



1. 2014.MC.Q29

Miss Lee drew a personal cheque to pay an electricity bill for her business. Which of the following double entries for the business is correct?

	<u>Debit</u>	<u>Credit</u>
A.	drawings	cash at bank
B.	drawings	capital
C.	electricity expenses	cash at bank
D.	electricity expenses	capital

2. 2014.MC.Q10

In the trial balance, if the total of debit balances is larger than the total of credit balances, it means that _____.

- A. there is a loss for the year
- B. there is an error in the double entries
- C. there is insufficient capital to run the business
- D. the amount of total assets is larger than the total liabilities

3. 2014.MC.Q18

How will an increase in discount received affect the gross profit and net profit?

	<u>Gross profit</u>	<u>Net profit</u>
A.	unchanged	unchanged
B.	unchanged	increases
C.	increases	unchanged
D.	increases	increases

4. 2014.MC.Q26

An asset is classified as a current asset on the statement of financial position if it _____.

- A. was purchased on credit more than 12 months ago
- B. was purchased in cash in the last 12 months
- C. is to be sold within 12 months
- D. is to be used for over 12 months

5. 2014.MC.Q14

What is the flow of an accounting cycle after the books of original entry?

- (1) Balancing day adjustments
 - (2) Financial statements
 - (3) Ledgers
 - (4) Trial balance
- A. (1) → (2) → (3) → (4)
 - B. (2) → (3) → (4) → (1)
 - C. (3) → (4) → (1) → (2)
 - D. (4) → (3) → (1) → (2)

6. 2014.MC.Q16

On 30 December 2013, a firm bought a motor van and made a payment of \$150 000 by cheque. The van's list price was \$243 000 and a trade discount of \$15 000 was given. As at 31 December, its market value had fallen to \$200 000. The van should be recorded at _____ in the statement of financial position as at 31 December 2013.

- A. \$150 000
- B. \$200 000
- C. \$228 000
- D. \$243 000

7. 2014.MC.Q19

Which of the following accounting ratios can be calculated when only the income statement is provided?

- (1) Net profit ratio
 - (2) Quick ratio
 - (3) Return on capital employed
- A. (1) only
 - B. (2) only
 - C. (3) only
 - D. (1) and (3) only

8. 2014.MC.Q9

As at 31 December 2013, Quinton Company had current liabilities amounting to \$60 000 and its current ratio was 3:1 and quick ratio was 2:1. What was the amount of its inventory on that day?

- A. \$60 000
- B. \$120 000
- C. \$180 000
- D. \$240 000

9. 2014.MC.Q11

A business earns a gross profit margin of 25%. Calculate its sales amount based on the following data:

Item	\$
Opening inventory	10 000
Closing inventory	4 000
Purchases	51 000
Selling expenses	1 500

- A. \$69 375
- B. \$71 250
- C. \$74 000
- D. \$76 000

10. 2015.MC.Q4

In October 2014, a firm had the following purchases and returns:

- Oct 2 Purchased goods on credit from Mr Yu for \$2500
- 9 Purchased goods in cash for \$2000
- 17 Returned goods to Mr Yu for \$300
- 26 Purchased good on credit from Miss Lui for \$3200 with a cash discount of 10% if payment is made within 30 days

Based on the above information, what should be the total amount of purchase recorded for the month of October 2014 in the Purchases Journal?

- A. \$5380
- B. \$5700
- C. \$7400
- D. \$7700

11. 2015.MC.Q7

What is/are the main purpose(s) of preparing a trial balance?

- (1) record the daily transactions of the business
- (2) reflect financial performance of the business
- (3) check the arithmetical accuracy of bookkeeping entries
- A. (1) only
- B. (3) only
- C. (1) and (2) only
- D. (2) and (3) only

12. 2015.MC.Q10

Which of the following is not a nominal account?

- A. salaries account
- B. purchases account
- C. returns inwards account
- D. cash at bank account

13. 2015.MC.Q14

A firm sells goods to a customer on credit. Which of the following are the effects of this transaction on the statement of financial position?

	<u>Total current assets</u>	<u>Total current liabilities</u>
A.	decrease	increase
B.	decrease	decrease
C.	increase	unchanged
D.	unchanged	unchanged

14. 2015.MC.Q15

Investors will use the accounting information provided in financial statements to evaluate _____.

- (1) whether it is worth investing in the business
- (2) whether the organizational structure of the business is appropriate
- (3) whether the business has adequate capital to carry out its projects

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

15. 2015.MC.Q18

Which of the following descriptions of cash discounts offered to customers are correct?

- (1) They are expenses.
- (2) They must be recorded in the books.
- (3) They are used to encourage customers to purchase in cash.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

16. 2015.MC.Q23

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 friend 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



17. 2015.MC.Q25

Which of the following double entries are correct?

	<u>Transactions</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	Purchased a file cabinet for office use in cash	Purchases	Cash
(2)	The owner introduced cash into the business	Cash	Capital
(3)	A debtor paid his debts by cheque	Cash at bank	Accounts receivables

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

Based on the following information, answer 2015.MC.Q29 and 2015.MC.Q30.

Nelson established his firm on 1 January 2014. Its sales and purchases for the year ended 31 December 2014 were \$540 000 and \$230 000 respectively. The gross ratio for 2014 was 60% while the net profit margin was 35%.

18. 2015.MC.Q29

What is the amount of inventory of the firm as at 31 December 2014?

- A. \$10 000
- B. \$12 000
- C. \$14 000
- D. \$18 000

19. 2015.MC.Q30

What is the amount of expenses of the firm for 2014?

- A. \$135 000
- B. \$189 000
- C. \$216 000
- D. \$324 000

20. 2014.MC.Q5

It's a firm's practice to record free samples given to customers as promotion expenses. At the year end, the owner of the firm took some free samples for his personal use. According to the _____ concept, these free samples should be treated as _____.

- A. business entity promotion expenses
- B. business entity drawings
- C. consistency promotion expenses
- D. consistency drawings

21. 2014.MC.Q20

_____ are external users of financial statements who focus on the liquidity and solvency of the firm.

- A. Managers
- B. Customers
- C. Competitors
- D. Lenders

22. 2016.MC.Q5

Sunny, who maintains a good credit record, is a customer of Mary's business. For the year ended 31 December 2015, Mary sold goods for \$8000 on credit to Sunny. Sunny fully settled the debt in January 2016.

According to _____ (1) _____, Mary should record this transaction as sales for the year _____ (2) _____.

	(1)	(2)
A. accrual concept	2015	
B. accrual concept		2016
C. going concern assumption	2015	
D. going concern assumption		2016

23. 2016.MC.Q11

Which of the following accounts must have balances on the debit side of a trial balance?

- (1) bank charges
- (2) bank loan
- (3) bank

- A. (1) only
- B. (2) only
- C. (1) and (3) only
- D. (2) and (3) only

24. 2016.MC.Q12

Which of the following would affect the calculation of cost of goods sold?

- A. rental expenses for the office
- B. carriage expenses for the delivery of goods to customers
- C. discounts given by suppliers for purchasing a large quantity of goods
- D. discounts given by suppliers for early settlement of outstanding balances

25. 2016.MC.Q13

Which of the following statements about non-current assets is correct?

