



**DEPARTMENT OF
EDUCATION**

**UPPER SECONDARY
SCHOOL CERTIFICATE
EXAMINATIONS**

Accounting

Tuesday

21 October 2014

Time allowed:

2 hours and 30 minutes

(11:30am – 2:00 pm)

NO EXTRA TIME

(NO OTHER TIME)

Candidates are advised to fully
utilise the allocated time

ACC

INSTRUCTIONS TO CANDIDATES

To be read by the external invigilator to all candidates.

1. The subject code for Accounting is **12**.
2. There are **16** printed pages in the question booklet. An electronic answer sheet for part A and **10** paged answer booklet for part B are inserted in the question booklet.
3. There are two parts in this paper. Answer all questions.

Part A: Multiple Choice (Questions 1-30) 30 Marks

This part will be electronically marked.

All answers to the Multiple Choice Part A **MUST** be answered on the **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.

Part B: Short Answer (Questions 31- 40) 70 Marks

Write down your name, your school name and complete your 10 digit candidate number on the Part 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. Correction 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 to 30) 30 MARKS

Answer each question by shading in with HB pencil the circle directly below the correct alternatives A, B, C or D on the electronic ANSWER SHEET provided.

If you make a mistake, erase the shading completely with an eraser and shade in your alternative clearly.

QUESTION 1

Which of the following statement justifies the single entry accounting in small business?

- A. It is the recommended method of accounting by the Investment Promotion Authority.
- B. The owners do not have sufficient time and knowledge to prepare double entry accounting.
- C. It is simple and less expensive method.
- D. It is an alternative method to double entry accounting.

QUESTION 2

Which of the following could be obtained from stock record (stock card) maintained under single entry accounting?

- A. Cost of Sales for profit calculation.
- B. Sales revenue for profit calculation.
- C. Amount payable to trade creditors arising from credit purchases.
- D. Amounts receivable from trade debtors in respect of credit sales.

QUESTION 3

Which of the following indicates an advantage of having a petty cash system in an entity?

A petty cash system

- A. reduces workload of petty cashier.
- B. reduces transaction in notes and coins.
- C. improves efficiency in small cash payments.
- D. encourages using petty cash vouchers for payments.

QUESTION 4

A petty cashier had a petty cash balance of K72.60. On this day, total of petty cash voucher paid amounted to K127.40.

Which of the following was the petty cash imprest (fund)?

- A. K 54.80
- B. K 100.00
- C. K 127.40
- D. K 200.00

QUESTION 5

Which of the following is true of a limited liability company?

- (i) Limited liability for business debts
 - (ii) Shareholders do not bear debt burdens
 - (iii) Shareholders receive dividends.
- A. i and ii only B. ii and iii only
- C. i and iii only D. i, ii and iii

QUESTION 6

“A business continues to trade into the foreseeable future”

Which accounting principle is being referred to in this statement?

- A. Accounting period B. Business entity
- C. Consistency D. Going concern

QUESTION 7

Which of the following correctly describes the effect of purchasing a motor vehicle on credit on the accounting equation?

	Assets	Liability	Equity
A.	+	+	
B.	+		+
C.	+-		
D.	+		-

QUESTION 8

Which of the accounting principles allow accountants to separate business transactions from owner’s private transactions?

- A. Accounting period B. Consistency
- C. Going Concern D. Business entity

QUESTION 9

Which of the following correctly defines the owner's equity?

- A. Residual interest in the assets after deducting all liabilities.
- B. Residual interest in the liabilities after deducting all assets.
- C. Amount contributed by the owner.
- D. Amount contributed by the owner and the financiers.

QUESTION 10

Which of the following is the expanded accounting equation?

- A. $A + R + L = OE + E$
- B. $A = L + (R - E)$
- C. $A = L + (OE + R) - E$
- D. $A + OE = L + (R - E)$

QUESTION 11

Which of the following correctly states the purpose of a trial balance?

- A. To check the arithmetical accuracy of the accounting entries.
- B. To find the net profit or loss for the period.
- C. To check that all transactions have been posted into the accounting records.
- D. To prove that the accounting records are free from errors.

QUESTION 12

Which of the following pairs of accounts usually have credit balance brought down (b/d)?

