES.

SECTION A: MULTIPLE CHOICE QUESTIONS

(20 MARKS)

WRITE THE BEST CORRECT ANSWER IN THE BOX PROVIDED IN THE FOLD OUT FLAP IN THIS BOOKLET. EACH QUESTION IS WORTH 1 MARK EACH.

1. The fundamental problem of economics is the:
 - A. Unfair distribution of income in the country.
 - B. Unfair distribution of public goods and services in the country.
 - C. Unfair system of personal and business taxation in the country.
 - D. Scarcity of resources relative to the unlimited wants of people.

2. The term **economic system** refers to the
 - A. manner in which a country solves its financial problems.
 - B. production and distribution of goods and services in a country.
 - C. rate of economic growth in a country.
 - D. subsistence mode of production only in a country.

3. A headline reads: "*Consumers demand a new Soltuna product that is nutritional and tasty.*"

What basic economic question is being addressed in the above headline?

 - A. What to produce?
 - B. How to produce?
 - C. How much to produce?
 - D. For whom to produce?

4. Which of the following businesses has the most productive labour force? (**Note:** The first figure is the volume of their production; the second is the number of workers).
 - A. \$1000:25
 - B. \$250:10
 - C. \$10 500:350
 - D. \$624:16

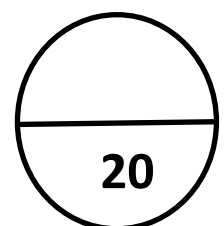
5. Which of the following is **NOT** an example of an investment?
 - A. A successful farmer builds a new permanent poultry shed.
 - B. ABC Company hires an accountant to audit the firm.
 - C. The government upgrades the new Kukum High Way.
 - D. Your school builds a new complex staffroom.

6. Copra drying, saw milling, and fish canning are all examples of economic activities performing under the
- A. primary industries.
 - B. secondary industries.
 - C. primary and secondary industries.
 - D. tertiary industries.
7. A registered company must have a _____ in order to start operating.
- A. Share Certificate.
 - B. Certificate of Incorporation.
 - C. Memorandum of Association.
 - D. Article of Association.
8. An example of a **compulsory insurance policy** which is paid by all vehicle owners is
- A. Third party motor vehicle insurance.
 - B. Comprehensive motor vehicle insurance.
 - C. Public road motor vehicle insurance.
 - D. Public liability insurance.
9. An example of a **legal or compulsory deduction** from employees' salaries and wages is
- A. insurance premiums.
 - B. Pay As You Earn tax (P.A.Y.E.).
 - C. Goods and Sales Tax (GST).
 - D. housing loan repayments.
10. Which of the following is **NOT** true? Transport costs
- A. vary depending on distance.
 - B. are calculated on weight.
 - C. are ultimately paid by the customer.
 - D. differ between air, road and sea transport.
11. Goodwill and Copyrights would appear in the Balance Sheet as
- A. Investments.
 - B. Current Assets.
 - C. Non-Current Assets.
 - D. Intangibles.

12. The statement "That for every debit entry, there shall be a corresponding credit entry" refers to
- A. Double – entry Concept.
 - B. Accounting Entity Concept.
 - C. Continuity Concept.
 - D. Monetary Concept.
13. ABA Cooperatives Ltd issued a \$2 000 invoice to Mary's Fashion Store. In which **Books of First Entry** would Mary's Fashion Store record this transaction?
- A. Cash Receipts Journal.
 - B. Purchases Journal.
 - C. General Journal.
 - D. Sales Journal.
14. Businesses operate a Petty Cash Imprest System because
- A. it is easy to purchase fixed assets.
 - B. it is an effective method of controlling small expenses.
 - C. it makes the writing of cheques for every payments much easier.
 - D. It is easy for business staff to get cash whenever they want.
15. A Trading Company received a statement from a creditor, with 10 % interest charged on overdue account, this will be recorded in the:
- A. sales journal.
 - B. purchases journal.
 - C. cash receipts journal.
 - D. general journal.
16. The **two final accounts** commonly prepared by trading entities to determine profit (loss) and are part of double entry are
- A. Trading Account and Capital Account.
 - B. Profit and Loss Account and Balance Sheet.
 - C. Trading Account and Profit and Loss Account.
 - D. Capital Account and Balance Sheet.

