



DEPARTMENT OF  
EDUCATION

UPPER SECONDARY  
SCHOOL CERTIFICATE  
EXAMINATIONS

ACCOUNTING

Tuesday

23 October 2012

Time allowed:

2 hours and 30 minutes

(11:30am – 1:00pm)

NO EXTRA TIME

(NO OTHER TIME)

Candidates are advised to fully  
utilise the allocated time

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## INSTRUCTIONS TO CANDIDATES

*(To be read by the external invigilator to all candidates)*

1. The subject code for Accounting is **12**.
2. There are **15** printed pages in the question booklet. An electronic answer sheet for part A and **7** paged answer booklet for part B are inserted in the question booklet.
3. There are two sections in this paper. Answer all questions.

### **Section A: Multiple Choice (Questions 1 – 30) 30 Marks**

This section will be electronically marked.

All answers to the Multiple Choice Section **MUST** be answered on this ELECTRONIC ANSWER SHEET provided.

Carefully following the instructions, fill in your Candidate Information and Subject Information.

If you make a mistake, rub the shading out completely using an eraser and shade in your alternative clearly.

### **Section B: Short Answer (Questions 31-40) 70 Marks**

Write down your name, your school name and your 10 digit candidate number on the Section B Answer Sheet Provided.

4. You are required to only write the correct answer in the space provided.
5. Calculators may be used.
6. Answer all questions on the answer sheet. Answers on any other paper including rough work paper and the question paper **will not be marked**
7. ALL working must be shown step by step to get full marks. Students may lose marks for writing down final answers only.
8. Correctional Fluid is **not allowed** on the answer sheet. Where you have made an error, cross out all the working and start on a new line.

**Penalty For Cheating Or Assisting To Cheat In National Examinations Is Non-Certification.**

**DO NOT TURN OVER THE PAGE**

**AND DO NOT WRITE**

**UNTIL YOU ARE TOLD TO START.**

**PART A: MULTIPLE CHOICE (QUESTIONS 1-30) 30 MARKS**

Choose A or B or C or D from the alternatives given and use a HB pencil to shade in the correct letter to each question on the Electronic Answer Sheet.

If you make a mistake, rub the shading out completely using an eraser and shade in your alternative clearly.

**QUESTION 1**

Which of the following information can be obtained from a stock card in order to calculate profit of a small business?

- A. Credit purchase
- B. Total sales revenue
- C. Cost of goods sold
- D. Cash purchases

**QUESTION 2**

There are number of advantages of single entry accounting compared to double entry accounting. Which of the following is an advantage of single entry accounting in small business?

- A. Able to prepare a trial balance without any additional effort.
- B. Less expensive and most affordable.
- C. Errors can be detected easily.
- D. Tax authorities accept this method of accounting for small businesses.

**QUESTION 3**

Which of the following is not a source document to prepare journals?

- A. Credit note
- B. Sales invoice
- C. Debit note
- D. Purchase order

**QUESTION 4**

Purchase account is a/an

- A. asset account.
- B. expense account.
- C. liability account.
- D. revenue account.

**QUESTION 5**

Which of the following document is raised to request petty cash?

- A. Petty cash reimbursement request
- B. Internal memo
- C. Petty cash voucher
- D. Petty cash memo

**QUESTION 6**

At a particular date the petty cash book showed a K150 in the receipt column and K138 in the payments column respectively. Further more, petty cashier has an unpaid petty cash voucher for K15. The business uses petty cash imprest system. Which of the following indicates the reimbursement amount?

- A. K150
- B. K138
- C. K12
- D. K143

**QUESTION 7**

Which of the following is **NOT** a qualitative characteristic of financial information?

- A. Continuity
- B. Comparability
- C. Reliability
- D. Materiality

**QUESTION 8**

The following table shows the different user groups of accounting information and the purpose for which each user group uses the information.

	User group	Purpose
I	Owners	To assess business performance
II	Lenders	To assess future investment potentials
III	Creditors	To assess the ability to purchase goods/services on credit
IV	Debtors	To asses the continues supply of goods/services

Which of the above are correct?

