

## SAMPLE TEST 2 - ANSWER

### I. ACCOUNTING (20 questions)

1. The IASB's Conceptual Framework for Financial Reporting identifies characteristics which make financial information faithfully represent what it purports to represent.

Which of the following are examples of those characteristics?

- (i) Accruals
- (ii) Completeness
- (iii) Going concern
- (iv) Neutrality

A. i and ii

**B. ii and iv**

C. ii and iii

D. i and iv

2. The following bank reconciliation statement has been prepared by a trainee accountant:

|                              |               |
|------------------------------|---------------|
|                              | \$            |
| Overdraft per bank statement | 3,860         |
| Less: Unpresented cheques    | <u>9,160</u>  |
|                              | 5,300         |
| Add: Outstanding lodgements  | <u>16,690</u> |
| Cash at bank                 | <u>21,990</u> |

What should be the correct balance per the cash book?

A. \$21,990 balance at bank as stated

B. \$3,670 balance at bank

C. \$11,390 balance at bank

**D. \$3,670 overdrawn**

**Answer:**

|                              |                |
|------------------------------|----------------|
|                              | \$             |
| Overdraft per bank statement | (3,860)        |
| Less: Unpresented cheques    | <u>(9,160)</u> |
|                              | (13,020)       |
| Add: Outstanding lodgements  | <u>16,690</u>  |
| Cash at bank                 | <u>3,670</u>   |

3. Gareth, a sales tax registered trader purchased a computer for use in his business. The invoice for the computer showed the following costs related to the purchase:

|                      | \$    |
|----------------------|-------|
| Computer             | 890   |
| Additional memory    | 95    |
| Delivery             | 10    |
| Installation         | 20    |
| Maintenance (1 year) | 25    |
|                      | <hr/> |
|                      | 1,040 |
| Sales tax (17.5%)    | 182   |
|                      | <hr/> |
| Total                | 1,222 |

How much should Gareth capitalise as a non-current asset in relation to the purchase?

- A. \$1,193
- B. \$1,040
- C. \$1,222

**D. \$1,015**

**Answer:**  $1040 - 25 = 1015$

4. Prior to the financial year end of 31 July 20X7, Canon Co has received a claim of \$100,000 from a supplier for providing poor quality goods which have damaged the supplier's plant and equipment. Canon Co's lawyers have stated that there is a 20% chance that Canon will successfully defend the claim.

Which of the following is the correct accounting treatment for the claim in the financial statements for the year ended 31 July 20X7?

- A. Canon should neither provide for nor disclose the claim
- B. Canon should disclose a contingent liability of \$100,000
- C. Canon should provide for the expected cost of the claim of \$100,000**
- D. Canon should provide for an expected cost of \$20,000

5. Q's trial balance failed to agree and a suspense account was opened for the difference. Q does not keep receivables and payables control accounts. The following errors were found in Q's accounting records:

- (i) In recording an issue of shares at par, cash received of \$333,000 was credited to the ordinary share capital account as \$330,000
- (ii) Cash of \$2,800 paid for plant repairs was correctly accounted for in the cash book but was credited to the plant asset account
- (iii) The petty cash book balance of \$500 had been omitted from the trial balance
- (iv) A cheque for \$78,400 paid for the purchase of a motor car was debited to the motor vehicles account as \$87,400.

Which of the errors will require an entry to the suspense account to correct them?

- A. i, ii and iv only
- B. i, ii, iii and iv**
- C. i and iv only
- D. ii and iii only

6. Which of the following statements about sales tax is/are true?

- (i) Sales tax is an expense to the ultimate consumer of the goods purchased
- (ii) Sales tax is recorded as income in the accounts of the entity selling the goods

- A. i only**
- B. ii only
- C. Both i and ii
- D. Neither i nor ii

7. The following extracts are from Hassan's financial statements:

|                                |               |
|--------------------------------|---------------|
|                                | \$            |
| Profit before interest and tax | 10,200        |
| Interest                       | (1,600)       |
| Tax                            | (3,300)       |
| Profit after tax               | <u>5,300</u>  |
| Share capital                  | 20,000        |
| Reserves                       | <u>15,600</u> |
|                                | 35,600        |
| Loan liabilities               | <u>6,900</u>  |
|                                | <u>42,500</u> |

What is Hassan's return on capital employed?

