



香港專業會計員協會

THE HONG KONG ASSOCIATION OF ACCOUNTING TECHNICIANS

(Incorporated with Limited Liability)

Unit A, 17/F, Fortis Bank Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.

Accounting Technician Examinations

Pilot Examination Paper

Level I

Paper 4

Information Technology Applications in Accounting

Questions Suggested Answers and Marking Scheme

The Suggested Answers given in this Booklet are purposely made to give more details for educational purpose.

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Accounting Technician Examinations

Pilot Examination Paper

Level I

Paper 4

Information Technology Applications in Accounting

Time allowed – 3.5 hours

Section A – 25 Multiple Choice Questions (compulsory)

Section B – 2 Hands-on Questions (compulsory)

**DO NOT OPEN THIS PAPER UNTIL
INSTRUCTED TO DO SO BY THE SUPERVISOR**

INSTRUCTIONS FOR CANDIDATES

This paper has 16 pages, including this page and the appendix.

1. This paper consists of two sections. **Section A** is composed of 25 multiple choice questions. A multiple choice answer sheet is provided. **Section B** is composed of two hands-on questions. Answers should be in form of computer printouts from a terminal printer. **ALL** questions are to be attempted, marks are as indicated.
2. For **Section B Question 1**, the candidate should use the **Excel** application at a computer terminal. He/she should key in **own ‘Student Registration No.’** as the **company name** for printout identification. At the end of the examination, the candidate should hand in the printed answer.
3. For **Section B Question 2**, the candidate should use the **DacEasy** application at a computer terminal. He/she should key in **own ‘Student Registration No.’** as the **company name** for printout identification. At the end of the examination, the candidate should hand in the printed answer.
4. A sample company chart of accounts is attached as an appendix for candidates' reference.
5. Printing time for the solutions of **Section B Questions 1 and 2** is included as part of the examination time.

Materials, aids and instruments permitted for use during the examination:

PC computer at terminal and connected printer

SECTION A (MULTIPLE CHOICE QUESTION) (25 marks)

Answer **ALL** questions in this section. Choose the best answer for each question.
Marks will not be deducted for incorrect answers. Each question carries 1 mark.

1. What should you do after long periods of concentrated computer work?
 - A Continue to work till finished.
 - B Blink your eyes more often.
 - C Stare at the tower case of the computer.
 - D Relax your legs.
2. Which parts of body are affected after prolonged computer work?
 - A Eyes, neck, back, arms, shoulders.
 - B Feet, ear, arms, shoulders.
 - C Arms, shoulders.
 - D Ears, eyes, elbow, shoulders.
3. Perhaps the least noticeable fact about natural disasters in relation to accounting information system control is
 - A the large number of major disasters every year.
 - B disaster planning has been ignored by company top management.
 - C many companies can be affected by one disaster.
 - D losses are absolutely unpreventable.
4. Which threat has the least chance of happening with an accounting information system?
 - A Hardware failure.
 - B Intrusion into systems and theft by outsiders.
 - C Unintentional acts and accidents.
 - D Software bugs and errors.
5. Many companies do not adequately protect their systems because of ALL of the following EXCEPT
 - A it may be impossible to control systems exposed to outsiders through networks.
 - B control problems may be underestimated and downplayed.
 - C productivity and cost cutting may cause management to forgo controls.
 - D some companies do not seem to realise that data security may be vital to survival.
6. Which is(are) the department(s) most responsible for generating input transactions?
 - A Computer maintenance department.
 - B User departments.
 - C Servicing department.
 - D Purchase department.

7. All of the following are physical access restrictions to computers EXCEPT for
- A requiring proper employee identity cards or badges.
 - B locking computer room doors.
 - C using an access control matrix.
 - D installing and using computer locks.
8. A password is only valid if it
- A has five or more characters.
 - B matches a valid user identity.
 - C is not in use by anyone else.
 - D has special characters.
9. A type of file label that identifies the contents of a separate data recording medium such as a disk to ensure that the correct disk is in use before updating is called a(n) _____ label.
- A external
 - B internal
 - C volume
 - D trailer
10. Which of the following does NOT fit as a control in the electronic data interchange (EDI) and electronic funds transfer (EFT) environment?
- A Strict control of network servers.
 - B Logical access controls with passwords.
 - C Locking of all computer keyboards.
 - D Encryption of data being transmitted.
11. A way of minimising downtime in a system is to have _____ components that are very resistant to failure.
- A breakdown-resistant
 - B fault-tolerant
 - C consistent
 - D durable
12. A disaster plan is incomplete unless it
- A includes the full details of a hot site operation.
 - B has been tested by simulating a disaster.
 - C has been audited by an external auditor.
 - D is actually used in an emergency.

- 13.** Ergonomics (or human factors) include all the following items EXCEPT
- A the layout and physical qualities of the screen.
 - B the appearance of the printer.
 - C the design of the keyboard.
 - D the position of the computer desk.
- 14.** An intentional or reckless conduct that results in materially misleading financial statements is called
- A audit failure fraud.
 - B financial fraud.
 - C employee fraud.
 - D fraudulent financial reporting.
- 15.** One common method used to hide a theft is to
- A perform a faulty bank reconciliation.
 - B charge the stolen item to an expense account.
 - C ignore the item entirely.
 - D enter the stolen item as a contra revenue.
- 16.** The approach to systems development that involves having someone else do part or all of the data processing activities for you is called
- A prototyping.
 - B subcontracting.
 - C outsourcing.
 - D designing.
- 17.** When should the make-or-buy decision be made?
- A During a physical system design.
 - B Prior to systems analysis.
 - C During conceptual system design.
 - D During system analysis.
- 18.** Purchasing software will eliminate most of the work in which stage of the system development life cycle?
- A System implementation.
 - B System analysis.
 - C Conceptual systems design.
 - D Physical system design.
- 19.** Which of the following is NOT a problem of developing custom software?
- A It is seldom bug-free when installed.
 - B It does not meet company-specific needs.
 - C It takes months or years to develop.
 - D It is expensive.

