

Question 1 How many of the following headings would be found on the balance sheet: Assets, Non-current assets, Current liabilities, Equity. Accounts receivable, Owner's equity, Inventory, Wages expense, and Interest income.

- A. Five
- B. Six
- C. Seven**
- D. Eight

Question 2

The most liquid type of asset is

- A. Accounts receivable.
- B. cash.**
- C. investment in listed shares.
- D. inventory

Question 3

A balance sheet is a statement that shows the resources controlled and the obligations owed by an entity:

- A. A in the previous financial year.
- B. for the financial year.
- C. for the accounting period.
- D. at a point in time.**

Question 4

An entity's owners' equity is one-third of its total assets. Its liabilities total \$100,000. What is the amount of its total assets?

- A. \$100 000
- B. \$150 000**
- C. \$200 000
- D. \$300 000

2 Points

Question 5

The purchase of an asset for cash will:

- A. not affect total assets, liabilities, and owners' equity.**
- B. B increase total assets and increase total liabilities.
- C. increase total assets and increase total owners' equity.
- D. increase total assets

Question 6

Amounts owed by a business enterprise to external parties are described as:

- (A) assets.
- A. liabilities.**
- B. equities.
- C. revenue.

Question 7

2 Points

During an accounting period, total assets decreased by \$5m while owner's equity increased by \$8m. The change in total liabilities during this period must have been a:

- (A) \$3m increase.
- (B) B \$3m decrease.
- (C) \$13m increase.
- (D) \$13m decrease**

Question 8

Which of the following pairs of items would normally be classified as expenses?

- (A) Ordinary dividends and salaries paid.
- (B) Salaries paid and interest paid on loans.**
- (C) Discount received and interest paid on loans.
- (D) Amortisation and loan payable.

Question 13

Which of the following can Tim not recognise as an expense assuming all relate to his business?

- (A) Payment of interest on a loan of \$100.
- (B) A suspicion that John will not return the \$26 that he borrowed from Tim**
- (C) Payment of electricity for the month of \$50.
- (D) D) Use of water to which Tim will be invoiced in two months.

Question 14

A business ended the year with a cash balance of \$40,000. During the year, the following transactions took place: Cash purchase of a new computer

\$5000 Depreciation expense\$ 1500

Accumulated depreciation\$1500

Assuming no other transactions took place, the cash at the beginning of the year was:

- (A) \$45,000.**
- (B) B \$48,000.
- (C) \$46,500.
- (D) D) \$35,000.

Question 15

A building was purchased for \$100,000 and used for four years of its estimated 10-year life. It has no residual value and the straight-line method is used. The carrying value of the building after the four years' usage would be reported on the balance sheet at

- A) \$20,000
- B) \$40,000
- C) \$60,000.**
- D) \$80,000.

Question 16

An expenditure that extends the life of an asset or enhances its value is a(n):

- (A) A capital expenditure, recorded as an asset.**
- (B) B operating expenditure, recorded as an expense.
- (C) investing expenditure, recorded as an expense.
- (D) D financing expenditure, recorded in shareholders' equity.

Question 17

A prepayment is an asset when:

- (A) A there is no future economic benefit accruing to the business.
- (B) B there may be some future economic benefit accruing to the business.
- (C) it has future economic benefits that are controlled by the business.**
- A) it has future economic benefits for the owner's private residence.

Question 18

A prepayment consumed during a period is:

- (A) an item that is an expense of a given period but not necessarily a cash payment for that period.
- (B) an item that may be a cash payment for that period and also an expense for that period.
- (C) an item that that may be expensed in the current period.
- (D) Any of the above**

Question 19

Cash received from the sale of long-term assets is reported as:

- (A) operating activities.
- (B) B financing activities.
- (C) an adjustment to shareholders' equity.
- (D) investing activities.**

Question 21

Which financial statements cover a period of time?

- (A) Statement of comprehensive income and balance sheet.
- (B) B Balance sheet and cash flow statement.
- (C) Statement of comprehensive income and cash flow statement.**
- (D) Cash flow statement and statement of assets, liabilities and owners' equity.

Question 22

The methods an organisation uses to obtain financial resources from financial markets and the ways in which it manages those

resources are:

- (A) operating activities.
- (B) financing activities.**
- (C) investing activities.
- (D) marketing activities.

Question 23

Which of the following events is properly classified as an investing activity?

- (A) Purchase of equipment.**
- (B) B Borrowing money from creditors.
- (C) Selling goods to customers.
- (D) Running the factory.

Question 24

The cash flow statement is designed to report:

- (A) how the previous period's statement of comprehensive income relates to the current period's statement.
- (B) only the sources and uses of cash during the current period.
- (C) the cash from operating, financing and investing activities of the firm during the current period.**
- (D) the effects of the current period's statement of comprehensive income on the current period's balance sheet.

Question 25

Inventory should normally be classified on the balance sheet as:

- (A) current asset.**
- (B) shareholders' equity.
- (C) property, plant, and equipment.
- (D) an intangible asset.

Question 26

The cost of inventory becomes an expense in the period when

- (A) A the inventory is purchased.
- (B) the inventory is sold.**
- (C) payment is received for inventory sold
- (D) the purchaser obtains ownership of the inventory

Question 27

Cost of goods sold can be determined by adding purchases to closing inventory and deducting opening inventory.

A. True

B. False

Question 28

On a cash flow statement, the payment of taxation is considered an operating activity and the payment of dividends is normally classified as a financing activity

(A) True

(B) False

Question 29

A piece of equipment purchased for resale within the entity's operating cycle would be classified as a current asset.

(A) True

(B) False

Question 30

After calculating that the closing inventory balance was \$27 000, a physical stocktake revealed that inventory was actually \$17.000. This means that cost of goods sold must be \$10 000.

(A) True

(B) False