

MARKER CODE

--	--	--	--	--	--



Student Personal Identification Number

--	--	--	--	--	--

## SOLOMON ISLANDS NATIONAL FORM SIX CERTIFICATE

# 2019

# ACCOUNTING

## QUESTION AND ANSWER BOOKLET

TUESDAY 12<sup>th</sup> NOVEMBER 9:00 AM

TIME: 3 Hours Plus 10 Minutes  
Reading Time.

### INSTRUCTIONS

1. There are SIX (6) sections in this paper. Answer **ALL** sections and allocate your time as given below:

	<u>Marks</u>	<u>Suggested Time</u>
Section One : Multiple Choice	20	18 minutes
Section Two : Conceptual Basis of Accounting	20	18 minutes
Section Three : Accounting Process	33	30 minutes
Section Four : Accounting Reports	50	45 minutes
Section Five : Analysis, Interpretation and Decision Making	24	22 minutes
Section Six : Accounting Systems	53	47 minutes
<b>TOTAL</b>	<b>200 marks</b>	<b>180 minutes</b>

2. Answer ALL questions in the spaces provided in this booklet.
3. If you need extra papers for your answers, ask your supervisor. Write your SPIN on all extra sheets used and number the questions clearly. You can use a **Scientific fx82 calculator**.
4. Write your **Student Personal Identification Number (SPIN)** on the top right hand corner of this page and on the back- flap page at the end of this Booklet.
5. Check that this booklet contains **pages 2-31** in the correct order and that none of these pages is blank. **Page 30** has been left blank deliberately.
6. Do NOT use correction fluid.
7. Mobile phones are NOT allowed in the Examination room.

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

**SECTION ONE:****MULTIPLE CHOICE****(20 MARKS)**

**WRITE THE LETTER OF YOUR BEST ANSWER ON THE BACK-FLAP OF THIS BOOKLET. EACH QUESTION IS WORTH 2 MARKS.**

---

1. Which of the following is NOT a **qualitative characteristic** of accounting data?
  - A. Neutrality.
  - B. Continuity.
  - C. Timeliness.
  - D. Verifiability.
  
2. The **final account** that reports on the cash movements and difference in terms of net increase/decrease for the period is a; statement of;
  - A. Cash Flows.
  - B. Financial Position.
  - C. Accounting Policies.
  - D. Financial Performance.
  
3. On 31<sup>st</sup> January, 2017 Kavika purchased a motor vehicle for \$45 000. The salvage value of the motor vehicle at the end of five years would be \$5 000. The **depreciable cost** of the motor vehicle would be;
  - A. \$40 000.
  - B. \$45 000.
  - C. \$48 000.
  - D. \$50 000.
  
4. One of the **disadvantages** of using manual accounting system is that it;
  - A. is cost effective.
  - B. requires less labour.
  - C. is more prone to errors.
  - D. takes less time to prepare reports.

5. A company's trial balance shows wages of \$33 410. At balance day, 3 days wages was still due. The current five-day wage bill is \$650. The amount of wages due that would appear in the balance sheet under current liabilities is;
- A. \$90.
  - B. \$180.
  - C. \$270.
  - D. \$390.
6. The **reimbursement cheque** made for petty cash expenses is recorded in the;
- A. Sales Journal.
  - B. Purchases Journal.
  - C. Cash Payments Journal.
  - D. Cash Receipts Journal.
7. Jimmy's **Pay slip** showed the following:

Gross pay	Solomon Islands Provident Fund	Insurance	Car Loan	Deductions	Net Pay
\$550.00	8%	\$34.95	\$90.00	?	?