20. Which financing option for acquiring an information system has the lowest cumulative cash outflows in theory?
- A Sub-contract
 - B Purchase
 - C Lease
 - D All are the same
21. A disadvantage of using the costing approach to evaluate proposals is that
- A it involves many steps during execution.
 - B it ignores the costs of adding extra features.
 - C it overlooks intangible factors such as vendor reliability.
 - D it does not create a common basis for comparison across alternatives.
22. Modified canned software
- A is usually less expensive than canned software.
 - B is usually supported by the software developer.
 - C is more likely to fully meet the company's needs more fully than canned software.
 - D usually is more costly than custom software.
23. All of the following are benefits of outsourcing EXCEPT
- A lower costs.
 - B greater control of systems resources.
 - C elimination of the need to staff for usage peaks and troughs.
 - D costs adjusted by market.
24. Collusion can be prevented by segregating which functions?
- A Authorisation and recording.
 - B Physical protection.
 - C Recording and custody.
 - D Collusion cannot be prevented by segregation of duties.
25. An employee steals some cash and covers up evidence of the theft. Which two duties should have been segregated to prevent this problem?
- A Authorisation and bookkeeping.
 - B Custody and authorisation.
 - C Recording and custody.
 - D None, since the case involved collusion.

(Total 25 marks)

[END OF SECTION A]

SECTION B (Questions on hands-on Computerised Accounting routines) (75 marks)

[**Notice** : Answer **BOTH** questions in this section. Question 1 carries 35 marks and Question 2 40 marks. For Question 1, the candidate should use the **Excel** application at a computer terminal. He/she should key in own ‘**Student Registration No.**’ as **company name** for printout identification. At the end of the examination, the candidate should hand in the printed answer.]

1. **Student Registration No.** maintains the same level of inventory at the end of each year. It has the capacity to produce and sell 220,000 units of its products at \$8.00 each, and it provides the following information about expenses anticipated for 2002:

	Fixed expenses \$	Variable expenses (per unit) \$
Production costs:		
Direct materials		1.35
Direct labour		2.15
Factory overhead	150,000	1.00
Selling expenses:		
Sales salaries and commissions	39,000	0.40
Advertising	28,750	
Miscellaneous selling expenses	7,150	
General expense		
Office salaries	48,000	
Supplies	8,600	0.10
Miscellaneous general expenses	5,000	
	<u>286,500</u>	<u>5.00</u>

In recent years, profits have dropped and the management is now considering a number of alternatives. For 2002, the company has set its target operating profit as \$200,000, but expects to sell only 160,000 units unless some changes are made.

REQUIRED:

- (a) The chairman of the company has asked you to calculate the company's projected operating profit (assuming 160,000 units are sold). Also compute the contribution margin per unit, contribution margin ratio, and break-even point in units and in sales dollars. (Note: Save the answer as CVP1 sheet of your ‘Student Registration No.’ file.) (8 marks)
- (b) Based on the current situation, will it earn its target operating profit? If not, how many units need to be sold to achieve the target? (Note: Base the answer on your on CVP1 sheet and save the answer to this part as CVP2 sheet.) (4 marks)
- (c) Under the following four new individual conditions, what is the revised operating profit and how many units need to be sold to achieve its target operating profit?

- (i) Put all sales personnel on commission. This will eliminate the \$39,000 fixed sales salaries expense. Variable sales commissions will increase to \$1.00 per unit. This will increase unit sales by 10,000 units. (Note: Base your answer on the CVP2 sheet and save the answer to this part as CVP3 sheet.)
- (ii) Redesign the package for the product. This will cut \$0.20 from the variable cost of the product (direct materials) but will increase fixed factory overheads by \$2,500 for additional depreciation on the new assembly machine. (Note: Base your answer on the CVP2 sheet and save the answer to this part as CVP4 sheet.)
- (iii) Undertake a new advertising campaign on TV. This will cost \$15,000 more than the company currently plans to spend on advertising but will be expected to increase sales volume by 2,000 units. (Note: Base your answer on the CVP2 sheet and save the answer to this part as CVP5 sheet.)
- (iv) Cut the price of the product by \$0.50. This will increase sales volume by 10,000 units. (Note: Base your answer on the CVP2 sheet and save the answer to this part as CVP6 sheet.)

(23 marks)

(Total 35 marks)

[**Notice** : For Question 2, the candidate should use the **DacEasy** application at a computer terminal. He/she should key in own ‘**Student Registration No.**’ as the **company name** for printout identification. At the end of the examination, the candidate should hand in the printed answer.]

2.

Student Registration No.
Trial balance as at 31 December 1999

	Dr \$	Cr \$
Cash in bank current account	38,540	
Accounts receivable	3,400	
- Toy Company, Invoice No. 00001, \$2,000		
- AY Chung, Invoice No. 00002, \$1,400		
Inventories	61,000	
Furniture and fixtures	16,000	
Accumulated depreciation – F&F, 31 Dec 1999		3,200
Accounts payable		30,000
- Slim Company, Invoice No. 00001		
Retained earnings, 31 Dec 1999		15,740
Paid-up capital, 10,000 ordinary shares @\$1 each		70,000
	118,940	118,940

The transactions of the company during the year ended 31 December 2000 are:

On 14 February 2000 received invoice from Line Company for the goods, spanners, at \$40,000 (4,000 units @ \$10 each) purchased on credit.

On 19 February 2000 returned damaged goods to Line Company for credit of \$2,000. A debit note is sent on the same day (a credit note is received from Line Company on 21 February 2000).

On 2 March 2000 received invoice from Slim Company for goods for \$60,000 purchased on credit.

On 3 March 2000 paid the creditor, Slim Company, for invoice 00001 less discount received of 2%.

