ACC1701XA Accounting for Decision Makers
AY2526 Sem1

Midterm Test Review

Question #: 1

Which of the following financial statement reports a company's resources, obligations, and owner's equity?

- A. Statement of Changes in Equity
- B. Statement of Cash Flows
- ✓C. Statement of Financial Position
- D. Statement of Profit and Loss

Question #: 2

Agile Antelope Inc. received $10,000 cash in advance payment from a customer for services to be performed next year. What is the effect of this transaction on the accounting equation?

- ✓A. Increase in Assets $10,000; Increase in Liabilities $10,000; No effect on Equity
- B. Increase in Assets $10,000; No effect on Liabilities; Increase in Equity $10,000
- C. No effect on Assets, Decrease in Liabilities,$10,000;   Increase in Equity $10,000
- D. Decrease in Assets $10,000, Decrease in Liabilities $10,000, No effect on Equity

Journal Entry:

Dr. Cash	$10k	
Cr. Unearned Revenues		$10k

➔ Accounting Equation: Assets Increases ; Liabilities Increases ; No effect on Equity

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Question #: 3

Which of the following assets is considered to be the most liquid?

- A. Prepaid Rent
- B. Inventory
- C. Accounts Receivable
- ✓D. Cash

Question #: 4

During the year, Brazen Bear Company earned revenues of $57,000, incurred $49,000 for various operating expenses, and distributed $2,800 in dividends. It also raised $20,000 from the shareholders by issuing shares. If retained earnings at the beginning of this year was $17,300, what is retained earnings at the end of this year?

A. $45,300
✓B. $22,500
C. $25,300
D. $42,500

Net income: $57,000 - $49,000 = $8,000
Retained earnings: $17,300 + $8,000 - $2,800 = $22,500

Question #: 5

At the end of year 2024, Cool Cheetah Corporation's statement of financial position had the following balances: cash, $306,500; accounts receivable, $471,400; and accounts payable, $390,800. During 2025, Cool Cheetah had a net increase in cash of $68,600, net income of $47,800, and a reduction in accounts receivable of $37,000.   Given this information, what is the cash balance that will be reported on Cool Cheetah's 2025 statement of financial position?

✓A. $375,100
B. $385,900
C. $365,800
D. $338,100

Cash balance in 2025 SFP: $306,500 + $68,600 = $375,100

Question #: 6

When Dynamic Dolphin was preparing the trial balance, a $2,500 payment of accounts payable was accidentally recorded twice. By how much will this cause the trial balance total debits and credits columns to differ by?

✓A. $0
B. $2,500
C. $5,000
D. $1,250

The additional entry will cause a decrease in both debit (cash) and credit (AP) side, so the TB is still in balance even though the individual account balances are wrong.

Question #: 7

On 1 November, Elegant Elephant Company sold its products for $30,000 on credit to Fabulous Falcon Inc. The credit term given by Elegant Company is 10/5, n/30. On 4 November, Fabulous Falcon paid half of the invoice to Elegant Elephant. What should Elegant Elephant record on 4 November?

A. Dr. Cash	$13,500	
Dr. Sales Discount	$1,500	
Cr. Accounts Receivable		$13,500
Cr. COGS		$1,500
B. Dr. Cash	$27,000	
Dr. Sales Discount	$3,000	
Cr. Accounts Receivable		$15,000
Cr. Sales Revenue		$15,000
✓C. Dr. Cash	$13,500	
Dr. Sales Discount	$1,500	
Cr. Accounts Receivable		$15,000
D. Dr. Cash	$27,000	
Dr. Sales Discount	$3,000	
Cr. Accounts Receivable		$30,000

Discount = ($30k/2) x 10% = 1,500

There are FOUR questions relating to Graceful Giraffe Corporation.
Use the following information on Graceful Giraffe to answer questions #8-11.

