

Asslam O Alikum

FIN621- Financial Statement Analysis mid term paper shared n rechecked by Hira Ali

Remember Us In Your Prayers

Best regard's

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If u like me than raise your hand with me

If not than raise ur standard

That's about me ... !

Question No: 1 (Marks: 1) - Please choose one

How much duration does an accounting period usually have?

Three months

Two years

One year

Five years

Question No: 2 (Marks: 1) - Please choose one

Which of the following statement shows the effects of cash inflows and outflows?

Balance Sheet

Statement of Owner's Equity

Income Statement

Statement of Cash Flows

Question No: 3 (Marks: 1) - Please choose one

To determine the balance of a particular account, one should refer to which of the following?

Ledger

Source document

Chart of accounts

Journal

Question No: 4 (Marks: 1) - Please choose one

A business has purchased a building on credit, how it would be recorded in the journal?

Building - Credit; Accounts payable - Debit

Building - Debit; Notes payable - Credit

Building - Debit; Owner's equity - Credit

Building - Debit; Accounts payable - Credit

Question No: 5 (Marks: 1) - Please choose one

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

Journal entry

Compound entry (Correct)

Adjusting entry

Reversing entry

Question No: 6 (Marks: 1) - Please choose one

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

It is a calculated figure and represents actual cash

It can be distributed among holders of common stock as a dividend

It can be held by the firm as retained earnings

It is obtained by subtracting expenses from the revenues

Question No: 7 (Marks: 1) - Please choose one

What would be the adjusting entry to record depreciation if the estimated amount of depreciation on equipment for a period is Rs. 2,000?

Depreciation expense - Debit; Equipment - Credit

Depreciation expense - Debit; Accumulated depreciation - Credit

Equipment - Debit; Depreciation expense - Credit

Accumulated depreciation - Debit; Depreciation expense - Credit

Question No: 8 (Marks: 1) - Please choose one

The trial balance shows Supplies of Rs.1,350 and Supplies Expense of Rs.0. If Rs.600 of supplies are on hand at the end of the period, the adjusting entry would be:

Supplies, Rs. 600 - Debit; Supplies Expense, Rs. 600 - Credit

Supplies, Rs. 750 - Debit; Supplies Expense, Rs. 750 - Credit

Supplies Expense, Rs. 750 - Debit; Supplies, Rs. 750 - Credit

Supplies Expense, Rs. 600 Debit; Supplies, Rs. 600 - Credit

Question No: 9 (Marks: 1) - Please choose one

Which of the following accounts would **NOT** be included in a post-closing trial balance?

Cash

Accumulated depreciation

Owner's equity

Fees earned

Question No: 10 (Marks: 1) - Please choose one

After the closing entries are posted to the ledger, each expense account will have?

- A debit balance
- A negative balance
- A credit balance
- A zero balance**

Question No: 11 (Marks: 1) - Please choose one

Current assets are those assets which management intends to convert into cash or consume within:

- The operating cycle
- One year

The longer of operating cycle or one year

The shorter of operating cycle or one year

Question No: 12 (Marks: 1) - Please choose one

Which of the following is **NOT** the most common example of cash equivalents?

- Savings deposits
- Certificates of Deposit (CDs)
- Stocks of other companies
- Money market mutual funds

Question No: 13 (Marks: 1) - Please choose one

In preparing the statement of cash flows, how should non-cash investing/financing activities be reported?

In the financing activities section of the statement of cash flows

In a separate schedule accompanying the statement of cash flows

In the investing activities section of the statement of cash flows

Should not to be reported

Question No: 14 (Marks: 1) - Please choose one

Which of the following items are **NOT** added back to the net income figure (which is found on the Income Statement) to arrive at cash flows from operations?

- Depreciation
- Deferred tax
- Amortization

Investments

Question No: 15 (Marks: 1) - Please choose one

Which of the following activities convert the income statement items from the accrual basis of accounting to cash?

Operating activities

- Investing activities
- Financing activities
- Non cash activities

Question No: 16 (Marks: 1) - Please choose one

Which one of the following items is specifically included in the body of a statement of cash flows?

Operating and non-operating cash flow information

Conversion of debt to equity

Acquiring an asset through a capital lease

Purchasing a building by giving a mortgage to the seller

Question No: 17 (Marks: 1) - Please choose one

ABC Company has a cost of goods sold of Rs. 500,000. During the year the inventory increased by Rs. 10,000 and accounts payable increased by Rs. 15,000. The interest expense was Rs. 15,000 for the year and dividend of Rs. 11,000 were paid during the year. What would be the cash payments for the purchase of the merchandise.

