

WEEK 1

STRAND 1 NATURE OF ACCOUNTING

2015

The accounting concept which assumes that business is separate and distinct from its owners is

- A. a matching concept.
- B. a going concern concept.
- C. an accounting entity concept.
- D. an accounting period concept

(a) Study the statements given in the table and answer the questions that follow.

- (i) The business will continue to operate for indefinite number of years.
- (ii) The business uses the same depreciation method in 2014 and 2015 to depreciate fixed assets.

Name the relevant accounting concept involved in (i) and (ii) above. (2 marks)

(b) State one reason for preparing financial reports. (1 mark)

2016

The **main** function of accounting is to provide

- A. ideas that make up broad accounting principles.
- B. financial information to various parties for decision making.
- C. information to be used for profit making organisations only.
- D. accounting information to serve the interests of the owners only.

(a) Identify the accounting characteristic which best describes each situation given below:
The information presented is complete, without bias or undue error and neutral. (1 marks)

(b) Give one reason why creditors are interested in accounting reports. (1 mark)

2017

Accounting is best defined as a process of

- A. recording and summarising financial data.
- B. assessing the financial performance of the business.
- C. measuring and writing detailed and timely financial reports.
- D. measuring, recording and communicating financial information to end users.

1. State two enhancing qualitative characteristics of accounting data. (1 mark)

2. Ravi operates a car dealing business. He imports Toyota vehicles from Japan and records it in Fijian dollars. Identify the accounting concept being applied by Ravi's business reports. (1 mark)

3. Give one reason why the government may be interested in the accounting reports of a business. (1 mark)

4. Define Conservatism concept. (1 mark)

5. List two non-financial information that are not recorded in the financial reports. (1 mark)

2018

The branch of accounting that deals with communicating relevant and useful information to external parties is known as

- A. Cost Accounting.
- B. Social Accounting.
- C. Financial Accounting.
- D. Management Accounting

1. Use the situations given below and answer the question that follows:

Situation I

Ayushi operates a furniture shop. Every Friday she withdraws \$200 from her business without recording. Her accountant advises her that cash flow is running low and all funds withdrawn must be recorded.

Situation II

Jody's Superstore bought a delivery van in 2014, for \$50 000. The accountant recorded the same value for the van in the final account in 2018.

State the accounting concept applied in each of the situations given above. (2 marks)

2. Name the accounting standard that is currently adopted and followed by accountants in Fiji.

(1 mark)

3. Define Faithful Representation.

(1 mark)

4. Suppliers are important stakeholders in any business. State one reason why suppliers are interested in business financial affairs.

(1 mark)

STRAND 2 PERSONAL FINANCE

2017

1. One of the advantages of credit cards is that

- A. customers can buy goods without having cash.
- B. there is no limit to the amount one wants to purchase.
- C. customers can not lose the card as it carries high security.
- D. more interest is charged compared to other forms of credit buying.

(1 mark)

2. State **two** advantages of personal filing. (2 marks)
3. List **two** electronic financial services provided by Commercial Banks in Fiji. (1 mark)
4. Define Fringe Benefit Tax. (1 mark)
5. Study the extract given below and answer the questions that follow:

Miss Demira is a Fiji resident. In 2007, she bought a freehold land with a building for \$250 000. On 31st August, 2017, she sold her property to Zika Ltd for \$430 000.

- (a) Calculate the gain or loss on the sale of Miss Demira's land and building. (1 mark)
 - (b) Assuming that the land and building is not Miss Demira's primary place of residence, calculate the capital gains tax imposed by FRCA. (1 mark)
 - (c) Identify one situation in which tax payers are exempted from paying Capital Gains Tax. (1 mark)
6. Nikola is planning to buy a restaurant business for \$40 000. He needs to arrange a loan from the bank to purchase the new business. The following information is provided to the bank:

- Nikola owns a house worth \$55 000 and mortgage on the house is \$23 000.
- His bank account balance at WTZ bank is \$2 800.
- Household contents (TV, Fridge and others) worth \$15 000.
- Nikola still has final \$200 hire purchase instalment to be made on his fridge.
- Land rent due \$150.

Required

Using the information given above, calculate the value of Nikola's Net worth.