Below is the unadjusted trial balance of Graceful Giraffe Corporation as at 31 December 2025:

Unadjusted Trial Balance @ 31 Dec 2025	Debit	Credit
Cash	120,000	
Receivables	26,500	
Inventory	17,800	
Prepaid Rent	12,000	
Property, Plant & Equipment (PPE)	100,000	
Accumulated Depreciation		30,000
Accounts Payable		36,700
Unearned Revenue		9,500
Share Capital		100,000
Retained Earnings		39,500
Sales Revenue		365,000
Cost of Goods Sold	210,000	
Salaries Expense	80,000	
Rent Expense	8,000	
General Admin Expense	6,400	
Depreciation Expense		
	580,700	**580,700**

Prior to preparing its financial statements for the year 2025, Graceful Giraffe must take into consideration the following events/transactions:

(i) The unadjusted balance in the prepaid rent account represents rent for the office which was paid in advance on 1 September 2025. The rental is for 1 year starting 1 September 2025.
(ii) The unadjusted balance in the unearned revenue account represents advance payment that was received from its client in October 2025. Graceful Giraffe had delivered all the goods to its client in December. The goods had cost Graceful Giraffe $4,100.
(iii) Depreciation of $10,000 for the year 2025 had not been recorded.
(iv) Graceful Giraffe hired some part time employees in December for $2,300. Salaries to the part time employees had not been recorded, and will only be paid in January 2026.

(Refer to full solution after Q.11)

Question #: 8

For transaction (i) in the question above, which of the following adjusting journal entry would Graceful Giraffe Corporation record on 31 December 2025 before preparing its financial statements?

✓A. Dr. Rent Expense $4,000
Cr. Prepaid Rent $4,000
B. Dr. Rent Expense $12,000
Cr. Prepaid Rent $12,000
C. Dr. Prepaid Rent $4,000
Cr. Cash $4,000
D. No adjusting journal entry required.

Question #: 9

For transaction (ii) in the question above, the adjusting journal entry/entries that Graceful Giraffe Corporation would record on 31 December 2025 would include which of the following entries?

A. Debit Unearned Revenue $9,500; Credit Sales Revenue $4,100.
✓B. Debit Unearned Revenue $9,500; Credit Inventory $4,100
C. Debit Cost of Goods Sold $4,100; Credit Unearned Revenue $9,500
D. Debit Cost of Goods Sold $9,500; Credit Sales Revenue $9,500

Question #: 10

What is the amount of Net Income that Graceful Giraffe Corporation will report on its Income Statement for the year ended 31 December 2025?

A. $53,800
B. $59,700
C. $52,000
✓D. $49,700

Question #: 11

What is the amount of Total Liabilities that Graceful Giraffe Corporation will report on its Statement of Financial Position as at 31 December 2025?

A. $44,400
B. $48,500
✓C. $39,000
D. $36,700

Graceful Giraffe Full Solution:

Adjusting / Correcting Journal Entries

(i) Rent Expense	4,000	
Prepaid Rent		4,000
(ii) Unearned Revenue	9,500	
Sales Revenue		9,500
COGS	4,100	
Inventory		4,100
(iii) Depreciation Expense	10,000	
Accum Depr		10,000
Inventory	1,700	
Cost of Goods Sold		1,700
(iv) Salaries Expense	2,300	
Salaries Payable		2,300

TB Worksheet	Unadjusted Balances		Adjustments/Corrections			Adjusted Balances	
	Debit	Credit		Dr	Cr	Debit	Credit
Cash	120,000					120,000	
Receivables	26,500					26,500	
Inventory	17,800		(ii)		4,100	13,700	
Prepaid Rent	12,000		(i)		4,000	8,000	
Property, Plant & Equipment (PPE)	100,000					100,000	
Accumulated Depreciation		30,000	(iii)		10,000		40,000
Accounts Payable		36,700					36,700
Salaries Payable		-	(iv)		2,300		2,300
Unearned Revenue		9,500	(ii)	9,500			-
Share Capital		100,000					100,000
Retained Earnings		39,500					39,500
Sales Revenue		365,000	(ii)		9,500		374,500
Cost of Goods Sold	210,000		(ii)	4,100		214,100	
Salaries Expense	80,000		(iv)	2,300		82,300	
Rent Expense	8,000		(i)	4,000		12,000	
General Admin Expense	6,400					6,400	
Depreciation Expense			(iii)	10,000		10,000	
	580,700	**580,700**		**29,900**	**29,900**	**593,000**	**593,000**

Net Income = 374,500 – 324,800 = 49,700

Assets $228,200 ; Liabilities $39,000; Equity $189,200

There are TWO questions relating to Ingenious Iguana Inc.
Use the following information on Ingenious Iguana Inc to answer questions #12-13.