- Rs. 505,000
- Rs. 516,000
- Rs. 490,000

Rs. 495,000 Correct

Question No: 18 (Marks: 1) - Please choose one

The cash flow from investing activities shows the cash effects of which of the following?

Income statement items

Long term assets items Correct

- Long term liability & stockholder's equity
- Long term liability and long term assets

Question No: 19 (Marks: 1) - Please choose one

Which of the following must be included in a company's summary of significant accounting policies in the notes to the financial statements?

Description of current year equity transactions

Summary of long-term debt outstanding

Schedule of fixed assets

Revenue recognition policies Correct

http://books.google.com.pk/books?id=9xcfUxLUmr4C&pg=PA105&dq=summary++of++significant+accounting+policies+in+the+notes+to+the+financial+statements&hl=en&ei=bJ7xTPPABYu9cd_ooYoK&sa=X&oi=book_result&ct=result&resnum=3&ved=0CDIQ6AEwAg#v=onepage&q=summary%20of%20significant%20accounting%20policies%20in%20the%20notes%20to%20the%20financial%20statements&f=false

Question No: 20 (Marks: 1) - Please choose one

Gross profit is:

Excess of sales over cost of goods sold Correct

Sales less Purchases

Cost of goods sold + Opening stock

Net profit less expenses of the period

Question No: 21 (Marks: 1) - Please choose one

An inventory error affects _____ accounting periods.

Only current

Two Correct

Three

Four

Question No: 22 (Marks: 1) - Please choose one

From the given data, calculate Cost of Goods Sold using the FIFO costing method:

Beginning inventory is 10 units @ Rs. 10 each.

On January 20, purchased 10 units @ Rs. 20 each

On January 30, purchased 5 units @ Rs. 30 each

15 of the 25 units are sold.

Rs. 200 Correct

Rs. 150

Rs. 350

Rs. 450

Question No: 23 (Marks: 1) - Please choose one

Under which cost flow assumption, the ending inventory is composed of the most recently purchased merchandise?

FIFO Correct

LIFO

Average cost

Specific identification

Question No: 24 (Marks: 1) - Please choose one

If sales revenues are Rs. 400,000, cost of goods sold is Rs. 310,000, and operating expenses are Rs. 60,000, what is the gross profit?

Rs. 30,000

Rs. 90,000 (400,000-310,000) Correct

Rs. 340,000

Rs. 400,000

Question No: 25 (Marks: 1) - Please choose one

Which cost flow assumption most closely matches the actual physical flow of inventory in most retailing businesses?

FIFO

LIFO

Average cost

Specific identification Correct

Question No: 26 (Marks: 1) - Please choose one

The sale of a depreciable asset resulting in a loss indicates that the proceeds from the sale were:

Less than current market value

Greater than cost

Greater than book value

Less than book value Correct

Question No: 27 (Marks: 1) - Please choose one

The purpose of recording depreciation on productive assets is to:

Reflect the decline in the market value of the assets each period

Reduce income when the company has an exceptionally profitable year

Be in conformity with the revenue recognition principle

Allocate the original cost of a productive asset to expense over its useful life Correct

Question No: 28 (Marks: 1) - Please choose one

Which depreciation method allocates an equal portion of depreciation expense to each period of asset's useful life?

Straight-line method Correct

Double-declining balance method

Sum-of-the-year digit method

Accelerated depreciation method

Question No: 29 (Marks: 1) - Please choose one

Which of the following is NOT an example of accelerated depreciation method?

Straight-line method Correct

Sum-of-the-years digit method

Double-declining balance method

Modified Accelerated Cost Recovery System

Question No: 30 (Marks: 1) - Please choose one

The Drawing account is closed by which of the following entry?

Capital – Debit; Drawing - Credit Correct

Drawing – Debit; Capital - Credit

Income Summary – Debit; Drawing - Crediting

Drawing – Debit; Income Summary - Crediting

Question No: 31 (Marks: 1) - Please choose one

Which of the following account would be classified as a current asset on the balance sheet?

Accumulated depreciation

Accounts receivable Correct

Office equipment

Land

Question No: 32 (Marks: 1) - Please choose one

An adjusting entry would NOT be required for which of the following account?