- A. 15%
- B. 29%
- C. 24%**
- D. 12%

**Answer:** ROCE = Operating profit/Capital employed = 10200/42500 = 0.24

8. Which of the following should appear in a company's statement of changes in equity?
- (i) Total comprehensive income for the year
  - (ii) Amortisation of capitalised development costs
  - (iii) Surplus on revaluation of non-current assets
- A. i, ii and iv
  - B. ii and iii only
  - C. i and iii only**
  - D. i and ii only

9. At 31 December 20X5 a company's capital structure was as follows:

|  | \$      |
|--|---------|
| Ordinary share capital<br>(500,000 shares of 25c each) | 125,000 |
| Share premium account                                  | 100,000 |

In the year ended 31 December 20X6 the company made a rights issue of 1 share for every 2 held at \$1 per share and this was taken up in full. Later in the year the company made a bonus issue of 1 share for every 5 held, using the share premium account for the purpose.

What was the company's capital structure at 31 December 20X6?

|           | <b>Ordinary share<br/>capital</b> | <b>Share premium<br/>account</b> |
|-----------|-----------------------------------|----------------------------------|
| A.        | \$450,000                         | \$25,000                         |
| <b>B.</b> | <b>\$225,000</b>                  | <b>\$250,000</b>                 |
| C.        | \$225,000                         | \$325,500                        |
| D.        | \$212,500                         | \$262,500                        |

**Answer:**

|              | <b>Share capital</b> | <b>Share premium</b> |
|--------------|----------------------|----------------------|
|              | \$                   | \$                   |
| Balance b/f  | 125000               | 100000               |
| Rights issue | 62500                | 187500               |
| Bonus issue  | 37500                | (37500)              |
|              | <b>225000</b>        | <b>250000</b>        |

10. Bumbly Co extracted the trial balance for the year ended 31 December 20X6. The total of the debits exceeded the credits by \$300.
- Which of the following could explain the imbalance?
- A. Sales of \$300 were omitted from the sales day book
  - B. Returns inward of \$150 were extracted to the debit column of the trial balance
  - C. Discounts received of \$150 were extracted to the debit column of the trial balance**
  - D. The bank ledger account did not agree with the bank statement by a debit of \$300

11. Amy is a sole trader and had assets of \$569,400 and liabilities of \$412,840 on 1 January 20X6. During the year ended 31 December 20X6 she paid \$65,000 capital into the business and she paid herself wages of \$800 per month.

At 31 December 20X8, Amy had assets of \$614,130 and liabilities of \$369,770.

What is Amy's profit for the year ended 31 December 20X6?

**A. \$32,400**

B. \$23,600

C. \$22,800

D. \$87,800

**Answer:** Opening net assets:  $569400 - 412840 = 156560$

Closing net assets:  $614130 - 369770 = 244360$

Profit =  $244360 - 156560 - 65000 + 800 \times 12 = 32400$

12. Which of the following material events after the reporting date and before the financial statements are approved are adjusting events?

(i) A valuation of property providing evidence of impairment in value at the reporting date.

(ii) Sale of inventory held at the reporting date for less than cost.

(iii) Discovery of fraud or error affecting the financial statements.

(iv) The insolvency of a customer with a debt owing at the reporting date which is still outstanding.

A. i, ii and iv only

**B. i, ii, iii and iv**

C. i and iv only

D. ii and iii only

13. Plym plc is a retailer which is registered for VAT. All sales, and all purchases of goods for resale, attract VAT at the rate of 20%. For the year to 30 June 20X7, Plym plc paid £69,600 to suppliers in respect of goods for resale, and showed revenue in the statement of profit or loss of £89,400. There was no change in the figures for inventory and trade payables in the statements of financial position as at 30 June 20X6 and 20X7. What was Plym plc's gross profit for the year ended 30 June 20X7?