On 9 March 2000 received credit note from Slim Company for overcharge of \$600 on invoice of 2 March.

On 30 April 2000 sold goods to Toy Company on credit. The invoice amount was \$60,000 for 3,000 units of goods.

On 4 May 2000 received claims from Toy Company for goods sold to it previously on 30 April. The claim for faulty goods sent was \$5,000. A credit note was sent.

On 6 May 2000 cash sales amounted to \$20,000 for 1,000 units of goods.

On 16 May 2000 received payment from Toy Company for the two invoices for goods brought at the end of last year and dated 30 April respectively.

On 3 September 2000 sold goods to AY Chung on credit. The invoice amount was \$40,000 for 2,000 units of goods.

On 4 September 2000 paid delivery charges of \$400.

On 6 September 2000 issued a debit note for \$1,000 to AY Chung for delivery charges not included in the invoice raised on 3 September.

On 1 October 2000 paid telephone bill of \$2,020 and insurance premium of \$4,600.

On 2 October 2000 one piece of furniture with cost \$2,000 and accumulated depreciation \$800 was broken and therefore scrapped.

On 6 November 2000 sold goods on credit to a new customer, CC Australia Ltd. The invoice amount was \$30,000.

On 28 December 2000 paid utilities expenses of \$6,000.

Sales discount of 2% is offered to customers when payment is settled within one month after invoice date.

On 31 December 2000 prepare adjusting entries using the following information:

- a) The closing inventory is \$84,000.
- b) Provide 10% straight-line depreciation on all fixed assets existing at year ended 31 December 2000.
- c) The insurance premium paid covers the period from 1 October 2000 to 30 September 2001.

REQUIRED:

Provide the following reports for your ‘Student Registration No.’. Different account codes are required for each debtor and creditor.

- (a) **Trial balance as at 31 December 2000 after the year-end adjustment.**
(26 marks)
- (b) **Income statement for the year ended 31 December 2000.**
(4 marks)
- (c) **Balance sheet as at 31 December 2000.**
(4 marks)
- (d) **Accounts receivables aging report ranked by customer code and by due date as at 31 December 2000.**
(6 marks)

(Total 40 marks)

[END OF PILOT EXAMINATION PAPER]

APPENDIX

Date : 12/31/99

Student Registration No.

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Time :

587 Nathan Road

Room 1001

Mongkok

CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
1	Assets	Asset	1	GENERAL	
11	Current Assets	Asset	2	GENERAL	1
1101	Cash	Asset	3	GENERAL	11
11011	Petty Cash	Asset	4	DETAIL	1101
11012	Cash Drawer 1	Asset	4	DETAIL	1101
11013	Cash Drawer 2	Asset	4	DETAIL	1101
1102	Cash In Banks	Asset	3	GENERAL	11
11021	Cash in Bank current a/c	Asset	4	DETAIL	1102
11022	Payroll Account	Asset	4	DETAIL	1102
11023	Savings Account	Asset	4	DETAIL	1102
1103	Trade Securities	Asset	3	GENERAL	11
11031	Mkt Debt Securities	Asset	4	GENERAL	1103
110311	Corporate Bonds	Asset	4	DETAIL	1103
110312	U.S. Gov't Bonds	Asset	5	DETAIL	11031
110313	Municipal Bonds	Asset	5	DETAIL	11031
11032	Mkt Equity Securities	Asset	4	GENERAL	1103
110321	Corporate Stock	Asset	5	DETAIL	11032
1104	Accounts Receivable	Asset	3	GENERAL	11
11041	Accounts Rec Module	Asset	4	DETAIL	1104
11042	Allow for Doubtful Acct.	Asset	4	DETAIL	1104
1105	Other Receivables	Asset	3	GENERAL	11
11051	Loans to Officers	Asset	4	DETAIL	1105
11052	Loans to Employees	Asset	4	DETAIL	1105
1106	Inventory	Asset	3	GENERAL	11
11061	Inventory Module	Asset	4	DETAIL	1106
11062	Allowance for Damage/Obso	Asset	4	DETAIL	1106
12	Fixed Assets	Asset	2	GENERAL	1
1201	Autos & Trucks	Asset	3	GENERAL	12
12011	Autos – Original Value	Asset	4	DETAIL	1201
12012	Accumulated Deprec. – Autos	Asset	4	DETAIL	1201
1202	Furniture & Fixtures	Asset	3	GENERAL	12
12021	Furn & Fix – Original Value	Asset	4	DETAIL	1202
12022	Accum. Deprec – F&F	Asset	4	DETAIL	1202
12023	F&F Disposal	Asset	4	DETAIL	1202
1203	Buildings & Grounds	Asset	3	GENERAL	12
12031	Building – Original Value	Asset	4	DETAIL	1203
12032	Accum. Deprec. – Building	Asset	4	DETAIL	1203
1204	Office Equipment	Asset	3	GENERAL	12