- A. Their cost of purchases exceeds \$100 000.
- B. They are used for the operations of the business.
- C. Their balances are presented in the income statement.
- D. Accounts receivable is a non-current asset.

26. 2016.MC.Q18

Which of the following double entries are correct?

<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) Returned goods to suppliers	Purchases	Returns outwards
(2) Deposited cash into the bank account	Bank	Cash
(3) Sold goods to customers on credit	Trade receivables	Sales
A. (1) and (2) only		
B. (1) and (3) only		
C. (2) and (3) only		
D. (1), (2) and (3)		

27. 2016.MC.Q21

Which of the following should be recorded on the credit side of the respective accounts?

<u>Account</u>
(1) Decrease in capital
(2) Increase in trade payables
(3) Decrease in cash at bank

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

28. 2016.MC.Q23

On 1 January 2015, Mr Lee set up a firm with cash \$100 000. On the same day, the firm took out a loan of \$200 000 from a bank. At the end of that year, total assets and total liabilities of the firm were \$980 000 and \$560 000 respectively. During the year, Mr Lee made regular cash drawings of \$5000 per month.

What is the net profit of the firm for the year 2015?

- A. \$180 000
- B. \$260 000
- C. \$325 000
- D. \$380 000

29. 2016.MC.Q26

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

<u>User</u>	<u>Main use</u>
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

30 - 31 Based on the following information, answer Question 30 and 31.

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	

30. 2016.MC.Q29

Given that the inventory as at 31 December 2015 was \$27 000, what was the cost of goods sold for the year ended 31 December 2015?

- A. \$54 500
- B. \$58 000
- C. \$60 000
- D. \$63 000

31. 2016.MC.Q30

Given that the net profit for the year ended 31 December 2015 was \$9000, what was the gross profit for the year?

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

32. 2017.MC.Q2

Assume that no account balance is missing from a trial balance. If the total of the debit balances and the total of the credit balances of the trial balance are not equal, it means that _____.

- (1) one or more ledger balance(s) in the trial balance is/are wrong
- (2) the statement of financial position will not balance
- (3) the net profit in the income statement will be wrong

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)



33. 2017.MC.Q5

In the accounting cycle, which of the following step comes immediately after the preparation of a trial balance?

- A. preparing financial statements
- B. making period-end adjustments
- C. posting entries to the ledgers
- D. recording transactions in the books of original entry

34. 2017.MC.Q9

If an account has a debit balance, which of the following statements about the account is correct?

- A. The total amount of the debit side in the account is higher than the total amount of the credit side.
- B. The balance carried down appears on the debit side of the account.
- C. The balance brought down appears on the right hand side of the account.
- D. The account is an asset account.

35. 2017.MC.Q12

Chan Kee and Yip Kee are trading firms in the same industry. Their gross profit ratios and net profit ratios for the year 2016 are shown below:

	Chan Kee	Yip Kee
Gross profit ratio	39%	45%
Net profit ratio	24%	20%

Based on the above ratios, which of the following can be concluded?

- A. Yip Kee has a higher sales amount.
- B. Yip Kee has a higher cost of goods sold.
- C. Chan Kee has a higher net profit.
- D. Chan Kee has better control over operating expenses.

36. 2017.MC.Q15

Which of the following is **not** a use of financial statements?

- A. assist different users in making decisions
- B. provide information about the financial position of a business
- C. provide information to employees for assessing their job security
- D. provide qualitative information regarding the performance of a business

37. 2017.MC.Q19

Mr Wong set up a firm on 1 January 2017. He introduced his motor van of \$40 000 into the firm. The firm borrowed \$200 000 from Mr Wong's relatives to purchase office equipment and \$100 000 from bank for his bank operation.

What are the amounts of the firm's asset, liabilities and capital on 1 January 2017?

	<u>Assets</u>	<u>Liabilities</u>	<u>Capital</u>
	\$	\$	\$
A.	240 000	200 000	40 000
B	40 000	300 000	340 000
C	340 000	100 000	240 000
D	340 000	300 000	40 000

Based on the following information, answer 2017.MC.Q21 and 2017.MC.Q22.

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

38. 2017.MC.Q21

What is the quick ratio of Wong's firm for 2016?

- A. 1.16 : 1
- B. 2.77 : 1
- C. 3.59 : 1
- D. 6.02 : 1

39. 2017.MC.Q22

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

40. 2017.MC.Q25

Which of the following descriptions about accounting assumptions, principles and conventions is correct?

- A. Historical cost: all business transactions should be recorded in the books.
- B. Business entity: a sole proprietor can record his personal spending in the books of his business
- C. Consistency: the accounting policies and methods cannot be changed once adopted
- D. Going concern: a business will continue in operation for the foreseeable future

41. 2017.MC.Q28

Which of the following double entries are correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	Settled a trade debt by cheque	Trade payables	Bank
(2)	Sold the office furniture of the firm on credit	Trade receivables	Sales
(3)	Paid carriage expenses for delivering goods to customers in cash	Carriage outwards	Cash

- A. (1) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

42. 2017.MC.Q29

Which of the following statements about accounting ratios is/are correct?

- (1) They are used to evaluate the financial results of a business.
- (2) For the calculations of all profitability ratios, the denominator is ‘Sales’.
- (3) The acid-test ratio of a firm is higher than its current ratio.

- A. (1) only
- B. (1) and (2) only
- C. (1) and (3) only
- D. (2) and (3) only

43. 2018.MC.Q2

Which of the following accounts must carry a debit balance in a trial balance?

- A. Rental income
- B. Purchases returns
- C. Discounts received
- D. Loans to employees

44. 2018.MC.Q4

Which of the following double entries is/are correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	Received interest on bank deposit	Interest income	Bank
(2)	Purchased stationery for office use on credit	Stationery expense	Accounts payable
(3)	The owner brought in his motor van for the firm’s use	Motor van	Drawings

- A. (1) only
- B. (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

45. 2018.MC.Q6

Which of the following should be recorded as an expense of a firm?

- (1) Wages paid for the part-time workers of the firm in cash
- (2) Insurance paid for owner’s private apartment by the firm’s cheque
- (3) Rent paid for the firm’s warehouse by owner’s personal cheque

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

46. 2018.MC.Q8

Which of the following should be credited to the purchases account of a firm?

- (1) goods withdrawn by owners for personal use
- (2) goods returned to a supplier
- (3) goods donated to a non-profit making organisation

- A. (1) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)



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47. 2018.MC.Q10

Which of the following is/are the example(s) of a real account?

- (1) Sales account
- (2) Bank loan account
- (3) Equipment account

- A. (1) only
- B. (2) only
- C. (3) only
- D. (2) and (3) only

48. 2018.MC.Q12

On 1 March 2018, the cash at bank account and the cash in hand account of a firm carried debit balances of \$15 000 and \$12 000 respectively. Cash sales for the month were \$13 000, of which \$5 000 was kept in the safe and the remaining cash from sales were deposited into the bank before the month end. During the month, \$9 000 was paid for expenses in cash and \$26 000 was paid to acquire equipment by cheque.

The cash at bank account carried a _____ on 31 March 2018.