Ingenious Iguana Inc. is preparing to close its books. The adjusted balances of all its accounts as of 31 December 2025 are given as follows:

Cash	$3,000
Prepaid Rent	$1,000
Store Supplies	$600
Service Fees Revenue	$14,500
Retained Earnings	$1,000
Accounts Payable	$1,400
Dividends	?
Unearned Service Fees Revenue	$3,600
Wage Expense	$4,000
Store Supplies Expense	$1,000
Rent Expense	$1,500

Question #: 12

Given the information above, after all closing entries have been made, the balance in Ingenious Iguana's Retained Earnings account was $5,000. How much dividends were distributed in 2025?

A. $7,400
B. $3,000
C. $5,000
✓D. $4,000

Net Income = 14,500 – 4,000 – 1,000 – 1,500
= 8,000
Dividends = 1,000 + 8,000 – 5,000
= 4,000

Question #: 13

Assuming that immediately after the closing process, Ingenious Iguana's Unearned Service Fees Revenue account shows a zero balance. Which of the following statements is most correct?

A. Ingenious Iguana's beginning liabilities in the following year is overstated
B. Ingenious Iguana's beginning equity in the following year is understated
✓C. Ingenious Iguana's beginning equity in the following year is overstated
D. Ingenious Iguana's beginning assets in the following year is understated

If Unearned Service Fees Revenue account was incorrectly closed, that means that liabilities would be understated and retained earnings would be overstated.

Question #: 14

In October 2025, Jumping Jaguar Company paid $1.2 million for a one-year insurance policy starting on 1 November 2025. Based on the matching principle, how would this cost be reflected in the financial statements for the year ended 31 December 2025?

A. Recognize $1.2 million as insurance expense in 2025 since payment was made before year-end
✓B. Recognize $200,000 as insurance expense in 2025 and the remaining $1 million as a prepaid expense
C. Recognize $1.2 million as prepaid expense and defer recognition of insurance expense to 2026 since most of the coverage applies to the next financial year
D. Recognize $1 million as insurance expense in 2025 and the remaining $200,000 as a prepaid expense

Insurance Expense in 2025 = $1.2 million /12 x 2 months = $200k

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Question #: 15

In 2025, Kind Koala Inc. reported service revenues of $81,000. The beginning and ending balances of its accounts receivable account were $6,750 and $2,250 respectively, and the beginning and ending balance of its unearned service revenues account were $0 and $29,250 respectively.
Based on this information, what is your best estimate of the amount of cash collected during 2025 from Kind Koala's customers? Assume that all sales are on credit.

A. $85,500
B. $105,750
✓C. $114,750
D. $110,250

Cash collected from AR:
Beg AR + Credit Sales – Cash collected = End AR
Cash Collected = $6,750 + $81,000 - $2,250
Cash Collected = $85,500

Cash collected from advance payments from customers = $29,250

➔ Total cash collected from customers = $85,500 + $29,250
= $114,750

There are FOUR questions on Legendary Lion Inc. However, note that each question relates to an INDEPENDENT scenario and is NOT connected to any other questions in the assessment!

Use the following information on Legendary Lion Inc. to answer questions #16-19.