- A. (I) and (II)
- B. (III), and (IV)
- C. (I) and (IV)
- D. (II) and (III)

**QUESTION 9**

The supplier who sells to you on credit, his account will be classified as a/an

- A. asset account.
- B. expense account.
- C. liability account.
- D. revenue account.

**QUESTION 10**

A credit note from the above supplier in question 9 will require his account to be

- A. debited.
- B. credited.
- C. balanced.
- D. cancelled.

**Questions 11 and 12 refer to the following information below.**

Raka Tau is the owner of Waigani Trukai shop. His bookkeeper produced the following balance sheet for 2011.

<u>Waigani Tucker Shop</u>			
<u>Balance Sheet as at 31<sup>st</sup> December 2011</u>			
<u>Assets</u>		<u>Liabilities</u>	
Cash at Bank	3 000	Accounts payable	8 000
Accounts receivable	1 900	Capital	6 900
Stock	8 000		
Furniture and fixtures	<u>2 000</u>		
	<u>14 900</u>		<u>14 900</u>

**QUESTION 11**

After studying the above, Raka is excited he has K 3 000, he can withdraw for his daughter’s school fee. Which of the following is the best advice for him?

- A. He has enough assets to sell to replace K 3 000 in the bank.
- B. He has a high current ratio and can afford to withdraw the K 3 000.
- C. His stock value is equal to accounts payable value
- D. His acid ratio is very low and can not afford to withdraw the K 3 000.

**QUESTION 12**

Raka Tau’s Acid/Quick Ratio is

- A. 1: 0.6125
- B. 0.6125: 1
- C. 1: 0.4875
- D. 0.4875:1

**QUESTION 13**

Which of the following type of business usually have limited liability to debts?

- A. Partnership and company
- B. Sole proprietorship and company
- C. Sole proprietorship and partnership
- D. Company only

**QUESTION 14**

Which of the following is the correct accounting equation when a person starts a business by investing K20 000 of his savings and K15 000 from a bank loan?

	<b>A</b>	<b>=</b>	<b>L</b>	<b>+</b>	<b>OE</b>
A.	15 000		35 000		20 000
B.	35 000				35 000
C.	35 000		15 000		20 000
D.	35 000		20 000		15 000

**QUESTION 15**

A business has paid rentals for next 6 months on 31 December 2011 and recorded as prepaid rentals in the accounts. Which of the following principle/assumption is applied in recording this transaction?

- A. Business entity assumption
- B. Consistency principle
- C. Accrual basis accounting assumption
- D. Historical cost assumption

**QUESTION 16**

Which of the following transaction affects only the asset?

- A. Investing K100 000 in the business as additional capital.
- B. Purchasing a photocopier for K50 000.
- C. Paying monthly water bill K3 000.
- D. Obtaining a loan of K30 000 to the business.

**QUESTION 17**

Which of the following describes the transaction analysis chart?

- A. A detailed analysis of transactions for a period for the use of the owner.
- B. An analysis of transaction showing account/s to be debited and account/s to be credited with monetary value.
- C. A detailed analysis of receipts and payments to help cash management.
- D. An analysis of business transactions to ascertain profit or loss for a certain period

**QUESTION 18**

Balance day adjustments deal with

- A. debiting and crediting revenue and expense account.
- B. ascerting expenses incurred and revenue earned.
- C. making adjustments to asset and liability accounts.
- D. making adjustments to expense accounts and prepayments accounts.

**QUESTION 19**

Jane-the owner of the retail business takes grocery goods which cost K120 from her business for personal use. The correct accounting entry for this transaction is

- A.     Capital            Dr  
          Cash at bank    Cr
- B.     Drawing           Dr  
          Cash at bank    Cr
- C.     Drawings          Dr  
          Purchases       Cr
- D.     Purchases         Dr  
          Capital          Cr

**QUESTION 20**

The following are the set of transaction for plumbing business of Kewa. There are no balances in accounts as at 1 September.

September

- 1            Provided services for cash K15 000
- 4            Purchased consumable supplies for cash K3 000.
- 19          Paid wages K5 000
- 23          Provided services on credit for K20 000 to Mosbi Real Estate Ltd.
- 24          Paid wages K5 000
- 30          Received K2 500 in cash from Mosbi Real estate Ltd.