- A. credit balance of \$3 000
- B. credit balance of \$6 000
- C. debit balance of \$5 000
- D. debit balance of \$8 000

49. 2018.MC.Q17

The following information relates to Mr Chan's firm in 2017:

	\$
Capital, as at 1 January 2017	443 800
Capital, as at 31 December 2017	425 000
Total revenue for the year 2017	97 000
Total expenses for the year 2017	108 500

Based on the above information, Mr Chan _____ the firm during the year 2017.

- A. withdrew \$7 300 from
- B. withdrew \$30 300 from
- C. introduced \$7 300 into
- D. introduced \$30 300 into

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50. 2018.MC.Q20

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 discount offered by the supplier
- D. increase in cash discounts offered by the supplier

51. 2018.MC.Q21

Ming Kee and Chan Kee are trading firm in the same industry. Their financial information for the year 2017 is shown below:

	Ming Kee	Chan Kee
Current assets	\$900 000	\$600 000
Current ratio	6:1	2.5:1
Acid test ratio	2:1	1.5:1

Based on the above information, Ming Kee has _____.

- (1) less current liabilities
- (2) greater ability to meet short-term obligations.
- (3) less inventory

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

52. 2018.MC.Q23

Which of the following is **not** a function of accounting?

- A. summarising business transactions
- B. monitoring the performance of the accounting staff
- C. communicating the performance of the business to different stakeholders
- D. classifying business transactions

53. 2018.MC.Q29

Which of the following about an income statement is **not** correct?

- A. Information is mostly quantitative.
- B. Information mainly reflects past event.
- C. Its preparation involves professional judgments.
- D. Its preparation is based on cash receipts and cash payments only.

54. 2019.MC.Q2

According to accounting assumptions, principles and conventions, which of the following accounting treatment is correct?

- A. A sole proprietor records his own rental expenses in the books of the firm.
- B. Mr Chan owns three firms. He keeps separate accounting records for each firm.
- C. All assets are valued at current market price if a business is expected to cease operating in the following month.
- D. Once an accounting method has been adopted, the method should not be changed unless the new method leads to a higher profit.

55. 2019.MC.Q4

The following account was extracted from the books of Lee's firm.

Mr Au				
2018	\$	2018	\$	
Oct 14	Cash	22 000	Oct 1 Balance b/d	10 000
Oct 31	Balance c/d	44 000	Oct 5 Purchases	56 000
		<u>66 000</u>	<u>66 000</u>	

Based on the information in the above account, which of the following statements is **not** correct?

- A. Lee's firm owed Mr Au \$10 000 on 1 October 2018.
- B. Mr Au sold goods for \$56 000 on credit to Mr Lee's firm on 5 October 2018.
- C. Lee's firm received \$22 000 in cash from Mr Au on 14 October 2018.
- D. The account has a credit balance as at 31 October 2018.

56. 2019.MC.Q6

A firm acquired a set of equipment with a list price of \$200 000. The owner paid \$50 000 by personal cheque and the remaining amount was to be settled later on. Which of the following are the effects of this transaction on the accounting equation?

<u>Assets</u>	<u>Capital</u>	<u>Liabilities</u>
A. increase	increases	decrease
B. increase	increases	increase
C. increase	decreases	increase
D. decrease	unchanged	decrease

57. 2019.MC.Q10

On 31 December 2018, the quick ratio of a firm was 0.8:1. On that date, the account balances of the firm were as follows:

	\$
Inventory	6 000
Bank loan (repayable in April 2019)	10 000
Cash	30 000
Trade payables	50 000

Based on the above information, calculate the amount of trade receivables as at 31 December 2018.

- A. \$4 000
- B. \$10 000
- C. \$12 000
- D. \$18 000

58. 2019.MC.Q12

Which of the following will decrease the total amount of current liabilities of a business?

- (1) some unpaid goods are returned to the supplier.
- (2) trade payables are repaid using a bank overdraft facility.
- (3) a 6-month loan is repaid by taking out a 3-year bank loan.

- A. (1) and (2)only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

59. 2019.MC.Q14

For a sole proprietorship selling office equipment, which of the following about its statement of financial position is correct?

- A. Office equipment held for sale should be classified as a current asset.
- B. The statement shows details of the transactions made during the year.
- C. The statement shows the balances of the nominal accounts and real accounts of the firm.
- D. Working capital is the difference between non-current assets and non-current liabilities.



60. 2019.MC.Q16

A firm was set up in January 2018. The following account balances were extracted from its books as at 31 December 2018:

	\$
Sales	154 000
Purchases	51 000
Carriage outwards	2 500
Carriage inwards	4 700
Salaries	31 000

The inventory as at 31 December amounted to \$7 200. The gross profit for the year ended 31 December 2018 was _____.

- A. \$72 000
- B. \$105 500
- C. \$107 700
- D. \$114 900

61. 2019.MC.Q19

Which of the following double entries are correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	Credit customer returned goods to the firm	Sales	Trade receivables
(2)	A bank loan was settled by cheque	Loan from bank	Cash at bank
(3)	A cash refund for the overpayment of motor expenses was received	Cash	Motor expenses

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

62. 2019.MC.Q23

In the accounting cycle, the next step after posting entries to the ledger account is _____.

- A. preparing financial statements
- B. recording transactions in the books of original entries
- C. preparing the trial balance
- D. making period-end adjustments

63. 2019.MC.Q25

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

64. 2019.MC.Q28

The following is a list of the account balances in the trial balance of a firm as at 31 December 2018:

	\$
Purchases	74 000
Inventory, 1 January 2018	6 200
Cash at bank	121 500
Loan from bank	36 700
Office equipment	15 000
Sales	123 000
Operating expenses	28 000
Drawings	14 700
Capital, 1 January 2018	?

The firm's capital as at 1 January 2018 was _____.

- A. \$43 700
- B. \$70 300
- C. \$99 700
- D. \$197 700

65. 2020.MC.Q3

Which of the following descriptions about ‘debit’ and ‘credit’ in accounting is/are correct?

- (1) ‘Debit’ means an increase and ‘credit’ means a decrease in the amount of an account.
- (2) ‘Debit’ side refers to the left-hand side and ‘credit’ side refers to the right-hand side of an account.
- (3) ‘Debit’ balance is positive and ‘credit’ balance is negative.

A. (1) only

B. (2) only

C. (1) and (2) only

D. (2) and (3) only

66. 2020.MC.Q5

Which of the following effects on the assets, capital and liabilities brought about by the respective transaction is correct?

<u>Transaction</u>	<u>Asset</u>	<u>Capital</u>	<u>Liability</u>
A. Owner injected his own motor van to the firm.	increases	increases	increases
B. Received cash from a customer as settlement of his account.	increases	unchanged	decreases
C. Owner repaid a bank loan for the firm by his personal cheque.	unchanged	increases	decreases
D. Paid rent of the firm for the current month in cash.	decreases	unchanged	decreases

67. 2020.MC.Q9

A firm’s current ratio is 1.8:1 and the acid-test ratio is 0.9:1. Which of the following statements is correct?

- A. The amount of working capital of the firm is negative.
- B. Half of the current assets of the firm are inventory.
- C. The liquidity and profitability of the firm are poor.
- D. The firm has sufficient liquid assets to settle its current liabilities.