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CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
12041	Off. Equip – Original Value	Asset	4	DETAIL	1204
12042	Accum Deprec – Office Equip	Asset	4	DETAIL	1204
1205	Store Equipment	Asset	3	GENERAL	12
12051	Store Equip – Orig. Value	Asset	4	DETAIL	1205
12052	Accum Deprec – Store Equip	Asset	4	DETAIL	1205
13	Deferred Assets	Asset	2	GENERAL	1
1301	Leasehold Improvements	Asset	3	GENERAL	13
13011	Orig Value – Lease Improve	Asset	4	DETAIL	1301
13012	Accum. Deprec. – Lease	Asset	4	DETAIL	1301
1302	Organisation Expenses	Asset	3	GENERAL	13
13021	Original Value – Org Exp.	Asset	4	DETAIL	1302
13022	Accum. Amort – Org Exp.	Asset	4	DETAIL	1302
1303	Prepaid Expenses	Asset	3	GENERAL	13
13031	Prepaid Insurance	Asset	4	DETAIL	1303
13032	Prepaid Rent	Asset	4	DETAIL	1303
13033	Prepaid Interest	Asset	4	DETAIL	1303
13034	Prepaid Taxes	Asset	4	DETAIL	1303
14	Other Assets	Asset	2	GENERAL	1
1401	Deposits	Asset	3	GENERAL	14
14011	Rent Deposit	Asset	4	DETAIL	1401
14012	Lease Deposit	Asset	4	DETAIL	1401
14013	Utilities Deposit	Asset	4	DETAIL	1401
14014	Security Deposit	Asset	4	DETAIL	1401
1402	Invest. Held to Maturity	Asset	3	GENERAL	14
14021	Certificate Of Deposit	Asset	4	DETAIL	1402
14022	Lng Term Debt Security	Asset	4	DETAIL	1402
14023	Lng Term Equity Security	Asset	4	DETAIL	1402
2	Liabilities	Liability	1	GENERAL	
21	Short Term Liabilities	Liability	2	GENERAL	2
2101	Accounts Payable	Liability	3	GENERAL	21
21011	Accounts Payable – Vendor	Liability	4	DETAIL	2101
21012	American Express	Liability	4	DETAIL	2101
21013	MasterCard	Liability	4	DETAIL	2101
21014	VISA	Liability	4	DETAIL	2101
2102	Notes Payable	Liability	3	DETAIL	21
2103	Payroll Liabilities	Liability	3	GENERAL	21
21031	Disability Insurance Liab	Liability	4	DETAIL	2103
21032	Health Insurance Liab.	Liability	4	DETAIL	2103
21033	Dental Insurance Liab.	Liability	4	DETAIL	2103

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CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
21034	Cafeteria Plan Liab.	Liability	4	DETAIL	2103
21035	401 (K) Liab.	Liability	4	DETAIL	2103
21036	Profit Sharing Liab.	Liability	4	DETAIL	2103
21037	Pension Plan Liab.	Liability	4	DETAIL	2103
2104	Taxes Payable	Liability	3	GENERAL	21
21041	Payroll Taxes Payable	Liability	4	GENERAL	2104
210411	Federal Payroll Taxes	Liability	5	DETAIL	21041
210412	State Payroll Tax W/Held	Liability	5	DETAIL	21041
210413	Local Payroll Tax W/Held	Liability	5	DETAIL	21041
210414	FUTA	Liability	5	DETAIL	21041
210415	SUI	Liability	5	DETAIL	21041
210416	SDI	Liability	5	DETAIL	21041
21042	Sales Tax Payable	Liability	4	GENERAL	2104
210421	State Sales Tax Payable	Liability	5	DETAIL	21042
210422	County Sales Tax Payable	Liability	5	DETAIL	21042
210423	City Sales Tax Payable	Liability	5	DETAIL	21042
210424	Other Sales Tax Payable	Liability	5	DETAIL	21042
21043	Income/Property Tax	Liability	4	GENERAL	2104
210431	Federal Income Tax	Liability	5	DETAIL	21043
210432	State Income Tax	Liability	5	DETAIL	21043
210433	Local Income Tax	Liability	5	DETAIL	21043
210434	Franchise Tax	Liability	5	DETAIL	21043
210435	Property Tax	Liability	5	DETAIL	21043
2105	Accrued Liabilities	Liability	3	GENERAL	21
21051	Accrued Rent	Liability	4	DETAIL	2105
21052	Accrued Commissions	Liability	4	DETAIL	2105
21053	Accrued Salaries	Liability	4	DETAIL	2105
21054	Accrued Hourly	Liability	4	DETAIL	2105
2106	Other Current Liabilities	Liability	3	GENERAL	21
21061	Dividend Payable	Liability	4	DETAIL	2106
22	Long Term Liabilities	Liability	2	GENERAL	2
2201	Notes Payable	Liability	3	DETAIL	22
2202	Mortgage Payable	Liability	3	DETAIL	22
23	Deferred Liabilities	Liability	2	GENERAL	2
2301	Deferred Income	Liability	3	DETAIL	23
2302	Reserve For Contingency	Liability	3	DETAIL	23
2303	Unearned Interest	Liability	3	DETAIL	23
3	Stockholders Equity	Capital	1	GENERAL	
31	Capital Stock	Capital	2	GENERAL	3

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CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
3101	Preferred Stock	Capital	3	GENERAL	31
31011	Par Value	Capital	4	DETAIL	3101
31012	Paid In Excess Of Par	Capital	4	DETAIL	3101
3102	Common Stock	Capital	3	GENERAL	31
31021	Paid-in Capital	Capital	4	DETAIL	3102
31022	Paid In Excess Of Par	Capital	4	DETAIL	3102
32	Retained Earnings	Capital	2	GENERAL	3
3294	1994 Profit/Loss	Capital	3	DETAIL	32
3295	1995 Profit/Loss	Capital	3	DETAIL	32
3296	1996 Profit/Loss	Capital	3	DETAIL	32
3297	1997 Profit/Loss	Capital	3	DETAIL	32
33	Current Earnings	Capital	2	DETAIL	3
4	Revenues	Revenue	1	GENERAL	
41	Sales	Revenue	2	GENERAL	4
4101	Sales: Dept 01	Revenue	3	DETAIL	41
4102	Sales: Dept 02	Revenue	3	DETAIL	41
4103	Sales: Dept 03	Revenue	3	DETAIL	41
42	Sales Returns	Revenue	2	GENERAL	4
4201	Return: Dept 01	Revenue	3	DETAIL	42
4202	Return: Dept 02	Revenue	3	DETAIL	42
4203	Return: Dept 03	Revenue	3	DETAIL	42
43	Financial Income	Revenue	2	GENERAL	4
4301	Interest From Investments	Revenue	3	DETAIL	43
4302	Dividends From Investment	Revenue	3	DETAIL	43
4303	Finance Charges	Revenue	3	DETAIL	43
4304	Purchase Discounts	Revenue	3	DETAIL	43
4305	Sales Discount Taken	Revenue	3	DETAIL	43
44	Other Income	Revenue	2	GENERAL	4
4401	Recovery of Bad Debt	Revenue	3	DETAIL	44
4402	Gain on Sale of Asset	Revenue	3	DETAIL	44
45	Shipping Revenues	Revenue	2	GENERAL	4
4501	Freight Revenue	Revenue	3	DETAIL	45
4502	Insurance Revenue	Revenue	3	DETAIL	45
4503	Packaging Revenue	Revenue	3	DETAIL	45
5	Total Expenses	Expense	1	GENERAL	
51	Cost of Goods Sold	Expense	2	GENERAL	5
5101	Inventories (I/S)	Expense	3	DETAIL	51
5102	COGS: Dept 02	Expense	3	DETAIL	51
5103	COGS: Dept 03	Expense	3	DETAIL	51