- A. Capital and expense
- B. Assets and expenses
- C. Revenue and Assets
- D. Liabilities and revenue

QUESTION 13

Johnson, a sole trader commenced a business with a gift of delivery truck from his father.

Which of the following will be the accounting entry?

- | | Dr | Cr |
|----|-------------------|-------------------|
| A. | Motor vehicle a/c | Father's a/c |
| B. | Capital a/c | Motor vehicle a/c |
| C. | Motor Vehicle a/c | Capital a/c |
| D. | Motor Vehicle a/c | Bank a/c |

QUESTION 14

John's account in Peter's business had a credit balance of K 12 500.

This means

- A. Peter is required to collect K 12 500 from John.
- B. Peter is a creditor of John.
- C. John is a creditor of Peter's business.
- D. John is required to collect K 12 500 from Peter.

QUESTION 15

Which of the following is correct in respect to double entry accounting?

- A. Each debit entry has a corresponding credit only.
- B. Every transaction is recorded in two accounts.
- C. Every transaction is entered in two or more accounts with equal debits and credits.
- D. The accounting system recommended for companies by Investment Promotion Authority.

QUESTION 16

Papindo Department Store issues a credit note to Hunters Store.

This transaction indicates that

- A. Hunters Store account has been credited with the amount indicated in credit note.
- B. Papindo Department Store acknowledges damaged goods returned by Hunters Store.
- C. Hunters store acknowledges damaged goods returned by Papindo department Store.
- D. Hunters Stores owes money to Papindo for over charging Papindo Department Stores.

QUESTION 17

Which of the following transactions will NOT be entered in a specialised journal?

- A. A truck sold on credit by Ela Motors to Boroko Motors.
- B. Credit purchase of stock by Super Value Store from Waigani Wholesale.
- C. Koitaki Plantation bought a tractor from PNG Motors on credit.
- D. Super Value Stores returning damaged goods back to Waigani Wholesale.

QUESTION 18

A receipt received from a creditor will be recorded by the receiver in

- A. Cash Receipt Journal.
- B. Cash Payment Journal.
- C. Purchases Journal.
- D. Purchase Returns and Allowance Journal.

QUESTION 19

Kimbe Mart began in 2013 with K 50 700 as the owner's equity. By December, the business earned a profit of K 35 200. The owner used K 5 000 for his family. However, in the year end, Owner's Equity balance came out to K 100 000.

Choose the best explanation from the following.

- A. The amount the owner put into the business is the difference of K19 100.
- B. The owner and his family's unrecorded drawing of K 19 100 is the difference.
- C. The additional capital from the owner is K 14 100.
- D. The owner's unrecorded drawing of K 14 100 is the cause of the difference.

QUESTION 20

Which of the following is correct in respect to subsidiary ledgers?

- A. Debtors and Creditors accounts are maintained in the general ledger.
- B. Debtors Control account balance should agree with the total of Debtors individual balances.
- C. Subsidiary ledger is a part of the general ledger.
- D. Both subsidiary ledger and the general ledger are handled by one person.

QUESTION 21

Which of the following is NOT an accounting assumption?

- A. Business entity
- B. Accounting Period
- C. Going Concern
- D. Comparability

QUESTION 22

An appropriate way of dealing with an accrued expense on the balance day is to

- A. Debit the expense account and credit expense accrued.
- B. Credit the expense account and debit expense accrued.
- C. Debit expense prepaid and credit that expense account.
- D. Credit expense accrued and debit expense prepaid account.

QUESTION 23

The purpose of adjusting expense and revenue accounts on the balance day before preparing the financial statements are to

- A. recognize prepaid and accrued expenses.
- B. eliminate prepaid and accrued expenses.
- C. eliminate understatement and overstatement of assets and liabilities.
- D. recognize revenue earned and expense incurred.

QUESTION 24

Priscilla had an opening stock of K6 700 and purchased more goods costing K84 000 during the year ended 31st December 2013. On this date, she had K5 400 left in stock. All sales were made at mark up of 20% on cost.

What is Priscilla's gross profit for the year?

- A. K 13 750
- B. K 16 540
- C. K 17 060
- D. K 20 675

Use the following information to answer Questions 25 to 27.

