

South Tuen Mun Government Secondary School

BAFS-DSE-Accounting Ratio Revision

2016

4	<p>Anna has just retired at the age 65 and has received a substantial amount from a provident fund. She plans to invest the money to get some returns but is not willing to take high risks. Which of the following financial instruments is the least suitable for her?</p> <p>A. term deposits B. saving deposits C. iBond D. shares</p>								
5	<p>Sunny, who maintains a good credit record, is a customer of Marv's business. For the year ended 31 December 2015, Marv 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> <p>A. (1) (2) A. accrual concept 2015 B. accrual concept 2016 C. going concern assumption 2015 D. going concern assumption 2016</p>								
9	<p>A credit card user</p> <p>can buy goods and services overseas with a credit card issued in Hong Kong. can settle the whole outstanding balance of the statement by the due date in order to avoid interest charges. can enjoy a lower interest rate to settle the overdue credit card balance than for a personal loan.</p> <p>A. (1) and (2) only B. (1) and (3) only C. (2) and (3) only D. (1),(2) and (3)</p>								
12	<p>Which of the following would affect the calculation of cost of goods sold?</p> <p>A. rental expenses for the office B. carriage expenses for the delivery of goods to customers C. discounts given by suppliers for purchasing a large quantity of goods D. discounts given by suppliers for early settlement of outstanding balances</p>								
13	<p>Which of the following statements about non-current assets is correct?</p> <p>A. Their cost of purchases exceeds \$100 000. B. They are used for the operations of the business. C. Their balances are presented in the income statement. D. Accounts receivable is a non-current asset.</p>								
14	<p>A bank offers a saving plan which requires an initial deposit of \$100 000. The plan generates the following cash flows at the end of subsequent years:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;">\$</td> </tr> <tr> <td>Year 1</td> <td style="text-align: right;">20000</td> </tr> <tr> <td>Year 2</td> <td style="text-align: right;">35000</td> </tr> <tr> <td>Year 3</td> <td style="text-align: right;">55000</td> </tr> </table> <p>Given a discount rate of 5% p.a., what is the net present value of the saving plan?</p> <p>A. \$10 000 B. \$9523.81 C. \$4761.90 D. -\$1695.28</p>		\$	Year 1	20000	Year 2	35000	Year 3	55000
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18	<p>Which of the following double entries are correct?</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Account to be debited</th> <th style="width: 35%; text-align: center;">Account to be credited</th> </tr> </thead> <tbody> <tr> <td>(1) Returned goods to suppliers</td> <td style="text-align: center;">Purchases</td> <td style="text-align: center;">Returns outwards</td> </tr> <tr> <td>(2) Deposited cash into the bank account</td> <td style="text-align: center;">Bank</td> <td style="text-align: center;">Cash</td> </tr> <tr> <td>(3) Sold goods to customers on credit</td> <td style="text-align: center;">Trade receivables</td> <td style="text-align: center;">Sales</td> </tr> </tbody> </table> <p>A. (1) and (2) only B. (1) and (3) only C. (2) and (3) only D. (1),(2) and (3)</p>		Account to be debited	Account to be credited	(1) Returned goods to suppliers	Purchases	Returns outwards	(2) Deposited cash into the bank account	Bank	Cash	(3) Sold goods to customers on credit	Trade receivables	Sales									
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19	<p>Peter wants to deposit \$500 000 in a bank for half a year. The bank offers him the following saving plans. Which plan offers the highest return?</p> <p>A. a lump sum interest of \$6000 at the end of half a year B. an interest rate of 2.4% p.a.. compounding quarterly C. an interest rate of 2.4% p.a.. compounding half-yearly D. an interest rate of 2.4% p.a., compounding annually</p>																					
23	<p>On 1 January 2015, Mr Lee set up a firm with cash of \$100 000. On the same day, the firm took out a loan of \$200 000 from a bank. At the end of that year, total assets and total liabilities of the firm were \$980 000 and \$560 000 respectively. During the year, Mr Lee made regular cash drawings of \$5000 per month.</p> <p>What is the net profit of the firm for the year 2015?</p> <p>A. \$180 000 B. \$260 000 C. \$325 000 D. \$380 000</p>																					
29	<p>Based on the following information, answer Question 29 and 30</p> <p>The following account balances as at 31 December 2015 were extracted from the books of a firm:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Dr</th> <th style="width: 20%; text-align: center;">Cr</th> </tr> </thead> <tbody> <tr> <td>Purchases</td> <td style="text-align: right;">75 000</td> <td></td> </tr> <tr> <td>Returns inwards and returns outwards</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">3 000</td> </tr> <tr> <td>Discounts allowed and discounts received</td> <td style="text-align: right;">3 500</td> <td style="text-align: right;">2 000</td> </tr> <tr> <td>Inventory as at 1 January 2015</td> <td style="text-align: right;">15 000</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">36 500</td> <td></td> </tr> </tbody> </table> <p>Given that the inventory as at 31 December 2015 was \$27,000, what was the cost of goods sold for the year ended 31 December 2015?</p> <p>A. \$54,500 B. \$58,000 C. \$60,000 D. \$63,000</p>		Dr	Cr	Purchases	75 000		Returns inwards and returns outwards	5 000	3 000	Discounts allowed and discounts received	3 500	2 000	Inventory as at 1 January 2015	15 000		Electricity	10 000		Wages and salaries	36 500	
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30	<p>Given that the net profit for the year ended 31 December 2015 was \$9,000, what was the gross profit for the year?</p> <p>A. \$59,000 B. \$57,000 C. \$54,000 D. \$53,500</p>																					