17. Your bank account has shown \$450 in funds. You find that a deposit of \$300 and a cheque issued for rent \$240 do not appear on the bank statement. Upon reconciliation, the bank statement balance should now be
- A. \$390 in funds.
 - B. \$390 overdrawn.
 - C. \$510 in funds.
 - D. \$510 overdrawn.
18. An unadjusted trial balance showed total expense of \$90,000 at year end. On the same date adjustments showed prepaid expenses of \$1,200 and accrued expenses of \$4,300. The actual expenses incurred during the year is
- A. \$84,500.
 - B. \$85,700.
 - C. \$86,900.
 - D. \$93,100.
19. A business bought a Motor Vehicle for \$30 000. It is to be depreciated at a rate of 20 %. By using the reducing balance method, what would be the accumulated depreciation amount after 2 years?
- A. \$6,000
 - B. \$4,800
 - C. \$10,800
 - D. \$12,000
20. Which of the following cannot be classified as Selling Expenses in the Revenue Statement?
- A. Sales salaries
 - B. Advertisement
 - C. Discount expense
 - D. Delivery van expenses

Total Mark for Section A
Q1 – Q20



SECTION B: SHORT ANSWER QUESTIONS (COMMERCE) (70 MARKS)

WRITE YOUR ANSWERS IN THE SPACES PROVIDED.

QUESTION B1: BACKGROUD TO BUSINESS (33 Marks)

Part I: Production/Consumption/Price (13 marks)

(a) Study the information in the table below and answer the questions that follow.

Demand and Supply Schedule for Good X

Price (\$)	Quantity Demanded (Units of Good X)	Quantity Supplied (Units of Good X)
1	50	30
2	45	35
3	40	40
4	35	45
5	30	50

(i) What is the equilibrium price and quantity?

Equilibrium price: _____ (1 mark)

Equilibrium quantity: _____ (1 mark)

(ii) Describe the situation at a price of \$1 and at a price of \$5.

Situation at \$1:

_____ (1 mark)

Situation at \$5:

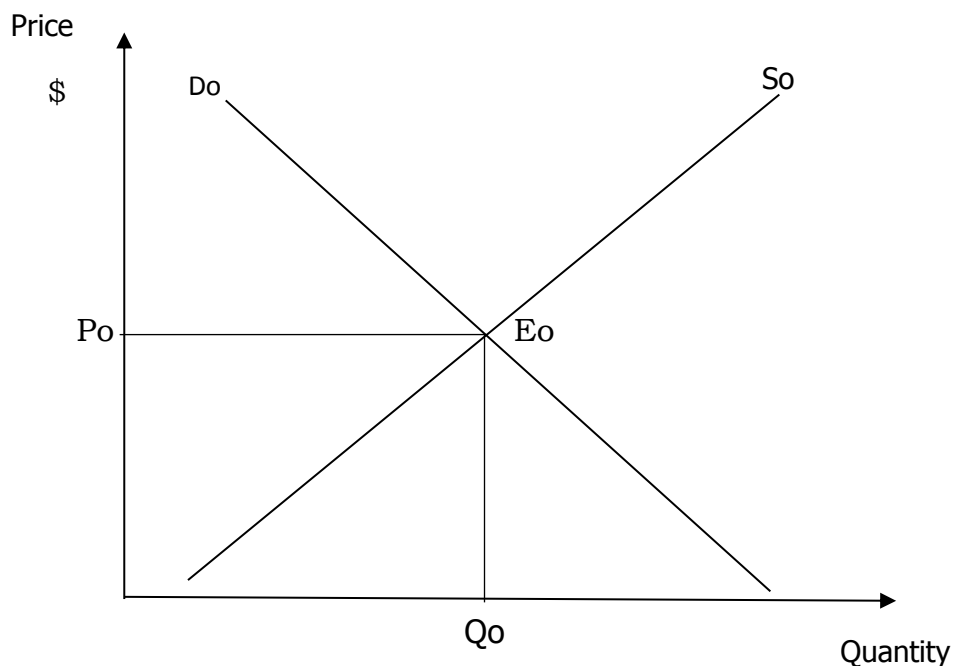
_____ (1 mark)

(b) The demand and supply of pineapple at the Central Market is shown below in Graph 2.1 with the Market Equilibrium at **E_o**.