The total amount of **deductions** paid by Jimmy is;

- A. \$44.00
  - B. \$168.95
  - C. \$337.00
  - D. \$416.00
8. An amount of \$50 for advertising prepaid has been omitted from the Statement of Financial Performance. What is the **effect** on a reported profit of \$10 000?
- A. No effect
  - B. Overstated by \$50
  - C. Overstated by \$950
  - D. Understated by \$50

9. The following percentages relate to Jones business.

Gross profit 52%	Administrative expense 20%
Selling expense 10%	

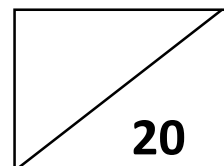
If the net sales for 2018 was \$105 000, then the **net profit figure** would be;

- A. \$23 100.
- B. \$25 000.
- C. \$54 600.
- D. \$31 500.

10. An example of **capital expenditure** for a hardware shop would be;

- A. paid wages \$300.
- B. paid for advertising \$570.
- C. bought a car for \$23 000 from Carz Ltd.
- D. bought hardware materials for cash \$900.

**SECTION ONE:**



## **SECTION TWO: CONCEPTUAL BASIS OF ACCOUNTING (20 MARKS)**

1. Ester is an owner of an internet shop known as ES Enterprises. The statement of financial performance is prepared every 12 months for the business.

a) Which **accounting concept** is applied in Ester's business?

---

---

---

(1 mark)

b) The repairs on computers in the shop are reported as an expense in the statement of financial performance. Justify why repairs to computers is treated as an **expense**.

---

---

---

(2 marks)

2. Janice operates a Garden Store selling garden plants and accessories. She wants to expand her Garden Store by opening a café attached to it. She went to the bank to borrow \$30 000 to complete the expansion.

a) State ONE (1) **financial** information the bank manager would want, before deciding to give the loan.

---

(1 mark)

b) Explain the chosen financial information above.

---

---

---

(2 marks)

c) List TWO (2) **non-financial** information needed by the bank manager before lending the money.

---

---

(2 marks)

3. Describe ONE (1) function of accounting.

---

---

---

(2 marks)

4. From the list provided, identify the **assumptions or characteristics** of accounting information which best suits each of the situations given below.

**Monetary concept, Accrual concept, Reliable, Materiality concept, Neutrality, Historical cost concept, Accounting entity concept, Relevance.**

- a. The business bought an equipment 10 years ago for \$20 000. Today its market value is \$32 000. The accountant recorded the equipment at \$20 000 in the final account.
- b. For better decision making, accountants provided the required information.
- c. The cost of stationery is too small to be shown separately in the balance sheet.
- d. Business accounts only include items which have direct money values.
- e. Financial statements are annually audited by external auditors for accountability.
- f. The reporting of accounting information is free from personal biasedness.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_
- f) \_\_\_\_\_

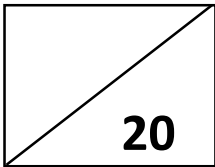
(6 marks)

5. Give ONE (1) reason why the following parties may be interested in the business.

Users of information	Reason for interest
Owner	
Government	

(4 marks)

**SECTION TWO:**



**SECTION THREE: ACCOUNTING PROCESS****(33 MARKS)****Part A: Accounting Equation**

1. The accounting equation grid given below relates to Tong Lee's business for the month of July 2018.

Date	Cash +	Inventories +	Accounts Receivables +	Fixed assets +	Expenses	=	Accounts Payable +	Equity +	Revenue
July 1	\$3 000	\$2 500	\$5 000	\$9 200	\$0	=	\$2 500	\$17 200	\$0
3	+120					=			+120
7		- 450	+500			=			+50
15	-700			+1 500		=	+800		
20	-290					=	-300		+10
25		+200				=	+200		
27	-90				-90	=			
29	+275		-275			=			
31	+1 000					=		+1 000	

**Note: The business uses perpetual inventory method to record inventory.**

You are required to write the possible transactions that took place during July 2018.

