



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



Qualification Programme

Associate Modules 1 to 5 Sample Paper (Combined Modules)

Time Allowed	1 hour 45 minutes
Multiple Choice Questions	60 Marks All questions are compulsory.

This sample examination paper is set to assess candidates' core foundational technical knowledge of the subject matters, and their skills in applying the knowledge to tackle routine professional problems, including computations. Mark(s) for each question is set in accordance with its level of difficulty.

The below sample questions are to help candidates familiarise themselves with the form and style of questions which they may see in the Modules 1 to 5 examinations. The sample questions and answers are for reference only, and the content may not have been updated to reflect any changes in relevant standards or legislation.

You should answer **all questions** in this paper and choose the best answer for each question.

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Answer ALL multiple choice questions. Choose the best answer for each question. Marks will NOT be deducted for incorrect answers. Each question carry 1 or 2 marks, you should allocate approximately 1.8 minutes for each mark.

Single Select Multiple Choice Questions

1. State which of the following is the fundamental qualitative characteristic of accounting information. *(1 mark)*
 - A Consistency.
 - B Timeliness.
 - C Relevance.
 - D Going concern.

2. Identify which of the following statements is NOT correct. *(1 mark)*
 - A Economics is a social science.
 - B Economics is essentially the study of how people make choices.
 - C If poverty were eliminated, there would be no need to study economics.
 - D The concept of trade-offs would become irrelevant if dealing with a one-person economy.

3. Identify which of the following statements is correct. *(1 mark)*
 - A The problem of scarcity is a problem for poor countries only.
 - B The opportunity cost of a choice is the dollar amount paid to obtain it.
 - C Scarcity implies that people will always be poor.
 - D If a resource is unlimited in supply, it is not scarce.

4. When the economy is operating at the full-employment output level, state what will be most likely to occur. *(1 mark)*
 - A Cyclical unemployment is present.
 - B Frictional unemployment is absent.
 - C Natural rate of unemployment is zero.
 - D Structural unemployment is present.

5. Identify which of the following statements is correct regarding a distribution that has a median less than its mean. (1 mark)

- A It has positive kurtosis.
- B It is a symmetric distribution.
- C It is positively skewed.
- D None of the above.

6. Determine a correct phrase to complete the following statement.

"Suppose nominal gross domestic product ("GDP") rose from \$200 billion to \$220 billion while the GDP deflator increased from 100 to 110. The real GDP _____." (1 mark)

- A remains constant
- B increases
- C decreases
- D cannot be calculated from these figures

7. Identify which of the following statements is INCORRECT. (1 mark)

- A Management accounting is concerned with information for the internal use of management.
- B Management accounting is concerned with past, current and future information.
- C Management accounting reports are prepared to conform to the legal requirements.
- D Management accounting reports on various activities may be prepared on a daily, weekly or monthly basis.

8. The following information is extracted from the job cost sheet of a completed job in July:

	<u>HK\$</u>
Opening balance	10,000
Direct materials incurred	5,000
Direct labour incurred	8,000
Production overhead absorbed	9,000
Administration overhead absorbed	4,000
Adjustment for production overhead over-absorbed	2,500

Calculate the total production cost of the job. (1 mark)

- A HK\$29,500.
- B HK\$33,500.
- C HK\$34,500.
- D HK\$38,500.

9. A company produces a single product and budgets to sell 200,000 units of the product next year. The opening and closing inventory of the product are expected to be 13,500 units and 15,000 units respectively.

Compute the units of the product to be produced next year. (1 mark)

- A 198,500 units.
- B 201,500 units.
- C 213,500 units.
- D 215,000 units.

10. Grace Industrial Limited is going to quote a one-off order. The order requires 300 units of material Y. There are 100 units of material Y in inventory which were purchased at a cost of HK\$20 per unit. They are not required for normal production and can be sold for HK\$18 per unit. The current purchase cost of material Y is HK\$23 per unit.

Compute the relevant cost of material Y for the one-off order. (1 mark)

- A HK\$6,000.
- B HK\$6,300.
- C HK\$6,400.
- D HK\$6,600.

11. Identify the possible advantage(s) of participative budgets. (1 mark)

- A They decrease an operational manager's commitment to organisational objectives.
- B They decrease the period of time taken to draw up the budgets.
- C They are based on information from employees most familiar with the department.
- D All of the above.