“Suppose a Cyclone came and destroyed most pineapple farms”,

- (i) Draw the new shift either in the demand or the supply curve to show this effect on the graph. Label your new curve as **D₁** or **S₁** and
- (ii) Indicate the new Market equilibrium as **E₁**. Clearly label the new equilibrium price and quantity as **P₁** and **Q₁** respectively.

Graph 2.1: Demand and Supply curve of Pineapple:



(4 marks)

(c) Outline TWO negative effects of inflation on Solomon Islands economy.

(2 marks)

(d) For each of the following possible sources of inflationary pressure, state whether it will lead to **demand pull inflation** or **cost push inflation**. Write your answer in the space provided besides each statement.

(i) An increase in the price of crude oil. _____

(ii) A reduction in the rate of income tax. _____

(iii) An increase in the rate of import duty. _____

(3 marks)

Part II: International Trade (12 marks)

(a) Explain two reasons why countries trade internationally.

(2 marks)

(b) Provided below are some methods of trade protectionism. Match the correct method of protectionism with the correct definition. Each method is to be used once only.

Methods of Protectionism

A. Tariff	C. Embargo	E. Subsidies
B. Import-quota	D. Export Duties	F. Red tape

Definition	Method of Protectionism
1. A total ban on import or export of a commodity and is the extreme form of quota.	
2. Cash payments made by the government to local firms in order to encourage domestic production.	
3. Is a legal limit upon the quantity of a particular good which can be imported over some specific period of time.	
4. Is the tax on imported goods and has the immediate effect of raising the price of imports.	

(4 marks)

(c) The table below relates to Country Z's trade accounts in 2016.

Study the table and answer the questions that follow.

Balance on Merchandise Trade	\$84.5 million Deficit
Balance on Service Account	\$73.1 million Deficit
Balance on Transfer Account <i>(major receipts from foreign aids)</i>	\$88.3 million Surplus
Balance on Capital Account <i>(major receipts from overseas loans)</i>	\$44 million Surplus.

Calculate Country Z's Current Account and Balance of Payments.

Show ALL your working out:

(i) Current Account

(2 marks)

(ii) Balance of Payments

(2 marks)

(iii) State whether Country Z is a Less Developed Country (LDC) or a Developed Nation. Give ONE example from the above table or your calculations to support your answer.

(2 marks)

Part III: Basic Economics Concepts (8 marks)

(a) "A business person buys a boat and pays a fisherman to catch fish which he sells at the local market."

The above statement contains examples of all four factors of production.

Clearly identify any TWO types of factor of production and provide an example of each, as indicated in the statement above.

Factor of Production	Example From Statement
1.	
2.	

(4 marks)

(b) The marketing and distribution of finished goods also comes under Tertiary Industries.

Do you agree or disagree with this statement? Explain your opinion.

(2 marks)

(c) State TWO features of the Market Economic System that can be found in the Solomon Islands.

(2 marks)

QUESTION B2: BUSINESS ORGANISATION

(8 Marks)

(a) Use the information below to answer the questions that follow:

1.A. X.Y.Z Finance Limited.	1.C. Morrison and Son Store.
1.B. Kolt Bret Proprietary Limited.	1.D. Mary's Fashion Store.

(i) Which of the above businesses is a private company?

_____ (1 mark)

(ii) Which of the above businesses issues prospectus to raise funds?

_____ (1 mark)

(iii) Which of the above two businesses have an unlimited liability status?

_____ (2 marks)

(iv) Explain the word "Limited" as it appeared in X.Y.Z Finance Limited and Kolt Bret Proprietary Limited.

_____ (2 marks)

(b) State any TWO advantages of a Joint Venture Company.

_____ (2 marks)

QUESTION B3: RUNNING A BUSINESS (23 Marks)

Part I: Business and Finance (8 marks)

- (a) The National Government has decided to revive the former Development Bank of Solomon Islands (DBSI) this year. Explain ONE important function of this bank.

(2 marks)

- (b) Name ONE of the Commercial Banks currently operating in the Solomon Islands and List any TWO roles of these banks.

(3 marks)

- (c) Identify any THREE functions of the Central Bank of Solomon Islands (CBSI).