(3 marks)

2018

1. Which **one** of the following personal source documents will assist an individual to find out his gross salary?
 - A. Invoice
 - B. Payroll
 - C. Pay slip
 - D. Tax record
2. Study the resource given below and answer the questions that follow:

| BANK STATEMENT | | | | |
|----------------------|-----------------|----------|------------------------|--------------|
| <i>Miss Sofla Bi</i> | | | <i>BANK OF FIJI</i> | |
| <i>12 Kula Road</i> | | | 31 March 2018 | |
| <i>Gaiou</i> | | | Statement number 42 | |
| | | | Account number 0236597 | |
| Date | Transactions | Dr | Cr | Balance |
| 1 March | Balance forward | | | \$1200.35 Cr |
| 8 March | Deposit | | \$100.00 | \$1300.35 Cr |
| 10 March | Car payment | \$400.00 | | \$ 900.35 Cr |
| 25 March | Deposit | | \$56.89 | \$ 957.24 Cr |

- (a) What is the opening and closing account balance for Miss Sofia for the month of March? (1 mark)
- (b) Give a reason why Miss Sofia needs to keep the personal bank statement. (1 mark)
3. Define **Service Turnover Tax**. (1 mark)
4. State **two** advantages of using a credit card. (2 marks)
5. Study the extract given below and answer the question that follows.

Losana, a Fiji resident, bought a new boat for family use for \$153 765 in 2010. After using it for two years, she sold the boat for \$220 000 to Mr. Patel.

Calculate the capital gains tax paid by Losana to the tax department.

(1 mark)

6. Davish is planning to take a car loan in order to purchase a new car for his family worth \$28 000. He is required to show his financial status to the bank.

Given below is the list of items relating to his financial status as at 31st July 2018.

| Items | \$ |
|-------------------------|---------|
| Savings account balance | 1 700 |
| Television | 2 500 |
| Other Household Items | 30 000 |
| Building | 120 000 |
| Mortgage on building | 35 500 |

Additional Information

- (i) Davish owes \$250 to his family member.
- (ii) He owes \$450 to Appliance Ltd for hire purchase of television.

Required

Prepare a Statement of Affairs of Davish as at 31st July 2018 to assist him with his loan application.

(4 marks)

WEEK 2

STRAND 3

FINANCIAL ACCOUNTING AND THE ACCOUNTING PROCESS

2015

- The **main** source document used to record credit purchases is the
 - receipt.
 - cheque butt.
 - tax invoice.
 - cash register tape.

(1 mark)
- State one reason why cheques are dishonoured.

(1 mark)
- Saimone operates a laundry business in his home town. The following transactions were taken from the books of his business for the month of July 2015.

| | |
|--------|--|
| July 1 | Received \$380 for services provided to cash customers. |
| 4 | Paid wages \$75 and electricity \$120 using the same cheque. |
| 13 | Paid Lisa Chang \$600 and received a discount of \$60. |
| 24 | Received tax invoice for detergent from JM Cleaners \$350. |
| 27 | Paid rent \$500. |

Required:

- Select the relevant transactions and prepare a Columnar Cash Payments Journal for the month of July.

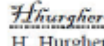
(5 marks)
- State one function of a journal.

(1 mark)

2016

- The process of recording transactions in different books of first entry is called
 - posting.
 - adjusting.
 - journalising.
 - entry making

2. Study the cheque given below and answer the questions that follow:

| | | |
|---|---|-----------------------|
| SMART BANK OF FIJI 101 BAU STREET | | STAMP DUTY PAID |
| Pay <u>Suman Patel</u> | Date: <u>05/03/2016</u> or bearer | |
| The sum of <u>two thousand two hundred</u> | dollars | |
| and <u>sixty five cents only</u> | \$2 200.65 | |
| 09 8001543 |  H. Hurgher 02757402 | |

Required

- (a) Name the type of cheque shown. (1 mark)
- (b) Identify the following from the cheque given:
 (i) Drawer (1 mark)
 (ii) Drawee (2 marks)
- (c) List two advantages of using cheques as a mode of payment.

3. Albert Singh operates a grocery business. The following information is given for the month of June 2016:

| General Journal | | | |
|-----------------|---|--------------|--------------|
| Date | Particulars | Debit (\$) | Credit (\$) |
| June 1 | Cash at Bank | 620 | |
| | Inventory | 6 500 | |
| | Equipment | 1 520 | |
| | Accounts Receivable: Tomasi | 153 | |
| | : Anthony | 65 | |
| | Accounts Payable: Gonac Ltd | | 800 |
| | : Taniela | | 880 |
| | Loan | | 3 000 |
| | Capital | | 4 178 |
| | (To record assets and liabilities.) | 8 858 | 8 858 |
| 7 | Drawings | 88 | |
| | Purchases | | 88 |
| | (To record goods taken by owner for own use.) | | |
| 18 | Equipment | 750 | |
| | Supplies Ltd | | 750 |
| | (To record purchase of equipment.) | | |

