
Select the single most appropriate answer for each question and shade the corresponding letter on the computer scoring sheet. Each question is worth one mark. No marks will be deducted for incorrect answers.

1. Which of the following events would cause changes in a corporation's retained earnings?
 - A) Net income or net loss and declaration of dividends.
 - B) Declaration of dividends and issuance of stock to new shareholders.
 - C) Net income, issuance of stock, and borrowing from a bank.
 - D) Declaration of dividends and purchase of new machinery.

Use the following data to answer questions 2-3:

RM Pte Ltd had the following transactions during the month of August, 2014:

- * Cash received from bank loans was \$15,000.
- * Dividends of \$7,500 were paid to stockholders in cash.
- * Revenues earned and received in cash amounted to \$28,500
- * Expenses incurred and paid were \$21,000

2. Refer to the above data. The amount of net income that will be reported on an income statement for the month of August, 2014 is:
 - A) \$15,000
 - B) \$7,500
 - C) \$0
 - D) \$28,500
3. Refer to the above data. Shareholders' equity in RM Pte Ltd was \$180,000 at the beginning of August, 2014. Given the transactions of August, 2014, what will shareholders' equity be at the end of the month?
 - A) \$186,000
 - B) \$193,500
 - C) \$208,500
 - D) \$180,000
4. What would the closing entry made for dividends include?
 - A) A debit to Dividends and a credit to net profit
 - B) A debit to Retained Earnings and a credit to Dividends
 - C) A debit to net profit and a credit to Dividends
 - D) A debit to Dividends and a credit to Retained Earnings

5. Which of the following liability accounts is likely to be satisfied with other than payment of cash?
 - A) Wages payable
 - B) Deferred subscriptions revenue
 - C) Accounts Payable
 - D) All the above will be satisfied by cash payment

6. What is the purpose of an audit?
 - A) Prove the accuracy of an entity's financial statements.
 - B) Lend credibility to an entity's financial statements.
 - C) Endorse the quality of leadership that managers provide for a corporation.
 - D) Establish that a corporation's stock is a sound investment.

Use the following to answer questions 7-8:

The bookkeeper for SJH Ltd. made the following journal entry on 30 January 2014:

Land.....	201,500	
Building.....	84,500	
Cash.....		65,000
Notes Payable.....		221,000

7. Refer to the above data. What does this transaction involve?
 - A) The sale of land and building for \$286,000.
 - B) Payment of \$221,000 on a note payable.
 - C) The receipt of \$65,000 cash.
 - D) An increase in liabilities of \$221,000.

8. Refer to the above data. Prior to the above transaction, SJH Ltd had assets, liabilities, and shareholders' equity of \$450,000, \$100,000, and \$350,000 respectively. What are total assets immediately after the above transaction occurs?
 - A) \$221,000
 - B) \$671,000
 - C) \$735,500
 - D) \$450,000

9. On which of the following statement(s) would retained earnings appear?
 - A) The income statement.
 - B) The balance sheet.
 - C) The statement of cash flows.
 - D) All three statements.

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10. Which is the principle that states that assets acquired by the business should be recorded at their purchase price?
- A) Objectivity principle
 - B) Stable dollar principle
 - C) Cost principle
 - D) Reliability principle
11. Which of the following transactions will cause both the left and right side of the accounting equation to decrease?
- A) We collect cash from a customer who owed us money.
 - B) We pay a supplier for inventory we previously bought on account.
 - C) We borrow money from the bank.
 - D) We purchase equipment for cash.
12. JK's Pizza Restaurant makes full settlement of \$8,300 on an account payable to Ha's Cheese Co. Ha's Cheese Co would record this transaction with a:
- A) Debit to Accounts Payable for \$8,300
 - B) Credit to Cash for \$8,300
 - C) Credit to Accounts Receivable for \$8,300
 - D) Credit to Accounts Payable for \$8,300
13. On 30 June 2014, SJ Ltd had a \$9,300 balance in its cash records. The bank statement revealed the following information:
- (1) Deposits in transit amounted to \$3,150
 - (2) Outstanding checks amounted to \$6,200
 - (3) A \$550 cheque was incorrectly drawn on SJ Ltd's account
 - (4) NSF cheques returned by the bank were \$750
 - (5) Bank service charge was \$29
 - (6) Credit memo for \$75 for the collection of one of the company's account receivable
- Based on the above information, what would the true cash balance be?
- A) \$6,250
 - B) \$8,596
 - C) \$6,096
 - D) \$9,146

The following information is used for questions 14 to 19 inclusive.