The cash in hand on 30 September is

- A.      K4 500                      B.      K17 500
- C.      K24 500                     D.      K37 500

**QUESTION 21**

Which of the following statement is **incorrect**?

- A.      Chart of accounts lists all assets, liabilities, owner's equity, revenue and expense accounts.
- B.      Transaction analysis chart is a worksheet that is used to analyze transactions before making entries in a ledger.
- C.      Trial balance is a list of ledger account balances with debit and credit shown separately.
- D.      Double entry accounting means making two entries for each transaction.

**QUESTION 22**

Which of the following describes the purpose of a debit entry?

- A.      Decrease asset, increase liability and increase expense.
- B.      Decrease revenue, decrease owner's equity and decrease liability
- C.      Increase liability, increase asset and decrease owner's equity.
- D.      Increase revenue and decrease expense.

**QUESTION 23**

Which of the following would increase an expense and a liability?

- A. Purchase of office supplies for cash
- B. Cash payment to creditors
- C. Settlement of an accrued expense
- D. Purchase of fuel on credit

**QUESTION 24**

An initial amount given to the petty cashier to start

- A. Petty cash amount
- B. Initial amount
- C. Imprest amount
- D. Reimbursement amount

**QUESTION 25**

Which of the following statement is correct?

- A. The source documents used to make entries in the cash receipts journal includes sales invoice.
- B. Transactions with creditors are recorded in purchases journal, cash payment journal, and purchases returns and allowance journal.
- C. Transactions with debtors are recorded in purchases returns journal.
- D. The amount column total of sales journal shows the cost of goods sold.

**QUESTION 26**

The type of transaction recorded in a cash payments journal is

- A. purchase of inventories on credit
- B. outgoings of cash from the business.
- C. purchase of assets on credit.
- D. sales of inventories for cash.

**QUESTION 27**

Which of the following correctly describes an advantage of journals?

- A. Journals reduces the number of entries going into the ledger.
- B. Journals provide posting details such as accounts to be debited and credited.
- C. Journals are posted to the ledger monthly.
- D. Journals provide evidence of all the transactions occurred.



*Question 28 and 29 refer to the following information.*

Sales	700 000
Gross profit	290 500
Operating expense	160 000

**QUESTION 28**

The gross profit ratio is

- A. 20%                      B. 22.8%                      C. 50%                      D. 41.5%

**QUESTION 29**

Mark up is

- A. 70.9%                      B. 58.5%                      C. 60%                      D. 65%

**QUESTION 30**

The generally accepted accounting practice is to prepare financial statements on accrual basis. Which of the following financial statement is prepared on a cash basis?

- A. Balance sheet  
B. Statement of cash flow  
C. Profit and loss statement and balance sheet  
D. Profit and loss statement and statement of cash flow

**Part B. SHORT ANSWERS (QUESTIONS 31 to 40)**

**70 Marks**

**Write the answers to the Questions on the Answer Sheet provided**

**QUESTION 31**

- a. Identify two records needed to prepare bank reconciliation statement. (2)  
b. What does “deposit not credited” mean? (2)  
c. What should you do with the deposits not credited? (2)  
d. How often is the bank statement sent to the business? (1)

**QUESTION 32**

- a. Define double entry accounting? (2)
- b. State the double entry principle for the following 5 types of accounts. (5)
  - (I) Assets
  - (II) Liabilities
  - (III) Owners equity
  - (IV) Expense
  - (V) Revenues

**QUESTION 33**

A grade 11 student has prepared the following cash at bank account for the month of January.

