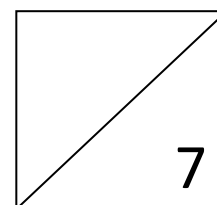


South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Paper 1 Revision- Introduction to Accounting Ch.7
DSE Past Paper 2012-2019



Name: _____ Class: _____ () Date: _____

Ch 7

17-25	<p>Which of the following descriptions about accounting assumptions, principles and conventions is correct?</p> <p>A. Historical cost: all business transactions should be recorded in the books</p> <p>B. Business entity: a sole proprietor can record his personal spending in the books of his business</p> <p>C. Consistency: the accounting policies and methods cannot be changed once adopted</p> <p>D. Going concern: a business will continue in operation for the foreseeable future</p>																				
16-5	<p>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 the _____ (1) _____, Mary should record this transaction as sales for the year _____ (2) _____.</p> <table style="width: 100%; border: none;"> <tbody> <tr> <td style="width: 50%;"></td> <td style="text-align: center; width: 10%;"><u>(1)</u></td> <td style="text-align: center; width: 10%;"></td> <td style="text-align: center; width: 10%;"><u>(2)</u></td> </tr> <tr> <td>A.</td> <td>accrual concept</td> <td></td> <td>2015</td> </tr> <tr> <td>B.</td> <td>accrual concept</td> <td></td> <td>2016</td> </tr> <tr> <td>C.</td> <td>going concern assumption</td> <td></td> <td>2015</td> </tr> <tr> <td>D.</td> <td>going concern assumption</td> <td></td> <td>2016</td> </tr> </tbody> </table>		<u>(1)</u>		<u>(2)</u>	A.	accrual concept		2015	B.	accrual concept		2016	C.	going concern assumption		2015	D.	going concern assumption		2016
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14-5	<p>It is 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 _____.</p> <p>A. business entity promotion expenses</p> <p>B. business entity drawings</p> <p>C. consistency promotion expenses</p> <p>D. consistency drawings</p>																				
14-16	<p>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 2013, 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.</p> <p>A. \$150 000</p> <p>B. \$200 000</p> <p>C. \$228 000</p> <p>D. \$243 000</p>																				
13-10	<p>On 1 January 2012, Good Fortune Company signed a tenancy contract to rent an office for two years from 1 February 2012 to 31 January 2014. On the same day, it made a payment of \$208 000 to the landlord for the rent from February to March 2012 and a deposit equaled to two months' rent. The rental expense shown in the income statement for the year ended 31 December 2012 was:</p> <p>A. \$572 000</p> <p>B. \$624 000</p> <p>C. \$1 144 000</p> <p>D. \$1 248 000</p>																				

12-27	<p>Which of the following accounting principles and conventions has been violated if the owner of a restaurant charges the unpaid bills for meals with his family sometimes to the company's expense accounts but sometimes to his personal expense accounts?</p> <ul style="list-style-type: none">A. AccrualB. Business entityC. ConsistencyD. Going concern
19-2	<p>According to accounting assumptions, principles and conventions, which of the following accounting treatments is correct?</p> <ul style="list-style-type: none">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.