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South Pacific Form Seven Certificate ACCOUNTING 2021 QUESTION and ANSWER BOOKLET

Time allowed: Three hours (An extra 10 minutes is allowed for reading this paper.)

INSTRUCTIONS

Write your **Student Personal Identification Number (SPIN)** in the space provided on the top right-hand corner of this page.

Answer ALL QUESTIONS. Write your answers in the spaces provided in this booklet.

If you need more space for answers, ask the Supervisor for extra paper. Write your SPIN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

	Skill L	evel & Num	ber of Quest	tions	
Major Learning Outcomes (Achievement Standards)	Level 1 Uni- structural	Level 2 Multi- structural	Level 3 Relational	Level 4 Extended Abstract	Weight/ Time
Strand 1: The Conceptual Basis of Accounting Demonstrate an understanding of the foundations of accounting and contextualise the application of concepts and assumptions of accounting.	2	2	-	1	10% 26 min
Strand 2: Financial Information for Partnerships and Companies Demonstrate an understanding of financial transactions of a partnership and a company.	6	4	2	-	20% 50 min
Strand 3: Financial Information for a Manufacturing Job-costing Subsystem Demonstrate an understanding of recording and processing financial transactions of a manufacturing enterprise and evaluation of a job cost system.	6	2	-	-	10% 26 min
Strand 4: Reporting of Financial Information Demonstrate an understanding of financial reports of a partnership and a company.	1	1	1	1	10% 26 min
Strand 5: Evaluation of a Company's Financial Information Demonstrate an understanding of the analysis and interpretation of financial and non-financial information for reporting and decision-making.	2	2	-	1	10% 26 min
Strand 6: Information for Management Decision Making Demonstrate an understanding of information for management decision making.	2	1	2	-	10% 26 min
TOTAL	19	12	5	3	70% 180 min

STRAND 1: THE CONCEPTUAL BASIS OF ACCOUNTING

Assessor's use only 1.1 Define **assets** as established under the *Conceptual Framework*. Unistructural 1 0 NR 1.2 Define **liabilities** as established under the *Conceptual Framework*. Unistructural 1 0 NR 1.3 Describe the **basis for revenue recognition** under the *Conceptual* Framework. Multistructural 1 0 NR 1.4 ABC Ltd wishes to purchase a machine costing \$5,000. The company can afford an initial deposit of \$3,000. Calculate the **net effect on assets**. Working: Multistructural 2 Net effect on Assets: \$_____ 1 0 NR

1.5	Discuss the application of accrual basis accounting in the preparation of financial reports. Use an example to demonstrate its application.		
		Exter Abst	
		4	iact
		3	
		2	
		1	
		0	
		NR	

STRAND 2: FINANCIAL INFORMATION FOR PARTNERSHIPS AND COMPANIES

On 30 March 2021, Leah and John decided to form a partnership. The following events were revealed at the end of the financial year: • Each partner's capital contribution is \$40,000 cash. • Each partner is entitled to a salary of \$25,000.Both are non-working partners. • An advance of \$10,000 was made to Leah with 5% interest. • Both partners withdrew \$2,000 for their personal expenses at 5% interest. • Partners are entitled to 5% interest on the capital. • The Net Profit is \$80,000. (Note: All changes will be effected in the capital.) Assessor's use only: 2.1a Prepare the General Journal entry to record the interest on advance to Leah. General Journal Date Particulars Debit (\$) Credit (\$) NR Multistructural 2 1 0 NR Relational 3 2 1 1 0 NR		Use the following information to answer questions 2.1a–2.1c.							
2.1a Prepare the General Journal entry to record the interest on advance to Leah. General Journal Date Particulars Debit (\$) Credit (\$)		On 30 March 2021, Leah and John decided to form a partnership. The following events were revealed at the end of the financial year: • Each partner's capital contribution is \$40, 000 cash. • Each partner is entitled to a salary of \$25, 000.Both are non-working partners. • An advance of \$10,000 was made to Leah with 5% interest. • Both partners withdrew \$2,000 for their personal expenses at 5% interest. • Partners are entitled to 5% interest on the capital. • The Net Profit is \$80,000. (Note: All changes will be effected in the capital.)							
Date Particulars Debit (\$) Credit (\$)	2.1a	•	e General Jourr	nal entry to	record th	e interest on	advance to		<u>-</u>
2.1b Prepare the Profit Distribution Account of Leah and John for the period ending 30 March 2021. \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$				General	Journal				
2.1b Prepare the Profit Distribution Account of Leah and John for the period ending 30 March 2021. \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$		Date	Par	ticulars		Debit (\$)	Credit (\$)	Multist	ructural
2.1b Prepare the Profit Distribution Account of Leah and John for the period ending 30 March 2021. \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$								2	
2.1b Prepare the Profit Distribution Account of Leah and John for the period ending 30 March 2021. \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$								1	
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2.1b Prepare the Profit Distribution Account of Leah and John for the period ending 30 March 2021. \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$									
ending 30 March 2021. \$									
	2.1b	•		T	ount of Le	eah and John	· 		
									tional
								3	
0								2	
								1	
NR NR								0	
								NR	
				•	•		•		·