| Cash Payments Journal | | | | | | | |
|-----------------------|-------------|-------------------------|--------------|--------------|-----------------|------------------------|----------------------|
| Date | Particulars | Discount Received \$ | Detail \$ | Bank \$ | Purchases \$ | Accounts Payable \$ | Other Payments \$ |
| June 3 | Purchases | | 85 | | 85 | | |
| | Wages | | 280 | 365 | | | 280 |
| 8 | Gonac Ltd | 20 | | 720 | | 740 | |
| 24 | Purchases | | | 105 | 105 | | |
| | | 20 | | 1 190 | 190 | 740 | 280 |

| Purchases Journal | | | |
|-------------------|-------------------------|------------|-------------|
| Date | Particulars | Debit (\$) | Credit (\$) |
| June 6 | Manasa | | 140 |
| 15 | Gonac Ltd | | 175 |
| | Purchases A/c Dr | 315 | |

| Purchases Returns Journal | | | |
|---------------------------|---------------------------------|------------|-------------|
| Date | Particulars | Debit (\$) | Credit (\$) |
| June 17 | Gonac Ltd | 25 | |
| | Purchases Returns A/C Cr | | 25 |

Required

Prepare the following ledger accounts from the journals given:

- (a) Equipment Account (1 mark)
- (b) Purchases Account (2½ marks)
- (c) Gonac Ltd Account (2½ marks)

(Note: Do not balance the ledger accounts.)

4. Ajay Enterprises buys electrical items from Nanuma Electronics. Study the tax invoice given below and answer the questions that follow:

| TAX INVOICE Nanuma Electronics | | | |
|---|----------------------|---|--------------------|
| TIN: 08-09563525-12 | | Date: 01/03/16 | |
| Customer: Ajay Enterprises 11 Raviravi St. | | Account No. XY222 Tax Invoice No. 7805 | |
| Quantity | Description of Items | Unit Price (\$) | Total (\$) |
| 10 | Refrigerator | 950.00 | 9 500.00 |
| 7 | Washing Machine | 900.00 | 6 300.00 |
| 25 | Photocopier | 250.00 | 6 250.00 |
| 15 | Electric Heater | 12.00 | 180.00 |
| 10 | Radio | 17.00 | 170.00 |
| Total Vat Exclusive Price | | | \$22 400.00 |

Required

- (a) Write the possible transaction for Nanuma Electronics on 1st March 2016. (1 mark)
- (b) In which Journal would Nanuma Electronics record the above source document? (1 mark)
- (c) Calculate the amount of Value Added Tax (VAT) that will be paid by Ajay Enterprises, if the VAT rate is 9%. (1 mark)

2017

1. A Post Dated Cheque is a cheque that
 - A. bears a future date.
 - B. bears a current date.
 - C. has two parallel lines.
 - D. is over six months old.
2. The correct General Journal entry to record the goods taken by the owner for his own use would be

| | |
|----|-----------------------------------|
| A. | Debit: Drawings Credit: Capital |
| B. | Debit: Purchases Credit: Capital |
| C. | Debit: Drawings Credit: Purchases |
| D. | Debit: Purchases Credit: Drawings |

(2 marks)

3. The following source document relates to Epele's Supermarket. Study the Cash Sales Docket given below and answer the questions that follow:

| <i>Cash Sales Docket</i> | | No. 2691 | |
|---|----------------------|-------------------------------------|-----------|
| Epele's Supermarket 42 Malawai Dreketi PH: 88134999 | | TIN: 60-425678-09 Date: 15/02/17 | |
| Customer: Mrs. Kaveni Ratu Address: 54 Mara Rd. Daku St. | | | |
| Quantity | Description of Items | Unit Price (S) | Total (S) |
| 2 Kg | Oranges | 5.50 | 11.00 |
| 10 Pkt | Noodles | 0.50 | 5.00 |
| 3 Tin | Tin Fish | 3.00 | 9.00 |
| | VAT 9% | | S (i) |
| | Total VIP | | S (ii) |

Required

- (a) Name the party that issued the above source document. (1 mark)
- (b) State the possible transaction that would result from the above source document. (1 mark)
- (c) Calculate the Value Added Tax and Vat Inclusive Price given in the source document for parts (i) and(ii). (2 marks)
- (d) State a reason for keeping customers details in the above document. (1 mark)

4. Malakai operates an accounting firm known as Mala's A & A Services. The following transactions were taken from the books of his business for the month of September 2017.

| | |
|--------|--|
| Sept 1 | Paid for Computer repairs \$230. |
| 6 | Received Cheque from Raju Enterprises \$1 200. |
| 10 | Paid TT's Fiji Ltd \$15 000 less 2% discount. |
| 12 | Interest charged to Devi on overdue accounts \$40. |
| 14 | Paid Loan \$2 000. |
| 17 | Bought a new set of computers from Smart Computer Ltd \$5 000. |
| 25 | Paid rent \$350 and electricity \$120 using the same cheque. |
| 30 | Received cash from customers \$4 500 for services provided. |

Required

Using the information given above, prepare a Columnar Cash Payments Journal.