The Income Statement and Statement of Financial Position of Legendary Lion Inc. for the year 2025 are shown below:

Legendary Lion Inc. Income Statement For the Year Ended December 31, 2025	
Sales Revenue	750,000
Cost of Goods Sold	(450,000)
Gross Profit	300,000
Salaries Expense	(95,000)
Rent Expense	(23,000)
Depreciation Expense	(40,000)
Other Admin Expense	(35,000)
Operating Income	107,000
Interest Expense	(5,000)
Profit Before Tax	102,000
Income Tax Expense	(11,850)
Net Income	**90,150**

Legendary Lion Inc. Statement of Financial Position As at December 31, 2025	
Assets	
Current Assets:	
Cash	529,000
Receivables	42,000
Prepaid Rent	23,000
Inventory	31,000
Total Current Assets	625,000
Non-current Assets:	
Property, Plant & Equipment	800,000
Less: Accumulated Depreciation	(240,000)
Total Non-current Assets	560,000
Total Assets	**1,185,000**
Liabilities	
Current Liabilities:	
Accounts Payable	28,000
Unearned Revenue	38,000
Total Current Liabilities	66,000
Non-current Liabilities:	
Long term Debt	250,000
Total Liabilities	316,000
Equity	
Share Capital	600,000
Retained Earnings	269,000
Total Equity	869,000
Total Liabilities & Equity	**1,185,000**

Question #: 16

During the year-end audit, Legendary Lion Inc.'s auditor found that a collection of $6,000 cash on its accounts receivable was recorded twice in 2025, and that Legendary Lion had credited the cash account when it recorded depreciation expense for the year. What is the effect of these errors on Legendary Lion Inc.'s financial statements?

(*Note: This is an independent scenario and is not connected to any other questions in this midterm assessment)*

✓A. No effect on Assets; No effect on Liabilities; and No effect on Equity
B. Assets overstated by $34,000; No effect on Liabilities; and Equity overstated by $34,000
C. Assets understated by $34,000; No effect on Liabilities; and Equity understated by $34,000
D. Assets overstated by $46,000 ; Liabilities overstated by $6,000; and Equity overstated by $40,000

1) Recording AR twice:

Incorrect entry: Dr. Cash		$6,000		→ Overstate cash (assets)
	Cr. Accounts Receivable		$6,000	→ Understate AR (assets)

➔ There is no net effect on total assets as cash is overstated and AR is understated by the same amount.

2) Recording an incorrect credit entry to Cash instead of Accumulated Depreciation: Since both the correct and incorrect entry are reduction to assets, there is no net effect on total assets.

Question #: 17

To boost its 2025 earnings, Legendary Lion Inc. recorded a $50,000 refundable cash deposit received from a customer as Sales Revenue. In addition, the company recognized only half of the rent expense related to its warehouse from the Prepaid Rent account, even though the warehouse was fully used in 2025 and was no longer rented in 2026. What should be the corrected balance of its assets, liabilities and equity?

(*Note: This is an independent scenario and is not connected to any other questions in this midterm assessment)*

✓A. Assets $1,162,000; Liabilities $366,000; Equity $796,000
B. Assets $1,212,000; Liabilities $316,000; Equity $796,000
C. Assets $1,162,000; Liabilities $343,000; Equity $778,850
D. Assets $1,185,000; Liabilities $366,000; Equity $819,000

Corrected Balances:
Assets = $1,185,000 - $23,000 = $1,162,000
Liabilities = $316,000 + $50,000 = $366,000
Equity = $869,000 - $50,000 - $23,000 = $796,000

Question #: 18

On 15 November 2025, an employee asked for advance payment of salaries for a family emergency. Legendary Lion Inc. gave the employee cash in advance for December 2025 and January 2026 salaries in the amount of $12,000. Legendary Lion recorded the full amount as an expense in 2025. What correcting entry should Legendary Lion record at the end of 2025?

(*Note: This is an independent scenario and is not connected to any other questions in this midterm assessment)*

A. Dr. Salaries Payable $12,000
    Cr. Salaries Expense $12,000
B. Dr. Salaries Payable $6,000
    Cr. Salaries Expense $6,000
C. Dr. Prepaid Salaries $12,000
    Cr. Salaries Expense $12,000
✓D. Dr. Prepaid Salaries $6,000
    Cr. Salaries Expense $6,000

Incorrect Entry:			Correct Entry:		
Dr. Salaries Expense	$12k		Dr. Salaries Expense	$6k	
Cr. Cash		$12k	Dr. Prepaid Salaries	$6k	
			Cr. Cash		$12k

➔ Correcting Entry:

Dr. Prepaid Salaries	$6k	
Cr. Salaries Expense		$6k

Question #: 19

Legendary Lion Inc. discovered the following errors in its 2025 financial statements:

(1) Legendary Lion Inc. had paid cash dividends to its shareholders in the amount of $10,000. However, the transaction was recorded into the Other Admin Expense account.
(2) Legendary Lion Inc. had sold $7,000 worth of inventory to a customer on credit for $11,500, but had forgotten to record the transaction.
(3) Legendary Lion Inc. had recorded interest expense on its outstanding loan for the year in the amount of $5,000. The interest had not been paid to the lender but the transaction was recorded with a credit entry to cash.

What will the 2025 Net Income be after correcting all the errors?

(*Note: This is an independent scenario and is not connected to any other questions in this midterm assessment)*

✓A. $104,650
B. $94,650
C. $93,150
D. $99,650

Corrected NI:

Reported (incorrect) net income	$90,150
(1) misclassified dividends into expense	$10,000
(2) missing sales unreported	$11,500
Missing COGS unreported	($7,000)
Corrected net income	$104,650

Question #: 20

Marvel Monkey Corporation is preparing its financial statements for the year. The company's net income for the past few years have fluctuated significantly and the CEO of Marvel Monkey wants to show a steadier trend of profits to investors. Which of the following actions by Marvel Monkey best illustrates income smoothing?

A. Marvel Monkey accelerates the recognition of certain prepaid marketing expense from next year into the current year to reduce unusually high profits
B. Marvel Monkey significantly increases its Loss Allowance account this year, when profits are high, in order to record additional expected credit loss
C. Marvel Monkey delays recognizing a large sales transaction made at year-end until the following year in order to offset expected lower profits next year
✓D. All of the above

Question #: 21

An employee of Quaint Quail Inc. stole cash from the company and covered up his actions by recording a fictitious repairs expense. The employee also stole some inventory from the warehouse and reduced the inventory balance by recording a fictitious cost of goods sold expense. Which of the following statement best describes Quaint Quail's financial statement for the period?

A. Assets will be understated, and net income will be overstated
✓B. Assets will be understated, and net income will be understated
C. Assets will be overstated, and net income will be overstated
D. Assets will be overstated, and net income will be understated

Fictitious entries:

Dr. Repairs Expense & COGS	➔ Expenses overstated, NI understated
Cr. Cash & Inventory	➔ Assets understated

Question #: 22

Robo Rabbit Company uses the allowance method of accounting for uncollectible accounts. The following is an aging schedule of its accounts receivable on 31 December of the current year?

Robo Rabbit Company		
Schedule of Accounts Receivable by Age		
Classifcation of Receivables	**Amount**	**Estimated % Uncollectible**
Current	23,000	1%
1-30 days past due	10,500	5%
31-60 days past due	3,200	15%
Over 60 days past due	2,700	20%
Total	**39,400**	

The following additional information are available for the current year:

- Loss allowance account balance on 1 January was $1,340 (normal balance)
- One of Robo Rabbit's customer, Tiny Tigers Inc. went bankrupt in May and $1,800 worth of accounts receivable was written off.
- In November, Tiny Tigers Inc. made a small payment of $450 on its accounts receivable.

How much Expected Credit Loss, also otherwise known as Bad Debt Expense, will Robo Rabbit record for the current year ending December 31?

A. $2,235
B. $1,775
✓C. $1,785
D. $1,765

Classification of Receivables	Amount	Estimated % Uncollectible	Estimated Uncollectible
Current	23,000	1%	**230**
1-30 days past due	10,500	5%	**525**
31-60 days past due	3,200	15%	**480**
Over 60 days past due	2,700	20%	**540**
Total	**39,400**		**1,775**

To calculate ECL:

Beg Balance – write-off + recovery + ECL = Ending Balance

ECL = 1,775 -1,340 + 1800 - 450

ECL = 1785

Question #: 23

On 1 March 2025, Wild Wolves Company had a balance of $125,000 on its Accounts Receivable account, and a Loss Allowance balance of $3,750. During March, Wild Wolves wrote off $1,650 of accounts receivable as the amount was no longer deemed collectible from its customers. Which of the following statements is the most correct?