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CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
5150	Shipping Expenses	Expense	3	GENERAL	51
51501	Freight Expense	Expense	4	DETAIL	5150
51502	Insurance Expense	Expense	4	DETAIL	5150
51503	Packaging Expense	Expense	4	DETAIL	5150
52	General & Admin. Expenses	Expense	2	GENERAL	5
5201	Payroll Expense	Expense	3	GENERAL	52
52011	Wages	Expense	4	GENERAL	5201
520111	Salaries	Expense	5	DETAIL	52011
520112	Hourly	Expense	5	DETAIL	52011
520113	Overtime	Expense	5	DETAIL	52011
520114	Bonuses	Expense	5	DETAIL	52011
520115	Contract Labour	Expense	5	DETAIL	52011
520116	Direct Labour	Expense	5	DETAIL	52011
52012	Co. Sponsored Benefits	Expense	4	GENERAL	5201
520121	Health Insurance	Expense	5	DETAIL	52012
520122	Dental Insurance	Expense	5	DETAIL	52012
520123	401 (k) Plan	Expense	5	DETAIL	52012
52013	Payroll Taxes	Expense	4	GENERAL	5201
520131	FICA Employer	Expense	5	DETAIL	52013
520132	FUTA	Expense	5	DETAIL	52013
520133	SUTA	Expense	5	DETAIL	52013
520134	Disability Insurance	Expense	5	DETAIL	52013
5202	Maintenance	Expense	3	GENERAL	52
52021	Autos & Trucks Maint.	Expense	4	DETAIL	5202
52022	Furn. & Fixtures Maint.	Expense	4	DETAIL	5202
52023	Buildings & Grounds Maint.	Expense	4	DETAIL	5202
52025	Office Equipment Maint.	Expense	4	DETAIL	5202
52026	Store Equip Maintenance	Expense	4	DETAIL	5202
5203	Depreciation	Expense	3	GENERAL	52
52031	Autos & Trucks Depr.	Expense	4	DETAIL	5203
52032	Furniture & Fixtures Depr	Expense	4	DETAIL	5203
52033	Buildings & Grounds Depr.	Expense	4	DETAIL	5203
52035	Office Equipment Depr.	Expense	4	DETAIL	5203
52036	Store Equipment Depr.	Expense	4	DETAIL	5203
5204	Amortisation	Expense	3	GENERAL	52
52041	Leasehold Improvements	Expense	4	DETAIL	5204
52042	Organisation Expense	Expense	4	DETAIL	5204
5205	Rents & Leases	Expense	3	GENERAL	52
52051	Vehicle Lease	Expense	4	DETAIL	5205

Date : 12/31/99

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Time :

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Room 1001

Mongkok

CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
52052	Furn. & Fixtures Lease	Expense	4	DETAIL	5205
52053	Building Lease	Expense	4	DETAIL	5205
52055	Office Equipment Lease	Expense	4	DETAIL	5205
52056	Store Equipment Lease	Expense	4	DETAIL	5205
5206	Insurance	Expense	3	GENERAL	52
52061	Autos & Trucks Insurance	Expense	4	DETAIL	5206
52062	Gnrl Business Insurance	Expense	4	DETAIL	5206
52063	Other Insurance	Expense	4	DETAIL	5206
5207	Travel & Entertainment	Expense	3	GENERAL	52
52071	Lodging	Expense	4	DETAIL	5207
52072	Delivery	Expense	4	DETAIL	5207
52073	Meals	Expense	4	DETAIL	5207
52074	Entertainment	Expense	4	DETAIL	5207
5208	Shipping	Expense	3	GENERAL	52
52081	Local Courier	Expense	4	DETAIL	5208
52082	Federal Express	Expense	4	DETAIL	5208
52083	UPS	Expense	4	DETAIL	5208
5210	Consulting Fee	Expense	3	GENERAL	52
52101	DacEasy Advantage Club	Expense	4	DETAIL	5210
52103	Legal	Expense	4	DETAIL	5210
52104	Certified Consultant	Expense	4	DETAIL	5210
52105	Accountant	Expense	4	DETAIL	5210
5211	Overhead Expenses	Expense	3	GENERAL	52
52111	Office Supplies	Expense	4	DETAIL	5211
52112	Telephone	Expense	4	DETAIL	5211
52113	Mail/Postage	Expense	4	DETAIL	5211
52114	Utilities	Expense	4	DETAIL	5211
52115	Answering Service	Expense	4	DETAIL	5211
52116	Licenses/Permits	Expense	4	DETAIL	5211
52117	Magazine Subscriptions	Expense	4	DETAIL	5211
52118	Cleaning Service	Expense	4	DETAIL	5211
5212	Miscellaneous Expenses	Expense	3	DETAIL	52
5213	Other Taxes	Expense	3	GENERAL	52
52131	Purchase Sales Tax	Expense	4	DETAIL	5213
52132	Property Tax	Expense	4	DETAIL	5213
52133	Franchise Tax	Expense	4	DETAIL	5213
5214	Continued Education	Expense	3	GENERAL	52
52141	Retail Education	Expense	4	DETAIL	5214
5215	Advertising	Expense	3	GENERAL	52