68. 2020.MC.Q11

Which of the following is/are limitation(s) of using financial statements?

- (1) The financial statements mainly record past transactions, which may not reflect the future.
- (2) The inter-period comparison of the firm’s performance is difficult as the assets in financial statements are generally reported at their market values, which fluctuate over time.
- (3) It is difficult to compare the performance of different firms in the same industry as different firms would adopt different accounting methods.

A. (1) only

B. (2) only

C. (1) and (3) only

D. (1), (2) and (3)

69. 2020.MC.Q13

Which of the following descriptions of the flow of the accounting cycle is/are correct?

- (1) Right after the posting of entries to ledgers, period-end adjustments are made.
- (2) Right after the preparation of trial balance, financial statements are prepared.
- (3) Right after the confirmation of business transactions, books of original entry are recorded.

A. (1) only

B. (3) only

C. (1) and (2) only

D. (2) and (3) only

70. 2020.MC.Q14

A trading firm earned an interest income of \$8 000. How will the firm’s gross profit and net profit for the year be affected?

	<u>Gross profit</u>	<u>Net profit</u>
A.	unchanged	increases
B.	increases	unchanged
C.	unchanged	unchanged
D.	increases	increases



BAFS - Introduction to Financial Accounting – Paper 1A MC (2014-2021)

71. 2020.MC.Q18

Which of the following transactions should be recorded in the purchases account of a supermarket?

- (1) Purchased a freezer for storing ice-cream
- (2) Owner took some canned food from the warehouse for his family use
- (3) Received a discount from a supplier from bulk purchase of goods

- A. (1) only
- B. (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

72. 2020.MC.Q20

Jeffery is the owner of two firms. For the sake of convenience, he records all the purchases of the two firms in the same book. Which of the following accounting assumptions, principles or conventions has been violated in this case?

- A. Accrual
- B. Historical cost
- C. Going concern
- D. Business entity

73. 2020.MC.Q23

The following balances as at 31 December 2019 were extracted from the accounts of a firm:

	\$
Inventory	17 500
Bank	27 000
Trade payables	30 800
Trade receivables	16 400
Short term loan to employees	8 000
Bank loan (repayable in 2022)	13 000

What is the liquid ratio of the firm?

- A. 1.12:1
- B. 1.57:1
- C. 1.67:1
- D. 2.24:1

BAFS - Introduction to Financial Accounting – Paper 1A MC (2014-2021)

74. 2020.MC.Q30

On 8 April, Tin Ming purchased goods for \$60 000 on credit from Walter with a trade discount of 2%. Another 3% discount would be received by Tin Ming if settlement was made within 10 days. If Tin Ming makes the settlement on 21 April, he has to repay _____.

- A. \$57 036
- B. \$58 200
- C. \$58 800
- D. \$60 000

75. 2021.MC.Q6

On 1 February 2021, Mr Lee set up a retail firm selling computers. On the same day, the firm purchased ten sets of computers on credit from a supplier at a cost of \$4 500 each. During February, two sets of damaged computers were returned to the supplier and three sets of computers were sold at a selling price of \$7 000 each.

What is the balance of the purchases account of the firm as at 28 February 2021?

- A. \$22 500
- B. \$31 500
- C. \$36 000
- D. \$45 000

76. 2021.MC.Q9

The following is a list of all account balances of Lee's firm as at 31 December 2020:

	\$
Accounts receivables	55 000
Bank overdraft	2 500
Inventory	21 200
Loan to Mr Chan	18 000
Cash	23 000
Accounts payables	42 300
Equipment	121 000
Capital	?

What is the balance of the capital account as at 31 December 2020?

- A. \$157 400
- B. \$162 400
- C. \$193 400
- D. \$198 400

77. 2021.MC.Q11

Which of the following will reduce the gross profit of a firm?

- (1) Drawing of goods
- (2) Increase in carriage inwards
- (3) Increase in electricity expenses

A. (1) only

B. (2) only

C. (3) only

D. (1) and (2) only

78. 2021.MC.Q13

Which of the following statements about a trial balance is/are correct?

- (1) If the trial balance agrees, there are no errors in the account balances.
- (2) The trial balance shows all the account balances of a firm.
- (3) If the total of the debit side of an account is smaller than the credit side, the account balance is shown in the credit column of a trial balance.

A. (1) only

B. (2) only

C. (1) and (3) only

D. (2) and (3) only

79. 2021.MC.Q15

Which of the following about the statement of financial position is/are correct?

- (1) It reveals the liquidity of a firm.
- (2) Non-current assets are listed according to their total amounts in descending order.
- (3) It reveals the financial status of a firm for a period of time.

A. (1) only

B. (2) only

C. (1) and (2) only

D. (2) and (3) only

80. 2021.MC.Q18

On 31 December 2020, Sunview Company decided to close the business three months later. On that date, its non-current assets were recorded at \$3 800 000 and its liquidation value was \$2 098 000.

According to the _____, the value of the non-current assets shown in the statement of financial position of Sunview Company as at 31 December 2020 should be _____.

- | | |
|-----------------------------------|-------------|
| A. going concern assumption | \$2 098 000 |
| B. going concern assumption | \$3 800 000 |
| C. historical cost concept | \$2 098 000 |
| D. historical cost concept | \$3 800 000 |

81. 2021.MC.Q22

Information about Shun Kee and Kam Kee for the year ended 31 December 2020 is shown below:

	Shun Kee	Kam Kee
	\$000 ³	\$000 ³
Sales	8 800	15 000
Cost of goods sold	2 400	2 600
Operating expenses	2 800	9 800

Based on the information above, which of the following statements is correct?

- A. Kam Kee had a lower gross profit.
- B. Kam Kee had a higher return on capital employed.
- C. Kam Kee had a better control over operating expenses.
- D. Kam Kee had a lower net profit ratio.



82. 2021.MC.Q26

Which of the following double entries is/are correct?

	<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1)	Purchased a motor van by cheque from Silver Company	Motor vans	Silver Company
(2)	Received commission by cheque from Mr Leung	Bank	Commission income
(3)	The owner paid the rental expenses of the firm with his personal cheque	Rental expenses	Capital

- A. (1) only
- B. (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)

83. 2021.MC.Q29

Which of the following is an example of a real account?

- A. Purchases account
- B. Trade receivables account
- C. Discounts allowed account
- D. Electricity expenses account

1. 2014.Q.3

(a) Tony is the sole owner of a toy trading business. State the book of original entry for the recording of each of the following transactions of Tony's business:

- (i) Sold toys to customers on credit.
- (ii) Received a credit note for toys returned.
- (iii) Paid salaries to office clerks by autopay.

(3 marks)

(b) From the accounts for recording the transactions in (a), identify one example for each of the following types of ledger accounts:

- (i) Real account
- (ii) Nominal account

(2 marks)

2. 2014.Q.5(a)

Mike sells imported tableware to restaurants. The following balances were obtained from the books of accounts as at 31 December 2013:

	\$
Accounts payables	15 000
Accounts receivables	27 000
Bank loan (repayable in March 2015)	22 000
Bank overdraft	11 000
Capital, 1 January 2013	?
Furniture and fixtures	63 000
Inventory	7 000
Net profit for the year	3 800
Rental deposit	20 000

(a) Prepare for Mike the statement of financial position as at 31 December 2013.

