

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

1. The trial balance of Donut Enterprise shown below does not balance. Each account in the trial balance has a normal balance and is free of mathematical errors.

Trial Balance as at 31 May 2010

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Bank	5,750	
Accounts receivable		2,650
Accounts payable		4,550
Equipment	8,000	
Sales	6,900	
Purchases	4,500	
Salaries		3,250
	<hr/> 25,150	<hr/> 10,450

The accounts with balances listed in the wrong column are

- A. accounts payable, sales and salaries.
B. accounts receivable and purchases.
C. bank, equipment and purchases.
D. accounts receivable, sales and salaries.
2. All of the following accounts are listed on the credit side of the trial balance except:

- (1) Rent received
(2) Returns outwards
(3) Returns inwards
(4) Bank charges
A. (1) and (2) only
B. (2) and (3) only
C. (2) and (4) only
D. (3) and (4) only

3. Which of the following accounts can be in debit balances on a trial balance?

- (1) Investment
(2) James Lee
(3) Bank
(4) Returns inwards
A. (1) and (2) only
B. (3) and (4) only
C. (1), (3) and (4) only
D. (1), (2), (3) and (4)

4. Which of the following statements is correct?

- A. A trial balance must agree if there is a corresponding credit entry of the same amount for every debit entry.**
B. A trial balance is a list of all the balances of the ledger accounts at the end of a year.
C. A trial balance is said to disagree if the totals of all debit and credit balances extracted from the statement of financial position are unequal.
D. All errors affect the agreement of a trial balance.

5. 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. Total expenses for the year ended 31 October 2009 were

- A. \$175,200.
B. \$247,300.
C. \$328,100.
D. \$493,300.

☐

6. Given the following figures: opening inventory \$45,903, cost of goods sold \$483,999, closing inventory \$92,770. The purchases figure is

- A. \$530,866.
B. \$345,326.
C. \$437,132.
D. \$622,672.

☐

7. If the cost of sales increases (with other figures remaining the same),

- A. both gross profit and net profit will decrease.
B. gross profit will decrease while net profit will increase.
C. gross profit will increase while net profit will decrease.
D. both gross profit and net profit will increase.

☐

8.

	\$
Sales	65,700
Returns outwards	1,200
Inventory as at 31 December 2014	11,000
Inventory as at 1 January 2014	15,000
Carriage inwards	3,800
Carriage outwards	2,400
Gross profit	25,000

What is the amount of purchase?

- A. \$32,900
B. \$34,100
C. \$35,500
D. \$37,900

☐

9. The opening and closing capital balances for Thomas Li's business for the year ended 31 March 2010 were \$34,567 and \$44,521, respectively. The net profit for the year was \$7,222. Li's capital contribution during the year was

- A. \$79,088.
B. \$2,732.
C. \$17,176.
D. \$9,954.

☐

10. Which of the following transactions did not affect the net assets of a business?

- (1) Cash drawings by the owner
- (2) Paid a supplier in cash
- (3) Received cash from a trade debtor

- A. (1) only
- B. (2) and (3) only
- C. All of the above
- D. None of the above

☐

11. The business had the following account balances at the year-end: non-current asset \$108,750; working capital \$53,200; drawings \$8,000; opening capital \$126,540; profit and loss \$74,200; \$10,000 cash and \$5,000 machinery introduced by the owner during the accounting period. What is the non-current liabilities?

- A. \$38,790
- B. \$45,790
- C. \$53,790
- D. \$55,550

☐

12. Which of the following is not a limitation of financial statements?

- A. Only show figures and calculations
- B. Contain jargons which are difficult to understand by the general public
- C. May contain false or misleading information
- D. Details about the transactions that were responsible for the results are not disclosed

☐

13. Which of the following accounts must be in debit balances on a trial balance?

- (1) short term loans
- (2) inventories
- (3) bank
- (4) premises
- A. (1) and (3) only
- B. (1) and (4) only
- C. (2) and (4) only
- D. (2), (3) and (4) only

☐

14. Which of the following would increase the gross profit of a trading firm?

- A. decrease in returns outwards
- B. decrease in carriage outwards
- C. increase in trade discounts offered by the supplier
- D. increase in cash discounts offered by the supplier

☐

15. Which of the following is not the main use of financial statements for the respective users?

- | <u>User</u> | <u>Main use</u> |
|---------------|--|
| A. employees | to assess the prospects of the company |
| B. managers | to evaluate the financial performance of the company |
| C. government | to compute the profits tax payable by the company |
| D. customers | to assess the liquidity of the company |

☐

16. 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

What was the balance of the cash at bank account as at 31 December 2012?

- A. \$16,600
- B. \$27,800 (overdraft)
- C. \$30,200
- D. \$41,400 (overdraft)

☐

17. The following is an extract from the trial balance of ACCT Company at the year end 31 December 20X6:

	Dr	Cr
	\$	\$
Beginning inventories	5,500	
Carriage inwards	440	
Carriage outwards	660	
Purchases	73,000	
Returns	5,860	3,490
Sales		113,500

Given that the amount of ending inventories was twice of the opening inventories, the cost of sale for the year is _____.

- A. \$62,080
- B. \$64,010
- C. \$64,450
- D. \$64,670

☐

18. On 1 January 2014, Mary started her business by depositing her own cash \$300,000 into the firm's bank account and introducing her motor van costing \$80,000 into the firm. In addition, the firm borrowed \$40,000 from Mary's friends to buy goods for the business. Total revenues and total expenditures of the firm for the year ended 31 December 2014 amounted to \$120,000 and \$45,000 respectively. What is the amount of Mary's capital as at 31 December 2014?

- A. \$305,000
- B. \$335,000
- C. \$455,000
- D. \$485,000

☐

19. Which of the following is not the main use of a company's financial statements for the respective users?

User	Main use
A. managers	to formulate company's development strategies
B. employees	to assess their remuneration level and job security
C. government	to assess company's ability to repay tax
D. trade creditors	to decide whether to sell goods to the company on credit

☐

20. 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 net profit for the year ended 31 December 2015 was \$9,000, what was the gross profit for the year?

- A. \$59,000
- B. \$57,000**
- C. \$54,000
- D. \$53,500

☐

21. As at 31 December 2016, Wong's firm had the following assets and liabilities:

	\$
Non-current assets	280 000
Bank	18 000
Cash	58 000
Inventory	71 000
Trade payables	86 000
Trade receivables	162 000
Long term bank loan	120 000

What is the amount of working capital in Wong's firm as at 31 December 2016?

- A. \$103 000
- B. \$152 000
- C. \$223 000**
- D. \$503 000

☐

22. 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

The cash drawings by the owner during the year amount to _____.

- A. \$1,200
- B. \$21,200**
- C. \$27,600
- D. \$37,200

☐