Cash at Bank

<b>Date</b>	<b>Particulars</b>	<b>Amount</b>	<b>Date</b>	<b>Particulars</b>	<b>Amount</b>
Jan 1	Purchases	6 000	Jan1	Capital	15 000
6	Cash sales	4 200	2	Cash sale	6 000
18	Credit sales	3 500	4	Payment to creditors -Ravu	4 500
28	Drawing	200	12	Rent expense	600
30	Received cash from Debtor (Karl)	2 800	22	Telephone expense	200
31	Balance c/d	<u>12 100</u>	31	Furniture	<u>2 500</u>
		<u>28 800</u>			<u>28 800</u>

Required:

Identify the mistakes and prepare the account correctly. (7)

**QUESTION 34**

- a. (I) State the purpose of accounting. (1)
- (II) Nelson is the accountant of Wilsons Business. When he records transactions he separates business transactions and Wilson's private transactions. State the accounting assumption Nelson applies. (1)
- (III) Nelson also advised his staff to convert all assets into kina and toea before recording transactions. State the accounting assumption applied here. (1)
- (IV) State two functions of accounting. (2)
- b. Differentiate between an expense and a revenue. (2)

**QUESTION 35**

- a. Identify the accounts affected for each transaction below. An example has been done for you. (4)

Goods were sold for cash. **Answer:** Cash at bank = Dr, Sales = Cr

- (I) Motor vehicle bought into the business by the owner
- (II) Goods sold on credit to KK Kingston.
- (III) Interest received on deposits credited to the bank account.
- (IV) Purchase of goods on credit from Seeto Kui.
- b. State the relevant transaction for each of the following double entries listed below. The example has been done for you. (3)

CPL Ltd = Dr

Cash at Bank = Cr **Answer:** Paid CPL Ltd.

- (I) R Pini = Dr, Sales revenue = Cr
- (II) Motor Vehicle = Dr, Cash at bank = Cr, PNG Motors = Cr
- (III) Equipment = Dr, Cash at bank = Cr

**QUESTION 36**

You are given the following transactions

- 1 Credit sales to Nelson K 1 500, invoice no. 256
- 2 Credit sales to Wilson, K 2 000, invoice no. 257
- 3 Cash sales, K 2 200, receipt no. 158
- 4 Sales returns from Nelson K 200, credit not no. 60
- 5 Credit sales to Benson K 3 000, invoice not no. 258

Required:

Prepare sales journal using the appropriate transactions. (7)

**QUESTION 37**

a. Name the source document which Mr. Ning Nang will extract detail from for his accounting records in each of the following transactions. (4)

- (I) April 3 Sold inventories on credit to Stop N Shop.
- (II) 4 Stop N Shop returned K 1 500 worth of inventories to Ning Nang warehouse.
- (III) 7 Cash sale for the week amount to K 7 500.
- (IV) Shop assistants were paid for their wages by cashing cheque no. 2005

b. Complete the following table stating the name of the journal, which uses the source documents indicated. (3)

Source document	Appropriate journal
(I) Receipt	_____
(II) Credit note issued to customer	_____
(III) Credit note received from supplier	_____

**QUESTION 38**

You are provided with the following information on Tau Lohia's business.

<b>Account No.</b>	<b>Account name</b>	<b>Amount (K)</b>
<b>300</b>	Tau Lohia-Capital	2 000
<b>101</b>	Motor vehicle	7 000
<b>110</b>	Inventory	6 000
<b>532</b>	Purchases	1 000
<b>152</b>	Land	20 000
<b>222</b>	Accounts payable	20 500
<b>401</b>	Sales revenue	9 000
<b>121</b>	Accounts receivable	6 500
<b>540</b>	Electricity expense	500
<b>575</b>	Wages	500
<b>200</b>	Loan	10 000
<b>400</b>	Discount revenue	500

Required:

Prepare a trial balance for the period ending 31 December 2012.

(7)

**QUESTION 39**

Use the information below to answer questions 39 a and b.

Waigani Boom Box management had decided to open up a petty cash imprest system with a float of K 100. Below are vouchers showing petty cash expenditure for the rest of June 2012.

