

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

1. Classifying data means keeping separate records for

- (1) revenues and expenses
- (2) cash and resources owned by the firm
- (3) amounts owed to others and amounts owned by the firm
- A. (2) only
- B. (1) and (2) only
- C. (1) and (3) only
- D. (1), (2) and (3)

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2. Which of the following is not included in an accounting cycle?

- A. Collecting source documents
- B. Preparing a budget
- C. Balancing off the accounts
- D. Preparing income statement

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3. D Lee has the following assets and liabilities: Bank \$49,000; Inventory \$5,790; Creditor: John Wu \$9,000; Loan from O Yeung \$3,240; Delivery Van \$56,000; Cash \$6,700.

What is the amount of capital?

- A. \$111,670
- B. \$105,250
- C. \$129,730
- D. \$117,490

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4. Sunflower Co borrowed \$10,000 from the bank to repay credit purchase of \$7,600. The remaining money was taken by the owner for private use. How do the transactions affect the business' assets, capital and liabilities?

- | <i>Effect on assets</i>  | <i>Effect on capital</i> | <i>Effect on liabilities</i> |
|--------------------------|--------------------------|------------------------------|
| A. Decreased by \$10,000 | Decreased by \$2,400     | Decreased by \$7,600         |
| B. Decreased by \$4,800  | Decreased by \$2,400     | Decreased by \$2,400         |
| C. No effect             | Decreased by \$2,400     | Increased by \$2,400         |
| D. Decreased by \$2,400  | No effect                | Decreased by \$2,400         |

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5. Which of the following double entries are incorrect?

- | <i>Transactions</i>                                     | <i>Account to be debited</i> | <i>Account to be credited</i> |
|---|------------------------------|-------------------------------|
| (1) The owner contributed furniture.                    | Furniture                    | Capital                       |
| (2) Bought computers on credit from Maxi Computers Ltd. | Maxi Computers Ltd           | Computers                     |
| (3) Paid rates by cheque.                               | Bank                         | Rates                         |
| (4) Received cash from a debtor.                        | Cash                         | Debtors                       |

- A. (1) and (3) only
- B. (2) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only

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6. Which of the following accounts of a business will be debited when there is an increase in the amount?

- (1) Motor cars
- (2) Loan from Luke Ltd
- (3) Loan to Mark Co
- (4) Creditors
- (5) Cash at bank
- A. (4) and (5) only
- B. (1), (2) and (5) only
- C. (1), (3) and (5) only
- D. (2), (3) and (4) only

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7. The business owner used his private savings to pay salaries. The double entry for this transaction should be:

- A. Dr Drawings      Cr Salaries
- B. Dr Salaries      Cr Capital
- C. Dr Capital      Cr Bank
- D. Dr Salaries      Cr Bank

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8. Which of the following are functions of accounting?

- (1) evaluate business performance
- (2) facilitate business planning
- (3) enhance business competitiveness
- 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, the next step after posting entries to the ledger accounts is \_\_\_\_\_.

- A. preparing financial statements
- B. recording transactions in the books of original entries
- C. preparing the trial balance
- D. making period-end adjustments

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10. Which of the following descriptions of cash discounts offered to customers are correct?

- (1) They are expenses.
- (2) They must be recorded in the books.
- (3) They are used to encourage customers to purchase in cash.
- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

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11. A firm acquired a set of equipment with a list price of \$200,000. The owner paid \$50,000 by personal cheque and the remaining amount was to be settled later on. Which of the following are the effects of this transaction on the accounting equation?

	<u>Assets</u>	<u>Liabilities</u>	<u>Capital</u>
A.	increase	increase	decrease
<b>B.</b>	<b>increase</b>	<b>increase</b>	<b>increase</b>
C.	increase	decrease	increase
D.	decrease	unchanged	decrease

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12. Which of the following double entries are correct?

<u>Transactions</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) Credit customers returned goods to the firm.	Sales	Trade receivables
(2) A bank loan was settled by cheque.	Loan from bank	Cash at bank
(3) A cash refund for the overpayment of motor expenses was received.	Cash	Motor expenses

- A. (1) and (2) only  
 B. (1) and (3) 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) Purchased a file cabinet for office use in cash	Purchases	Cash
(2) The owner introduced cash into the business	Cash	Capital
(3) A debtor paid his debts by cheque	Cash at bank	Accounts receivables

- 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. The proprietor of a business draws money from his private savings account to settle the amount owed to a creditor of the business. The ledger entries should be:

- A. Dr Accounts Payable account ..... Cr Bank account  
**B. Dr Accounts Payable account ..... Cr Capital account**  
 C. Dr Drawings account ..... Cr Accounts Payable account  
 D. Dr Drawings account ..... Cr Bank account

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15. If an account has a debit balance, which of the following statements about the account is correct?

- A. The total amount of the debit side in the account is higher than the total amount of the credit side.**  
 B. The balance carried down appears on the debit side of the account.  
 C. The balance brought down appears on the right hand side of the account.  
 D. The account is an asset account.

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