The following is a jumbled complete list of balances from the unadjusted year-end trial balance of Low Company. The company performs adjusting entries once a year. Amounts are in \$.

Accounts Payable	15,999
Supplies expense	0
Dividends	3,994
Sales Discounts	4,297
Accumulated Depreciation—equipment	3,700
Sales	321,012
Cash	8,205
Depreciation Expense—equipment	0
Supplies	3,807
Share Capital	10,005
Rent expense	8,985
Advertising expense	11,314
Prepaid Insurance	906
Discount lost expense	0
Accounts Receivable	11,199
Merchandise Inventory	21,250
Sales Returns and Allowances	2,007
Equipment	34,208
Retained Earnings	32,607
Insurance expense	0
Cost of goods sold	230,147
Salaries expense	43,004
Salaries Payable	0
Income summary	0

Information for adjusting entries:

- Insurance expense for the year of \$600
- Supplies used during the year are \$3,034
- Depreciation expense for the year of \$3,700
- Accrued salaries at year-end are \$811
- Purchase discounts lost are \$296 on purchases for which payment is still outstanding at year-end

14. Based on the above information, net sales for Low Company for the year is closest to which one of the following numbers?

- A) \$314,500
- B) \$314,600
- C) \$314,700
- D) \$314,800

15. Based on the above information, total current assets for Low Company at year-end is closest to which one of the following numbers?

- A) \$41,700
- B) \$41,710
- C) \$41,720
- D) \$41,730

16. Based on the above information, the retained earnings for Low Company at year-end is closest to which one of the following numbers?

- A) \$41,400
- B) \$41,450
- C) \$41,500
- D) \$41,550

17. Based on the above information, the total of the debit balances in the Low Company adjusted trial balance before closing entries is closest to which one of the following numbers?

- A) \$388,130
- B) \$388,140
- C) \$388,150
- D) \$388,160

18. Based on the above information, the net income for the year for Low Company is closest to which one of the following numbers?

- A) \$12,812
- B) \$12,810
- C) \$12,815
- D) \$12,817

19. Based on the above information, the total of the credit balances in the post-closing trial balance for Low Company is closest to which one of the following numbers?

- A) \$75,940
- B) \$72,950
- C) \$70,500
- D) \$68,500

The following information is used for questions 20 to 22 inclusive

Ng Co uses the weighted average method of inventory accounting (perpetual) and gross method of accounting for purchase discounts. As at 30/6/2013 the company has 100 units in inventory with a value of \$500.

The following are purchases during the three months ended 30/9/2013.

Invoice/shipping date	FOB	Credit terms	Arrival date	Number of units	Price in S\$	Shipping cost in S\$	Payment date
1/7	Shipping	3/10,n/20	6/7	30	4.5	13	9/7
10/8	Destination	2/11,n/20	17/8	29	5.5	13	28/8
2/9	Destination	3/11,n/20	8/9	30	4.8	13	10/9

On 7/7, the company returns 5 units from the batch shipped 1/7.

The following are sales during the three months ended 30/9/2013.

Invoice/shipping date	FOB	Credit terms	Arrival date	Number of units	Price in S\$	Shipping cost in S\$	Payment date
10/7	Destination	2/10,n/30	12/7	18	6.0	10	19/7
19/8	Shipping	2/10,n/30	23/8	22	6.2	10	28/8

20. Refer to the above information. The recorded amount of inventory purchases net of discounts, returns and allowances during the three months ended 30/9/2013 is closest to which one of the following numbers?

- A) \$450
- B) \$440
- C) \$430
- D) \$420**

21. Refer to the above information. The recorded cost of goods sold for the three months ended 30/9/2013 is closest to which one of the following numbers?

