

**Paper 1 Quiz 1****Name:** \_\_\_\_\_**Class:** \_\_\_\_\_

1. Which of the following is not a function of accounting?
- A. Provide relevant information for users
  - B. Record sales and purchases in books
  - C. Keep separate records for different accounting data
  - D. **Present all daily transactions in financial statements**
- ☐
2. In an accounting cycle, what is the step after preparing a trial balance?
- A. Balancing off the accounts
  - B. Preparing financial statements
  - C. **Preparing adjusting entries**
  - D. Preparing closing entries
- ☐
3. Which of the following equations is correct?
- A.  $\text{Assets} = \text{Capital} + (\text{Revenues} - \text{Expenses}) + \text{Drawings}$
  - B.  **$\text{Capital} = \text{Net Assets} - \text{Profit} + \text{Drawings}$**
  - C.  $\text{Drawings} = \text{Assets} - \text{Liabilities} + (\text{Revenues} - \text{Expenses}) + \text{Capital}$
  - D.  $\text{Liabilities} = \text{Assets} + \text{Drawings} - \text{Loss} - \text{Capital}$
- ☐
4. Given that T- Max Company has assets \$86,574, capital \$43,120, revenues \$26,718, expenses \$18,590 and drawings \$8,700. What is the amount of liabilities?
- A. \$24,864
  - B. \$26,626
  - C. \$42,882
  - D. **\$44,026**
- ☐
5. Which of the following double entries is correct?
- | <i>Transactions</i>                                      | <i>Account to be debited</i> | <i>Account to be credited</i> |
|--|------------------------------|-------------------------------|
| A. The owner, K Leung, introduced cash as capital.       | K Leung                      | Cash                          |
| B. Bought furniture by cheque from Simple Furniture Ltd. | Furniture                    | Simple Furniture Ltd          |
| C. <b>Paid a creditor, D Poon, by cheque.</b>            | <b>D Poon</b>                | <b>Bank</b>                   |
| D. Sold machinery to P Cheng for cash.                   | P Cheng                      | Machinery                     |
- ☐
6. Which of the following statement(s) is/are incorrect?
- (1) In an account, the amounts recorded on the left-hand side are called credits.
  - (2) All accounting transactions are recorded in the balance sheet when they occur.
  - (3) Every transaction must affect accounts on both sides of the accounting equation.
  - (4) The total amount of entries on the left-hand side of an account must always equal the total amount of entries on the right-hand side.
- A. (4) only
  - B. (3) and (4) only
  - C. (1), (2) and (3) only
  - D. **(1), (2), (3) and (4)**
- ☐

7. Which of the following accounts usually end up with a credit balance?

- A. Bank
- B. Discounts received
- C. Returns inwards
- D. Debtors

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8. Which of the following are tasks of accounting?

- (1) classifying and recording business transactions
- (2) equipping the purchasing system with security measures
- (3) summarising and reporting the performance of the company's sales periodically

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

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9. In the accounting cycle, which of the following steps comes immediately after the preparation of a trial balance?

- A. preparing financial statements
- B. making period-end adjustments
- C. posting entries to the ledgers
- D. recording transactions in the books of original entry

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10. Which of the following transactions will affect the total amount of liabilities of a business?

- A. assets introduced by the owner into the business
- B. goods sold to customers on credit
- C. machinery bought with its price settled two months later
- D. sales proceeds deposited into the business's bank account

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11. Mr Wong set up a firm on 1 January 2017. He introduced his motor van of \$40 000 into the firm. The firm borrowed \$200 000 from Mr Wong's relatives to purchase office equipment and \$100 000 from bank for the business operation. What are the amounts of the firm's assets, liabilities and capital on 1 January 2017?

	<u>Assets</u>	<u>Liabilities</u>	<u>Capital</u>
	\$	\$	\$
A.	240 000	200 000	40 000
B.	40 000	300 000	340 000
C.	340 000	100 000	240 000
D.	340 000	300 000	40 000

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12. Which of the following double entries is/are correct?

<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) Received interest on bank deposit.	Interest income	Bank
(2) Purchased stationery for office use on credit.	Stationery expenses	Accounts payable
(3) The owner brought in his motor van for the firm's use.	Motor van	Drawings

- A. (1) only  
 B. (2) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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13. Which of the following double entries are correct?

<u>Transactions</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) Withdrew \$20,000 cash from the bank account for business uses.	Drawings	Bank
(2) Paid sundry expenses \$3,000 in cash.	Sundry expenses	Cash
(3) Received a bank loan of \$200,000 via the bank account.	Bank	Bank loan

- A. (1) and (2) only  
 B. (1) and (3) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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14. Which of the following transactions should be recorded in the purchases account of a supermarket?

- (1) purchased a freezer for storing ice-cream  
 (2) owner took some canned food from the warehouse for his family use  
 (3) received a discount from a supplier for bulk purchase of goods

- A. (1) only  
 B. (2) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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15. Which of the following should be recorded on the credit side of the respective accounts?

	<u>Account</u>
(1) Decrease in capital	Capital
(2) Increase in trade payables	Trade payables
(3) Decrease in cash at bank	Bank

- A. (1) and (2) only  
 B. (1) and (3) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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