2.1c	Prepare Leah's Capital Account using the following three-column ledger. Update the balance column after each entry.						
	Opuate the i		apital - Leah				
	Date	Particulars	Debit (\$)	Credit (\$)	Balance (\$)]	
	1 April 2021	Balance			40,000 Cr	-	
						Rela	tional
						3	
						2	
						NR	
						J	
2.2a	State the pu	rpose of a prospec	tus.				
						- Unistri	uctural
						0	
						NR	
						-	
2.2b	Public comp	anies trade their sh	ares on the sto	ock market.			
	Describe the	e meaning of buyin g	g shares in a c	company.			
						Multist	ructural
						2	
						- 1	
						_ 0	
						NR	
2.2c	Identify one	type of share that is	s traded on the	stock market	t.	Unistr	uctural
						- 1	
						_ 0	
						NR NR	

2.2d	Define share capital.		
	•	Unistru	uctural
		1	
		0	
		NR	
2.2e	Define authorised capital.		
		Unistru	uctural
		1	
		0	
		NR	
2.2f	Define issued capital.		
		Unistru	uctural
		1	
		0	
		NR	
2.2g	Define unissued capital.		
		Unistru	ıctural
		1	
		0	
		NR	

	Use the fo	llowing information to answer q	uestions 2.2h	and 2.2i.			
	On 10 February 2021, the directors of Harvest Ltd decided to issue 500,000 shares at a par value of \$1. The prospectus states that: • 60c is to be included with the application form; • 30c is to be paid upon allotment; and • 10c is to be paid when called by the company.						
	shares in a The compa On 1 Marc the fully pa All allotmen made a ca	nt money was received on 15 Mar	aid shares. ess application. e 500,000 share	es including			
2.2h	Calculate t	he amount fully paid on applicat	ion.				
	Working:						
					Multist	ructural	
					2		
					1		
	Application	on Amount: \$			0		
					NR		
2.2i	•	e General Journal to record the re application.	fund of excess	shares			
	General Journal						
	Date	Particulars	Debit (\$)	Credit (\$)		ructural	
					1		
					0		
					NR		
		<u> </u>	1				

STRAND 3: FINANCIAL INFORMATION FOR A MANUFACTURING JOB-COSTING SUB-SYSTEM

Assessor's use only 3.1a Define cost objects. Unistructural 1 0 NR 3.1b Define direct costs. Unistructural 0 NR 3.1c Define indirect costs. Unistructural 1 0 NR3.1d Tautai Manufacturers produces t-shirts for a number of retailers. Identify a **product costing method** appropriate for Tautai Manufacturers. Unistructural 1 0 NR 3.1e Define the job costing system. Unistructural 1 0 NR 3.2a Identify one source document used for job order costing. Unistructural 1 0 NR

3.2b	Describe one feature of direct materials as a process element of a job costing system.		
		Multistr	uctural
		2	
		1	
		0	
		NR	
3.2c	Describe one internal control for a job costing system.		
		Multistr	uctural
		2	
		1	
		0	
		NR	

