

Paper 1 Quiz 2

Name: _____

Class: _____

1. The trial balance can best be described as a
 - A. ledger account.
 - B. list of account balances.
 - C. book of original entry.
 - D. ledger.
2. Which of the following account balances will be included in the trial balance?
 - (1) Interest revenue
 - (2) Motor vehicles
 - (3) Discounts received
 - (4) Drawings
 - A. (3) only
 - B. (2) and (4) only
 - C. (1), (2) and (3) only
 - D. (1), (2), (3) and (4)
3. Which of the following accounts has a debit balance?
 - A. Capital
 - B. Postage
 - C. Commission revenue
 - D. Bank loans
4. If the debit and credit column totals of a trial balance are equal, then
 - A. all transactions have been recorded correctly.
 - B. all entries in the books of original entry are correctly recorded.
 - C. all ledger account balances are correct.
 - D. the total of debit entries and the total of credit entries are equal.
5. What is the formula for calculating gross profit?
 - A. Beginning inventory + Purchases – Ending inventory
 - B. Sales – Cost of goods sold
 - C. Sales + Cost of goods sold
 - D. Sales + Purchases
6. The proper steps for preparing an income statement are:
 - (1) Calculate the cost of goods sold and gross profit
 - (2) Calculate the net profit
 - (3) Close off the purchases and sales accounts
 - (4) Close off the accounts of expenses and other revenues
 - A. (4), (3), (2) then (1)
 - B. (1), (2), (3) then (4)
 - C. (3), (1), (4) then (2)
 - D. (3), (2), (1) then (4)

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7. The following information relates to Larry Co for the year ended 31 December 2013:

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Opening inventory	4,951	
Carriage inwards	439	
Carriage outwards	585	
Purchases and sales	75,467	124,390
Returns	4,625	5,800
Commission revenue		1,996

Given that closing inventory was four times that of opening inventory, the cost of goods sold for the year was

- A. \$79,682.
- B. **\$55,253.**
- C. \$46,119.
- D. \$82,032.

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8. Given the following figures: sales \$325,000, other expenses \$93,440, gross profit equals to 30% of sales. The net profit for the year figure is

- A. \$190,940.
- B. **\$4,060.**
- C. \$133,658.
- D. \$2,842.

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9. Current assets are listed in the balance sheet

- A. in alphabetical order.
- B. in order of importance.
- C. **in order of liquidity.**
- D. in order of durability.

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10. Given the following information about a sole proprietorship:

	\$
Total assets as at 1 April 2010	80,680
Total liabilities as at 1 April 2010	52,000
Capital introduced in April 2010	3,500
Drawings made in April 2010	12,300
Net profit for April 2010	9,500

Capital as at 30 April 2010 was

- A. \$28,680.
- B. **\$29,380.**
- C. \$25,880.
- D. \$32,180.

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11. On 31 December 2014, a sole proprietorship had the following balances: Non-current assets \$185,456; Current assets \$86,270; Current liabilities \$56,354; Non-current liabilities \$80,000; Opening capital \$98,038; Drawings \$6,700. Profit for the year ended 31 December 2014 is:

- A. \$30,634
- B. \$37,334
- C. **\$44,034**
- D. \$51,286

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12. Which of the following is not a use of financial statements to the management?
- A. Help managers in formulating and implementing plans
 - B. Project the firm's future earnings
 - C. Provide information that help better control of cash flow
 - D. Assist the evaluation of operational performance
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13. Which of the following accounts must carry a debit balance in a trial balance?
- A. Rental income
 - B. Purchases returns
 - C. Discounts received
 - D. Loans to employees
- ☐
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14. What is/are the main purpose(s) of preparing a trial balance?
- (1) record the daily transactions of the business
 - (2) reflect the financial performance of the business
 - (3) check the arithmetical accuracy of bookkeeping entries
- A. (1) only
 - B. (3) only
 - C. (1) and (2) only
 - D. (2) and (3) only
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15. On 8 April, Tin Ming purchased goods for \$60,000 on credit from Walter with trade discount of 2%. Another 3% discount would be received by Tin Ming if settlement was made within 10 days. If Tin Ming makes the settlement on 21 April, he has to repay _____.
- A. \$57,036
 - B. \$58,200
 - C. \$58,800
 - D. \$60,000
- ☐
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16. How will an increase in discounts received affect the gross profit and net profit?
- | <u>Gross profit</u> | <u>Net profit</u> |
|---------------------|-------------------|
| A. unchanged | unchanged |
| B. unchanged | increases |
| C. increases | unchanged |
| D. increases | increases |
- ☐
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17. For a sole proprietorship selling office equipment, which of the following about its statement of financial position is correct?
- A. Office equipment held for sale should be classified as a current asset.
 - B. The statement shows details of the transactions made during the year.
 - C. The statement shows the balances of the nominal accounts and real accounts of the firm.
 - D. Working capital is the difference between non-current assets and non-current liabilities.
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18. The following account balances as at 31 December 2015 were extracted from the books of a firm:

	Dr	Cr
	\$	\$
Purchases	75,000	
Returns inwards and returns outwards	5,000	3,000
Discounts allowed and discounts received	3,500	2,000
Inventory as at 1 January 2015	15,000	
Electricity	10,000	
Wages and salaries	36,500	

Given that the inventory as at 31 December 2015 were \$27,000, what was the cost of goods sold for the year ended 31 December 2015?

- A. \$54,500
- B. \$58,000
- C. \$60,000
- D. \$63,000

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19. On 1 January 2015, Mr Lee set up a firm with cash of \$100,000. On the same day, the firm took out a loan of \$200,000 from a bank. At the end of that year, total assets and total liabilities of the firm were \$980,000 and \$560,000 respectively. During the year, Mr Lee made regular cash drawings of \$5,000 per month.

What is the net profit of the firm for the year 2015?

- A. \$180,000
- B. \$260,000
- C. \$325,000
- D. \$380,000

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20. The current assets shown in the statement of financial position are arranged in order of

- A. significance, with the most important assets coming first and the least important assets coming last.
- B. value, with the most valuable assets coming first and the least valuable assets coming last.
- C. liquidity, with the least liquid assets coming first and the most liquid assets coming last.
- D. acquisition time, with the earliest acquired assets coming first and the latest acquired assets coming last.

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21. Which of the following is not a nominal account?

- A. salaries account
- B. purchases account
- C. returns inwards account
- D. cash at bank account

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22. Which of the following is **not** a use of financial statements?

- A. assist different users in making decisions
- B. provide information about the financial position of a business
- C. provide information to employees for assessing their job security
- D. provide qualitative information regarding the performance of a business

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