

South Tuen Mun Government Secondary School  
BAFS-DSE-Accounting Ratio Revision

2017

9	<p>If an account has a debit balance, which of the following statements about the account is correct?</p> <p>A. The total amount of the debit side in the account is higher than the total amount of the credit side.          B. The balance carried down appears on the debit side of the account.          C. The balance brought down appears on the right hand side of the account.          D. The account is an asset account.</p>									
10	<p>Mr Lee is going to deposit an amount into a savings account with interest of 7% per year, compounded annually. He wants to receive a sum of \$150 000 from the account after 3 years. How much should he put into the savings account now?</p> <p>A. \$120 654          B. \$122 445          C. \$131016          D. \$183 756</p>									
12	<p>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:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Chan Kee</th> <th style="text-align: center;">Yip Kee</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Gross profit ratio</td> <td style="text-align: center;">39%</td> <td style="text-align: center;">45%</td> </tr> <tr> <td style="text-align: left;">Net profit ratio</td> <td style="text-align: center;">24%</td> <td style="text-align: center;">20%</td> </tr> </tbody> </table> <p>Based on the above ratios, which of the following can be concluded?</p> <p>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.</p>		Chan Kee	Yip Kee	Gross profit ratio	39%	45%	Net profit ratio	24%	20%
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13	<p>If the nominal rate of return remains unchanged, which of the following statements about the effective rate of return are correct?</p> <p>(1) Effective rate of return reflects the actual return on an investment.          (2) Effective rate of return will be higher if the amount of the principal increases.          (3) Effective rate of return will be higher if the frequency of compounding increases.</p> <p>A. (1) and (2) only          B. (1) and (3) only          C. (2) and (3) only          D. (1), (2) and (3)</p>									
15	<p>Which of the following is not a use of financial statements?</p> <p>A. assist different users in making decisions          B. provide information about the financial position of a business          C. provide information to employees for assessing their job security          D. provide qualitative information regarding the performance of a business</p>									
17	<p>The following are the basic listing requirements for new applicants to list their stocks on the Main Board of the Stock Exchange of Hong Kong except __ •</p> <p>A. size of workforce                      B. amount of cash flow          C. history of operation                    D. profit attributable to shareholders</p>									

19	<p>Mr Wong set up a firm on 1 January 2017. He introduced his motor van of \$40 000 into the firm. The firm borrowed \$200 000 from Mr Wong's relatives to purchase office equipment and \$100 000 from bank for the business operation.</p> <p>What are the amounts of the firm's assets, liabilities and capital on 1 January 2017?</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Assets</th> <th style="text-align: center;">Liabilities</th> <th style="text-align: center;">Capital</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;">+</td> <td style="text-align: center;">+</td> </tr> <tr> <td>A.</td> <td style="text-align: right;">240 000</td> <td style="text-align: right;">200 000</td> <td style="text-align: right;">40 000</td> </tr> <tr> <td>B.</td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">300 000</td> <td style="text-align: right;">340 000</td> </tr> <tr> <td>C.</td> <td style="text-align: right;">340 000</td> <td style="text-align: right;">100 000</td> <td style="text-align: right;">240 000</td> </tr> <tr> <td>D.</td> <td style="text-align: right;">340 000</td> <td style="text-align: right;">300 000</td> <td style="text-align: right;">40 000</td> </tr> </tbody> </table>		Assets	Liabilities	Capital			+	+	A.	240 000	200 000	40 000	B.	40 000	300 000	340 000	C.	340 000	100 000	240 000	D.	340 000	300 000	40 000
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	<p>Based on the following information, answer Questions 21 and 22.</p> <p>As at 31 December 2016, Wong's firm had the following assets and liabilities:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 40px;">Non-current assets</td> <td style="text-align: right;">280 000</td> </tr> <tr> <td style="padding-left: 40px;">Bank</td> <td style="text-align: right;">18 000</td> </tr> <tr> <td style="padding-left: 40px;">Cash</td> <td style="text-align: right;">58 000</td> </tr> <tr> <td style="padding-left: 40px;">Inventory</td> <td style="text-align: right;">71 000</td> </tr> <tr> <td style="padding-left: 40px;">Trade payables</td> <td style="text-align: right;">86 000</td> </tr> <tr> <td style="padding-left: 40px;">Trade receivables</td> <td style="text-align: right;">162 000</td> </tr> <tr> <td style="padding-left: 40px;">Long term bank loan</td> <td style="text-align: right;">120 000</td> </tr> </tbody> </table>		\$	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								
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21	<p>What is the quick ratio of Wong's firm for 2016?</p> <p>A. 1.16:1                      B. 2.77:1 C. 3.59:1                      D. 6.02:1</p>																								
22	<p>What is the amount of working capital in Wong's firm as at 31 December 2016?</p> <p>A. \$103,000                      B. \$152,000 C. \$223, 000                      D. \$503,000</p>																								
23	<p>Which of the following are the benefits for a borrower of maintaining a good personal credit record?</p> <p>(1) lower interest rate on personal loan (2) higher credit limit (3) better terms when opening a term deposit account</p> <p>A. (1) and (2) only                      B. (1) and (3) only C. (2) and (3) only                      D. (1),(2) and (3)</p>																								
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 B. Business entity: a sole proprietor can record his personal spending in the books of his business C. Consistency: the accounting policies and methods cannot be changed once adopted D. Going concern: a business will continue in operation for the foreseeable future</p>																								
26	<p>Which of the following will affect the share price of a listed company</p> <p>(1) fuel price                      (2) interest rate                      (3) dividend policy of the company</p> <p>A. (1) and (2) only                      B. (1) and (3) only C. (2) and (3) only                      D. (1), (2) and (3)</p>																								



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

John commenced a firm selling grocery and household products on 1 January 2016. Three employees were hired for the operation of the firm.

The following balances were obtained from his books as at 31 December 2016:

Capital, 1 January 2016	\$ 240 000
Bank overdraft	173 400
Furniture	204 000
Sales	796 200
Purchases	500 400
Returns inwards	1 800
Returns outwards	1 500
Discounts received	2 100
Operating expenses	507 000

4a) Prepare for John's firm a trial balance as at 31 December 2016.

(5 marks)

b) What is business ethics?

(1 mark)

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c) For each of the following stakeholders, illustrate with one example how John can ensure that the operation of his firm is socially responsible:

(i) employees of the firm

(2 marks)

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(ii) residents living around the firm

(2 marks)

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(Total: 10 marks)

5) A business consultant advised John to set goal for his firm.

b) State the management function that the task of setting goals for John's firm belongs to. (1 mark)

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c) Explain two reasons why John should set goals for his firm.

(4 marks)

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- 5) The inventory as at 31 December 2016 was valued at \$195,000
- a) Prepare for John's firm an income statement for the year ended 31 December 2016. (5 marks)