(3 marks)

Part II: Aids to Trade (15 marks)

- (a) Distinguish between persuasive advertisement and informative advertisement.

(2 marks)

(b) Use the headline below to answer the questions that follow:

“A PROMINENT businessman who failed to pay \$6.7 million in government tax is in trouble again with the taxman”.

(Source: Solomon Star 9th June 2017)

(i) Name the government agent that the headline refers to as the taxman.

(1 mark)

(ii) Explain the type of tax the businessman failed to pay the government.

(2 marks)

(iii) Explain why the “\$6.7 million in government tax” is important to the entire Solomon Islanders.

(2 marks)

(c) Explain why **air transport** is the **most expensive** compared to land and sea transports.

(2 marks)

(d) Explain **one** reason why feedback can indicate that communication has been successful.

(2 marks)

(e) Provided below are some insurance terms. Match the correct term with the correct definition. Each term is to be used once only.

A. Indemnity	E. Risk
B. Insurable interest	F. Premium
C. Insurance Policy	G. Public Liability insurance
D. Proposal Form	H. Worker's Compensation insurance

Definition	Insurance Term
1. Insurance taken out by an employer to protect himself if an employee is injured or killed in the course of his duties.	
2. The written contract between the insurer and the insured.	
3. The money paid for the protection against financial loss.	
4. The principle of insurance, much like "pay-back", which states that the insured person only benefits if the event insured against actually occurs.	

(4 marks)

QUESTION B4:

WORKING FOR A BUSINESS

(6 marks)

(a) Read the following passage carefully and answer the questions that follow.

Martha runs a business – *TeeMartha* – that sells T-shirts. After years of operation Martha’s business has grown and she needs to recruit more sales staff. As part of her recruitment process she requires all applicants to provide a curriculum vitae (CV).

(i) Identify **one** reason why it is important that an applicant provides a clearly presented CV.

(2 marks)

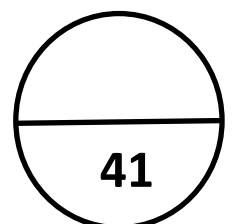
(ii) If Martha receives 100 applicants, explain **one** way the applicants’ CVs will help Martha in her recruitment process.

(2 marks)

(b) Explain **TWO** positive effects of successful entrepreneurs on employment and living standards.

(2 marks)

**Total Mark for Section B
Q21 – Q28**



SECTION C: LONG ANSWER QUESTIONS (ACCOUNTING)
(70 MARKS)

WRITE YOUR ANSWERS IN THE SPACES PROVIDED.

QUESTION C1: ACCOUNTING PROCESS (20 Marks)

On 1 September 2016 H. Kuma had the following balances in the ledger:

Cash at bank \$1,000; Accounts receivable: M. Sam \$185, and H. Evans \$105; Inventories \$890; Furniture \$2000; Land \$46,000.

Transactions for the month were:

- Sept 2 Sold goods for cash \$800
- Received \$100 in full settlement of H. Evans 1 September balance
- 8 Sold goods to H. Evans, invoice no.10 for \$200
- 10 Sold goods for cash \$200
- Purchased goods for cash \$200
- 22 Received \$185 from M. Sam
- Sold goods for \$455 to S. Waqa
- 25 Bought goods from ABC Ltd. for \$2,000
- Paid advertising \$135, Wages \$1,000
- 28 Owner withdrew inventories costing \$100 for own use.

In the spaces provided, you are required to:

- (i) enter the appropriate transactions into the **selected journals only** and total the journals for the month.
- (ii) post entries from journals to the **Sales Account only** and balance the account for the month.

(i) **GENERAL JOURNAL** (narrations are not required) (4 marks)

Date	Particulars	Debit \$	Credit \$

SALES JOURNAL

(3 marks)

Date	Debtors	Amount \$

CASH RECEIPTS JOURNAL

(8 marks)

Date	Particulars	Discount \$	Bank \$

(ii)

SALES A/C

(5 marks)

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QUESTION C2: DEPRECIATION (10 Marks)

(a) Equipment was purchased for \$12 000. The estimated life of the equipment is four years and the estimated scrap value is \$600.

(i) Calculate the annual depreciation for the first year using the straight line method.