✓A. The net accounts receivable amount immediately after the write off is $121,250
B. The net accounts receivable amount immediately after the write off is $119,600
C. The write-off decreases total assets by $1,650
D. The write-off requires Wild Wolves to recognize an additional bad debt expense of $1,650

Balance of AR after write-off = $125,000 -$1,650 = $123,350
Balance of Loss Allowance after write-off = $3,750 - $1,650 = $2,100
➔ Net AR after write-off = $123,350 - $2,100 = $121,250

Question #: 24

While analyzing the financials for Outrageous Owl Corporation, you noticed that sales increased in 2025 while cash balance fell in 2025 as compared to 2024. You also noticed that the company's average collection period on its accounts receivable was 29 days in 2024, but the accounts receivable turnover ratio was 10.4 times in 2025. Based on this information, which of the following interpretation is the most correct? (Choose the best answer)

A. Outrageous Company tightened its credit policy in 2025
B. Outrageous Company reduced its credit sales in 2025
✓C. Outrageous Company is taking longer to collect payment from its customers in 2025
D. Outrageous Company is purchasing more inventory than it can sell leading to an increase in accounts receivable turnover

Average collection period in 2025 = 365 days / 10.4 = 35.10 days

Since average collection period increased from 29 days in 2024 to 35.10 days in 2025, this shows that the company is taking on average 6 days longer to collect payment from its customers in 2025.

Question #: 25

On 1 September 2025, Sparkling Swan Services Company accepted a 9-month, $900,000, 10% note from Playful Penguin Inc. Playful Penguin pays interest on the note every three months. Sparking Swan is on a September 30 fiscal year end. What would Sparkling Swan record on 30 November 2025?

A. Dr. Cash		22,500	
	Cr. Interest Income		22,500
✓B. Dr. Cash		22,500	
	Cr. Interest Receivable		7,500
	Cr. Interest Income		15,000
C. Dr. Cash		22,500	
Dr. Interest Receivable		45,000	
	Cr. Interest Income		67,500
D. Dr. Cash		30,000	
Cr. Interest Receivable			10,000
Cr. Interest Income			20,000

Journal entries:

Dec 2025:	Dr. Interest Receivable (900k x 10% / 12)	7,500	
	Cr. Interest Income		7,500
Feb 2026:	Dr. Cash	22,500	
	Cr. Interest Receivable		7,500
	Cr. Interest Income		15,000

There are FIVE questions related to Sheng Siong Group.

Refer to the 2024 Statement of Financial Position and Note 8 extract of Sheng Siong Group and use them to answer questions #26-30.

Statements of Financial Position

As at 31 December 2024

	Note	Group 2024 $'000	Group 2023 $'000	Company 2024 $'000	Company 2023 $'000
Assets					
Property, plant and equipment	4	304,537	283,658	–	–
Right-of-use assets	4	128,314	101,797	–	–
Investment in subsidiaries	5	–	–	82,361	82,261
Investment property	6	30,000	–	–	–
Non-current assets		462,851	385,455	82,361	82,261
Inventories	7	98,426	91,802	–	–
Trade and other receivables	8	20,501	28,535	202,439	202,317
Cash and cash equivalents	9	353,363	324,401	247	354
Current assets		472,290	444,738	202,686	202,671
Total assets		935,141	830,193	285,047	284,932
Equity					
Share capital	10	235,373	235,373	235,373	235,373
Merger reserve	11	(68,234)	(68,234)	–	–
Foreign currency translation reserve		(378)	(695)	–	–
Statutory reserve	12	195	218	–	–
Accumulated profits		367,967	327,113	49,281	49,159
Equity attributable to owners of the Company		534,923	493,775	284,654	284,532
Non-controlling interest		3,414	3,203	–	–
Total equity		538,337	496,978	284,654	284,532
Liabilities					
Lease liabilities	13	87,871	66,920	–	–
Provision for reinstatement costs	14	3,417	–	–	–
Deferred tax liabilities	15	1,261	2,306	–	–
Non-current liabilities		92,549	69,226	–	–
Trade and other payables	16	230,241	199,943	383	393
Current tax payable		32,655	29,638	10	7
Provision for reinstatement costs	14	3,613	–	–	–
Lease liabilities	13	37,746	34,408	–	–
Current liabilities		304,255	263,989	393	400
Total liabilities		396,804	333,215	393	400
Total equity and liabilities		935,141	830,193	285,047	284,932