- A) \$190
- B) \$200**
- C) \$210
- D) \$220

22. Refer to the above information. The merchandise inventory balance as of 30/9/2013 is closest to which one of the following numbers?

- A) \$735
- B) \$730
- C) \$725
- D) \$720**

The following information is used for questions 23 to 25 inclusive

Leong Co uses the **FIFO method** of inventory accounting (perpetual) and net method of accounting for purchase discounts. As at 30/9/2013 the company has **10** units in inventory all from the same original batch with a recorded value of **\$200**.

The following are purchases during the three months ended 31/12/2013.

Invoice/shipping date	FOB	Credit terms	Arrival date	Number of units	Price in S\$	Shipping cost in S\$	Payment date
2/10	Shipping	2/10,n/30	8/10	33	20	13	11/10
11/11	Destination	2/11,n/30	17/11	39	22	14	18/11
3/12	Shipping	2/10,n/30	9/12	33	25	13	12/12

The following are sales during the three months ended 31/12/2013.

Invoice/shipping date	FOB	Credit terms	Arrival date	Number of units	Price in S\$	Shipping cost in S\$	Payment date
12/10	Destination	2/10,n/30	14/10	15	30	10	22/10
19/11	Destination	2/10,n/30	21/11	14	31	10	22/11

Two units are returned on 22/11 from the sales batch shipped 19/11.

23. Refer to the above information. The recorded amount of **inventory purchases** net of discounts, returns and allowances during the three months ended 31/12/2013 is closest to which one of the following numbers?

- A) \$2,260
- B) \$2,300
- C) \$2,320**
- D) \$2,400

24. Refer to the above information. The recorded **cost of goods sold** for the three months ended 31/12/2013 is closest to which one of the following numbers?

- A) \$550
- B) \$540**
- C) \$600
- D) \$630

25. Refer to the above information. The merchandise inventory balance as of 31/12/2013 is closest to which one of the following numbers?

- A) \$1,950
- B) \$2,000**
- C) \$2,050
- D) \$2,100

The following information is used for questions 26 and 27 inclusive.

Pang Co has the following figures in its annual report for 2011

Inventory balance at year-end 2011	\$3,000
Inventory balance at year-end 2012	\$2,000
Cost of goods sold expense for 2012	\$25,000
Accounts payable balance at year-end 2011	\$4,000
Accounts payable balance at year-end 2012	\$6,000

26. Refer to the above information. Merchandise purchases in 2012 net of discounts, returns and allowances are closest to which one of the following numbers?

- A) \$23,000
- B) \$24,000**
- C) \$25,000
- D) \$26,000

27. Refer to the above information. Cash payments to suppliers of inventory in 2012 are closest to which one of the following numbers?

- A) \$22,000**
- B) \$23,000
- C) \$24,000
- D) \$25,000

28. A company's income tax payable account has an opening balance of \$6,000 and a closing balance of \$5,000. Tax paid during the year is \$20,000. The company's effective tax rate is 10%. What is the net profit for the year? (Choose the closest number)

- A) \$180,000
- B) \$200,000
- C) \$190,000
- D) \$171,000**

29. Under various regulations, an auditor of a company cannot be a member of the company's Board of Directors. The strongest ethical reason for this requirement is:

- A) It can give rise to a conflict of interest between the auditor's duty to remain impartial and independent and the director's duty to serve the company's interests**
- B) It can lead to confidentiality issues since the director has access to confidential documents that may not be available to external parties like the auditors
- C) It can reduce the public's confidence in the independence of the audit
- D) It is illegal to hold both roles at the same time

30. Which of the following is **not shown as an expense** on the income statement?

- A) Discount lost expense
- B) Sales discounts**
- C) Utilities expense
- D) Interest expense

SOLUTION

1	A
2	B
3	D
4	B
5	B
6	B
7	D
8	B
9	B
10	C
11	B
12	C
13	B
14	C
15	D
16	B
17	A
18	D
19	A
20	D
21	B
22	D
23	C
24	B
25	B
26	B
27	A
28	D
29	A
30	B