

SANGAM SKM COLLEGE - NADI
YEAR 12
ACCOUNTING
WORKSHEET 2 SOLUTIONS – 2021

NATURE, PURPOSE, SCOPE AND ENVIRONMENT OF ACCOUNTING

1. Which of the following is regarded as non-financial information in a business organization?
 A. Value of Delivery vehicles.
 B. Land and building.
 C. Quality of Staff.
 D. Cash at bank. (1 mark)

2. Under which fundamental qualitative characteristics of accounting data, the information presented is complete, without bias or undue error and neutral.
 A. Relevance.
 B. Comparability.
 C. Faithful representation.
 D. Verifiability. (1 mark)

3. There are a number of authorities in Fiji that register and ensure that professional standards of accounting are maintained all the time. Outline a role of each of the following: (2 marks)
 - (i) Fiji Institute of Accountants
 Legal and professional body that regulates the accounting profession and its practicing members in Fiji

 - (ii) Fiji Revenue and Customs Services
 A body that looks after collection of tax and tax returns

4. Differentiate between Accounting Entity and Legal Entity. (2 mark)
Accounting Entity states that the financial affairs of the owners are separate and distinct from the financial affairs of the business whereas **Legal Entity** states that business entity is formed by a process of law and has a legal standing in the eyes of the law

5. Identify two users of accounting information. (1 mark)
 Investors, Suppliers, Government, Trade Unions, Lenders, Managers, Investors, Shareholders etc.

6. Differentiate Management Accounting and Financial Accounting using the table given in the answer booklet: (5 marks)

	Financial Accounting	Management Accounting
Users of reports	External Users	Internal Users
Types of reports prepared	General Purpose Financial Statements	Special Purpose Financial Statements
Frequency of reports	Prepared at regular intervals	Prepared on demand
Content and format of reports	Largely standardized according to accounting standards	Established according to management
Verification	External Auditors	Internal Auditors

7. Differentiate between Conceptual framework and Accounting standards. (2 marks)
Conceptual Framework is a set of guidelines that help in the preparation of financial statements whereas **Accounting Standards** are principles that guide and standardize accounting practices
8. Identify the accounting body responsible to implement accounting standards in Fiji. (1 mark)
Fiji Institute of Accountants
9. Identify the accounting standards followed in Fiji. (1 mark)
The International Financial Reporting Standards
10. Explain the purpose of providing accounting data to the following users. (2 marks)
- (i) Human Resource (HR) Department
For performance of employees
- (ii) Investors
For the rate of return that they will get for their investment in the business

WEEK 3 **PERSONAL FINANCE** **[11 marks]**

PART A **PERSONAL INCOME TAX** **(7 marks)**

1. **Fringe benefit tax can be recovered from the**

- A. the employer C. the financial accountant
B. the employee D. the management accountant

2. Explain the difference between Fringe benefit tax and Service turnover tax.
Fringe Benefits Tax is a tax levied at the rate of 20% on the fringe benefit taxable amount (non-cash benefits) for each quarter whereas **Service Turnover Tax** is a tax that is levied on the VAT exclusive cost of turnover of any person conducting a service business
(2 marks)
3. Mr. Singh a resident of Fiji, owns a house in Suva and he plans to sell it to Mr Williams on 2nd July 2017 for \$250 000. Mr. Singh acquired the house on 1st January 2015 for \$235 000.
(i) Calculate the gain or loss on disposal of asset? **(1 mark)**
 $250\ 000 - 235\ 000 = \$15\ 000$ (Gain on Sale)
(ii) If there is a gain then calculate the Capital Gains Tax. (Assume this was Mr. Singh's principal place of residence) **(1 mark)**
There will be no tax as it is his principal place of residence
4. Mrs. Manisha Chand a resident of Fiji, bought a yacht for \$100,000 on 2nd May 2017. The yacht is destroyed in a fire on 5th August 2017. Insurance proceeds received on 10th November 2017 are \$110 000. Calculate the Capital Gains tax. **(1 mark)**

There will be no tax as Capital Gain is less than \$30 000
(110 000 – 100 000 = \$10 000)

5. **Define Capital Gain.** It is any profit or gain realized on the disposal of capital assets
(1 mark)
6. List two categories of fringe benefits received by employees.
Debt waiver fringe benefit/Household personnel fringe benefit/Housing fringe benefit/Discounted Interest loan fringe benefit/Meal or refreshment fringe benefit/Motor vehicle fringe benefit/Private expenditure fringe benefit/Property fringe benefit/Residual fringe benefits. – any 2
(1 mark)

PART B STATEMENT OF AFFAIRS (4 marks)

1. The statement of affairs is similar to
A. a bank account
B. an appropriation account
C. a statement of financial performance
D. a statement of financial position
2. Mr. Bakini is considering to buy a Viti Mini business, which is on sale at the price of \$60 000. He has arranged to see his bank manager at BSP for the possibility of getting a loan to purchase the business. He has been asked to bring to the meeting his most recent financial records. Bakini is not sure what the bank requires and has asked for your help. The following information is available.

1. He owns a house with the recent government valuation of \$88 000, however he has a mortgage of \$25 000 due on his house.
2. Household contents are valued at \$29 000.
3. Mini Van which he bought 3 months ago costing \$12 000, but he still owes \$3 400 on it.
4. Unpaid monthly Expenses total to \$9 000.
5. His bank account balances are:
-Fixed deposit \$8 500
-Savings account \$1 500

Required:

Compute the value of Mr. Bakini's Net Worth. (3 marks)

Assets

$$88\ 000 + 29\ 000 + 12\ 000 + 8\ 500 + 1\ 500 = \mathbf{\$139\ 000}$$

Liabilities

$$25\ 000 + 3\ 400 + 9\ 000 = \mathbf{\$37\ 400}$$

Net Worth = Assets – Liabilities

$$= 139\ 000 - 37\ 400$$

$$= \mathbf{\$101\ 600}$$