(5 marks)

3. 2014.Q.6(a)

Sunshine Department Store had the following financial information for the year ended 31 December 2013.

	\$
Carriage inwards	9 000
Inventory, 1 January 2013	80 000
Inventory, 31 December 2013	60 000
Purchases	120 000
Rent and rates	48 000
Return inwards	2 000
Sales	268 000
Sundry expenses	30 000

(a) Prepare an income statement for Sunshine Department Store for the year ended 31 December 2013.

(5 marks)

4. 2015.Q2

- (a) Explain the consistency principle in accounting. (2 marks)
- (b) A firm bought a motor van for business use and paid \$175 000 from its bank account. The list price of the motor van was \$200 000 and a discount of \$25 000 was given by the vendor.
State the amount to be recorded for the motor van in the books of the firm. (2 marks)
Explain your answer with a relevant accounting principle or concept.

5. 2015.Q4(a)

Peter is the sole owner of a garment firm. The following balances as at 31 December 2014 were obtained from the firm:

	\$
Bank loan (repayable in September 2015)	430 000
Capital, 1 January 2014	?
Cash at bank	398 000
Fixed deposit (6-month)	180 000
Inventory	210 000
Motor vehicles	986 000
Net profit for the year	82 000
Trade payables	383 000
Trade receivables	320 000

- (a) Prepare a statement of financial position for Peter's business as at 31 December 2014. (5 marks)

6. 2015.Q5(a)

John commenced a trading firm on 1 January 2014 as the sole owner. The financial information of the firm for the year ended 31 December 31 2014 is as follows:

	\$
Carriage inwards	25 500
Carriage outwards	23 600
Inventory, 31 December 2014	88 000
Purchases	227 500
Rental expenses	128 000
Returns outwards	9 230
Sales	492 000
Salaries	120 000

- (a) Prepare an income statement for John's business for the year ended 31 December 2014. (5 marks)

7. 2016.Q1

- Annie runs a shop selling bicycles. One day, Annie took one of the bicycles home for her son's use. The cost and selling price of the bicycle are \$500 and \$980 respectively.
- (a) Prepare the journal entry to record the above event. Narration is not required. (2 marks)
- (b) Explain, with a relevant accounting principle or concept, why records have to be made in the accounts, as in (a) above. (3 marks)

Q8 & Q9 - 2016.Q4 / Q5

Based on the following information, answer either Question 4 or 5.

John runs a small supermarket. Its financial statements for the year 2015 are given below:

Income statement for the year ended 31 December 2015		
Sales	\$ 100 000	
Less: Cost of goods sold	60 000	
Gross profit	40 000	
Less: General expenses	30 000	
Net profit	<u>10 000</u>	
Statement of financial position as at 31 December 2015		
	\$	\$
Non-current assets		20 000
Current assets		
Inventory	34 000	
Cash	6 000	
	<u>40 000</u>	
Less: Current Liabilities		
Trade payables	30 000	10 000
	<u>30 000</u>	
Capital, 1 January 2015	37 000	
Add: Net profit	10 000	
	<u>47 000</u>	
Less: Drawings	17 00	
	<u>30 000</u>	



8. 2016.Q4(a)(b)

- (a) Calculate (to two decimal places) the following ratios for the year 2015 for John's supermarket:
- (i) Gross profit ratio
 - (ii) Net profit ratio
 - (iii) Return on capital employed

(3 marks)

- (b) Man Kee is another small supermarket in the same district. Its gross profit ratio and net profit ratio for the year 2015 are 35% and 15% respectively. Briefly comment on the profitability of John's supermarket for the year 2015 as compared with Man Kee. (2 marks)

A business consultant advises John to adopt Management by Objectives in his supermarket.

9. 2016.Q5(a)(b)

- (a) Calculate (to two decimal places) the following for the year 2015 for John's supermarket:
- (i) Working capital
 - (ii) Current ratio
 - (iii) Liquid ratio

(3 marks)

- (b) Briefly comment on the liquidity of John's supermarket as at 31 December 2015. (2 marks)

10. 2017.Q3(d)

The financial year of Company B ends on 31 December. On 4 January 2017, Company B received an electricity bill for December 2016 of \$9500. It then settled the bill on 29 January 2017.

- (d) Explain, with a relevant accounting principle or concept, in which year the electricity of \$9500 should be recorded as an expense. (3 marks)

Based on the following information, answer Q11 – 2017.Q4(a) & Q12 – 2017.Q5(a)

John commenced a firm selling grocery and household products on 1 January 2016. Three employees were hired for the operation of the firm.

The following balances were obtained from his books as at 31 December 2016:

	\$
Capital, 1 January 2016	240 000
Bank overdraft	173 400
Furniture	204 000
Sales	796 200
Purchases	500 400
Returns inwards	1 800
Returns outwards	1 500
Discounts received	2 100
Operating expenses	507 000

11. 2017.Q4(a)

- (a) Prepare for John's firm a trial balance as at 31 December 2016. (5 marks)

12. 2017.Q5(a)

The inventory as at 31 December 2016 was valued at \$195 000.

- (a) Prepare for John's firm an income statement for the year ended 31 December 2016. (5 marks)

13. 2018.Q3(b)

Darwin Limited is a listed company, running a department store business with five stores of a similar size in Hong Kong.

The performance of Darwin Limited was poor during the past few years. In February 2018, the company had to liquidate within six months as it was unable to repay its debts. Therefore, the financial statements as at 31 December were not prepared based on the going concern assumption.

- (b) Explain the going concern assumption. How should the non-current assets of Darwin Limited be valued as at 31 December 2018? (2 marks)

14. 2018.Q4(a)

On 1 January 2017, Mandy commenced a sole proprietorship firm to design and sell computer software. The following balances were extracted from the books of the firm as at 31 December 2017:

	\$
Trade receivables	13 000
Motor van	48 000
Bank loan (to be matured in July 2018)	30 000
Sales	220 000
Trade payables	8 000
Purchases	98 000
Equipment	166 000
Operating expenses	105 600
Cash at bank	16 000
Capital, 1 January 2017	?

- (a) On 31 December 2017, the inventory of the firm was valued at \$26 000. Prepare a (5 marks) statement of financial position of Mandy's firm as at 31 December 2017.

15. 2018.Q5(a)

On 1 January 2018, the cash at bank account of Vincent's firm carried a debit balance of \$20 000. The following transactions took place in January 2018:

2018

- Jan 3 Purchased goods on credit with a list price of \$10 000. The supplier offers a trade discount of 2% for purchase orders over \$5 000 and a cash discount of 3% for settlements within 10 days after purchase.
- 7 Repaid the supplier for the purchase made on 3 January 2018 by cheque.
- 10 Paid rent by cheque for \$7 000.
- 25 Sold goods on credit for \$12 000.

- (a) Prepare the T-accounts in the books of Vincent's firm to record the above transactions. (5 marks)

16. 2019.Q3

On 1 December 2018, Chung's firm purchased goods for \$5 000 by cheque.

