

1. Give a brief explanation for the following terms(10%)

- (1) Journal entry
- (2) Going concern
- (3) Matching principle
- (4) Working capital
- (5) Revenue expenditure

2. Please read the following passage carefully and fill in each of the 11 blanks with a word most appropriate to the content (10%)

(1) The double-entry system of accounting takes its name from the fact that every business transaction is recorded by (____) types of entries: 1: (____) entries to one or more accounts and 2: credit entries to one or more accounts. In recording any transaction, the total dollar amount of the (____) entries must (____) the total dollar amount of credit entries.

(2) Often a transaction affects revenues or expenses of two or more different periods, in these cases, an (____) entries are needed to (____) to each period the appropriate amounts of revenues and expenses. These entries are performed at the (____) of each accounting period but (____) to preparing the financial statements.

(3) Marketable securities are highly (____) investments, primarily in share stocks and bonds, (____) can be sold (____) quoted market prices in organized securities exchanges.

3. Translate the following Chinese statements into English (18%)

(1) 财务报表反映一个企业的财务状况和经营成果，是根据公认会计准则编制的。这些报表是为许多不同的决策者，许多不同的目的而提供的。

纳税申报单则反映应税收益的计算，是由税法 and 税则规定的概念。在许多情况下，税法和公认会计准则相似，但两者却存在实质上的不同。

(2) 审计师不保证财务报表的准确性，他们仅就财务报表的公允性发表专家意见。然而注册会计师事务所的声誉来自于他们对审计工作的一丝不苟和审计报告的可靠性。

4. Translate the following statements into Chinese (12%)

(1) Accounting principles are not like physical laws; they do not exist in nature, awaiting discovery man. Rather, they are developed by man, in light of what we consider to be the most important objectives of financial reporting. In many ways generally accepted accounting principles are similar to the rules established for an organized sport such as football or basketball.

(2) Accountants have devised procedures whereby the flows of cash receipts and payments are spread over a period of time in a certain way to derive income, which is representative of the economic performance of the firm for the given period. The income concept as applied in the real world involves numerous decisions and judgments.

5. Multiple choice questions (choose the best for your answer) (10%)

(1) The CPA firm auditing XY Recording Service found that retained earnings were understated and liabilities were overstated. Which of the following errors could have been the cause?

- A. Making the adjustment entry for depreciation expenses twice;
- B. Failure to record interest accrued on a note payable;
- C. Failure to make the adjusting entry to recorded revenue which had been earned but not yet billed to clients;
- D. Failure to record the earned portion of fees received in advance.

(2) How will net income be affected by the amortization of a discount on bonds payable?

- A. Interest expense is increased, so net income is decreased;
 B. Interest expense is decreased, so net income is increased;
 C. Interest expense is increased, so net income is increased;
 D. Interest expense is decreased, so net income is decreased;

(3) A stock dividend

- A. Increase the debt-to-equity ratio of a firm;
 B. Decrease future earnings per share;
 C. Decrease the size of the firm;
 D. Increase shareholder's wealth;
 E. None of the above.

(4) A company had sales in both 1999 and 2000 of \$200 000. Cost of sales for 1999 was \$140 000. In computing the cost of sales for 1999, an item of inventory purchased in 1999 for \$50 was incorrectly written down to current replacement cost of \$35. The item is currently selling in 2000 for \$100, its normal selling price. As a result of this error:

- A. Income for 1999 is overstated;
 B. Cost of sales for 2000 will be overstated;
 C. Income for 2000 will be overstated;
 D. Income for 2000 will not be affected.
 E. None of the above.

(5) Using the data presented below, calculate the cost of sales for the BC Company for 1999.

Current ratio	3.5
Quick ratio	3.0
Current liabilities 12/31/1999	\$600 000
Inventory 12/31/1999	\$500 000
Inventory turnover	8.0

The cost of sales for the BC Company for 1999 was:

- A. \$1 600 000;
 B. \$2 400 000;
 C. \$3 200 000;
 D. \$6 400 000;
 E. None of these.

(6) W Company computed the following items from its financial records for 1999:

Price-earning ratio 12

Pay-out ratio 0.6

Assets turnover ratio 0.9

The dividend yield on W's common stock for 1999 is:

- A. 5% B. 7.2% C. 7.5% D. 10.2%

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(7) The data about Accounts receivable of Newton Company for 1999 as follows:  
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