STRAND 4: **REPORTING OF FINANCIAL INFORMATION**

r	1					Assessor	s use only
4.1a	State the	ourpose of a partnersh	nip Profit and Los	ss Appropria	tion Account.		
						Unistru	ıctural
						1	
						0	
						NR	
Use t	he informat	ion given below to ar	nswer question	s 4.1b and	4.1c.		
	ollowing tabl ne, 2021:	e presents the accoun	t balances of JB	Associates	for the financia	l year en	ding
Part	iculars				\$		
	pment				42,000		
Build					100,000		
_	ı - BBK				47,500		
	tal - John				50,000		
	tal - Bob				50,000		
_	ounts Receiv	rable			2,200		
	n at Bank				12,000		
	ounts Payab				5,000		
	rices income				50,000		
	Debts				500		
Adve	ertising				1,000		
The fo	Further ba Advertising Depreciati	ustments were extracted debts of \$200 are to goutstanding amount ion on equiment is applaceme accrual is \$2,00	be written off. s \$1,300. lied at 10% per a			Assessor	's use onl
4.1b	Prepare th	e journal entries for inc					
	Date	Ger Particulars	neral Journal	Dr	Cr	Multich	ructural
	Date	railiculais		וט	GI		ructural
						2	
						1	
						0 NP	
						NR	

Prepare	the following led	dger accoun	ts: d debts				
Date	Particulars	Amount	Date	Particulars	Amount		
						Re	lational
] 3	
	(ii)			quipment		2	
Date	Particulars	Amount	Date	Particulars	Amount	1	
						0	
						NR	
for the ye	ear ended 30 Ju	ine 2021. JB A s	ssociates	al Position for Joveen de la Jo		es	
				\$	\$		
Owners	s' Equity			·	·		
This is	represented by	y:					
Curren	t Assets						
	4.1.1.11141						
Curren	t Liabilities						
Non-Cu	urrent Assets						
							tended bstract
						4	
						3	
						2	
Non-Cu	urrent Liabilitie	S				1	
						0	
						NR	

STRAND 5: EVALUATION OF A COMPANY'S FINANCIAL INFORMATION

Assessor's use only 5.1a State the **purpose** of financial analysis. Unistructural NR 5.1b Define financial ratio analysis. Unistructural NR 5.1c List **two** financial ratios used to analyse profitability. Multistructural 1 0 NR 5.1d List **two** financial ratios used to analyse market share. Multistructural 1 0 NR

5.2	The following ratios are extracted from Taula Co. Ltd's Annual Report for the
	financial period ending 31 December 2020.

	Taula Co. Ltd	Industry Average
Return on Total Assets	17.00%	18.00%
Return on Owner's Equity	17.50%	18.50%
Current Ratio	2.45:1	2.00:1
Quick Asset Ratio	0.90:1	1:1
Inventory Turnover	8.9 times	9.0 times
Accounts Receivable Turnover	24 days	25 days
Debt Equity Ratio	63.0%	55.0%
Net Profit Ratio	.34:1	.20:1

Prepare a report on the Financial Position for Taula Co. Ltd based on the financial ratios presented above.

STRAND 6: INFORMATION FOR MANAGEMENT DECISION MAKING

Assessor's use only 6.1a Define **break-even point**. Unistructural 0 NR 6.1b Define contribution margin. Unistructural 0 NR Use the information given below to answer questions 6.1c and 6.1d. Pacific Cups Inc manufactures and sells party cups for catering events. The fixed cost of operating the company is \$100,000 per month and the variable cost is \$2 per unit. The cups are sold for \$4 per unit. The fixed costs provide a production capacity of up to 100,000 cups per month. The target profit is \$10,000 per month. 6.1c Calculate the break-even point in units. Working: Multistructural 1 0 Break-even point in units: _____ NR 6.1d Calculate the **number of units** needed to achieve the desired monthly profit. Working: Relational 2 1 0 Answer (units): NR

Assessor's use only Explain the **underlying assumptions** of Cost Volume Profit (CVP) analysis. 6.1e Relational 3 2 1 0 NR

THE END