Salaries

Past due expense Correct

Income tax expense

Accounts receivable

Question No: 33 (Marks: 1) - Please choose one

Which of the following accounts will be debited, when increased?

Liabilities and expenses

Assets and equity

Assets and expenses Correct

Equity and revenues

Question No: 34 (Marks: 1) - Please choose one

Accounting Cycle is a series of activities that begins with _____ and ends with _____.

Closing of books, transactions

Transaction, After closing Trial Balance

Journal, ledger account

Transactions, financial statements Correct

Question No: 35 (Marks: 1) - Please choose one

The income statement of ABL shows other operating expenses of Rs. 30 million; prepaid insurance expense increased by Rs. 4 million; and accrued utilities payable decreased by Rs. 7 million. How much did the company pay in other operating expenses?

Rs. 41 million Correct

Rs. 33 million

Rs. 27 million

Rs. 19 million

Question No: 36 (Marks: 1) - Please choose one

The statement of cash flows does NOT report the:

Sources of cash in the current period

Amount of checks outstanding at the end of the period Correct

Uses of cash in the current period

Change in the cash balance for the current period

Question No: 37 (Marks: 1) - Please choose one

Which of the following is NOT normally required for revenue to be recognized according to the revenue principle for accrual basis accounting?

The price is fixed or determinable Correct

Services have been performed

Cash that has already been collected

Evidence of an arrangement for customer payment exists

http://books.google.com.pk/books?id=WH95z-MY5LEC&pg=PA159&dq=is+NOT+normally++required++for++revenue++to++be++recognized+according+to+the+revenue+principle+for+accrual+basis+accounting?&hl=en&ei=-6LxTNWDCYuPcd3lmLoK&sa=X&oi=book_result&ct=result&resnum=3&ved=0CDAQ6AEwAg#v=onepage&q&f=false

Question No: 38 (Marks: 1) - Please choose one

Which of the following balances does the Contra-Asset account show typically?

Credit Correct

Debit

Negative

Positive

Question No: 39 (Marks: 1) - Please choose one

Which one of the following would lead to the decrease in the owner's equity?

Purchasing a piece of land

Paying dividends to shareholders Correct

Purchasing equipment on account

Paying back the principal of a loan

Question No: 40 (Marks: 1) - Please choose one

The users of a statement of cash flows are mostly interested in:

Net cash flow from operating activities Correct

Net cash flow from investing activities

Net cash flow from financing activities

Net cash flow from non-cash transactions

Question No: 41 (Marks: 5)

Classify the following activities as cash flow from operating, investing and financing activities.

Payments for repurchase of company shares

Collections on loan principal and sales of other firms' debt instruments

Tax payments

Expenditure for purchase of other firms' equity instruments

Payments to suppliers for goods and services

Answer:

Payments for repurchase of company shares:

Financing activities **Correct**

Collections on loan principal and sales of other firms' debt instruments:

financing activities.

Solved BY Hira:

Investing activities **Correct**

Tax payments:

Operating activities **Correct**

Expenditure for purchase of other firms' equity instruments:

Financing activities

Solved BY Hira:

Investing activities **Correct**

Payments to suppliers for goods and services:

Operating activities **Correct**

Question No: 42 (Marks: 5)

Listed below in random order are the items to be included in the balance sheet of the Mystery Mountain Lodge at December 31, 2001:

Equipment Rs. 29,200 Buildings Rs. 450,000

Land 425,000 Owner's capital ?

Accounts payable 54,800 Cash 21,400

Accounts receivable 10,600 Furnishings 58,700

Salaries payable 33,500 Snowmobiles 15,400

Interest payable 12,000 Notes payable 620,000

Requirement:

Prepare a Balance Sheet at December 31, 2001.

Mystery Mountain Lodge

Balance Sheet

as at December 31, 2001

Particulars	Amount (Rs.)
Current Assets:	
Cash	21,400
Accounts receivable	10,600
Snowmobiles	15,400
Fixed Assets:	
Land	425,000
Buildings	450,000
Furnishings	58,700
Equipment	29,200
Total assets	1,010,300
Liabilities:	
Interest payable	12,000
Salaries Payable	33,500
Accounts Payable	54,800
Notes Payable	620,000
Capital:	
Owner's capital	290,000
Total liabilities	1,010,300

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