Raka's Tyre Service-Mamboo Block.

Balance Sheet as at 31 December 2013.

Assets	K	Liabilities & Owners Equity	K
Cash at Bank	3 000	Accounts payable	8 000
Accounts Receivable	900	Owner's Capital	6 900
Stock	1 000		
Furniture & Fixtures	<u>10 000</u>		
	<u>14 900</u>		<u>14 900</u>

QUESTION 25

The Current Ratio is

- A. 0.6125 B. 1.6327 C. 1.8625 D. 0.5369

QUESTION 26

The acid ratio (quick asset ratio) is

- A. 0.6125 B. 0.5369 C. 0.4875 D. 0.4631

QUESTION 27

The working capital is

- A. K 4 100 B. (K 4 100) C. K 3 100 D. (K 3 100)

QUESTION 28

The following ratios have been calculated from Kila's Business Records.

Details/Years	2012	2013
Current ratio	1.2	1.5
Average Debt Collection days	75	30
Stock Turnover	42	35

According to the information above, which of the following statement is correct?

- A. Debt collection and stock turnover have improved.
 B. Liquidity and debt collection have improved.
 C. Liquidity and stock turnover have improved.
 D. 1.0 unit of current liabilities is covered by 1.5 units of assets in 2013.

QUESTION 29

Which of the following is the correct double entry to record depreciation expense?

- A. Debit Depreciation Expense and credit Accumulated Depreciation.
- B. Debit Profit and Loss Summary and credit Accumulated Depreciation.
- C. Credit Depreciation Expense and debit Profit and Loss Summary.
- D. Credit Depreciation Expense and debit Accumulated Depreciation.

QUESTION 30

On the balance day, business revealed that rent expense of K 2 400 for the year was not made due to oversight.

Which of the following is the correct balance day adjustment?

- | | | |
|----|----------------------|---------|
| A. | Accrued rent expense | Dr 2400 |
| | Rent expense | Cr 2400 |
| B. | Rent expense | Dr 2400 |
| | Accrued rent expense | Cr 2400 |
| C. | Accrued rent expense | Dr 2400 |
| | Cash at bank | Cr 2400 |
| D. | Rent expense | Dr 2400 |
| | Cash at bank | Cr 2400 |

PART B: SHORT ANSWER (QUESTION 31 to 40) 70 MARKS

Write all the answers to the questions on the Answer Booklet provided.

QUESTION 31

Kua started a small business on 1.1.2014 to provide computer repair services on cash basis. He uses single entry accounting to record business transactions. He had prepared the following statement of cash receipts and payments for the six months ending 30.06.2014.

Statement of Cash Receipt and Payment.

<u>Cash receipts</u>	K	K
Loan from father	7 000	
Capital Investment	13 000	
Service fees	<u>12 000</u>	32 000
<u>Cash Payments</u>		
Purchase of supplies for jobs undertaken	4 000	
Advertising	500	
Purchase of tools	2 000	
Rent	3 000	
Electricity	900	
Payment of loan installments	3 000	
Cash drawings	<u>1 200</u>	<u>14 600</u>
Cash balance on 30.06.2014		<u>17 400</u>

Required:

Prepare an Income Statement (Profit and Loss Statement) for the six months ended on 30 June 2014 and ascertain the profit or loss. (7 Marks)

QUESTION 32

- a. State two characteristics of an asset. (2 Marks)
- b. Distinguish between current and non current assets. (2 Marks)
- c. Identify current or non current assets from the following list.
 - (i). Land and Building
 - (ii). Long term loans
 - (ii) Cash at bank
 - (iv) Rent Prepaid
 - (vi) Accrued Insurance Expense (3 Marks)

QUESTION 33

Tau's business introduced a petty cash system from 01.01.2014 with an imprest of K100.00. You are given the following paid petty cash vouchers during the first week of operation of petty cash system.