**A. £19,800**

B. £4,900

C. £31,400

D. £16,500

**Answer:**  $89400 - 69600 = 19800$

14. Hywel plc's trial balance includes a total for all the receivables ledger accounts as listed out at the year end. The receivables ledger is part of the double entry system. The trial balance

fails to agree and a suspense account is opened. The difference is due to the following errors in Hywel plc's ledger accounts:

- (i) The balance on Markham plc's receivables ledger account is £9,890. This is incorrectly recorded in the trial balance as £9,980
- (ii) A discount allowed to Umberto of £33 was debited to his receivables ledger account
- (iii) The sales account is overcast by £110. Three journals are drafted to correct these errors.

Together these journals should:

- A. Credit the suspense account with £110
- B. Debit the suspense account with £86**
- C. Credit the suspense account with £46
- D. Debit the suspense account with £46

15. Peri's bookkeeper made the following mistakes:

- (i) Discount allowed £3,840 was credited to discounts received account.
- (ii) Discount received £2,960 was debited to discounts allowed account.
- (iii) Discounts were otherwise correctly recorded.

Which of the following journal entries will correct the errors?

- A. Debit Discount allowed £7,680, Credit Discount received £5,920, Credit Suspense account £1,760.
- B. Debit Discount allowed £880, Credit Discount received £880, Credit Suspense account £1,760.**
- C. Debit Discount allowed £6,800, Credit Discount received £6,800.
- D. Debit Discount allowed £3,840, Credit Discount received £2,960, Credit Suspense account £880.

16. According to *IAS 1 Presentation of Financial Statements*, compliance with International Accounting Standards and International Financial Reporting Standards will normally ensure that:
- A. The entity's inventory is valued at net realisable value
  - B. The entity's assets are valued at their break-up value
  - C. The entity's financial statements are prepared on the assumption that it is a going concern
  - D. The entity's financial position, financial performance and cash flows are presented fairly**
17. Which of the following definitions for the 'going concern' concept in accounting is the most accurate in the light of *IAS 1 Presentation of Financial Statements*?
- A. The directors do not intend to liquidate the entity or to cease trading in the foreseeable future
  - B. The entity is able to pay its debts as and when they fall due
  - C. The directors expect the entity's assets to yield future economic benefits
  - D. Financial statements have been prepared on the assumption that the entity is solvent and would be able to pay all creditors in full in the event of being wound up.**

## II. AUDITING (10 questions)

21. Which of the following audit phases would generally be conducted before all of the others listed below?
- A. Auditing business processes and related accounts.
  - B. Evaluation of audit evidence.
  - C. Gaining an understanding of the client's industry.**
  - D. Consideration of internal control systems.
22. An auditor's evaluation of the reasonableness of a client's loan loss reserve would normally be made during which phase of the audit?
- A. Gaining an understanding of the client's industry.
  - B. Client acceptance/pre-planning.
  - C. Consideration of internal control systems.
  - D. Auditing business processes and related accounts.**
23. What is the essential meaning of the generally accepted auditing standard that requires that the auditor be independent?
- A. The auditor must be without bias with respect to the client under audit.**
  - B. The auditor must adopt a critical attitude during the audit.
  - C. The auditor's sole obligation is to third parties.