Date	Possible Transactions
3	
7	
15	
20	
25	
27	
29	
31	

(8 marks)



2. Source Documents

**State the purpose of each of the following source documents.**

<i>Source Document</i>	<i>Purpose</i>
Invoice	
Purchase order	
Statement of Account	
Credit notes	
Cash Register tape	

(5 marks)

**Part B: Balance Day Adjustments**

- 1. The following relates to Pagi’s Store for the year ended 30<sup>th</sup> June 2018.
  - (i) Unearned Rental Income \$550.
  - (ii) Prepaid Advertising \$239.
  - (iii) Provision for doubtful debt to be allowed at 3% of accounts receivables. Accounts Receivables is \$5 000 and existing provision for doubtful debt is \$128. **(Show working)**

You are required to prepare the **General Journal entries** to record the balance day adjustments. **(Narrations not required)**.

**General Journal**

Date	Particulars	Debit \$	Credit \$

(6 marks)

**Working for (iii)**

(2 marks)

2. Jonathan's business recorded the following transactions for the month of July 2018.

Opening Balances: Cash \$2 300, Van \$25 000, Building \$150 000	
Accounts Receivables: Alafu \$1 230, Ema \$372, Koroi \$975	
July	<p>1 Owner contributed \$30 000 into the business.</p> <p>5 Issued invoice to Alafu \$300.</p> <p>7 Sold old van to Simon for \$5 000, less 5% trade discount.</p> <p>8 Received \$975 from a debtor (Koroi) and allowed a discount of \$75.</p> <p>10 Bought goods for cash \$6 700.</p> <p>13 Received rent \$340.</p> <p>14 Credit note issued to Alafu \$78.</p> <p>15 Sold goods for cash \$870.</p> <p>20 Purchased new computers on credit from ABS Ltd \$3 000.</p> <p>21 Issued invoice to Ema \$255.</p> <p>25 Received commission \$230.</p>

In the space provided below, prepare the **required journals** and **Alafu's Account**.

a) **Cash Receipts Journal**

Date	Particulars	Disc. \$	Details \$	Bank \$	Sales \$	Accounts Rec. \$	Rent \$	Sundry \$

(6 marks)

b) **Sales Journal**

Date	Particulars	Debit \$	Credit \$

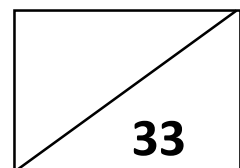
(3 marks)

c) **Alafu's Account (Debtor)**

<b>Date</b>	<b>Particulars</b>	<b>Debit \$</b>	<b>Credit \$</b>	<b>Balance \$</b>

(3 marks)

**SECTION THREE:**



**SECTION FOUR:****ACCOUNTING REPORTS****(50 MARKS)****Part A:****(17 marks)**

1. Basilio owns BL Enterprises, a large shop which sells a variety of clothes and household items. Given below is the **Trial Balance** of his business as at 31<sup>st</sup> March 2018.

<b>BL Enterprises</b>			
<b>Trial balance as at 31<sup>st</sup> March 2018</b>			
	\$		\$
Advertising	5 000	Accumulated Depreciation on Buildings	14 600
Cash at Bank	5 470	Accumulated Depreciation on Shop Equipment	2 560
Bad Debts	350	Dividends	380
Buildings	135 000	Sales	235 000
Cost of Goods Sold	178 000	Provision for doubtful debt	190
Drawings	12 800	Mortgage	112 000
Shop Equipment	13 700	Accounts payable	6 530
Insurance	760	Capital	141 220
Interest on Mortgage	8 400		
Land	80 000		
Rates	3 000		
Inventory	32 600		
Wages and Salaries	25 900		
Sales Returns	2 000		
Shares in Sandy Ltd	9 500		
	<b><u>512 480</u></b>		<b><u>512 480</u></b>

**Additional Information:**

- Rates accrued \$200
- Bad debts written off \$150.
- Depreciation to be provided on Shop Equipment and Building at a rate of 10% per annum.
- Provision for doubtful debt to increase by \$50.
- Advertising prepaid \$90.



**Part B: Cash Flow Statement (10 marks)**

The following information refers to Rowena’s Minimart. The following transactions are for the year ended 31<sup>st</sup> August 2018.

