

Quiz (16 questions)

You have 25 minutes to answer all question.

1. The purchase of equipment for \$25,000 cash is *most likely* to be recorded as:

- A) an increase in one asset account and a decrease in another asset account.
- B) an increase in an asset account and an increase in a liability account.
- C) an increase in two asset accounts.

2. What is the fundamental balance sheet equation?

- A) Assets = Stockholders' Equity - Liabilities ($A = E - L$).
- B) Liabilities = Assets + Stockholders' Equity ($L = A + E$).
- C) Assets = Liabilities + Stockholders' Equity ($A = L + E$).

3. The term "harmonisation" is *most accurately* used to describe:

- A) the process of developing one universally accepted set of accounting standards.
- B) the reduction of the interest on the loan.
- C) when last year profit and this year profit are equal.

4. The *best* description of the ledger is that it:

- a) records accounts that are presented in the profit and loss account.
- b) puts the entries from the journal into separate account books/heading.
- C) is where the transactions are first listed as debit and credit.

5. The following amounts were drawn from the records of JME Company:

- total assets = \$1,200;
- total liabilities = \$450;
- initial capital = \$600.

Based on this information alone, net profit must be equal to:

- A) \$150.
- B) -\$150.
- C) \$450.

6 In 2004, Torrence Co. had

- beginning inventory of \$19,924 and made purchases of \$15,923. If the ending inventory level was \$19,204, what was the cost of goods sold (COGS) for year 2004?
- a) \$15,203.
- b) \$15,923.
- c) \$16,643

7. A firm's financial statements reflect the following information:

- Beginning inventory \$3,200
- Purchase \$1,700
- Ending inventory \$2,100
- Sales \$4,800
- What was the firm's gross profit margin?
- A) 58%
- B) 42%
- C) 22.9%

8. Which of the following is correct classification of 5 accounts headings

- A) assets, revenue, capital, profit, income.
- B) Balance sheet, expenses, assets, trial balance, capital
- C) expenses, liability, capital, revenue, assets

9. Which will not go into profit and loss account

- A. carriage outwards
- B. creditors
- C. salaries

10. Which of the following would **NOT** be a component of cash flow from investing?

- A) Purchase of equipment.
- B) Sale of land.
- C) interest paid.

11. Which of the following is the *best* description of the sequence of records in an accounting system?

- A) Journal , ledger, trial balance, profit and loss, balance sheet.
- B) ledger, trial balance, journal, balance sheet, profit and loss.
- C) Trial balance, ledger, journal, profit and loss, balance sheet.

- 12. A list of all the firm's daily transactions entries by date is called the:
- A) ledger.
- B) journal.
- C) trial balance.

13. In the indirect method of cash flow calculation, we

- A) subtract the depreciation amount from net profit
- B) ignore the depreciation amount
- c.) add back the depreciation amount from net profit

14. What is the breakeven quantity?

- Variable cost per unit = 30
- Total Sales = 45000
- Quantity sold = 900
- Fixed cost = 60000

- A) 3000
- B) 2000
- C) 2500

15. Which is a current asset

- A) building
- B) debtors
- C) shares

16. Bonus question

- Which is the correct cash conversion cycle?
- A) debtor collection period + creditor payment period – stock holding period
- B) stockholding period – debtor collection period + creditor payment period
- C) stock holding period + debtor collection period – creditor payment period