- D. The auditor may have a direct ownership interest in his client's business if it is not material.
24. The responsibility for implementing sound accounting practices and principles, maintaining an adequate internal control structure, and making fair representations in the financial statements rests primarily with the:
- A. **Senior management**
  - B. External auditors
  - C. Internal audit department
  - D. Shareholders
25. Which of the following best describes the fiduciary relationship between management and the board of directors?
- A. **Management reports to the board of directors.**
  - B. The board of director reports to management.
  - C. Neither group is accountable to the other.
  - D. Both groups report directly to the shareholders.
26. The existence of audit risk is recognized by the statement in the auditor's standard report that the:
- A. **Auditor obtains reasonable assurance about whether the financial statements are free of material misstatements.**
  - B. Auditor is responsible for expressing an opinion on the financial statements, which are the responsibility of management.
  - C. Financial statements are presented fairly, in all material respects, in conformity with VAS.
  - D. Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
27. Which of the following factors would an auditor least likely consider when assessing the inherent risk associated with client sales transactions?
- A. Billings are made using the percentage-of-completion method of revenue recognition.
  - B. **The nature of the credit authorization process.**
  - C. Some invoices are normally billed prior to shipments [which occur at a later date].
  - D. The conditions of the sale allow for a right of return or the right to modify the purchase agreement.
28. The risk that an auditor's procedures will lead to a conclusion that a material misstatement in an account balance does not exist, when in fact a misstatement did occur, is known as:
- A. Audit risk
  - B. **Detection risk**



- C. Inherent risk
- D. Business risk

29. Which of the following factors is *least likely* to represent an opportunity to commit fraud?

- A. The audit committee is ineffective.
- B. Poor internal controls over cash transactions
- C. The existence of highly complex transactions
- D. Operating losses make a hostile takeover imminent.**

### III. SOCIAL KNOWLEDGE (10 questions)

30. Which national football team was the champion of EURO 2016?

- A. England
- B. Portugal**
- C. Germany
- D. Spain

31. How many floors does Keangnam Hanoi Landmark Tower have?

- A. 90
- B. 72**
- C. 46
- D. 16

32. How many countries are in European Union (EU) in August 2017?

- A. 25
- B. 26
- C. 27
- D. 28**

33. Which movie is dominated for Best Picture for Oscar 2017?

- A. Moonlight**
- B. La La Land
- C. The Salesman
- D. Manchester of the Sea

34. Who is the author of "Diary of a Cricket"?

- A. To Hoai**
- B. Nguyen Nhat Anh
- C. Nam Cao
- D. Nguyen Tuan

35. Donald Trump is the ... President of United States

- A. 43th

- B. 44th
- C. 45th**
- D. 46<sup>th</sup>

36. What does SHB stand for?

- A. Shinhan Bank
- B. Saigon-Hanoi Bank**
- C. Standard Heartstone Bank
- D. Southern Hanoi Bank

#### IV. FINANCE (5 question)

37. Which of the following is most likely to appear in the operating section of a cash flow statement under the indirect method?

- A. Net income**
- B. Cash paid to suppliers
- C. Cash received from customers
- D. Cash paid to employee

**Answer:** Under the indirect method, the operating section would begin with net income and adjust it to arrive at operating cash flow. The other three items would appear in the operating section under direct method.

38. A country's year-end consumer price index over a 5-year period is as follows:

|        |       |
|--------|-------|
| Year 1 | 106.5 |
| Year 2 | 114.2 |
| Year 3 | 119.9 |
| Year 4 | 124.8 |
| Year 5 | 128.1 |

The behavior of inflation as measured by this index is best described as:

- A. Deflation.
- B. Disinflation.**
- C. Hyperinflation.

**Answer:**

$$\text{Year 2 } (114.2 - 106.5) / 106.5 = 7.2\%$$

$$\text{Year 3 } (119.9 - 114.2) / 114.2 = 5.0\%$$

$$\text{Year 4 } (124.8 - 119.9) / 119.9 = 4.1\%$$

$$\text{Year 5 } (128.1 - 124.8) / 124.8 = 2.6\%$$

The inflation rate is decreasing, but the price level is still increasing. This is best described as disinflation.

39. In 2019, Vietnam's gross domestic product (GDP) expanded:

- A. between 5% and 6%.
- B. between 6% and 7%.
- C. between 7% and 8%.**
- D. between 8% and 9%.

