

**NATIONAL UNIVERSITY OF SINGAPORE**  
**ACC1002 FINANCIAL ACCOUNTING**  
**ACC1701 ACCOUNTING FOR DECISION MAKERS**  
**Semester 2: AY 2018/2019**  
**Practice Test 1**

**Time Allowed: 1 hour and 15 minutes**

**INSTRUCTIONS TO CANDIDATES**

1. This test paper contains **TWO** sections and **FOURTEEN** printed pages.  
**Section A:**  
 Answer all **FIFTEEN multiple-choice questions (MCQ)**. For each question, choose the best answer and circle only the letter A, B, C, or D.  
**Section B:** Answer **BOTH** questions by writing on the spaces provided after each question.
2. This is a **closed book** test. You are not to bring in any materials other than your student card, pens, pencils, erasers and University-approved calculators.
3. Write your student number in the box below and submit this question paper with all pages intact at the end of the test.
4. **Noncompliance with any test instructions, including missing, incomplete or incorrect student number, will result in a score of zero for this test.**

**Student Number:**

**For Examiners' Use:**

		<b>Marks</b>
<b>Section A</b>	<b>15 MCQ</b>	<b>/ 30</b>
<b>Section B</b>	<b>Question 1</b>	<b>/ 8</b>
	<b>Question 2</b>	<b>/ 12</b>
	<b>Total</b>	<b>/ 50</b>

**SECTION A****Multiple-Choice Questions (2 marks each for total 30 marks)**

Use 361 Degrees' consolidated financial statements for financial year 2013 on next 3 pages to answer questions 1 to 4.

**Choose the best answer and circle only the letter A, B, C, or D.**

1. Which of the following is FALSE?
  - A. Funding is obtained more from equity than liabilities.
  - B. Total assets decreased over the previous year.
  - C. Total liabilities increased over the previous year.
  - D. The largest asset is "Cash and cash equivalents".
  
2. If 361 Degrees did NOT make the adjusting entry for "Property, plant and equipment", then
  - A. profit would be understated.
  - B. equity would be overstated.
  - C. asset would be understated.
  - D. liability would be understated.
  
3. Which of the following has a debit balance?
  - A. Convertible bonds.
  - B. Bank loans.
  - C. Finance costs.
  - D. Turnover.
  
4. We do not see "Retained earnings" on its statement of financial position because
  - A. this is its first year of operations.
  - B. "Retained earnings" should be under "Reserves".
  - C. it made a loss for the year.
  - D. "Retained earnings" should be under "Share capital".

361 DEGREES INTERNATIONAL LIMITED

**Consolidated statement of profit or loss**

for the year ended 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	3	<b>3,583,477</b>	4,950,578
Cost of sales		<b>(2,166,378)</b>	(2,978,266)
<b>Gross profit</b>		<b>1,417,099</b>	1,972,312
Other revenue	4	<b>83,766</b>	81,045
Other net gain	4	<b>5,101</b>	2,894
Selling and distribution expenses		<b>(729,300)</b>	(889,067)
Administrative expenses		<b>(424,456)</b>	(302,771)
<b>Profit from operations</b>		<b>352,210</b>	864,413
Net change in fair value of derivatives embedded to convertible bonds	20	<b>41,841</b>	32,936
Finance costs	5(a)	<b>(79,127)</b>	(66,975)
<b>Profit before taxation</b>	5	<b>314,924</b>	830,374
Income tax	6(a)	<b>(100,193)</b>	(115,145)
<b>Profit for the year</b>		<b>214,731</b>	715,229
<b>Attributable to:</b>			
Equity shareholders of the Company	9	<b>211,261</b>	707,208
Non-controlling interests		<b>3,470</b>	8,021
<b>Profit for the year</b>		<b>214,731</b>	715,229
<b>Earnings per share</b>	10		
Basic (cents)		<b>10.2</b>	34.2
Diluted (cents)		<b>10.2</b>	31.8