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CHART OF ACCOUNTS

Account Number	Account Name	Acct. Type	Level	Type	General
52151	Newspaper Ad	Expense	4	DETAIL	5215
52152	Yellow Page Ad	Expense	4	DETAIL	5215
52153	Other Advertising	Expense	4	DETAIL	5215
53	Financial Expenses	Expense	2	GENERAL	5
5301	Credit Card Discount	Expense	3	DETAIL	53
5302	Interest	Expense	3	DETAIL	53
5303	Bank Charges	Expense	3	DETAIL	53
5305	Loss on Sale/Assets	Expense	3	DETAIL	53
54	Income Tax	Expense	2	GENERAL	5
5401	Federal Income Tax	Expense	3	DETAIL	54
5402	State Income Tax	Expense	3	DETAIL	54
5403	City Income Tax	Expense	3	DETAIL	54
56	Inventories to B/S	Expense	2	GENERAL	5
5601	Inventories (B/S)	Expense	3	DETAIL	56
D	Journal Difference	Other Dr	1	DETAIL	

[END OF APPENDIX]

Accounting Technician Examinations

Pilot Examination Paper

Level I

Paper 4

Information Technology Applications in Accounting

Suggested Answers and Marking Scheme

SECTION A (MULTIPLE CHOICE QUESTION) (25 marks)

1. B
2. A
3. C
4. B
5. A
6. B
7. C
8. B
9. C
10. C
11. B
12. B
13. B
14. D
15. B
16. C
17. C
18. C
19. B
20. B
21. C
22. C
23. B
24. C
25. C

(Total 25 marks)

SECTION B (Questions on hands-on Computerised Accounting routines) (75 marks)**1. (a) Student Registration No.**

Data section:

	Fixed cost \$	Variable cost \$
Production costs:		
Direct materials		1.35
Direct labour		2.15
Factory overhead	150,000	1.00
Selling expenses:		
Sales salaries and commissions	39,000	0.40
Advertising	28,750	
Miscellaneous selling expenses	7,150	
General expenses:		
Office salaries	48,000	
Supplies	8,600	0.10
Miscellaneous general expenses	5,000	
	<u>286,500</u>	<u>5.00</u>
	[i.e. =SUM(F11:F19)]	[i.e. =SUM(G9:G19)]

Selling price per unit	\$8.00	
Expected unit sales	160,000	[Format: 2 marks]

Answer section:

Contribution margin per unit	\$3.00	[e.g. = E22–G20]	[1 mark]
Contribution margin ratio	37.5%	[e.g. = (E22–G20)/E22]	[1 mark]
Unit sales at breakeven point	95,500	[e.g. = F20/E27]	[1 mark]
Dollar sales at breakeven point	\$764,000	[e.g. = E22*E29]	[1 mark]
Expected operating profit	\$193,500	[e.g. = E22*E23–(F20+(E23*G20))]	[2 marks]

(8 marks)

(b) Student Registration No.

Data section:

	Fixed cost \$	Variable cost \$
Production costs:		
Direct materials		1.35
Direct labour		2.15
Factory overhead	150,000	1.00
Selling expenses:		
Sales salaries and commissions	39,000	0.40
Advertising	28,750	
Miscellaneous selling expenses	7,150	
General expenses:		
Office salaries	48,000	
Supplies	8,600	0.10
Miscellaneous general expenses	5,000	
	<u>286,500</u>	<u>5.00</u>
	[i.e. =SUM(F6:F16)] [i.e. =SUM(G6:G16)]	
Selling price per unit	\$8.00	
Expected unit sales	160,000	

Answer section:

Contribution margin per unit	\$3.00	[e.g. = \$E\$19–\$G\$17]
Contribution margin ratio	37.5%	[e.g. = (\$E\$19–\$G\$17)/\$E\$19]
Unit sales at breakeven point	95,500	[e.g. = \$F\$17/\$E\$24]
Dollar sales at breakeven point	\$764,000	[e.g. = \$E\$19*\$E\$26]
Expected operating profit	\$193,500	[e.g. = \$E\$19*\$E\$20–(\$F\$17+(\$E\$20*\$G\$17))]
	i.e. will not achieve its target operating profit	

[2 marks]

Units required to be sold to reach target operating profit

Target operating profit \$200,000

Units required to be sold 162,167 [e.g. = (F17+D33)/E24] **[2 marks]**
i.e. (fixed cost + target operating profit)/CM per unit

(4 marks)

(c) (i)

Student Registration No.

Data section:

	Fixed cost \$	Variable cost \$	
Production costs:			
Direct materials		1.35	
Direct labour		2.15	
Factory overhead	150,000	1.00	
Selling expenses:			
Sales salaries and commissions	– [i.e. 39000-39000]	1.00	[i.e. 0.4+0.6][2 marks]
Advertising	28,750		
Miscellaneous selling expenses	7,150		
General expenses:			
Office salaries	48,000		
Supplies	8,600	0.10	
Miscellaneous general expenses	5,000		
	247,500	5.60	
	[i.e. =SUM(F43:F53)]	[i.e. =SUM(G43:G53)]	

Selling price per unit	\$8.00
Expected unit sales	170,000 [i.e. 160000+10000]

Answer section:

Contribution margin per unit	\$2.40	[e.g. = E56–G54]
Contribution margin ratio	30%	[e.g. = (E56–G54)/E56]
Unit sales at breakeven point	103,125	[e.g. = F54/E61]
Dollar sales at breakeven point	\$825,000	[e.g. = E56*E63]
Expected operating profit	\$160,500	[e.g. = E56*E57–(F54+(E57*G54))]

[2 marks]

Units required to be sold to reach target operating profit

Target operating profit	\$200,000
-------------------------	-----------

Units required to be sold	186,458 [i.e. =F54+D60/E61]	
	i.e. (fixed cost + target operating profit)/CM per unit	[2 marks]

(c) (ii)

Student Registration No.

