

The Final Accounts 1: Review Questions

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Income Statement and Statement of Financial Position Questions

In questions 1-5 circle the letter of the correct answer.

1. Which of the following accounts are needed to determine the gross profit?
 - a) Wages
 - b) Discount received
 - c) Closing stock
 - d) Carriage outwards
2. Cost of goods sold is:
 - a) All costs associated with buying the goods
 - b) Net purchases plus the closing stock
 - c) Opening stock plus net purchases
 - d) Net purchases plus opening stock less closing stock
3. Given the following account balances from the ledger: purchases \$500, Sales \$600, closing stock \$300, what is the gross profit?
 - a) \$200
 - b) \$400
 - c) \$0
 - d) \$800
4. Which of these accounts would have no effect on profit in the income statement?
 - A) Wages
 - B) Closing stock
 - C) Furniture
 - D) Insurance

5. Using the following information, determine the Cost of Sales.

| | |
|------------------|-------|
| | \$ |
| Sales | 3,000 |
| Purchases | 1,200 |
| Return inwards | 300 |
| Carriage inwards | 150 |
| Closing stock | 200 |

- a) \$1,150
b) \$2,700
c) \$1,550
d) \$1,350
6. Using the following information, calculate the Cost of Goods Sold and Gross Profit. Opening inventory \$40, purchases \$200, closing inventory \$30 and sales \$400.
7. Uses the following account balance to calculate the Cost of Goods Sold and Gross Profit. Beginning inventory \$100, purchases \$600, return outwards \$50, ending inventory \$80 and sales \$1,000.
8. For the year 2016, a business' total sales are \$5,200 and its return inwards (sales returns) are \$1,200. What is its net sales figure?
9. Prepare the Trading Account for the period ended 30 September, 2015 using the information below.

| | |
|-----------------------------|---------|
| Sales | \$7,000 |
| Sales Return | \$500 |
| Purchases | \$4,600 |
| Purchases Return | \$240 |
| Carriage Inwards | \$130 |
| Inventory as at 1 Oct 2014 | \$590 |
| Inventory as at 30 Sep 2015 | \$300 |

10. Use the following information to calculate the net profit. Gross profit \$1,000, Rent revenue \$300, Commission received \$200, Electricity expense \$300 and wages \$430.
11. The following list of balances was extracted from the books of R. Jailal on 31 May 2017. Prepare his Income Statement for the period ended 31 May 2017.

| | |
|------------------------|----------|
| Sales | \$12,600 |
| Purchases | \$6,300 |
| Return inwards | \$400 |
| Return outwards | \$850 |
| Inventory (01.06.2016) | \$730 |
| Insurance | \$200 |
| Carriage inwards | \$110 |
| Carriage outwards | \$80 |
| Motor expenses | \$140 |
| Pay | \$770 |
| Lighting expense | \$300 |
| Commission revenue | \$1,000 |
| Inventory (31.05.2017) | \$260 |

12. Prepare M. Fisher's Statement of Financial Position as at 30 September 2016 from the following information.

| | |
|-------------------------|----------|
| Building | \$12,000 |
| Land | \$14,000 |
| Fixtures and fittings | \$8,400 |
| Motor vans | \$9,800 |
| Inventory | \$3,000 |
| Bank | \$15,000 |
| Machinery and equipment | \$14,200 |
| Capital | \$46,510 |
| Accounts receivable | \$2,500 |
| Cash | \$6,480 |
| Loan (3 years) | \$24,700 |
| Accounts payable | \$14,770 |