On 22 December 2018, Chung's firm sold goods to a new customer, Jacky, on credit for \$8 000. A 5% discount would be offered to customers if the settlements were made within 10 days after purchase. Jacky settled the account by cheque on 30 December 2018.

With reference to the accounts listed below,

- Purchases account
- Sales account
- Jacky account
- Cash at bank account
- Discounts received account
- Discounts allowed account

- (a) prepare appropriate T-accounts to record the above transactions for Chung's firm. (4 marks)
Balancing off the accounts is not required.
- (b) give one example for each of the following types of ledger account:
(i) real account
(ii) nominal account (2 marks)



BAFS - Introduction to Financial Accounting – Paper 1B Short Questions (2014-2021)

Au's firm manufactures and sells garments. The following account balances were extracted from the books of Au's firm as at 31 December 2018:

	\$
Sales	2 300 000
Inventory, 31 December 2018	100 000
Gross profit for the year	1 495 000
Net profit for the year	345 000
Capital, 1 January 2018	1 827 500
Machinery	2 182 500
Cash at bank	140 000
Trade payables	250 000

In 2017, the return on capital employed and the current ratio of Au's firm were 25% and 1.4:1 respectively. In 2018, additional capital was not introduced and there were no drawings.

Refer to the above information, answer 2019.P1B.Q4 or 2019.P1B.Q5.

17. 2019.Q4(a)(b)

- (a) Calculate the following ratios for 2018 for Au's firm (to two decimal places):
- (i) Gross profit ratio (1 mark)
 - (ii) Net profit ratio (1 mark)
 - (iii) Return on capital employed (2 marks)
- (b) Based on the return on capital employed, briefly comment on the profitability of Au's firm in 2018. (1 mark)

18. 2019.Q5(a)(b)

- (a) Prepare a statement of financial position of Au's firm as at 31 December 2018. (3 marks)
- (b) Based on the current ratio (to two decimal places), briefly comment on the liquidity of Au's firm as at 31 December 2018. (2 marks)

19. 2020.Q2

To finance the expansion of the business, Chan's firm is applying for a bank loan. The bank requested Chan's firm to submit its financial statements of the past three years for its consideration.

- (a) Explain how the bank will use the financial statements to decide whether to approve the loan. (2 marks)
- Based on the General managers' suggestion, Chan's firm is considering changing the valuation method of its non-current assets this year.
- (b) State an accounting principle or concept that can be applied to this case, and use this principle or concept to explain whether or not Chan's firm should change the valuation method of its non-current assets. (4 marks)

BAFS - Introduction to Financial Accounting – Paper 1B Short Questions (2014-2021)

20. 2020.Q4(B)(b)

(B) Wendy set up a firm on 1 March 2020. All the transactions of the firm for its first month of operations have been recorded in the following accounts:

		Bank		
2020		\$	2020	\$
March 1	Capital	10 000	March 2	Rent
March 16	Sales	3 500	March 5	Equipment
			March 11	Purchases
			March 20	Purchases

		Equipment		
2020		\$	2020	\$
March 5	Bank	3 000		

		Rent		
2020		\$	2020	\$
March 2	Bank	4 000		

		Sales		
2020		\$	2020	\$
March 16	Bank	3 500		
March 25	Trade receivables	4 500		

		Purchases		
2020		\$	2020	\$
March 11	Bank	2 000		
March 20	Bank	4 700		

		Trade receivables		
2020		\$	2020	\$
March 25	Sales	4 500		

		Capital		
2020		\$	2020	\$
		?		?

- (b)(i) Prepare the capital account and balance off the account as at 31 March 2020. (1 mark)
(ii) Prepare a trial balance as at 31 March 2020. (5 marks)

21. 2020.Q5(B)(d)

Lucy has been operating in a trading firm since 2017. The following account balances were extracted from the books of the firm as at 31 December 2019:

	\$
Capital, 1 January 2019	100 000
Returns inwards	4 000
Inventory, 1 January 2019	10 000
Carriage inwards	8 000
Machinery	145 000
Purchases	400 000
Other operating expenses	87 500
Discounts allowed	9 000
Carriage outwards	32 000
Bank	199 000
Returns outwards	4 500
Sales	790 000

There was no closing inventory at the end of 2019.

- (d) Prepare an income statement for the year ended 31 December 2019 (5 marks)

22. 2021.Q3

Jeffery commenced a firm as a sole trader on 1 April 2021 with \$80 000. The following is the bank account of the firm for April:

Bank			
2021	\$	2021	\$
Apr 1 Capital	80 000	Apr 5 Rental expenses	37 000
Apr 18 Sales	15 000	Apr 19 Equipment	62 000

- (a) Based on the above account, prepare two relevant nominal accounts to complete the double entries. Balancing off the accounts is not required. (2 marks)
- (b) Prepare an extract of the statement of financial position for Jeffery as at 30 April 2021 to present the bank account balance and its classification. (2 marks)

On 1 May 2021, Jeffery purchased a second-hand motor car on credit at \$50 000 for his personal use. The bookkeeper of the firm recorded the transaction as follows:

Other payables		
	2021	\$
May 1 Motor cars	50 000	

Motor cars		
	2021	\$
May 1 Other payables	50 000	

- (c) Explain the accounting principle or concept that has been violated in the above case. (2 marks)

23. 2021.Q4(A)

(A) Chan Kee is a shop selling household products. The account balances as at 31 December 2020 extracted from its books were as follows:

	\$
Bank loan (due in March 2021)	30 000
Bank	20 000
Fixed deposit (for 6 months)	50 000
Inventory	180 000
Trade payables	100 000
Trade receivables	120 000

In 2020, the industry averages of the working capital ratio and acid test ratio were 1.9:1 and 1.0:1 respectively.

- (a) Calculate (to two decimal places) the following ratios for 2020 for Chan Kee:

- (i) Working capital ratio
(ii) Acid test ratio

- (b) Briefly comment on the liquidity of Chan Kee on 31 December 2020. (3 marks)



24. 2021.Q5(A)

(A) Mr Wong started a garment firm on 1 April 2021. The following balances were obtained from the books as at 30 April 2021:

	\$
Carriage outwards	1 300
Discounts received	800
Purchases	80 000
Sundry expenses	23 475
Returns inwards	1 500
Sales	103 500

The inventory as at 30 April 2021 was valued at \$18 000.

