1. Non-current assets are assets that can be fully used up within a year. True or False?
   1. False. Non-current assets are “long-term” and cannot be fully used up within a year
2. Which of the following assets is a current asset?
   1. Plant, property and equipment
   2. Goodwill
   3. Machinery
   4. Accounts Receivable   
        
      Ans: d) Accounts receivable generally are due within the year, which is why they are classified as receivables.
3. Debts that must be paid within the year are considered a current liability. True or False
   1. True. Current liabilities are “short-term” obligations meaning they must be paid within the year
4. Which of the following is a current liability?
   1. Bonds payable (for a 8-year bond sold 5 years ago)
   2. Accounts payable due next month
   3. Lease payment due at the end of the lease 3 years from now
   4. Debt owed to Matumba Corp. payable 2 years from now

Ans: b) Accounts payable. Current liabilities are due within the year

1. Gross profit factors in expenses such as depreciation of equipment, wages and utilities. True or False?
   1. False. Gross profit is Revenue – COGS
2. Operating profit includes all expenses such as interest expense and tax expense. True or False?
   1. False. Interest and taxes are not included in operating profit.
3. Taxes are accounted for in calculating Net Income
   1. True, net income is operating profit less taxes and interest
4. Gains and losses such as those that arise through foreign currency exchange are included in Total Comprehensive Income but not Net Income. True or False?
   1. True. Total Comprehensive Income is Net Income +/- gains and losses.
5. Complete the following journal entry for the issuance of common stock in Singapore

DR Cash 1,000,000  
 CR ? 1,000,000

* 1. Share Capital
  2. Paid-in capital in excess of par
  3. Preferred shares
  4. Treasury shares  
       
     Ans: a). Par value method will not be used; preferred and treasury stock differ from common stock

1. Costa reissues 1,000 treasury shares for $10 per share at a loss of $5 per share. Before this stock reissue, Costa already had $1,000 in its additional paid in capital account. Complete the journal entry.

DR Cash 10,000  
DR ? 1,000  
DR ? 4,000

CR Treasury shares 15,000

1. Share capital, Retained earnings
2. Additional paid in capital, Retained earnings
3. Dividend payable, Retained earnings
4. None of the above  
     
   Ans: b) When recording loss due to share reissuance, pay attention to the amount of money in APIC. If APIC is 0, DR retained earnings
5. Costa is about to pay out dividends to its shareholders. If James purchases shares on the record date, he will receive dividends. True or False?
   1. False. The ex-dividend date is the last day to purchase shares. The ex-dividend date occurs before the record date.
6. Complete the following 2 journal entries for payment of dividends:

Declaration date  
DR Dividends  
 CR ?

Payment date  
DR ?  
 CR Cash

1. Retained earnings
2. Accounts receivable
3. Dividends Payable
4. Bonds Payable

Ans: c) Once dividends is declared, it is incurred but not yet paid, until the payment date.