Bank Balance on 1 <sup>st</sup> August 2017	\$2 760
Cash from Sales	1 700
Other cash revenue	900
Interest Received	280
Payment to suppliers for purchases	1 200
Payment of wages to employees	600
Purchase of new computer in cash	3 000
Insurance paid	230
Depreciation charges	170

Prepare the **Statement of Changes in Cash Position (Cash Flow)** for Rowena’s Minimart as at 31<sup>st</sup> August 2018.

<b>Rowena’s Minimart</b>		
<b>Statement of changes in Cash Position as at 31<sup>st</sup> August 2018.</b>		
Cash Received from:	\$	\$
Total cash received:		
Cash paid to:		
Total Cash payments:		
Net Decrease in Cash		
Add Bank at 1 <sup>st</sup> August 2017		
Balance at 31 <sup>st</sup> August 2018		

(10 marks)

**Part C: Community Organisations**

**(23 marks)**

1. The following information refers to members subscriptions during the year for Red Club:

- Members subscriptions in arrears 1<sup>st</sup> January 2017 \$300
- Members subscriptions in advance 1<sup>st</sup> January 2017 \$400
- Subscriptions received during the year 2017 \$5 600
- Members subscriptions received in advance at 31<sup>st</sup> December 2017 \$240
- Members subscriptions owing at 31<sup>st</sup> December 2017 \$190
- Members subscriptions written off \$50

You are to prepare the **ledger accounts** for:

a) **Subscriptions Account**

Date	Particulars	Debit \$	Credit \$	Balance \$

(6 marks)

b) **Accrued Subscriptions**

Date	Particulars	Debit \$	Credit \$	Balance \$

(2 marks)



2. The treasurer of Tulagi Club provided the following financial information for 2018.

**Assets and Liabilities as at 1<sup>st</sup> May 2017**

<b>Assets</b>	<b>\$</b>	<b>Liabilities</b>	<b>\$</b>
Cash at bank	2 300	Loan	1 600
Furniture	7 000	Accumulated funds	13 700
Land	6 000		

**Receipts and Payments Summary for the year 2018**

<b>Receipts</b>	<b>\$</b>	<b>Payments</b>	<b>\$</b>
Entrance Fees	270	Secretary's expenses	152
Donation	120	Investment XYZ	1 800
Subscriptions	3 900	Loan Repayment	450
		New Furniture	1 200
		Rates	235

**Additional information as at 30<sup>th</sup> April, 2018:**

1. Subscriptions in Arrears \$50
2. Subscriptions received in advance is \$80
3. The club estimated that the furniture to be depreciated by \$300
4. Rates due \$150
5. Excess of income over expenditure for the year was \$3 153



**SECTION FIVE: ANALYSIS, INTERPRETATION AND DECISION MAKING** (24 MARKS)

**Part A:**

Alex Handy owns South Pacifica Ltd which specializes in selling household equipment. Below is a set of financial statement extracts prepared by Alex's accountant.

<b>South Pacifica Ltd</b>		
<b>Comparative Income statement (extracts)</b>		
<b>For the year ended 31<sup>st</sup> July 2017 and 31<sup>st</sup> July 2018</b>		
	\$	\$
<b>Income</b>	<b>2017</b>	<b>2018</b>
Sales	350 000	400 000
Less Cost of Goods Sold	200 000	215 000
Gross Profit	150 000	185 000
Profit for the year	124 000	135 000

<b>South Pacifica Ltd</b>		
<b>Comparative Statement of Financial Position</b>		
<b>For the year ended 31<sup>st</sup> July 2017 and 31<sup>st</sup> July 2018</b>		
	\$	\$
<b>Current Assets</b>	<b>2017</b>	<b>2018</b>
Cash at Bank	45 000	0
Accounts Receivables	32 000	55 000
Inventory	20 000	45 000
<b>Non-Current Assets</b>		
Property, Plant and Equipment	250 000	300 000
Total Assets	347 000	400 000
<b>Current Liabilities</b>		
Accounts Payable	22 000	39 000
Bank Overdraft (limit \$10 000)	-	35 000
Expenses Due	200	500
<b>Non-Current Liabilities</b>		
Loan (Due 2024)	140 000	100 000
Capital	184 800	225 500