12. Identify the best phrase to complete the following statement.

"In the short run, _____." (1 mark)

- A firms that suffer a loss will shut down
- B firms act to minimise losses or maximise profits
- C if existing firms are earning a profit, new firms will enter the industry
- D All of the above are correct

13. Identify the best phrase to complete the following statement.

"A simple random sample is a sample selected in such a way that each member of the population has _____." (1 mark)

- A a 1% chance of being included in the sample
- B a more than 50% chance of being included in the sample
- C some chance of being selected in the sample
- D an equal chance of being included in the sample

14. In a recent survey of 500 teenagers, 40% are found to be overweight. Determine the intervals that represents a 95% confidence interval of overweight teenagers. (1 mark)

- A 35.71% to 44.29%.
- B 44.29% to 35.71%.
- C 55.71% to 64.29%.
- D 64.29% to 55.71%.

15. Calculate the coefficient of variation of an investment with a variance of 0.16 and expected return of 20%. (1 mark)

- A 0.8.
- B 2.
- C 8.
- D Cannot be calculated from these figures.

16. Outline an information needed by a manufacturing and production department. (1 mark)

- A Location of materials and plant assets.
- B Unit sales price and volume discount.
- C Similarity of competitors' product.
- D Satisfaction ratings among our suppliers.

17. State a key factor of the ever-increasing dependency of information systems among businesses. (1 mark)

- A Ease to establish a business.
- B Reduction of cost to own a new information system.
- C Globalisation.
- D Popularity of intranet.

18. State the best term in the following statement to make it correct.

"Under system development life cycle, a successful completion of a user acceptance test implies that an IT project can proceed to _____." (1 mark)

- A system design stage
- B system analysis stage
- C system operation and maintenance stage
- D system implementation and testing stage

19. Identify which of the following statements is correct. (1 mark)

- A The term "authorisation" and "authentication" can be used interchangeably.
- B Authentication is the process of verifying the identity of a user while authorisation is the process of restricting access of data and/or function of a system.
- C Authorisation is the process of verifying the identity of a user while authentication is the process of restricting access of data and/or function of a system.
- D None of the above.

20. Identify which of the following controls uses breakeven analysis as a tool to analyse information and data. (1 mark)

- A Inventory control.
- B Financial control.
- C Production control.
- D Quality control.

21. Identify which of the following is NOT a protectionist measure against international trade. (1 mark)

- A Import tariff.
- B Import quota.
- C Credit guarantee.
- D Local content rule.

22. Identify which of the following is NOT an advantage of using an expert system. (1 mark)

- A It provides a cost-effective alternative to human experts.
- B It provides suggestions on how a decision should be made from simple to complex levels.
- C It improves the performance of an organisation by maintaining information and controls over the firm's knowledge.
- D It processes every transaction in the same way for the same type of transaction regardless of the user.

23. State the best term in the following statement to make it correct.

"_____ is an integrated set of tools, technologies and programme products that are used to collect, integrate, analyse and make data available." (1 mark)

- A Big Data system
- B Business intelligence system
- C Data mining system
- D Data warehouse system

24. Outline a situation which may cause the top management to reject an IT project. (1 mark)

- A It has a positive net present value.
- B Its internal rate of return is lower than the entity's cost of capital.
- C It has a shorter payback period than some of the other projects with the same investment amount.
- D None of the above.

25. Identify which of the following procedures should be included in a business continuity plan. (1 mark)

- A Data backup.
- B File labelling.
- C Disposing a retired server.
- D Switching daily computerised operations to manual.

26. Identify the best phrase from the following to complete the statement.

"To maintain non-repudiation on an e-commerce transaction, both offeror and offeree should _____." (1 mark)

- A install the same brand of anti-malware software in their computers
- B upgrade their web browsers to the latest version
- C sign the transaction with their own digital certificate issued by a trusted certification authority
- D save the contract on a brand new USB drive

27. Identify which of the following matters would be used and assessed by information systems in analysing sales performance. (1 mark)

- I. Number of items sold.
 - II. Name of courier.
 - III. Customer type.
 - IV. Branch ID.
-
- A I, II and III only.
 - B I, II and IV only.
 - C I, III and IV only.
 - D II, III and IV only.

28. On 1 April 20X5, Dai Chong Limited bought a machine at a cost of HK\$30,000. It is the company's policy to depreciate the machine using the reducing balance method with a depreciation rate of 10% per annum, chargeable on a monthly basis. On 31 March 20X9, the company disposed of the machine at a price of HK\$20,000.

