

Chapter 3 Introduction to Accounting

Section I

Purposes and the Role of Accounting



1. Which of the following statements about accounting are correct?
 - (1) Financial accounting mainly provides financial information to external users like creditors for decision-making.
 - (2) Management accounting provides management information to internal users like the managers for decision-making.
 - (3) Accounting in general helps manage the financial accounts of the company to ensure that figures such as sales are presentable and attractive enough for others to invest.
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

2. Which of the following are the functions of accounting?
 - (1) summarising the financial information
 - (2) recording transactions related to the business
 - (3) controlling costs of production
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

3. _____ refers to the process of transferring the debit and credit amounts from journals to ledger accounts.
 - A. Balancing off
 - B. Transferring
 - C. Posting
 - D. Closing

4. _____ refers to the process of entering transactions into the books of original entry.
 - A. Identifying
 - B. Classifying
 - C. Reporting
 - D. Recording

5. Arrange the following procedures of accounting in the correct order.
- (1) recording
 - (2) summarising
 - (3) classifying
 - (4) communicating
- A. (1) → (2) → (3) → (4)
B. (1) → (3) → (2) → (4)
C. (3) → (1) → (4) → (2)
D. (3) → (4) → (1) → (2)
6. Accounting is important to decision-making as it helps _____ .
- (1) control the production performance
 - (2) develop different plans
 - (3) reflect performance qualitatively
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
7. Arrange the following items in the order of the accounting cycle:
- (1) record transactions into the books of original entry
 - (2) prepare financial statements
 - (3) make period-end adjustments
 - (4) post transactions to ledgers
- A. (1) → (4) → (3) → (2)
B. (4) → (1) → (3) → (2)
C. (1) → (4) → (2) → (3)
D. (4) → (1) → (2) → (3)
8. Victor, who runs a small store in Tsuen Wan, does not have knowledge of book-keeping. Thus, he maintains no record for his business. Which of the following cannot be done?
- (1) compare the performance of his business with competitors
 - (2) formulate new marketing strategies to promote his products
 - (3) employ new staff to manage his business
- A. (1) only
B. (2) only
C. (1) and (3) only
D. (2) and (3) only