**Additional Information:** Inventories at 31/7/16 \$23 000

**Use the information from the financial statements given (page 19) to calculate the following ratios and percentages: (Answer to be given in 2 decimal places).**

<b>Formula</b>	<b>2017</b>	<b>2018</b>
Mark Up percentage		
Current ratio		
Inventory Turnover (Times)		
Debt to Equity ratio		
Liquid Capital ratio		

(15 marks)

**Part B:** Sunshine Shopping is owned by Maria. The business is in operation for a few years.

**Below is a summary of the management effectiveness analysis.**

Analysis Measure	Sunshine Shopping	Industry Average
Inventory Turnover	23 times	20 times
Age of Accounts Receivable	48 days	30 days

1. Explain fully what an **inventory turnover of 23 times** indicates about Sunshine Shopping.

---

---

---

(2 marks)

2. Explain why Sunshine Shopping’s **Age of Accounts Receivable** is not healthy.

---

---

---

(2 marks)

3. Make recommendations to the owner to **improve** the Age of Accounts Receivable.

---

---

---

---

---

(3 marks)

4. Give TWO (2) **drawbacks** of analysis and interpretation of financial statements.

---

---

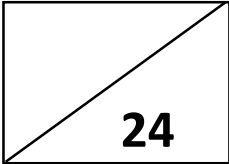
---

---

---

(2 marks)

**SECTION FIVE:**



**SECTION SIX: ACCOUNTING SUB SYSTEMS**

**(53 MARKS)**

**Part A: Internal Controls (6 marks)**

1. List any THREE (3) **objectives** of internal controls.

---

---

---

---

---

(3 marks)

2. Identify ONE (1) **internal control principle** that was NOT followed in the following situations:

a) A **purchasing officer** ordered paint for his own use.

---

b) A **cashier** did not enter a sale of \$200 in the Cash register machine but she entered the reduced amount in Cash Receipts Journal.

---

c) When goods were **returned by customers** they were received by someone at the counter and were recorded in a note book.

---

(3 marks)

**Part B: Accounting for Accounts Payable/Accounts Receivables (8 marks)**

1. The following information relates to Jimi Enterprises for the year ended 30<sup>th</sup> June 2018.

Accounts Payable opening balance	\$10 340
Credit purchase during the year	\$29 500
Cash paid to suppliers	\$15 000
Interest charges by creditors for overdue accounts	\$ 300
Discount received for prompt payment	\$ 190
Contra accounts	\$ 1 800
Cash sales during the year	\$27 000
Doubtful debts	\$ 150

You are required to prepare the **Accounts Payable Control Account** of Jimi Enterprises for the year ended 30<sup>th</sup> June 2018. Use **3 column format** for ledger presentation.

Accounts Payable Control Account				
Date	Particulars	Dr \$	Cr \$	Balance \$

(6 marks)

2. State TWO (2) **internal control procedures** for accounts receivables.

---



---



---



---

(2 marks)



**Part C: Accounting for Inventories****(14 marks)**

Akesa's Furniture shop sells tables and uses a **perpetual inventory system** to record inventory movements.

<i>Date</i>	<i>Particulars</i>	<b>Receipt/ In</b>			<b>Issued/ Out</b>			<b>Balance</b>		
		<i>Qty</i>	<i>Price</i>	<i>Total</i>	<i>Qty</i>	<i>Price</i>	<i>Total</i>	<i>Qty</i>	<i>Price</i>	<i>Total</i>
June 1	Balance							2	400	800
8	Purchases	3	600	1 800				5	520	2 600
19	Purchases	3	400	1 200				8	475	3 800
22	Sales				4	475	1 900	4	475	1 900
26	Purchases	2	550							
30	Sales				2					

1. Complete the **stock card** given above. (4 marks)

2. State the **method** of inventory valuation used.

\_\_\_\_\_ (1 mark)

3. Calculate the value for **Cost of Goods Sold**.

\_\_\_\_\_ (2 marks)

4. What would be the **gross profit /loss** made if the table has a selling price of \$550 each?

\_\_\_\_\_ (3 marks)

5. Suppose when **physical stock take** was done at the end of the financial year, \$1 780 worth of inventory was in the bulk. Calculate the **stock loss**.