Petty Cash Voucher No. 1 Date: 1.1.2014 For: Bus Fare Charge to A/c No. 40 Amount: K 5.00
--

Petty Cash Voucher No.2 Date: 2.1.2014 For: Taxi Fare Charge to A/c No. 40 Amount: K 12.00

Petty Cash Voucher No.3 Date: 04.01.2014 For: Flowers Charged to A/c No.60 Amount: K 14.00

Petty Cash Voucher No.4 Date: 05.01.2014 For: Tea and coffee Charged to A/c No. 60 Amount: K 22.50

Petty Cash Voucher No.5 Date: 04.01.2014 For: Cleaning Charged to A/c No. 38 Amount: K 30.00

Required:

Complete and balance the petty cash book using the information given in the petty cash vouchers above. (7 Marks)

QUESTION 34

You are given the following business transactions.

Transaction No.	Transaction
1.	Capital Investment by Owner in cash, K 75 000
2.	Purchase of a Motor Vehicle for cash, K 10 000
3.	Payment to trade creditors, K 5 000
4.	Cash received from trade debtors, K 6 000
5.	Purchase of photocopier on credit for K 14 000
6.	Cash Drawings, K 1 500

Required:

Indicate the effect of each of the above transactions with amount as per example shown on the format and total the columns. (7 Marks)

QUESTION 35

- a. Distinguish between double entry accounting and single entry accounting. (2 Marks)
- b. Write double entries for the following transactions. (5 Marks)
 - (i) Owner bought his Motor Vehicle to the business as part of his capital.
 - (ii) Owner took Grocery items from his business for personal use.
 - (iii) Owner withdrew cash for payments of his house rent.
 - (iv) A business pays rental for the future period.

QUESTION 36

You are given the following incorrect trial balance prepared by a trainee.

Sanap Trading

Trial Balance as at 31 December 2013

Accounts	Debit (K)	Credit (K)
Motor Vehicle		80 000
Trade Debtors		5 930
Trade Creditors	3 700	
Capital	70 000	
Sales		85 000
Purchases	53 000	
Delivery expense	8 500	
Administration expense		2 170
Insurance expense	3 200	
Opening Stock	5 000	
Bad Debts	300	
Rent expenses	600	

Required:

Correct the above trial balance

(7 Marks)

QUESTION 37

You are given the following incomplete cash at bank account.

Cash at Bank

1/1/2014 Balance b/d	12 000	2/1/14 Office furniture	3 500
5/1/14 Received from debtors	6 000	5/1/14 Payments to creditors	2 800
12/1/14 Cash sales	7 800	7/1/14 Wages	1 300
		10/1/14 Purchases	6 800
		12/1/14 Electricity	5 000
		15/1/14 Purchases	7 200
		Rent	2 200

Required:

Balance the above account.

(7 Marks)

QUESTION 38

Using the appropriate transactions below, you are to write up the cash receipts Journal Hina Huli Traders.

Date	Transaction
March 7	Bought a double cab Ford Ranger for K 82 000 on credit.
	The old Land Cruiser was sold to the driver for K 20 000. The driver brought in a cheque for K 20 000 and was issued receipt No. RC0091.
9	The owner gave K 10 000 as additional capital. The bookkeeper issued him RC0092 numbered receipt.
11	Store goods ordered from Hagen Haulier were delivered with invoice HH3005.
	A bale of sugar worth K 75 was returned because it got wet during transportation.
	Some of the stock was sold immediately for cash and a cash register print out (CRP 77) shows K 1 500.
15	Oka, a trade debtor paid his debt of K 1 200 and was given receipt RC0093.
20	Huli Hina made a part payment for the Ford Ranger using cheque (CH0021) for K50 000.
25	Map, another trade debtor paid his debt of K 280. His receipt was RC 0094.
30	Total cash sales for the week amounted to K 3 125. This is shown on the Cash Register Roll CRP92.

Required: Write up the cash receipts journal and add the total for the month.

(7 Marks)

QUESTION 39Koki Traders Books for May 2014.

