

## Paper 1 Quiz 2

Name: \_\_\_\_\_ Class: \_\_\_\_\_

1. Which of the following statements are incorrect?
- (1) A trial balance is said to disagree if the totals of debit and credit balances are not equal.
  - (2) If the two sides of a trial balance agree, this means that there is no error in the books.
  - (3) Both the opening inventory and the closing inventory will be included in the trial balance prepared at the year-end date.
  - (4) The trial balance is a list of debit balances of ledger accounts at the end of an accounting period.
- A. (1) and (2) only  
B. (3) and (4) only  
C. (1), (2) and (4) only  
D. (2), (3) and (4) only
2. Which of the following accounts usually have credit balances?
- (1) Discounts allowed
  - (2) Discounts received
  - (3) Bank loans
  - (4) Drawings
- A. (1) and (2) only  
B. (2) and (3) only  
C. (1), (3) and (4) only  
D. (2), (3) and (4) only
3. Which of the following errors would make the trial balance totals unequal?
- A. Credit purchase for \$56,000 was recorded as \$65,000 in the purchase and creditors account.
  - B. A double entry was made twice.
  - C. A credit sales was treated as a credit purchase and entries were made accordingly.
  - D. Loan from A Chan was wrongly debited to Loan from D Chan's account.
4. A trial balance will disagree if
- (1) a transaction was omitted from the books.
  - (2) the closing inventory was understated by \$1,000.
  - (3) a cheque of \$500 paid to a creditor was debited to the cash account and credited to the account of another creditor.
  - (4) a transaction was entered twice in the books.
- A. (2) and (4) only  
B. (3) and (4) only  
C. (1), (2) and (3) only  
D. None of the above
5. What is the formula for calculating net profit?
- A. Beginning inventory + Purchases – Ending inventory
  - B. Gross profit + Other revenues + Expenses
  - C. Other revenues – Expenses
  - D. Sales – Cost of goods sold + Other revenues – Expenses

6. Given the following figures: closing inventory \$252,400, purchases \$860,000, opening inventory \$123,000. The cost of goods sold figure is
- A. **\$730,600.**
  - B. \$860,000.
  - C. \$1,112,400.
  - D. \$1,235,400.
- ☐
7. The formula for calculating gross profit is:
- A. Opening inventory + Purchases – Closing inventory
  - B. Sales – (Purchases – Opening inventory + Closing inventory)
  - C. **Sales – (Purchases + Opening inventory – Closing inventory)**
  - D. Sales + (Opening inventory + Purchases – Closing inventory)
- ☐
8. Which of the following equations is correct?
- A. **Net sales = Gross profit + Opening inventory + Purchases + Carriage outwards – Returns outwards – Closing inventory**
  - B. Expenses = Net profit – Opening inventory – Purchases + Closing inventory + Revenues – Sales
  - C. Cost of goods sold = Sales – Returns outwards + Revenues – Expenses – Gross profit
  - D. Closing inventory = Net profit – Net sales + Opening inventory + Purchases + Carriage inwards – Returns outwards
- ☐
9. Joe Choi commenced business on 1 January 2009. He brought in non-current assets and inventory totalling \$87,000. He also opened a business bank account and deposited \$2,000 of his own money into the account. On 31 December 2009, the business had net assets of \$44,230. The net profit for the year was \$11,000. Joe's drawings for the year were
- A. \$29,770.
  - B. \$31,770.
  - C. \$33,770.
  - D. **\$55,770.**
- ☐
10. The following information is extracted from the balance sheet of Tammy's business: non-current assets \$828,000, non-current liabilities \$33,400, capital \$599,000, current assets \$134,500. Current liabilities amount to
- A. \$229,000.
  - B. **\$330,100.**
  - C. \$363,500.
  - D. \$127,900.
- ☐
11. C Chan planned to invest in a trading firm in May 2014 so he read its statement of financial position as at December 2013. All assets in the statement were valued at historical cost. However, the firm went bankrupt in March 2014. The firm prepared another statement of financial position where all assets were valued at market value. What kind of limitations of financial statements does this case illustrate?
- A. Alternative accounting policies and methods can be used
  - B. **Reporting past results**
  - C. Assets valued at historical cost
  - D. Providing a summary without details
- ☐

12.

