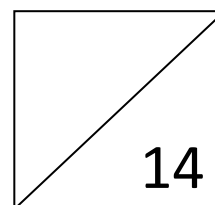


South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Paper 1 Revision- Introduction to Accounting Ch.8
DSE Past Paper 2012-2019



Name: _____ Class: _____ () Date: _____

Ch 8

17-12 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.

17- **Based on the following information, answer Questions 21 and 22.**

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

21. 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

22. 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

17-29 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

14-9	<p>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 date?</p> <p>A. \$60 000 B. \$120 000 C. \$180 000 D. \$240 000</p>										
14-11	<p>A business earns a gross profit margin of 25%. Calculate its sales amount based on the following data:</p> <table border="1" data-bbox="304 479 794 647"> <thead> <tr> <th>Item</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Opening inventory</td> <td>10 000</td> </tr> <tr> <td>Closing inventory</td> <td>4 000</td> </tr> <tr> <td>Purchases</td> <td>51 000</td> </tr> <tr> <td>Selling expenses</td> <td>1 500</td> </tr> </tbody> </table> <p>A. \$69 375 B. \$71 250 C. \$74 000 D. \$76 000</p>	Item	\$	Opening inventory	10 000	Closing inventory	4 000	Purchases	51 000	Selling expenses	1 500
Item	\$										
Opening inventory	10 000										
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14-19	<p>Which of the following accounting ratios can be calculated when only the income statement is provided?</p> <p>(1) net profit ratio (2) quick ratio (3) return on capital employed</p> <p>A. (1) only B. (2) only C. (3) only D. (1) and (3) only</p>										
13-9	<p>King Lung Company owed Tin Tin Company \$56 000 on 1 December 2012. On 10 December 2012, Tin Tin Company sold goods costing \$80 000 at a gross profit margin of 50% to King Lung Company. On 15 December 2012, King Lung Company settled the beginning balance of the month with a cash discount of 3%. The balance of King Lung Company's account in Tin Tin Company's books as at 31 December 2012 would be:</p> <p>A. \$54 320 (credit balance) B. \$104 000 (debit balance) C. \$120 000 (credit balance) D. \$160 000 (debit balance)</p>										

13

	Lung Hing Company	Fat Tat Company
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Turnover	\$45 000 000	\$52 000 000
Gross profit ratio	28%	25%
Net profit ratio	19%	22%
Current ratio	1.81 : 1	2.43 : 1
Liquid ratio	0.75 : 1	1.65 : 1

26. Which of the following comments on the financial performance of Lung Hing Company as compared with Fat Tat Company is correct?

Lung Hing Company has

- A. higher gross profit.
- B. higher net profit.
- C. higher cost of goods sold.
- D. higher operating expenses.

27. Which of the following comments on the liquidity of Lung Hing Company as compared with Fat Tat Company is correct?

Lung Hing Company has

- A. higher proportion of funds tied up in inventory.
- B. higher liquidity.
- C. more current assets to meet short-term obligations.
- D. fewer current liabilities.

12-22

On 31 December 2011, the amount of total current liabilities of a company is \$120 000 and its current ratio is 3:1. What was the amount of working capital of the company on the same date?

- A. \$40 000
- B. \$80 000
- C. \$240 000
- D. \$360 000

18-21

Ming Kee and Chan Kee are trading firms 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)

19-1	<p>Which of the following is/are difference(s) between a sole proprietorship and a general partnership?</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Sole proprietorship</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>General partnership</u></th> </tr> </thead> <tbody> <tr> <td>(1) decision-making process</td> <td style="text-align: center;">shorter</td> <td style="text-align: center;">longer</td> </tr> <tr> <td>(2) profits tax rate</td> <td style="text-align: center;">lower</td> <td style="text-align: center;">higher</td> </tr> <tr> <td>(3) liability borne</td> <td style="text-align: center;">unlimited</td> <td style="text-align: center;">limited</td> </tr> </tbody> </table> <p>A. (1) only B. (1) and (2) only C. (2) and (3) only D. (1), (2) and (3)</p>		<u>Sole proprietorship</u>	<u>General partnership</u>	(1) decision-making process	shorter	longer	(2) profits tax rate	lower	higher	(3) liability borne	unlimited	limited
	<u>Sole proprietorship</u>	<u>General partnership</u>											
(1) decision-making process	shorter	longer											
(2) profits tax rate	lower	higher											
(3) liability borne	unlimited	limited											
19-10	<p>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:</p> <table border="0" style="width: 100%; margin-left: 40px;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Inventory</td> <td style="text-align: right;">6 000</td> </tr> <tr> <td>Bank loan (repayable in April 2019)</td> <td style="text-align: right;">10 000</td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">30 000</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">50 000</td> </tr> </tbody> </table> <p>Based on the above information, calculate the amount of trade receivables as at 31 December 2018.</p> <p>A. \$4 000 B. \$10 000 C. \$12 000 D. \$18 000</p>		\$	Inventory	6 000	Bank loan (repayable in April 2019)	10 000	Cash	30 000	Trade payables	50 000		
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