

Quiz

Section A: Multiple Choice Questions (@1, total 10 marks)

1. What is the special characteristic of an intangible asset?
 - A. Without physical substance.
 - B. Controlled by the business.
 - C. No scrap value.
 - D. Can use for more than 1 year.

2. Which of the following is/are non-current liability?
 - I. Trade payables.
 - II. Loan payable will fall due within 1 year.
 - III. Loan payable will fall due after 1 year.
 - IV. Mortgage loan.
 - A. I and II only.
 - B. II and III only.
 - C. III and IV only.
 - D. None of the above.

3. For the purpose of measuring business income, the life of a business is:
 - A. divided into specific points in time.
 - B. divided into measureable intervals.
 - C. divided into irregular cycles.
 - D. considered to be a continuous cycle.

4. On 1 July, you deposited \$16,000 in the bank for 1 year with a 5% interest rate per annum. How much will you earn for the interest income at 31 December this year?
 - A. \$200.
 - B. \$400.
 - C. \$800.
 - D. \$1,600.

5. Which of the following items is a want to a student?
- A. School uniform.
 - B. Textbook.
 - C. Stationery.
 - D. Digital camera.
6. A HKD18,000 equals to how much Singapore dollar at an exchange rate: SGD1: HKD 6.21?
- A. SGD2,899.
 - B. SGD3,228.
 - C. SGD11,178.
 - D. SGD111,780.
7. Under an investment-linked insurance, which of the following party bears the investment risk?
- A. Policyholder.
 - B. Insurance company.
 - C. Both policyholder and insurance company.
 - D. Either policyholder or insurance company.
8. What is share in financial markets?
- A. Represents an asset of a company.
 - B. Represents a liability to a company..
 - C. Represents an ownership of a company.
 - D. Represents an income of a company.
9. What is the present value (to the nearest dollar) of \$72,000 at a compound interest rate of 3% to be received after 4 years?
- A. \$63,741.
 - B. \$63,971.
 - C. \$64,008.
 - D. \$65,392.

10. Which of the following is the benefit of using short-term finance?

- A. No interest cost.
- B. Can repay by instalments.
- C. Can borrow a large amount.
- D. Flexible.

Section B: Short Questions (20 marks)

1. Explain whether an employee is an asset of a company or not. (8 marks)

2. ABC Company had earned \$182,000 in year 1 and \$234,000 in year 2. The owner of the company had withdrawn \$26,000 from the earnings in year 1 and \$31,000 from the earnings in year 2, leaving the remaining money for future business use. What is the retained earnings at the end of year 2? (3 marks)

3. Explain the difference between wants and needs and give one example for each of these. (6 marks)

4. You want to have \$200,000 after 5 years and you know the bank interest rate is compounded at 4% annually. How much do you require for depositing into the bank now? (3 marks)

Suggested Solutions

Section A: MCQs

1. A	2. C	3. B	4. B	5. D
6. A	7. A	8. C	9. B	10. D

Section B: Short Questions

Question 1

An employee can only fulfill two criteria of an asset:

1. must provide future economic benefits (by provision of service);
2. must be possessed (controlled) by the entity (cannot be controlled as the employee can leave/resign);
3. must be a result of past transactions or events (the employment).

Therefore it is not an asset.

(2 marks for
@decision
criteria, 2
marks for
conclusion)

Question 2

$$(\$182,000 - \$26,000) + (\$234,000 - \$31,000) = 359,000$$

(3 marks)

Question 3

Wants: things that are not essential to living but we desire or wish to have.

They are often avoidable or being cut when money is not sufficient. E.g. watching a movie, enjoy a buffet.

Needs: things that are essential for living and are often unavoidable. E.g. food, clothing.

(@3, total 6
marks)

Question 4

$$PV = \$200,000 / 1.04^5 = \$164,385.42$$

(3 marks)