**Question 1: True / False Questions**

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| **S/N** | **Statement** | **T/F** |
| 1 | Accounting is referred to as the language of business because it is the method of communicating business information to decision makers. | T |
| 2 | A creditor is a person who owes money to the business. | F |
| 3 | The left side of the accounting equation measures the amount that the business owes to creditors and to the shareholders. | F |
| 4 | The total amount of assets a business possesses may or may not be equal to the total of liabilities and shareholders’ equity of the business. | F |
| 5 | Financial accounting focuses on information for decision makers outside of the business, such as creditors and government.  (Financial Accounting summarise performance…, Management Accounting is more detailed accounting information for the internal users to see.) | F(x)  T |
| 6 | Assets are something of value that the business owns or has control of. | T |
| 7 | For an accounting equation to balance, a transaction must affect both sides of the equation. | T(x)  F |
| 8 | Assets include cash, land, and accounts payable. | F |
| 9 | To manage a business effectively, an owner or manager would benefit greatly from having some knowledge of accounting. | T |
| 10 | Amounts owed to the business' owners as a result of an initial investment are called liabilities. | F |

**Question 2: Multiple Choice Questions**

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| **S/N** | **Statement** | **Answer** |
| 1 | According to the \_\_\_\_\_\_\_\_, acquired assets should be recorded at the amount actually paid rather than at the estimated market value.   1. going concern concept 2. accounting entity concept 3. historical cost concept 4. monetary concept | C |
| 2 | Kong Pte Ltd records business transactions in dollars. Which of the following accounting concept does this represent?   1. accounting entity concept 2. going concern concept 3. accounting period concept 4. monetary concept | D |
| 3 | The equity of Autumn Pte Ltd is $160,000 and the total liabilities are $50,000. The total assets are \_\_\_\_\_\_\_\_.   1. $320,000 2. $100,000 3. $110,000 4. $210,000 | D |
| 4 | The assets of Moon Pte Ltd are $160,000 and the total liabilities are $60,000. The equity is \_\_\_\_\_\_\_\_.   1. $160,000 2. $220,000 3. $60,000 4. $100,000 | D |

|  |  |  |
| --- | --- | --- |
| 5 | Bubble Pte Ltd receives cash from Jane Toh and issues ordinary shares to her. The two accounts involved in this transaction are \_\_\_\_\_\_\_\_.   1. Accounts Payable and Cash 2. Cash and Ordinary Share Capital 3. Ordinary Share Capital and Accounts Payable 4. Ordinary Share Capital and Accounts Receivable | B |
| 6 | The owner of Good Dog Daycare wrote a company cheque to pay her personal credit card bill. What accounting principle did she violate?   1. Historical cost concept 2. Accounting period concept 3. Accounting entity concept 4. No principle is violated – the bank account belongs to her, so it’s okay to write cheques. | C |
| 7 | Alicia owns a sporting goods store. In her accounting records, she included her personal computer and all of her personal sporting gear. Alicia is violating what principle of accounting?   1. Going concern concept 2. Historical cost concept 3. Monetary concept 4. Accounting entity concept | D |
| 8 | Which of the following is NOT a business transaction?   1. A company buys goods on account. 2. A company sells land for cash. 3. A company fired 10 percent of the employees due to lackluster sales. 4. A company borrows money from the bank. | C |

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| 9 | Ten years ago Tom Pte Ltd bought a building for $160,000. At that time, the company felt that the building was worth $185,000. The current market value of the building is $460,000. The building has been assessed at $435,000 for property tax purposes. At which amount should the company record the building in its accounting records?   1. $160,000 2. $185,000 3. $435,000 4. $460,000 | A |
| 10 | Strum Pte Ltd has total assets of $60,000. What are the total assets if new equipment is purchased for $5,000 cash?   1. $45,000 2. $50,000 3. $55,000 4. $60,000 | D |

**Question 3: Short Question**

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| Mandy Pte Ltd completed the following transactions during the month of March: | | | |
|  |  |  |  |
| (a)      Mandy invested $90,000 cash in Mandy Pte Ltd and received 90,000 ordinary share of $1 each. | | | |
| (b)      Bought a motor vehicle for $40,000 cash. | | | |
| (c)      Bought office equipment for $10,000 cash. | | | |

**Required:**

Indicate the effect of each transaction and the overall balances after all the transactions using the below tabular headings:

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | | | | | | | **=** | | **Shareholders' Equity** | |
|  | Cash | + | Motor vehicle | + | | Office equipment | | = | | Ordinary share capital | |
| (a) | 90 000 |  |  |  | |  | |  | | 90 000 | |
| (b) | - 40 000 |  | 40 000 |  | |  | |  | |  | |
| (c) | - 10 000 |  |  |  | | 10 000 | |  | |  | |
| **Total** | **40 000** | + | **40 000** | + | | **10 000** | | = | | **90 000** | |
|  |  | | | |  | |  | |  | |  |  |  |
|  | **90 000** | | | | | | | = | | **90 000** | |