- (a) Prepare an income statement for the month ended 30 April 2021. (5 marks)
(b) Explain one use to the government of the income statement of a business. (1 mark)

Answers

2014 MC Questions (1-9)

1.	D	68%
2.	B	80%
3.	B	74%
4.	C	60%
5.	C	85%
6.	C	52%
7.	A	75%
8.	A	76%
9.	D	62%
20.	B	82
21.	D	80

2015 MC Questions (10-19)

10.	B	28%
11.	B	63%
12.	D	64%
13.	C	54%
14.	B	85%
15.	A	54%
16.	C	63%
17.	C	68%
18.	C	81%
19.	A	73%

2016 MC Questions (20-31)

22.	A	79%
23.	A	53%
24.	C	56%
25.	B	88%
26.	C	75%
27.	C	76%
28.	D	33%
29.	C	28%
30.	C	76%
31.	B	63%



2017 MC Questions (32-42)

32.	A	38%
33.	B	47%
34.	A	51%
35.	D	75%
36.	D	40%
37.	D	73%
38.	B	74%
39.	C	70%
40.	D	80%
41.	B	65%
42.	A	69%

2018 MC Questions (43-53)

43.	D	54%
44.	B	74%
45.	B	77%
46.	B	33%
47.	D	58%
48.	A	74%
49.	A	68%
50.	C	48%
51.	A	78%
52.	B	88%
53.	D	68%

2019 MC Questions (54-64)

54.	B	73%
55.	C	52%
56.	B	64%
57.	D	55%
58.	B	72%
59.	A	58%
60.	B	77%
61.	C	67%
62.	C	71%
63.	D	60%
64.	C	70%

2020 MC Questions (65-74)

65.	B	77
66.	C	64
67.	B	69
68.	C	57
69.	B	62
70.	A	87
71.	B	39
72.	D	93
73.	C	34
74.	C	89

2021 MC Questions (75-83)

75.		
76.		
77.		
78.		
79.		
80.		
81.		
82.		
83.		
84.		

1. 2014.Q.3

(a)	Books of original entry:			
	(i) Sales Day Book / Sales Journal	1		
	(ii) Return Outwards Day Book / Return Outwards Journal	1		
	(iii) Cash Book	1		
(b)	(i) Real account: ■ Cash at bank, trade receivables, trade payables (1 mark for each relevant example, max. 1 mark)	Max. 1		
	(ii) Nominal account: ■ sales, return outwards, office salaries (1 mark for each relevant example, max. 1 mark)	Max. 1		
2.	2014.Q.5(a)			<u>5 marks</u>
	Mike	0.5		
	Statement of Financial Position as at 31 December 2013			
	Non-current Assets	\$	\$	
	Furniture and fixtures		986 000	0.5
	Current Assets			
	Inventory	7 000		0.5
	Rental deposit	20 000		0.5
	Accounts Receivables	27 000	54 000	0.5
	TOTAL ASSETS		<u>117 000</u>	
	Capital, 1 January 2013 (<i>balancing figure</i>)	65 200		0.5
	Add: Net profit	3 800		0.5
		69 000		
	Non-current Liabilities			
	Bank loan		22 000	0.5
	Current Liabilities			
	Accounts payables	15 000		0.5
	Bank overdraft	11 000	26 000	0.5
	TOTAL CAPITAL AND LIABILITIES		<u>117 000</u>	(5)

3. 2014.Q.6(a)

Sunshine Department Store			0.5
Income Statement for the year ended 31 December 2013			
	\$	\$	
Sales		268 000	0.5
Less: Returns inwards		2 000	0.5
Net Sales		<u>266 000</u>	
Less: <u>Cost of goods sold</u>			
Opening inventory		80 000	0.5
Add: Purchases		120 000	
Carriage inwards		9 000	0.5
		<u>209 000</u>	0.5
Less: Closing inventory		60 000	149 000
Gross profit			0.5
Less: <u>Expenses</u>			
Rents and rates		48 000	0.5
Sundry expenses		30 000	78 000
Net profit			0.5
		<u>39 000</u>	
			(5)

4. 2015.Q2

(b) The consistency principle:

2

The accounting treatment of similar items should be the same in an accounting period and from one period to another.

5. 2015.Q4(a)

Peter	0.5
Statement of Financial Position as at 31 December 2014	
Non-current Assets	\$
Motor Vehicles	986 000
	0.5
Current Assets	\$
Inventory	210 000
Fixed deposit (6-month)	180 000
Trade receivables	320 000
Cash at bank	398 000
	1 108 000
TOTAL ASSETS	<u>2 094 000</u>
Capital, 1 January 2014 (<i>balancing figure</i>)	1 199 000
Add: Net profit	82 000
	0.5
	1 281 000
Current liabilities	\$
Trade payables	383 000
Bank loan (repayable in September 2015)	430 000
	813 000
TOTAL CAPITAL AND LIABILITIES	<u>2 094 000</u>
	(5)

6. 2015.Q5(a)

John	0.5
Income Statement for the year ended 31 December 2014	
	\$
Sales	492 000
Less: <u>Cost of goods sold</u>	0.5
Purchases	227 500
Add: Carriage inwards	25 500
	0.5
Less: Returns outwards	253 000
	0.5
Less: Closing inventory	9 230
	0.5
Gross profit	243 770
	0.5
Less: <u>Expenses</u>	88 000
Carriage outwards	155 770
Rental expenses	336 230
Salaries	0.5
Net profit	23 600
	128 000
	120 000
	271 600
	64 630
	0.5
	(5)

7. 2016.Q1

(a)	Journal
	Dr
	\$
Drawings	500
Purchases	500
(b) - business entity concept	1
- A firm and its owner(s) are separate entities	Max. 2
Takeover of business's inventory by the owner should be recorded in the	
- Drawings account so as to decrease the capital amount	
- Purchases account to avoid overstating the cost of goods sold	
(1 mark for each relevant elaboration, max. 2 marks)	
	Total: 5 marks

8. 2016.Q4(a)(b)

- (a)(i) Gross profit ratio = $\$40\ 000 / \$100\ 000 \times 100\% = 40\%$ 1
 (ii) Net profit ratio = $\$10\ 000 / \$100\ 000 \times 100\% = 10\%$ 1
 (iii) Return on capital employed = $\$10\ 000 / [(\$30\ 000 + \$37\ 000)/2] \times 100\% = 29.85\%$ 1
 (b) John's supermarket:
 - Has higher gross profit ratio but lower net profit ratio 1
 - Is poor in controlling expenses / administrative arrangements 1

9. 2016.Q5(a)(b)

- (a)(i) Working capital = $\$40\ 000 - \$30\ 000 = \$10\ 000$ 1
 (ii) Current ratio = $\$40\ 000 / \$30\ 000 = 1.33:1$ 1
 (iii) Liquid ratio = $\$6000 / \$30\ 000 = 0.20:1$ 1
 (b) The liquidity of John's supermarket is poor due to the low current ratio and liquid ratio 1
 - It has difficulty meeting its immediate debts
 - Its current assets are tied up in inventory
 (1 mark for each relevant point, max. 1 mark) Max. 1

10. 2017.Q3(d)

- (d) - 2016
 - Accrual concept
 - Revenues and expenses are recognised when they are earned or incurred and are included in the financial statements of that year 1

11. 2017.Q4(a)

Remarks: 0.5 marks for proper heading and \$ sign.

John			0.5
Trial balance as at 31 December 2016			
	Dr	Cr	
	\$	\$	
Capital, 1 January 2016		240 000	0.5
Bank overdraft		173 400	0.5
Furniture	204 000		0.5
Sales		796 200	0.5
Purchases	500 400		0.5
Returns inwards	1 800		0.5
Returns outwards		1 500	0.5
Discounts received		2 100	0.5
Operating expenses	507 000		0.5
	<u>1 213 200</u>	<u>1 213 200</u>	(5)

12. 2017.Q5(a)

Remarks: 0.5 marks for proper heading and \$ sign.