(2 marks)

6. Give TWO (2) **disadvantages** of storing large amounts of inventories.

a) \_\_\_\_\_  
\_\_\_\_\_

b) \_\_\_\_\_  
\_\_\_\_\_

(2 marks)

**Part D: Accounting for Fixed Assets (8 marks)**

1. A new machine was purchased by Vula Store for \$15 000. Freight of \$500 and installation expenses of \$1 500 was paid. The machine has an estimated life of 5 years and a salvage value of \$2 000.

a) Using the **Straight Line method of depreciation**, calculate the depreciation charges for the machine in the first year. *(Show all working).*

(2 marks)

b) Suppose the depreciation rate is 8% per annum. Use the **diminishing value method** to determine the book value of the machine at the end of the second year.

(4 marks)

2. Explain ONE (1) purpose of **depreciating** fixed assets.

---

---

---

(2 marks)

**Part E: Cash and Banking**

**(10 marks)**

1. 'All cash received should be banked **intact daily**'. Explain the meaning of the statement.

---

---

---

(2 marks)

2. Why should the **bank reconciliation statement** be completed by an employee who does NOT receive cash and make payments?

---

---

---

(2 marks)

3. Sam Traders provided the following information on 31<sup>st</sup> July 2018:  
Balance as per bank statement on 01/07/2018 was \$2 000 Dr  
The following cheques were not presented to the bank on 31<sup>st</sup> July 2018:  
Cheque No. 2345 \$1 326  
Cheque No. 1267 \$400  
Deposits not credited by the bank \$5 000  
Cash Payments Journal Total \$2 300

You are to prepare a Bank Reconciliation Statement to calculate the ending **cash at bank balance** on 31<sup>st</sup> July 2018.

**Bank Reconciliation Statement of Sam Traders as of 31<sup>st</sup> July 2018.**

	\$	\$

(6 marks)

**Part F: Payroll**

**(7 marks)**

1. The information given relates to the payroll of ABC Shop for the month of August 2018 in relation to employee, Peter Yee.

Hourly Rate	Hours Worked		Deductions
\$13.90	Normal hours	40	Tax \$180
	Overtime (Double Time)	6	Superannuation 5 %

You are to calculate Peter Yee's **Net Pay** for the month ended 31<sup>st</sup> August 2018.

**Net Pay: \$** \_\_\_\_\_

(5 marks)

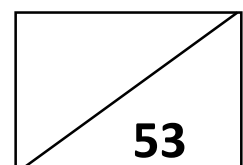
2. Identify TWO (2) ways of making payments of wages and salaries to employees.

---

---

(2 marks)

**SECTION SIX:**



**This page has been left blank deliberately.**

**SINF6 ACCOUNTING  
2019**

Student Personal Identification Number

--	--	--	--

**SECTION ONE:**

**MULTIPLE CHOICE ANSWERS**

Remember you are to write the letter of the correct answer only in the box provided.

Example: If you consider A is the correct answer, write it like this:

To change your answer From A to C,



**FOR OFFICIAL USE ONLY**

Section Number	Exam Mark	Marker	Checker
1	20		
2	20		
3	30		
4	52		
5	24		
6	54		
<b>TOTAL</b>	200		
<b>Marker / Checker Initials</b>			

<p>1. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>2. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>3. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>4. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>5. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p>	<p>6. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>7. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>8. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>9. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p> <p>10. <input style="width: 50px; height: 30px; border: 1px solid black;" type="text"/></p>
--	---