Data section:

	Fixed cost \$	Variable cost \$	
Production costs:			
Direct materials		1.15 [ie.1.35-0.2][1 mark]	
Direct labour		2.15	
Factory overhead	152,500 [i.e. 150000+2500]	1.00	[1 mark]
Selling expenses:			
Sales salaries and commissions	39,000	0.40	
Advertising	28,750		
Miscellaneous selling expenses	7,150		
General expenses:			
Office salaries	48,000		
Supplies	8,600	0.10	
Miscellaneous general expense	5,000		
	289,000	4.80	
	[i.e. =SUM(F77:F87)]	[i.e. =SUM(G77:G87)]	
Selling price per unit	\$8.00		
Expected unit sales	160,000		

Answer section:

Contribution margin per unit	\$3.20	[e.g. = E90–G88]	
Contribution margin ratio	40%	[e.g. = (E90–G88)/E90]	
Unit sales at breakeven point	90,313	[e.g. = F88/E95]	
Dollar sales at breakeven point	\$722,500	[e.g. = E90*E97]	
Expected operating profit (loss)	\$223,000	[e.g. = E90*E91–(F88+(E91*G88))]	
			[2 marks]

Units required to be sold to reach target operating profit

Target operating profit	\$200,000		
Units required to be sold	152,813	[e.g. = (F88+D103)/E95]	[2 marks]
	i.e. (fixed cost + target operating profit)/CM per unit		

(c) (iii)

Student Registration No.

Data section:

	Fixed cost \$	Variable cost \$	
Production costs:			
Direct materials		1.35	
Direct labour		2.15	
Factory overhead	150,000	1.00	
Selling expenses:			
Sales salaries and commissions	39,000	0.40	
Advertising	43,750 [i.e. 28750+15000]		[1 mark]
Miscellaneous selling expenses	7,150		
General expenses:			
Office salaries	48,000		
Supplies	8,600	0.10	
Miscellaneous general expenses	5,000		
	<u>301,500</u>	<u>5.00</u>	
	[i.e. =SUM(F115:F125)]	[i.e. =SUM(G115:G125)]	
Selling price per unit	\$8.00		
Expected unit sales	162,000 [i.e. 160000+2000]		

Answer section:

Contribution margin per unit	\$3.00 [e.g. = E128–G126]	
Contribution margin ratio	37.5% [e.g. = (E128–G126)/E128]	
Unit sales at breakeven point	100,500 [e.g. = F126/E133]	
Dollar sales at breakeven point	\$804,000 [e.g. = E128*E135]	
Expected operating profit	\$184,500 [e.g. = E128*E129–(F126+(E129*G126))]	
	\$(9,000) gain \$9,000 less profit	[3 marks]
	[e.g. = E135–E28]	

Units required to be sold to reach target operating profit

Target operating profit	\$200,000	
Units required to be sold	167,167 [e.g. = (F126+D141)/E133]	[2 marks]
	i.e. (fixed cost + target operating profit)/CM per unit	

(c) (iv)

Student Registration No.

Data section:

	Fixed cost \$	Variable cost \$
Production costs:		
Direct materials		1.35
Direct labour		2.15
Factory overhead	150,000	1.00
Selling expenses:		
Sales salaries and commissions	39,000	0.40
Advertising	28,750	
Miscellaneous selling expenses	7,150	
General expenses:		
Office salaries	48,000	
Supplies	8,600	0.10
Miscellaneous general expenses	5,000	
	<u>286,500</u>	<u>5.00</u>
	[i.e. =SUM(F150:F160)]	[i.e. =SUM(G150:G160)]

Selling price per unit	\$7.50 [i.e. 8-0.5]	[1 mark]
Expected unit sales	170,000 [i.e. 160000+10000]	

Answer section:

Contribution margin per unit	\$2.50 [e.g. = E162–G160]	
Contribution margin ratio	33% [e.g. = (E162–G160)/E162]	
Unit sales at breakeven point	114,600 [e.g. = F160/E168]	
Dollar sales at breakeven point	\$859,500 [e.g. = E170*E162]	
Expected operating profit	\$138,500 [e.g. = E163*E162–(F160+(E163*G106))]	
		[2 marks]

Units required to be sold to reach target operating profit

Target operating profit	\$200,000	
Units required to be sold	194,600 [e.g. = (F160+D179)/E168]	[2 marks]
	i.e. (fixed cost + target operating profit)/CM per unit	

(23 marks)

(Total 35 marks)

2. (a)

Date : 12/31/00
Time :