	\$
Premises	165,700
Office equipment	18,200
Inventory	22,000
Motor vehicles	35,000
Cash	3,800
Bank overdraft	14,400
Trade payables	45,600
Water and electricity	8,500
Trade receivables	65,000
3-year bank loan	100,000

What is the net current asset?

- A. \$16,400
- B. \$30,800**
- C. \$39,300
- D. \$49,700

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13. Which of the following accounts must have balances on the debit side of a trial balance?

- (1) bank charges
- (2) bank loan
- (3) bank
- A. (1) only**
- B. (2) only
- C. (1) and (3) only
- D. (2) and (3) only

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14. In the trial balance, if the total of debit balances is larger than the total of credit balances, it means that \_\_\_\_\_.

- A. there is a loss for the year
- B. there is an error in the double entries**
- C. there is insufficient capital to run the business
- D. the amount of total assets is larger than the total liabilities

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15. A firm was set up in January 2018. The following account balances were extracted from its books as at 31 December 2018:

	\$
Sales	154,000
Purchases	51,000
Carriage outwards	2,500
Carriage inwards	4,700
Salaries	31,000

The inventory as at 31 December 2018 amounted to \$7,200. The gross profit for the year ended 31 December 2018 was \_\_\_\_\_.

- A. \$72,000
- B. \$105,500**
- C. \$107,700
- D. \$114,900

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16. In an income statement, \_\_\_\_\_ should be deducted from sales, while \_\_\_\_\_ should be added to the cost of goods sold.

- A. returns inwards; closing inventory
- B. returns inwards; carriage inwards
- C. returns outwards; opening inventory
- D. returns outwards; carriage outwards

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17. The following were the account balances of King Kong Company as at 31 December 2012:

	\$
Capital	199,800
Cash in hand	25,000
Cash at bank	?
Trade receivables	10,500
Trade payables	5,500
Sales	232,000
Purchases	108,000
Inventory as at 1 January 2012	15,000
Discounts allowed	5,600
Office equipment	280,000
Administrative expenses	32,000
Returns outwards	6,800
Commission received	8,700
Carriage inwards	4,500

If the inventory as at 31 December 2012 was \$13,400, what would be the gross profit for the year?

- A. \$117,900
- B. \$122,400
- C. \$124,700
- D. \$129,200

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18. The following information relates to Mr Chan's firm in 2017:

	\$
Capital, as at 1 January 2017	443 800
Capital, as at 31 December 2017	425 000
Total revenue for the year 2017	97 000
Total expenses for the year 2017	108 500

Based on the above information, Mr Chan \_\_\_\_\_ the firm during the year 2017.

- A. withdrew \$7 300 from
- B. withdrew \$30 300 from
- C. introduced \$7 300 into
- D. introduced \$30 300 into

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19. A firm sells goods to a customer on credit. Which of the following are the effects of this transaction on the statement of financial position?

	<u>Total current assets</u>	<u>Total current liabilities</u>
A.	decrease	increase
B.	decrease	decrease
C.	increase	unchanged
D.	unchanged	unchanged

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20. The following relates to Island Company for the year ended 31 December 20X6:

	\$
Accounts payable	5,000
Accounts receivable	6,000
Bank loan (repayable in December 20X7)	11,500
Capital as at 31 December 20X5	36,200
Capital as at 31 December 20X6	44,200
Cash	1,000
Drawings of goods by the owner	6,400
Ending inventories	12,500
Introduction of capital during 20X6	20,000
Mortgage loan (repayable in 20Y1)	60,000
Net income for the year	15,600
Plant and machinery	80,000

Island Company's working capital at year end amounts to \_\_\_\_\_.

- A. \$1,000
- B. \$3,000
- C. \$12,500
- D. \$14,500

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21. Which of the following is/are limitation(s) of using financial statements?

- (1) The financial statements mainly record past transactions, which may not reflect the future.
- (2) The inter-period comparison of the firm's performance is difficult as the assets in financial statement are generally reported at their market values, which fluctuate over time.
- (3) It is difficult to compare the performance of different firms in the same industry as different firms would adopt different accounting methods.

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

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22. Investors will use the accounting information provided in financial statements to evaluate \_\_\_\_\_.

- (1) whether it is worth investing in the business
- (2) whether the organisational structure of the business is appropriate
- (3) whether the business has adequate capital to carry out its projects

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

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