8. Trade and other receivables

	Group		Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Trade receivables	10,947	12,822	–	–
Amounts due from related parties (trade)	1	1	–	–
Amounts due from related parties (non-trade)	198	51	–	–
Amounts due from subsidiaries:				
- non-trade	–	–	153,815	153,812
- dividend receivable	–	–	48,600	48,500
Other receivables	1,694	3,492	–	–
Grant receivable	–	2,802	–	–
Deposits	2,515	3,209	–	–
	15,355	22,377	202,415	202,312
Prepayments	5,146	6,158	24	5
	20,501	28,535	202,439	202,317

Non-trade amounts due from related parties and subsidiaries are unsecured, interest-free and repayable on demand. There is no impairment loss allowance on the outstanding balances.

The Group's exposure to credit and market risks related to trade and other receivables are disclosed in Note 26.

Question #: 26

If Sheng Siong's Return on Assets (ROA) is 15.58%, and its Net Profit Margin is 9.63%, what would be your best estimate of its Sales Revenue for 2024? (choose the closest answer expressed in thousands)

A. $1,512,928
✓B. $1,428,032
C. $1,343,137
D. $1,080,836

Net Profit = 15.58% x [(935,151+830,193)/2]
= 137,519.52
Sales Rev = 137,519.52 / 9.63%
= 1,428,032.38

Question #: 27
How many days does it take Sheng Siong on average to collect on its accounts receivables?

A. 2.80 days
B. 6.27 days
✓C. 3.04 days
D. 5.24 days

AR Turnover = 1,428,032 / [(10,947 + 12,822)/2] = 120.16
Average Collection Period = 365 / 120.16 = 3.04 days

Question #: 28
What percentage of Sheng Siong's assets are financed by debt?

A. 57.57%
B. 41.35%
C. 40.14%
✓D. 42.43%

Debt Ratio = 396,804 / 935,141
= 0.4243

Question #: 29

Assuming that the following error exists in Sheng Siong's 2024 financial statements: In 2024, Sheng Siong had taken out a huge loan from the bank. However, the loan was incorrectly recorded as share capital instead. Which statement best describes the effect of this error on the 2024 debt ratio which you had calculated in the previous question?

A. No effect on the 2024 debt ratio
✓B. The debt ratio is lower than what it should be because share capital is overstated
C. The debt ratio is higher than what it should be because liabilities is overstated
D. The debt ratio is lower than what it should be because assets is understated

Incorrect Entry:	Correct Entry:
Dr. Cash	Dr. Cash
Cr. Share Capital	Cr. Loan

The error has caused liabilities to be understated, and equity to be overstated. Assets in unaffected. If liabilities are understated, then the debt ratio in question #28 (0.4243) is lower that what it should be.

Question #: 30

Assuming that the following error exists in Sheng Siong's 2024 financial statements: In 2024, Sheng Siong had paid cash for advance rent on its new outlets that will open in 2025. However, it had recorded the whole amount as rent expense in 2024. What is the effect of the error on its 2024 financial statements? (Note that this is an independent scenario from the previous question)

✓A. Assets is understated; No effect on Liabilities; and Equity is understated
B. Assets is overstated; No effect on Liabilities and Equity is overstated
C. Assets is understated; Liabilities is understated; and No effect on Equity
D. No effect on Assets; Liabilities is overstated; and Equity is understated

Incorrect Entry:	Correct Entry:
Dr. Rent Expense	Dr. Prepaid Rent
Cr. Cash	Cr. Cash

The error has caused an overstatement of expenses, thus an understatement of equity. There is also an understatement of asset (prepaid).

~ End of Midterm Review ~