(2 marks)

(ii) Calculate the value of the accumulated depreciation at the end of the third year.

(2 marks)

(b) The following ledger account balances relates to F KIRI's Trial Balance as at 31st October 2016.

Motor Vehicle	\$20,000.00
Accumulated Depreciation	\$2,000.00

(i) Calculate the value of depreciation for 2017 using the Diminishing Balance Method. The rate of depreciation is 10%.

(2 marks)

- (ii) Prepare the General Journal entry for depreciation expense on the 31st October 2017. Narrations are not required.

General Journal

Date	Particulars	Debit	Credit

(2 marks)

- (iii) Show how the Asset Account would appear in the Balance Sheet as at 31st October 2017.

Balance Sheet as at March 2017 (Extract)

	\$	\$
Fixed Asset:		

(2 marks)

QUESTION C3: BANK RECONCILIATION**(10 Marks)**

From the following information relating to the business of E Tome,

- (i) Complete the Cash at Bank account.
(ii) Prepare a Bank Reconciliation Statement as at 30th June 2016.

E Tome Cash Receipts Journal			
Date	Receipt no	Particulars	Bank (\$)
2016			
June 1	CRS	Sales	400
9	16	R Tailor	1 200
11	CRS	Sales	300
16	17	J Marsden	100
23	CRS	Sales	150
29	CRS	Sales	390

E Tome Cash Payments Journal			
Date	Cheque no	Particulars	Bank (\$)
2016			
June 1	276	Wages	600
9	277	George Wu	900
17	278	Purchases	800
27	279	Electricity	300

E Tome's Bank Statement				
Date	Particulars	Debit (\$)	Credit (\$)	Balance (\$)
2016				
June 1	Balance			2000 Cr
1	Deposit		400	2400 Cr
3	Cheque book	50		2350 Cr
9	Deposit		1200	3550 Cr
11	Deposit		300	3850 Cr
14	276	600		3250 Cr
16	Deposit		100	3350 Cr
18	277	900		2450 Cr
23	Deposit		150	2600 Cr
30	Direct Deposit – P Wilson		450	
	Bank Charges	100		2950 Cr

QUESTION C4: FINANCIAL REPORTS (30 Marks)

You are required to use the information below relating to the activities of the ABC Trading for the year ended 31st August 2017 to answer the questions that follow.

**ABC Trading
Trial Balance as at 31st August 2017**

	Dr	Cr
Capital		19 000
Drawings	500	
Cash at Bank		400
Accounts Receivable	4 000	
Stock (31/08/2016)	8 000	
Trade Mark	2 000	
Shares in XYZ Co	5 000	
Furniture (at cost)	10 000	
Business Premises	19 000	
Accounts Payable		4 000
Mortgage on Premises		20 000
Sales		30 000
Sales Returns	900	
Purchases	22 000	
Purchases Returns		3 000
Freight Inwards	1 000	
Bad Debts	300	
Rent expense	1 200	
Electricity	1 500	
Advertising	1 000	
	\$76 400	\$76 400

At 31st August 2017, the following adjustments were necessary:

- (a) Stock on hand \$2 000
- (b) Electricity due but not yet paid \$300
- (c) Commission Revenue owing \$200
- (d) Provide 20% depreciation on Furniture
- (e) Prepaid Rent \$200

You are required to prepare the following:

- 1 General Journal Entries to record the adjustments at 31st Aug 2017
- 2 A fully Classified Revenue Statement in Narrative Form
- 3 A fully Classified Balance Sheet in Narrative Form as at 31st Aug 2017.

(1)

General Journal (Narrations are not required)

Date	Particulars	Debit \$	Credit \$
2017 Oct 31			

(5 marks)

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**SECTION A
MULTIPLE CHOICE (20 MARKS)**

Write the letter of the correct answer in the box provided below.

- | | | | |
|-----|----------------------|----|----------------------|
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| 2. | <input type="text"/> | 12 | <input type="text"/> |
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| 9. | <input type="text"/> | 19 | <input type="text"/> |
| 10. | <input type="text"/> | 20 | <input type="text"/> |

FOR MARKERS USE ONLY

SECTION	MARKS	ACTUAL MARK
A	20	
B	70	
C	70	
TOTAL	160	
Markers Initial		