

Paper 1 Quiz 2**Name:** _____ **Class:** _____

1. Which of the following errors would affect the agreement of the trial balance totals?
- A. A credit sale of \$320 worth of goods to K Lee was recorded in L Kee's account instead.
 - B. A purchase of \$200 was entered in the books as \$300.
 - C. A cheque payment to a supplier was debited to his account only. No other entry was made for this transaction.
 - D. A return of goods to Sam Mak was completely omitted from the books.

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2. The totals of the following trial balance do not agree. Each account below except the bank account has a normal balance. All account balances are correct.

Trial Balance as at 31 January 2010

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Bank	5,750	
Sales		3,545
Purchases		5,793
Returns inwards	245	
Capital	14,717	
Drawings		4,444
Premises		7,257
Returns outwards	325	
	<u>21,037</u>	<u>21,039</u>

Which of the following accounts has its balance recorded in the correct column?

- A. Bank
 - B. Premises
 - C. Purchases
 - D. Returns inwards
3. Which of the following errors would affect trial balance agreement?
- A. Both the returns inwards account and the accounts payable account were overstated by \$2,000.
 - B. Discounts received from creditors were wrongly credited to the discounts allowed account.
 - C. One page of the purchases journal was correctly totalled as \$1,200, but wrongly carried down as \$2,100 to the next month.
 - D. No entry was made for drawings of \$1,180.

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4. Which of the following statements is true?
- A. A trial balance is free of errors if the debit and credit totals agree.
 - B. Bookkeepers cannot find recording errors without the trial balance.
 - C. A trial balance is prepared once a year.
 - D. A trial balance should contain all the ledger account balances of a business.
5. An income statement
- A. is a financial statement that reports the revenues and expenses a business earned and incurred during an accounting period.
 - B. equals the profit and loss account.
 - C. provides explanation on the profit or loss made by the business.
 - D. must show the gross profit.

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6. The following details relate to Mark Chan's business for the year ended 31 October 2009: Consultancy fees \$493,300; Miscellaneous expenses \$35,900; Rent and rates \$52,800; Wages and salaries \$64,000; Postage and stationery \$9,500; Electricity expenses \$8,200; Cleaning expenses \$4,800. The net profit for the year ended 31 October 2009 was
- A. \$211,992.
 - B. \$299,233.
 - C. **\$318,100.**
 - D. \$542,630.
7. Which of the following items would not appear in the income statement?
- A. Carriage inwards
 - B. **Premises**
 - C. Returns inwards
 - D. Electricity charges
8. Given the following figures: sales \$325,000, other expenses \$93,440, gross profit equals to 30% of sales. The cost of goods sold figure is
- A. \$97,500.
 - B. **\$227,500.**
 - C. \$231,560.
 - D. \$292,908.
9. Which of the following should be classified as a non-current liability in a balance sheet?
- A. A sum payable by the business within three months of the balance sheet date.
 - B. A sum payable by the business within six months of the balance sheet date.
 - C. **A sum payable by the business more than 12 months after the balance sheet date.**
 - D. None of the above
10. On 31 December 2009, a business had the following balances: Non-current assets \$93,456; Current assets \$32,222; Current liabilities \$12,439; Non-current liabilities \$5,000.
- As at 31 December 2009, capital amounted to
- A. \$19,783.
 - B. \$48,795.
 - C. \$73,673.
 - D. **\$108,239.**
11. Which of the following transactions will affect the working capital?
- (1) Settle the amount owed to creditors by cash.
 - (2) Purchases inventory by cheque.
 - (3) Make a long-term loan from C Chau.
 - (4) The owner introduces cash to the business.
- A. (1) and (3) only
 - B. **(3) and (4) only**
 - C. (1), (2) and (4) only
 - D. (2), (3) and (4) only

12. Which of the following information can be obtained by studying income statement?

- A. Whether a business can control its expenses effectively
- B. Reasons for the change in capital balance
- C. The solvency of a business
- D. Long-term growth potential of a business

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13. The following is a list of the account balances in the trial balance of a firm as at 31 December 2018:

	\$
Purchases	74,000
Inventory, 1 January 2018	6,200
Cash at bank	121,500
Loan from bank	36,700
Office equipment	15,000
Sales	123,000
Operating expenses	28,000
Drawings	14,700
Capital, 1 January 2018	?

The firm's capital as at 1 January 2018 was _____.

- A. \$43,700
- B. \$70,300
- C. \$99,700
- D. \$197,700

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14. Assume that no account balance is missing from a trial balance. If the total of the debit balances and the total of the credit balances of the trial balance are not equal, it means that _____.

- (1) one or more ledger balance(s) in the trial balance is/are wrong
- (2) the statement of financial position will not balance
- (3) the net profit in the income statement will be wrong

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

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15. A trading firm earned an interest income of \$8,000. How will the firm's gross profit and net profit for the year be affected?

- | | <u>Gross profit</u> | <u>Net profit</u> |
|----|---------------------|-------------------|
| A. | unchanged | increases |
| B. | increases | unchanged |
| C. | unchanged | unchanged |
| D. | increases | increases |

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16. Which of the following would affect the calculation of cost of goods sold?

- A. rental expenses for the office
- B. carriage expenses for the delivery of goods to customers
- C. discounts given by suppliers for purchasing a large quantity of goods
- D. discounts given by suppliers for early settlement of outstanding balances

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17. Which of the following items are to be provided in the income statement of a business?

- (1) profits earned during the accounting period
- (2) air freight charges for senior managers attending overseas meetings
- (3) trade discounts allowed to regular customers

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

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18. Which of the following will decrease the total amount of current liabilities of a business?

- (1) some unpaid goods are returned to the supplier
- (2) trade payables are repaid using a bank overdraft facility
- (3) a 6-month loan is repaid by taking out a 3-year 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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19. Which of the following statements about non-current assets is correct?

- A. Their cost of purchases exceeds \$100,000.
- B. They are used for the operations of the business.
- C. Their balances are presented in the income statement.
- D. Accounts receivable is a non-current asset.

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20. An asset is classified as a current asset on the statement of financial position if it _____.

- A. was purchased on credit more than 12 months ago
- B. was purchased in cash in the last 12 months
- C. is to be sold within 12 months
- D. is to be used for over 12 months

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21. Which of the following is/are the example(s) of a real account?

- (1) Sales account
- (2) Bank loan account
- (3) Equipment account

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

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22. Which of the following about an income statement is not correct?

- A. Information is mostly quantitative.
- B. Information mainly reflects past events.
- C. Its preparation involves professional judgements.
- D. Its preparation is based on cash receipts and cash payments only.

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