Petty Cash Voucher No.1                  6 June Particulars: Advertising K18.50                  S. Ruth	Petty Cash Voucher No.2                  7 June Particulars: Taxi fare K12.50                  S. Ruth
Petty Cash Voucher No.3                  8 June Particulars: Cleaning K12.50                  S. Ruth	Petty Cash Voucher No.4                  8 June Particulars: Newspaper K2.20                  S. Ruth
Petty Cash Voucher No.5                  10 June Particulars: Coffee tea K10.50                  S. Ruth	Petty Cash Voucher No.6                  12 June Particulars: Taxi fare K12.50                  S. Ruth
Petty Cash Voucher No.7                  14 June Particulars: Advertising K18.50                  S. Ruth	Petty Cash Voucher No.8                  15 June Particulars: Cleaning K12.50                  S. Ruth

Required:

- a. Complete the petty cash book in your answer booklet. (6)
- b. Find the reimbursement amount and enter the amount in the petty cash book with cheque no. 2050 on June 15. (1)

**QUESTION 40**

- a. The following information relates to Evelyn's business for the year ended 31 December 2011.

	<b>K</b>
Purchases	80 000
Freight inward	6 000
Closing Stock	12 000
Customs duty	2 000
Purchase returns	9 000
Opening Stock	10 000
Sales revenue	128 000

(I). Calculate cost of goods sold (3)

(II) Calculate Gross profit (1)

- b. The following information relates to Lea Napa's investment. (3)

	<b>K</b>
Cash at Bank	1 000
Loan from Westpac	4 000
Accounts Payable	500
Accounts receivable	8 000
Inventories	2 000
Furniture	3 500

Required:

Calculate Lea Napa's investment in the business using the accounting equation.

**END OF EXAMINATION**

# ACCOUNTING — 2012

## SECTION B-ANSWER BOOKLET

Write your name, your province and school codes and your candidate number correctly and clearly in the space provided below.

Year		Province		School No.			Cand. No.		
<b>1</b>	<b>2</b>								

Name: \_\_\_\_\_

School: \_\_\_\_\_

Answers written on the QUESTION paper or any other paper will NOT be marked. Write answers in the spaces as provided on this answer booklet.

### FOR MARKERS USE ONLY

	Score	Markers Initials	
		M1	M2
<b>Section B:</b>			
Question 31			
Question 32			
Question 33			
Question 34			
Question 35			
Question 36			
Question 37			
Question 38			
Question 39			
Question 40			
<b>FINAL TOTAL</b>			



**SECTION B - ANSWERS**

Write your answer in the space provided below. Your answers must be clear and precise.

**QUESTION 31**

a.	_____	2
	_____	
b.	_____	2
	_____	
c.	_____	2
	_____	
d.	_____	1
	_____	
For Markers Use Only	<b>Q31 Total</b>	

**QUESTION 32**

a.	_____	2
	_____	
b.		
(I)	_____	1
(II)	_____	1
(III)	_____	1
(IV)	_____	1
(V)	_____	1
	_____	
For Markers Use Only	<b>Q32 Total</b>	

**QUESTION 33**

			7
For Markers Use Only		<b>Q33 Total</b>	

**QUESTION 34**

a. (I) _____ _____	1		
(II) _____ _____	1		
(III) _____ _____	1		
(IV) _____ _____	2		
b. _____ _____	2		
For Markers Use Only		<b>Q34 Total</b>	

**QUESTION 35**

<p>a. (I) _____</p> <p>(II) _____</p> <p>(III) _____</p> <p>(IV) _____</p> <p>b.</p> <p>(I) _____</p> <p>(II) _____</p> <p>(III) _____</p>	<p>4</p> <p>3</p>
<p>For Markers Use Only</p>	<p><b>Q35 Total</b></p>

**QUESTION 36**

				7
For Markers Use Only			<b>Q36 Total</b>	

**QUESTION 37**

a. (I) _____	4
(II) _____	
(III) _____	
(IV) _____	3
b. (I) _____	
(II) _____	
(III) _____	
For Markers Use Only	
<b>Q37 Total</b>	

**QUESTION 38**

<b>a.</b>		
		7
For Markers Use Only	<b>Q38Total</b>	

**QUESTION 39**

a.

Date	Particulars	Voucher/ Cheque No.	Receipts	Payments	Expenditure Analysis		
					Advertising	Transport cost	Sundry
2012 June							
6							
7							
8							
8							
10							
12							
14							
15							

b. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6

1

For Markers Use Only

**Q39 Total**

**QUESTION 40**

a. (I)

3

(II) \_\_\_\_\_  
\_\_\_\_\_

1

b.

3

For Markers Use Only

**Q 40 Total**