John			0.5
Income statement for the year ended 31 December 2016			
	\$	\$	
Sales		796 200	0.5
Less: Returns inwards		1 800	0.5
		<u>794 400</u>	0.5
Less: Cost of goods sold			
Purchases	500 400		0.5
Less: Returns outwards	1 500		0.5
		<u>498 900</u>	
Less: Closing inventory	195 000	303 900	0.5
Gross profit		490 500	0.5
Add: Discounts received		2 100	0.5
		<u>492 600</u>	
Less: Operating expenses		507 000	0.5
Net loss		<u>(14 400)</u>	0.5
			(5)

13. 2018.Q3(b)

- (b) - Going concern assumption: assumes that an entity will continue its operation in the foreseeable future, the entity has neither the intention nor the need to liquidate or reduce its scale of operations significantly

- The non-current assets should be valued at their liquidation value/ net realisable value

(b) Going concern:

1. Definition:-

- 1.1 The company will continue its operation. (did not mention "in the foreseeable future")

→ (definition: "0")
企業將繼續營運 (沒有提及“可預見未來”)

→ (解釋: "0")
OR:

- 1.2 the entity has neither the intention nor the need to liquidate ("1")

企業沒有意圖或需要清盤 ("1")

OR:
the entity has neither the intention nor the need to reduce its scale of operation significantly ("1")

企業沒有意圖或需要大幅減少其營運規模 ("1")

2. How should the non-current assets be valued:-

(Current) Market value 市值 (✓)

Market price 市價 (✗)

Fair value 公平值/ 公允值 (✗)

Disposal value (✗)

NRV (short form) (✗)

Net worth 淨值 (✗)

Liquid / Liquidated / Liquidate value (✗)

- 標準答案為「清算值」或「變現值」。但經評卷小組開會決定，可接受「市值」。但不鼓勵老師以「市值」教授學生，因兩者在某些情況下並不相同。

- MUST spell "net realisable/realizable value" correctly

- The fixed assets / Assets / they..... (acceptable)

- The financial statement/total assets/net current assets should be valued (✗)

- at lower of net realizable value (✗)



33

14. 2018.Q4(a)

Mandy		
Statement of financial position as at 31 December 2017		
	\$	\$
Non-current assets		
Equipment	166 000	0.5
Motor van	48 000	0.5
	<u>214 000</u>	
Current assets		
Inventory	26 000	0.5
Trade receivables	13 000	0.5
Cash at bank	16 000	0.5
	<u>55 000</u>	
Less: Current liabilities		
Bank loan	30 000	0.5
Trade payables	8 000	0.5
	<u>38 000</u>	
	<u>17 000</u>	
	<u>231 000</u>	
Financed by:		
Capital as at 1 January 2017 (Balancing figure)	188 600	0.5
Add: Net profit (\$220 000 - (\$98 000 - \$26 000) + \$105 600)	42 400	1
	<u>231 000</u>	(5)

(a) 1 form → accepted.

- Non-current assets + (Current assets - Current liabilities) = Capital or.
- Non-current assets + Current assets = Capital + Current liabilities → accepted.
- Items under Wrong/No/Abbreviated subheadings → NO MARK.
- All assets / liabilities items under Assets/Liabilities will be treated as under NCA / NCL.
- Ignore Statement heading, Net current assets, subtotals, etc..
- Ignore extra items, but NO MARK for duplicate items (e.g. items under both NCA and CA)
- NO MARK for "Bank 銀行", "Accounts receivables/payables 應收/應付賬款" .
- But accept "Closing inventory 期末存貨".
- NO MARK for abbreviation (e.g. Capital, bal as at 1 Jan 18), NOR for Opening Capital.
- Deduct $\frac{1}{2}$ mark for Profit (instead of Net Profit).
- NO MARK for 2nd part without underline (single or double) after TA/NA or "Financed by".

15. 2018.Q5(a)

(a)		
		Cash at bank
2018	\$	2018
Jan 1 Balance b/d	20 000	Jan 7 Trade payables 9 506 0.5
		Jan 10 Rent 7 000 0.5
		Purchases
2018	\$	
0.5 Jan 3 Trade payables 9 800		
		Trade payables
2018	\$	2018
0.5 Jan 7 Cash at bank 9 506	Jan 3 Purchases 9 800 0.5	
0.5 Jan 7 Discounts received 294		
		Discounts received
	\$	2018
		Jan 7 Trade payables 294 0.5
		Rent
2018	\$	
0.5 Jan 10 Cash at bank 7 000		
		Sales
	\$	2018
		Jan 25 Trade receivables 12 000 0.5
		Trade receivables
2018	\$	
0.5 Jan 25 Sales 12 000		

Supplementary marking notes: Q5

(a) For each entry in the T account, award mark if both the following are correct:

- amount
- corresponding account name in the 'particulars' column
- ignore dates

(Trade/Accounts Receivables/Payables, Bank/Cash at Bank are accepted)

16. 2019.Q3

Purchases 購貨

	2018	\$		2018	\$	
0.5 Dec 1	Cash at bank	5 000				

Cash at bank

	2018	\$	2018		\$	
0.5 Dec 30	Jacky	7 600	Dec 1	Purchases	5 000	0.5

Sales

	2018	\$		2018	\$	
	Dec 22	Jacky			8 000	0.5

Jacky

	2018	\$	2018		\$	
0.5 Dec 22	Sales	8 000	Dec 30	Cash at bank	7 600	0.5
					400	0.5

Discounts allowed

	2018	\$		2018	\$	
0.5 Dec 30	Jacky	400				

(b)(i) Real account: Jacky account, Cash at bank account

1

(ii) Nominal account: Purchases account, Sales account, Discounts received account, Discounts allowed account
(1 marks for each example, max. 2 marks)

1

6 marks

9

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Marking notes – Q3(a)

- Entries in the account with account name different from the name specified in the question → 0 mark
- Corresponding entry with wrong account name but is traceable in the answer → ✓
- For 'Jacky' account: Accounts/Trade receivables /Debtor without mentioning 'Jacky'
Entries in the account itself and corresponding accounts → 0 mark

評分例子 - Q3(a):

應收帳款：李奇帳		「李奇帳」	✓
2018年	\$	2018年	\$
12月26日	銷貨	12月30日	收現金
	8,000		7,600
			400
(a) 金額 7,600			
2018年	\$	2018年	\$
12月30日	應收帳款	12月1日	現金
	7,600		5,000
顯示對應的帳戶名稱			
金額 400			
2018年	\$	2018年	\$
12月30日	應收帳款		
	400		

Common mistakes:

2018			
Dec 1	Bal		

Failed to show the corresponding account name of the other side of the double entries.

2018			
Dec 30	Jacky	7,600	DC:1 purchases 5,000

Marking notes – Q3(b)

- Any account name out of those provided in the question are NOT accepted
- Candidates gave more than one example
→ mark the 1st answer ONLY no matter it is right or wrong

1. 實業戶：(1) 純資本戶 (2) 金庫戶 (3) 銀行戶 (4) 純資本戶和銀行戶
李奇帳
2. 情戶：(1) 金庫戶 (2) 銀行戶 (3) 純資本戶和銀行戶

舉出多於一個答案 → 只評改第一個答案

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