361 DEGREES INTERNATIONAL LIMITED

**Consolidated statement of financial position**

at 31 December 2013 (Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
<b>Non-current assets</b>			
Fixed assets	11		
– Property, plant and equipment		974,627	958,049
– Interests in leasehold land held for own use under operating leases		97,602	99,754
		<b>1,072,229</b>	1,057,803
Other financial asset	13	17,550	17,550
Deposits and prepayments	15	121,148	142,140
Deferred tax assets	24(b)	92,256	61,730
		<b>1,303,183</b>	1,279,223
<b>Current assets</b>			
Inventories	14	409,358	460,715
Trade debtors	15	1,831,184	1,928,040
Bills receivable	15	84,780	183,470
Deposits, prepayments and other receivables	15	636,873	567,223
Pledged bank deposits	16 & 17	37,900	95,730
Deposits with banks	17	321,747	590,791
Cash and cash equivalents	17	2,494,280	2,107,018
		<b>5,816,122</b>	5,932,987
<b>Current liabilities</b>			
Trade and other payables	18	1,469,179	1,591,474
Bank loans	19	15,898	42,315
Current taxation	24(a)	120,576	92,379
		<b>1,605,653</b>	1,726,168
<b>Net current assets</b>		<b>4,210,469</b>	4,206,819

ANNUAL REPORT 2013

	Note	2013 RMB'000	2012 RMB'000
<b>Total assets less current liabilities</b>		<b>5,513,652</b>	5,486,042
<b>Non-current liabilities</b>			
Deferred tax liabilities	24(b)	<b>5,432</b>	2,517
Convertible bonds	20	<b>767,539</b>	753,062
		<b>772,971</b>	755,579
<b>NET ASSETS</b>		<b>4,740,681</b>	4,730,463
<b>CAPITAL AND RESERVES</b>			
Share capital	25(c)	<b>182,298</b>	182,298
Reserves		<b>4,494,048</b>	4,495,762
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,676,346</b>	4,678,060
<b>Non-controlling interests</b>		<b>64,335</b>	52,403
<b>TOTAL EQUITY</b>		<b>4,740,681</b>	4,730,463

Approved and authorised for issue by the board of directors on 17 March 2014

5. The seller of a piece of land originally asked for \$2 million which it bought some years ago at \$1.5 million. Big Assets Company's representative was a good negotiator and bought the land from the seller at \$1.8 million. The accounting assumption or principle and the amount that Big Assets Company should comply with and record the land are:
- A. Measurement or cost and \$1.5 million.
  - B. Measurement or cost and \$1.8 million.
  - C. Revenue recognition and \$2 million.
  - D. Revenue recognition and \$1.8 million.
6. The idea of double-entry governs financial accounting. A company acquires an asset. Which of the following could NOT possibly be the other half of the entry?
- A. decrease in another asset.
  - B. increase in an expense.
  - C. increase in a liability.
  - D. increase in equity account.
7. Which of the following statements is TRUE about debits?
- A. Debits always indicate a benefit to the company.
  - B. Debits always indicate a detriment to the company.
  - C. Debits always increase the net worth of a company.
  - D. All the above statements are FALSE.
8. Which of the following liability accounts is usually not satisfied by payment of cash?
- A. Accounts payable
  - B. Unearned revenues
  - C. Taxes payable
  - D. All of the above are satisfied by paying cash

9. What happens when a company has a profit?
- A. Assets will be equal to liabilities plus equity.
  - B. Assets will be less than liabilities plus equity.
  - C. Assets will be greater than liabilities plus equity.
  - D. Equity will be greater than assets.
10. Zion Company has assets of \$600,000, liabilities of \$250,000, and equity of \$350,000. It buys office equipment on credit for \$75,000. What would be the effects of this transaction on the accounting equation?
- A. Assets increase by \$75,000 and liabilities increase by \$75,000.
  - B. Assets increase by \$75,000 and expenses increase by \$75,000.
  - C. Assets increase by \$75,000 and expenses decrease by \$75,000.
  - D. Liabilities increase by \$75,000 and expenses decrease by \$75,000.
11. An overstatement of profit would most likely result from which of the following errors?
- A. Recording revenue next period when the cash is collected although it is earned in the current period.
  - B. An expense incurred this period is recorded only when the cash is paid next period.
  - C. Failure to adjust unearned rent revenue account for the portion of rent earned this period.
  - D. None of the above leads to overstated profit this period.
12. A method of estimating bad debts expense that involves a detailed examination of outstanding accounts and their length of time past due is the:
- A. Direct write-off method.
  - B. Aging of accounts receivable method.
  - C. Timing method.
  - D. Aging of credit sales method.