**Answer:**

<https://news.zing.vn/gdp-viet-nam-nam-2019-tang-7-02-post1029934.html>

40. Which ratio would a company most likely use to measure its ability to meet short-term obligations?

- A. Current ratio**
- B. Payables turnover
- C. Gross profit margin
- D. Inventories turnover

Answer: the current ratio is a liquid ratio. It compares the net amount of current assets expected to be converted into cash within the year with liabilities falling due in the same period.

41. How is amplitude on HoSE?

- A, +/- 10%.
- B, +/- 7%.**
- C, +/- 15%.
- D, +/- 17%.

Answer: [https://www.vndirect.com.vn/portal/tro-giup/hoi-dap-dat-lenh-giao-dich.shtml?request\\_locale=jp](https://www.vndirect.com.vn/portal/tro-giup/hoi-dap-dat-lenh-giao-dich.shtml?request_locale=jp)

#### V. IQ. Verbal (5 questions)

42. Which number should come next in this series? 3, 5, 8, 13, 21,...

**Answer:** 34.  $5-3=2$ ,  $8-5=3$ ,  $13-8=5$ ,  $21-13=8$   
 $2+3=5$ ,  $3+5=8$ ,  $5+8=13$   
 Final number is:  $21+13=34$

43. Which number should replace the question mark?

|    |    |    |
|----|----|----|
| 8  | 5  | 21 |
| 35 | 32 | 12 |
| 32 | 28 | 31 |
| 4  | ?  | 28 |

**Answer:** -6. In each row, the first column minus the second column is equal to the sum of the digit of the last column.  $(4-(-6)) = 2+8$

44. Fill in the blank in the middle of the series. P5QR, P4QS, P3QT, ..., P1QV

**Answer:** *P2QJ*

45. If EGGFHGHE is 97786769 then HEFGGHFE is:

**Answer:** *69877689*

## VI. ESSAY (250 words)

**Parents often give children everything they ask for and do what they like. Is it good for children? What are the consequences when they grow up?**

- An essay needs to have a good structure, including Introduction, Discussion (2-3 paragraphs) and Conclusion.
- In the Discussion part, candidates need to provide their ideas and examples/evidences in each graph. Each idea is corresponding to a paragraph. For example:
  - The first reason is that children could depend on their parents instead of being independent when they grow up. Subsequently, it could affect their moral in studying and working. In particular, children know their parents could support the tuition fee so that they would probably not focus on the learning process... (this example is extremely effortless that equivalent to 6.0 IELTS)
- Additionally, candidates should use academic words and synonyms (consequences = repercussions)

**25/5/2017: Parents often give children everything they ask for and do what they like. e the consequences when they grow up?**

It is argued by some that children's **wishes should be granted** by their parents. I believe that **this over-indulgence can impede their personal growth**, and the children themselves are expected to **experience some repercussions** in their **later adulthood**.

**Pampering the children excessively** can make them **show a complete disregard** for what they have had. A child with **a wardrobe full of fashionable clothes**, or a **personal box packed with modern toys**, if allowed by his parents to buy more, can **form a bad personality** when they grow up. **The immediate consequence** is that they will fail to **appreciate the efforts** that their parents make in **earning the livelihood to support the whole family financially**. Meanwhile, they just **waste the precious salary** of their parents and **grow up leading an extravagant lifestyle**. More possibly, such children are likely to even **embark on a life of burglary or robbery** simply to have money to **lavish on wasteful activities**.

Allowing children to **engage in whatever activities** is also a **dangerous move** by parents. If they **persist asking for extra time budget** for sports activities or computer games, then such **excuses should fail to be justified**. Children's **academic study should be prioritized** and if they **neglect their duties at school**, it will do harm to their future career. Not to mention, some will **get involved in illegal activities** if their parents are **negligent and too lenient with** their children's wishes. The possible outcome is that the children would have **a poor base of academic knowledge, bleak career prospects**, and again **a criminal path due to lack of parental orientation**.

In conclusion, this trend **has negative influences on offspring**, and they are expected to **undergo certain bad consequences** in the future if being **overly indulged** by their parents.

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