(6 marks)

STRAND 4 ACCOUNTING REPORTS

1. Rent received in advance is described as
 - A. an asset in the Statement of Financial Position.
 - B. a liability in the Statement of Financial Position.
 - C. an income in the Statement of Financial Performance.
 - D. an expense in the Statement of Financial Position.

2. Subscription is the main source of income for
 - A. sole traders.
 - B. profit businesses.
 - C. clubs and societies.
 - D. government organisations.

ii) Define the term **intangible asset**.

(1 mark)

(iii) Outline **one** objective of balance day adjustments.

(1 mark)

3. Given below is the trial balance of Natalie Trading for the year ending 31st March 2015.

| <u>Ledger Balances</u> | Debit (\$) | Credit (\$) |
|---|----------------|----------------|
| Accounts Receivables | 12 000 | |
| Drawings | 3 000 | |
| Cash at Bank | 15 500 | |
| Advertising | 2 750 | |
| Staff Salaries | 910 | |
| Interest on Loan | 825 | |
| Purchases | 9 500 | |
| General Expenses | 475 | |
| Land | 30 000 | |
| Furniture | 15 750 | |
| Inventory (01/04/2014) | 28 000 | |
| Goodwill | 11 000 | |
| Sales | | 35 000 |
| Provision for Depreciation on Furniture | | 2 800 |
| Provision for Doubtful Debts | | 680 |
| Loan (payable 7 years) | | 10 000 |
| Rent Received | | 1 500 |
| Accounts Payable | | 10 330 |
| Capital | | 69 400 |
| Total Balance | 129 710 | 129 710 |

Additional Information at 31st March 2015:

1. Closing inventory \$17000.
2. Prepaid advertising\$250.
3. Rent earned but not received\$200.
4. Provide for depreciation on furniture \$1260.
5. Adjust provision for doubtful debts to \$720.
6. Net profit for the period \$10 190.

Required:

- (i) Prepare a fully classified Statement of Financial Position for Natalie Trading as at 31stMarch2015.

(8marks)

The following are the ledger account balances taken from the books of Shamal's Supermarket for the year ended 31st August, 2017.

| Ledger Account Balances | Debit (\$) | Credit (\$) |
|-------------------------|------------|-------------|
| Inventories(01/09/16) | 55 000 | |
| Sales | | 190 000 |
| Sales Returns | 5 000 | |

| | | |
|--|---------|---------|
| Bad Debts | 850 | |
| Cash at Bank | 60 000 | |
| Purchases | 83 200 | |
| Insurance | 2 500 | |
| Cartage Inwards | 1 300 | |
| Accounts Payable | | 27 800 |
| Commission Received | | 4 200 |
| Accounts Receivables | 15 000 | |
| Provision for Doubtful Debts | | 350 |
| Delivery Vehicle | 38 000 | |
| Accumulated depreciation on Delivery Vehicle | | 11 400 |
| Rent Received – Sublet | | 9 300 |
| Building | 300 000 | |
| Office Staff Salary | 16 500 | |
| Mortgage on Building | | 105 000 |
| Interest on Mortgage | 3 100 | |
| Drawings | 17 000 | |
| Loss from Flood | 700 | |
| Cell phone expenses | 590 | |
| Advertising | 4 800 | |
| Electricity | 1 250 | |
| Capital – Shamal | | 256 740 |
| | 604 790 | 604 790 |

Additional information as at 31st August 2017

- Office staff salary of \$400 was not paid on balance day.
- Commission received in advance \$200.
- Additional bad debts written off \$50.
- The provision for doubtful debts to be provided at 2% per annum.
- Interest on mortgage is charged at a rate of 5% per annum.
- The depreciation was provided at 18% per annum for Delivery Vehicle and 4% per annum on Building.
- Inventories at 31st August, 2017 was \$28800

Required

- Use the information to prepare the Statement of Financial Performance of Shamal's Supermarket for the year ended 31st August, 2017. **(10 marks)**
- State two limitations of Statement of Financial Position. **(2 marks)**