Student Registration No.
587 Nathan Road
Room 1001
Mongkok

Page No. 1

From : 01/01/00 to : 12/31/00

TRIAL BALANCE

Account	Account Name	BEGINNING BALANCE		THIS PERIOD		CURRENT BALANCE		
		Debit	Credit	Debit	Credit	Debit	Credit	
11021	Cash in bank current a/c	38540.00		33480.00		72020.00		[2 marks]
11043	AR – Toy Co	2000.00			2000.00	0.00		
11044	AR – AY Chung	1400.00		41000.00		42400.00		[1 mark]
11045	AR – CC Australia Ltd	0.00		30000.00		30000.00		
11061	Inventories	61000.00		23000.00		84000.00		[1 mark]
12021	Furn & Fix – Cost	16000.00			2000.00	14000.00		[1 mark]
12022	Accum. Deprec – F&F		3200.00		600.00		3800.00	[1 mark]
13031	Prepaid Insurance	0.00		3450.00		3450.00		[1 mark]
21012	AP – Line Co		0.00		38000.00		38000.00	[1 mark]
21013	AP – Slim Co		30000.00		29400.00		59400.00	[1 mark]
31021	Paid-in capital		70000.00		0.00		70000.00	
33	Retained Earnings		15740.00		0.00		15740.00	
4101	Sales		0.00		151000.00		151000.00	
4201	Sales Return		0.00	5000.00		5000.00		[1 mark]
4304	Purchase Discount		0.00		600.00		600.00	[1 mark]
4305	Sales Discount		0.00	1100.00		1100.00		[1 mark]
5101	Inventories (I/S)	0.00		61000.00		61000.00		[1 mark]
51502	Insurance Expense	0.00		1150.00		1150.00		[1 mark]
52032	Furniture & Fixtures Depr	0.00		1400.00		1400.00		[1 mark]
52072	Delivery	0.00		400.00		400.00		
52112	Telephone	0.00		2020.00		2020.00		
52114	Utilities	0.00		6000.00		6000.00		[1 mark]
5305	Loss on Sale/Assets	0.00		1200.00		1200.00		[1 mark]
5501	Purchases	0.00		99400.00		99400.00		[1 mark]
5601	Inventories (B/S)	0.00			84000.00		84000.00	[1 mark]
5701	Purchase Returns	0.00			2000.00		2000.00	[1 mark]
		<u>118940.00</u>	<u>118940.00</u>	<u>309600.00</u>	<u>309600.00</u>	<u>424540.00</u>	<u>424540.00</u>	
		[1 mark]		[1 mark]		[2 marks]		

[Format: 2 marks]

(26 marks)

(b)

Date : 12/31/00
Time :Student Registration No.
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Mongkok

Page No. 1

From 01/01/00 to 12/31/00

INCOME STATEMENT

Account	Account Name	This Period		Year to Date	
		General Acct	Detail Acct	General Acct	Detail Acct
4101	Sales		151000.00		151000.00
4201	Sales Return		-5000.00		-5000.00
4304	Purchase Discount		600.00		600.00
4305	Sales Discount		-1100.00		-1100.00
	Total Revenue		<u>145500.00</u>		<u>145500.00</u>
5101	Inventories (I/S)		61000.00		61000.00
51502	Insurance Expense		1150.00		1150.00
52032	Furniture & Fixtures Depr		1400.00		1400.00
52072	Delivery		400.00		400.00
52112	Telephone		2020.00		2020.00
52114	Utilities		6000.00		6000.00
5305	Loss on Sale/Assets		1200.00		1200.00
5501	Purchases		99400.00		99400.00
5601	Inventories (B/S)		-84000.00		-84000.00
5701	Purchase Returns		-2000.00		-2000.00
	Total Expenses		<u>86570.00</u>		<u>86570.00</u>
	NET INCOME		<u>58930.00</u>		<u>58930.00</u>

(4 marks)

(c)

Date : 12/31/00
Time :Student Registration No.
587 Nathan Road
Room 1001
Mongkok

Page No. 1

As of 12/31/00

BALANCE SHEET

Account	Account Name	General Acct	Detail Acct
11021	Cash in bank current a/c		72020.00
11043	AR – Toy Co		0.00
11044	AR – AY Chung		42400.00
11045	AR – CC Australia Ltd		30000.00
11061	Inventories		84000.00
12021	Furn & Fix – Cost		14000.00
12022	Accum. Deprec – F&F		-3800.00
13031	Prepaid Insurance		3450.00
	Total Assets		<u>242070.00</u>

[2 marks]

Date : 12/31/00

Student Registration No.

Page No. 2

Time :

587 Nathan Road

Room 1001

Mongkok

As of 12/31/00

BALANCE SHEET

Account	Account Name	General Acct	Detail Acct
21012	AP – Line Co		38000.00
21013	AP – Slim Co		59400.00
	Total Liabilities		<u>97400.00</u>
31021	Paid-in capital		70000.00
33	Retained Earnings		15740.00
	Previous Year Earnings		0.00
	Current Year Earnings		58930.00
	Total Equity		<u>144670.00</u>
	Total Liabilities plus Equity		<u>242070.00</u>

[2 marks]

(4 marks)

(d)

Date : 12/31/00
Time :Student Registration No.
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Page No. 1

Closing Date : 12/31/00
Sorted by ... : Customer Code
Ranked by ... : Customer Code
* Not PostedAGING REPORT
ACCOUNTS RECEIVABLECodes:
I Invoice P Payment
D Debit C Credit
F Finance Charge T Discount Taken

Invoice No.	Date	Due Date	Code	Amount	9999/ 61	60/ 31	30/ 1	0/ -30	-31/ -60	-61/ -90	-91/ -9999
001	Toy Co										
00001	12/31/99	01/30/00	D	2000.00	2000.00						
00003	04/30/00	05/30/00	I*	60000.00	60000.00						
00004	05/04/00		C*	-5000.00	-5000.00	[2 mark]					
00005	05/16/00		C*	-2000.00	-2000.00						
00006	05/16/00		C*	-55000.00	-55000.00						
	Total			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
002	AY Chung										
00002	12/31/99	01/30/00	D	1400.00	1400.00						
00007	09/03/00	10/03/00	I*	40000.00	40000.00	[1 mark]					
00008	09/06/00	10/06/00	D*	1000.00	1000.00						
	Total			42400.00	42400.00	0.00	0.00	0.00	0.00	0.00	0.00
003	CC Australia Ltd										
00009	11/06/00	12/06/00	I*	30000.00	30000.00	[1 mark]					
	Total			30000.00	0.00	0.00	30000.00	0.00	0.00	0.00	0.00
	Grand Total			72400.00	42400.00	0.00	30000.00	0.00	0.00	0.00	0.00

[Format: 2 marks]

(6 marks)

(Total 40 marks)

– END –