

QUIZ # 01

SPRING SEMESTER 2009

FIN 621 - Financial Statement Analysis

Marks:20

Student ID/Login ID: _____

Student Name: _____

Please read the following instructions carefully before attempting Quiz

- This Quiz covers lesson no. 01- 10
- **Last date for submission of quiz no 1 is as per announcement**
- All instruction will be considered during checking quiz. So, consider all these.
- To attempt a quiz, students should be asked to submit their solution files (word documents) in the following shape / form.

Q no.	Selected option
1	B
2	A
3	D

- Quiz file must be in Word document, all other would be marked zero.
- Give the answer according to question
- Use only the black font color
- Don't rely only on handouts, use recommended books as well
- Avoid choosing more than one option.
- Make sure that you upload the solution before due date. No solution will be accepted through E-mail after the due date.
- Cheating or copying of solution is strictly prohibited; No credit will be given to copied assignment.
- Once you upload the quiz on LMS, it will not be replaced under any condition.

1. Which of the following is **NOT** an asset?
 - A. Buildings
 - B. Loan from K Harris
 - C. Cash balance
 - D. Debtors

2. Which of the following statements is **INCORRECT**?
 - A. Liabilities + Capital = Assets
 - B. Liabilities + Assets = Capital
 - C. Assets - Capital = Liabilities
 - D. Assets - Liabilities = Capital

3. Which of the following account has a normal credit balance?
 - A. Sales
 - B. Selling expenses
 - C. Land
 - D. Purchases

4. Posting' the transactions in bookkeeping means:
 - A. Entering items in a cash book
 - B. Making the second entry of a double entry transaction
 - C. Making the first entry of a double entry transaction
 - D. Something other than the above

5. Which of the following best describes a trial balance?
 - A. It is a list of balances on the books
 - B. Shows the financial position of a business
 - C. Shows all the entries in the books
 - D. It is a special account

6. The process of recording the economic effects of business transactions in a book of original entry is known as which of the following?
 - A. Double entry system
 - B. Journalizing
 - C. Debit
 - D. Posting

7. If we take goods for own use we should:
 - A. Debit -Sales Account; Credit -Stock Account

- B. Debit -Drawings Account; Credit -Purchases Account
- C. Debit -Drawings Account; Credit -Stock Account
- D. Debit -Purchases Account; Credit -Drawings Account

8. According to the rules of debit and credit for balance sheet accounts:

- A. Increase in assets, liability, and owner's equity accounts are recorded by debits
- B. Decrease in assets and liability accounts are recorded by credits
- C. Increase in assets and owner's equity accounts are recorded by debits
- D. Decrease in liability and owner's equity accounts are recorded by debits

9. An entry that affects more than one accounts is known as _____.

- A. Journal entry
- B. Compound entry
- C. Adjusting entry
- D. Reversing entry

10. Which of these errors would be disclosed by the trial balance?

- A. Credit sales of Rs. 300 entered in both double entry accounts as Rs. 30
- B. Cheque Rs. 95 from C Smith entered in Smith's account as Rs. 59
- C. Selling expenses had been debited to Sales Account
- D. A purchase of Rs. 250 was omitted entirely from the books

11. Which of the following is **NOT** true about the net income?

- A. It can be distributed among holders of common stock as a dividend
- B. It can be held by the firm as retained earnings
- C. It is a calculated figure and represents actual cash
- D. It is obtained by subtracting expenses from the revenues

12. Which of the following equation is **CORRECT**?

- A. $\text{Opening stock} + \text{purchases} + \text{closing stock} = \text{cost of goods sold}$
- B. $\text{Cost of goods sold} - \text{closing stock} - \text{purchases} = \text{opening stock}$
- C. $\text{Cost of goods sold} + \text{closing stock} - \text{opening stock} = \text{purchases}$
- D. $\text{Opening stock} + \text{cost of goods sold} - \text{purchases} = \text{closing stock}$

13. Which of the following is the cause of depreciation?

- A. Decrease in the market value of the asset
- B. Decrease in the book value of the asset
- C. Physical wear and tear of fixed assets
- D. Increase in the market value of assets

14. If sales returns are Rs. 25,000, sales are Rs. 125,000. Net purchases are Rs. 84,000 and gross profit is Rs. 21,000, then the cost of goods sold will be:

- A. Rs. 84,000
- B. Rs. 64,000
- C. Rs. 92,000
- D. Rs. 79,000

15. A company has four employees that earn Rs. 180.00 per day. The employees are paid weekly, on Friday. December 31 would be on Wednesday. What is the adjustment to be made?

- A. Rs. 0
- B. Rs. 1620
- C. Rs. 1080
- D. Rs. 540

16. Which of the following types of adjustments belongs to the accrued item class?

- A. Assets/Expense
- B. Liability/Revenue
- C. Asset/Liability
- D. Liability/Expense

17. Which of the following are parts of operating expenses?

- A. Interest expense and general expenses
- B. Selling expenses and cost of goods sold
- C. Interest expense and selling expenses
- D. General expense and selling expenses

18. The amount charged to customers for goods or services sold is called a (n):

- A. Expense
- B. Net income
- C. Revenue
- D. Asset

19. Which of the following is the largest single expense of most merchandising firms?

- A. Cost of goods sold
- B. Rent Expense
- C. Amortization Expense
- D. Salaries Expense

20. One purpose of closing entries is to give zero balances to which of the following accounts?

- A. Asset and liability accounts
- B. Liability and capital accounts
- C. Revenue and expense accounts
- D. Expense and capital accounts