13. If the credit balance of the Allowance for Doubtful Accounts exceeds the amount of an accounts receivable being written off, the entry to record the write-off against the allowance account results in:
- A. An increase in the expenses of the current period.
  - B. A reduction in current assets.
  - C. A reduction in equity.
  - D. No effect on the expenses of the current period.
14. The general ledger controlling account for Accounts Receivable shows a debit balance of \$100,000. The Allowance for Doubtful Accounts has a credit balance of \$2,000 before adjusting for Bad Debts Expense for the year. Sales for the year were \$1,000,000. An aging of Accounts Receivable accounts results in an estimate of \$27,000 of Allowance for Doubtful Accounts.
- Using aging of accounts receivable for estimation, Bad Debts Expense would be debited for:
- A. \$27,000.
  - B. \$29,000.
  - C. \$25,000.
  - D. \$20,000.
15. One might infer from a debit balance in Allowance for Doubtful Accounts that:
- A. A posting error has been made.
  - B. More has been written off than estimated.
  - C. Bad debts expense has been overestimated.
  - D. Aging of accounts receivable is being used.



**SECTION B**

Use the following information to answer questions 1 and 2.

SuperEXO provides employment consulting services. The business adjusts its accounts *monthly*, but performs closing entries *annually* on December 31. This is the firm's unadjusted trial balance dated December 31, 2013:

SuperEXO Unadjusted Trial Balance December 31, 2013		
	<i>Debits</i>	<i>Credits</i>
Cash	\$276,500	
Accounts receivable	90,000	
Office supplies	800	
Prepaid rent	3,600	
Prepaid insurance	1,500	
Office equipment	72,000	
Accumulated depreciation-office equipment		\$ 24,000
Accounts payable		4,000
Notes payable (due March 1, 2014)		60,000
Interest payable		600
Income tax payable		9,000
Dividends payable		3,000
Salaries payable		0
Unearned consulting fees		22,000
Share capital		200,000
Retained earnings		40,000
Dividends	3,000	
Consulting fees earned		500,000
Rent expense	14,700	
Insurance expense	2,200	
Office supplies expense	4,500	
Depreciation expense-office equipment	11,000	
Salaries expense	330,000	
Utilities expense	4,800	
Interest expense	3,000	
Income tax expense	45,000	
	\$862,600	\$862,600

**Other Data**

1. Consulting services provided to clients but not recorded or collected total \$25,000 at December 31, 2013.
2. The company determined that \$15,000 of previously unearned consulting fees had been earned at December 31, 2013.
3. Office supplies on hand at December 31 total \$300.
4. The company purchased all of its equipment when it first began business. At that time, the estimated useful life of the equipment was six years (72 months).
5. The company prepaid its nine-month rent agreement on June 1, 2013.
6. The company prepaid its six-month insurance policy on December 1, 2013.
7. Salaries expense incurred but not recorded or paid totals \$12,000 at December 31, 2013.
8. Interest expense owing on the note payable due March 1, 2014 is \$200 for December 2013.
9. The company's accounting firm estimates that income tax expense for the entire year is \$50,000. The unpaid portion of this amount is due in early 2014.

**Question 1 (8 marks)**

Prepare SuperEXO's income statement for the year ended December 31, 2013. Your management instructed you to use the same account titles from the trial balance, as well as to show profit before tax and income tax expense before showing net profit.

*Write your answers to Question 1 here and on the next page.*

*More space to write your answers to Question 1.*

**Question 2 (12 marks)**

Prepare SuperEXO's classified statement of financial position (balance sheet) as at December 31, 2013. Your management instructed you to use the same account titles from the trial balance.

*Write your answers to Question 2 here and on the next 2 pages.*

*More space to write your answers to Question 2.*

*More space to write your answers to Question 2.*

**- End of Paper -**