Purchases Journal

Date	Trade Creditor	Reference:	Total (K)
May 20	Brian Lee	B04	3 300
23	Wilma Gulaia	W10	5 500
	Girrie Geoff	667	2 750
27	Masi Leo	LM1	<u>4 620</u>
			<u>16 170</u>

Purchases Returns and Allowances Journal

Date	Trade Creditor	Reference	Total (K)
May 24	Wilma Gulaia	Crw 10	330
29	Masi Leo	Cr 7	<u>550</u>
			<u>880</u>

Cash Payments Journal (CPJ)

Date	Particulars	Cheque No.	Bank (K)
May 30	Brian Lee	0880	3 000
	Wilma Gulaia	0881	3 000
	Purchases	0882	<u>2 200</u>
			<u>8 200</u>

Required:

You are required to post all the transactions that affect Wilma Gulaia into her account. Her T account is given in the answer sheet provided with her opening balance of K 250. Balance off her account and bring her balance down.

(7 Marks)

QUESTION 40

The following list of accounts is taken from Alotau enterprise.

Alotau Enterprise

Balances as at 30 April 2014

Account Name	K
Discount allowed expenses	400
Sales	10 000
Capital	20 000
Interest revenue	1 000
Cash at Bank (overdraft)	4 000
Bank Loan	13 000
Accounts Payable	10 800
Prepaid Expense	500
Accrued Expenses	1 000
Purchases	8 000
Stock 1/04/14	5 000
Sales Returns	450
Loan Term Loan	5 000
Building	13 950
Land	10 000

Additional Information

Stock 30/04/14 K 10 000

Required:

- a. Calculate Alotau Enterprise total Liabilities at 30th April 2014 from the list of accounts given above. (3 Marks)
- b. Using the above list of accounts calculate the cost of goods sold. (2 Marks)
- c. Calculate the gross profit for Alotau enterprise for the month of April using the figure given above. (2 Marks)

END OF EXAMINATION

ACCOUNTING — 2014

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			Candidate No		
1	4								

Candidate Name: _____

School Name: _____

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
Section B:			
Question 31			
Question 32			
Question 33			
Question 34			
Question 35			
Question 36			
Question 37			
Question 38			
Question 39			
Question 40			
FINAL TOTAL			

SECTION B - ANSWERS

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

QUESTION 31

	7
For Markers Use Only	Q31 Total

QUESTION 32

a. _____ _____ _____ _____	2
b. _____ _____ _____ _____	2
c. _____ _____ _____ _____ _____ _____	3
For Markers Use Only	Q32 Total

QUESTION 33

a.

Petty cash book								
Date	Particulars	Voucher/ Cheque No.	Receipts	Payments	Analysis			
					Travel expense A/c No.60	Office expense A/c No.40	Sundry	A/c No.
2014								
January	Cash received		100					
For Markers Use Only					Q33 Total			

7

QUESTION 34

Transaction No.	Assets (K) (+/-)	Liabilities (K) (+/-)	Owners Equity (K)(+/-)
1	+ 75 000		+ 75 000
2			
3			
4			
5			
6			
Total	_____	_____	_____
For Markers Use Only			Q34 Total

7

QUESTION 35

<p>a. _____ _____ _____ _____ _____</p> <p>b.</p> <p>(i) _____ _____</p> <p>(ii) _____ _____ _____</p> <p>(iii) _____ _____</p> <p>(iv) _____ _____</p>	<p>2</p> <p>5</p>
<p>For Markers Use Only</p>	<p>Q35 Total</p>

QUESTION 36

Accounts	Debit (K)	Credit (K)
Motor Vehicle Trade Debtors Trade Creditors Capital Sales Purchases Delivery expense Administration expense Insurance expense Opening Stock Bad Debts Rent expenses		
For Markers Use Only		Q36 Total

7

QUESTION 37

Cash at Bank				
1/1/2014 Balance b/d	12 000	2/1/14	Office furniture	3 500
5/1/14 Received from debtors	6 000	5/1/14	Payments to creditors	2 800
12/1/14 Cash sales	7 800	7/1/14	Wages	1 300
		10/1/14	Purchases	6 800
		12/1/14	Electricity	5 000
		15/1/14	Purchases	7 200
			Rent	2 200
For Markers Use Only				Q37 Total
				7

QUESTION 38

Date	Particulars	Reference	Bank
For Markers Use Only			Q38 Total
			7

QUESTION 39

	May 1 Balance K 250	7
For Markers Use Only	Q39 Total	

QUESTION 40

a. Total Liability	3	
b. Cost of Goods Sold	2	
c. Gross Profit	2	
For Markers Use Only	Q40 Total	