Section B (30 marks)

1. Annie runs a shop selling bicycles. One day, Annie took one of the bicycles home for her son's use. The cost and selling price of the bicycle are \$500 and \$980 respectively.

(a) Prepare the journal entry to record the above event. Narration is not required. (2marks)

(b) Explain with a relevant accounting principle or concept why records have to be made in the accounts, as in (a) above. (3marks)

2. (a) Explain how the share price of a property development company in Hong Kong changes in a Booming local economy. (3 marks)

(b) Suggest two ways in which investors can use the Hang Seng Index to make investment decisions. (4 marks)

Based on the following information, answer either Question 4 or 5.

John runs a small supermarket. Its financial statements for the year 2015 are given below:

Income Statement for the year ended 31 December 2015

	\$	
Sales		100,000
<i>Less:</i> Cost of goods sold		<u>(60,000)</u>
Gross Profit		40,000
<i>Less:</i> General expenses		<u>(30,000)</u>
Net Profit		<u>10,000</u>

Statement of financial position as at 31 December 2015

	\$	\$
Non-current assets		20,000
Current assets		
Inventory	34,000	
Cash	<u>6,000</u>	
	40,000	
<i>Less: Current liabilities</i>		
Trade payables	<u>(30,000)</u>	<u>10,000</u>
		<u>30,000</u>
Capital, 1 January 2015		37,000
Add: Net Profit		<u>10,000</u>
		47,000
<i>Less:</i> Drawings		<u>17,000</u>
		<u>30,000</u>

Answer ONE question. (but you need to do both for school)

4. (a) Calculate (to two decimal places) the following ratios for the year 2015 for John's supermarket:

(i) Gross profit ratio

(ii) Net profit ratio

(ii) Return on capital employed

(3 marks)

(b) Man Kee is another small supermarket in the same district. Its gross profit ratio and net profit ratio for the year 2015 are 35% and 15% respectively. Briefly comment on the profitability of John's supermarket for the year 2015 as compared with Man Kee. (2 marks)

A business consultant advises John to adopt Management by Objectives in his supermarket.

(c) (i) How are objectives set under Management by Objectives in John's supermarket?

(1 mark)

(ii) Explain one advantage and one disadvantage of adopting Management by Objectives in John's supermarket. (4 marks)

(Total: 10 marks)

5. (a) Calculate (to two decimal places) the following for the year 2015 for John's supermarket: (3 marks)

(i) Working capital

(ii) Current ratio

(iii) Liquid ratio

(b) Briefly comment on the liquidity of John's supermarket as at 31 December 2015. (2 marks)

A business consultant advises John to improve the controlling functions of his supermarket.

(c) (i) What is the purpose of controlling in management? (1 mark)

(ii) List the steps in the controlling process. (4 marks)

(Total: 10 marks)