Determine the amount of gain or loss on disposal to be recognised for the year ended 31 March 20X9. (2 marks)

- A Gain HK\$317.
- B Loss HK\$317.
- C Gain HK\$2,285.
- D Loss HK\$2,285.

29. A company provides the following financial information as at 31 December 20X1:

	<u>HK\$'000</u>
Furniture and fittings	1,850
Inventory	330
Trade receivables	430
Trade payables	380
Bank loan (repayable in 20X4)	1,600
Cash at bank	550

Calculate the amount of the company's capital employed. (2 marks)

- A HK\$1,180,000.
- B HK\$2,780,000.
- C HK\$3,160,000.
- D HK\$4,380,000.

30. A company has rented out a property for many years. Rent was received by cheque on the following dates:

<u>Rent period</u>	<u>Amount</u>	<u>Receipt date</u>
1 November 20X7 – 29 February 20X8	HK\$48,000	28 October 20X7
1 March 20X8 – 30 June 20X8	HK\$48,000	25 February 20X8
1 July 20X8 – 31 October 20X8	HK\$60,000	26 June 20X8
1 November 20X8 – 28 February 20X9	HK\$60,000	29 October 20X8

Determine the amount of rental income to be recognised for the year ended 31 December 20X8. (2 marks)

- A HK\$108,000.
B HK\$162,000.
C HK\$168,000.
D HK\$216,000.
31. The following information relates to the inventory movement of David's business for the month ended 31 December 20X9:

1 December 20X9	Purchase 1,000 units at HK\$5 each
12 December 20X9	Purchase 500 units at HK\$8 each
16 December 20X9	Sold 1,200 units at HK\$12 each
26 December 20X9	Purchase 400 units at HK\$7 each

Assuming that the company is using the first-in-first out ("FIFO") inventory valuation method, determine the value of the closing inventory as at 31 December 20X9. (2 marks)

- A HK\$4,700.
B HK\$4,900.
C HK\$5,000.
D HK\$5,200.

32. A new series of desserts will be promoted in the local market. To maximise the efficiency in reaching the different groups of potential customers, determine which of the following dimensions would be considered. (2 marks)

- I. Demographic dimension.
- II. Psychographic dimension.
- III. Geographic dimension.
- IV. Biographic dimension.

- A I, II, III only.
- B I, II and IV only.
- C II, III and IV only.
- D All of the above.

33. Maintenance is one of the three phases in the employment cycle. This refers to the steps to be taken for ensuring that employees are satisfied and productive. Outline which of the following activities are related to the maintenance phase. (2 marks)

- I. Employment arrangements and remuneration.
- II. Training and development.
- III. Recognition and reward.
- IV. Induction.

- A I, II and III only.
- B I, II and IV only.
- C II, III and IV only.
- D All of the above.

34. Effective organisational management is important for an organisation. SWOT analysis is one of the tools for the management to better understand both the internal and external factors for strategic planning. State which of the following factors would be considered as the "opportunities" of an organisation. (2 marks)

- I. It will be easier for the organisation to enter the potential market.
- II. The existing competition is fierce.
- III. The market demand is increasing.
- IV. The management skills are strong.

- A I and III only.
- B I and IV only.
- C II and III only.
- D II and IV only.

35. Identify which of the following are the most widely used management techniques in a production process to achieve higher quality standards. (2 marks)

- I. Total quality management.
- II. Quality function deployment.
- III. Statistical process control.
- IV. Just in time inventory management.

- A I, II and III only.
- B I, III and IV only.
- C II, III and IV only.
- D All of the above.

36. State which of the following factors would be considered when a company conducts international business. (2 marks)

- I. Natural resources of the trading countries.
- II. Values and norms of the trading countries.
- III. Political issues of the trading countries.
- IV. Religious beliefs and ethical systems of the trading countries.

- A I, II and III only.
- B I, III and IV only.
- C II, III and IV only.
- D All of the above.

37. Peter and Sandy have been in partnership for many years sharing profit and loss at a ratio of 3:2. According to the partnership agreement, they enjoy interest on capital of 2% while Peter is the managing partner receiving salary of HK\$20,000 per annum. Interest on drawings is chargeable at 5%. Below is the information extracted from the books of the partnership as at 31 December 20X9:

		<u>HK\$</u>
Capital	Peter	200,000
	Sandy	500,000
Drawings	Peter	4,000
	Sandy	8,000
Profit for the year		142,000

During the year ended 31 December 20X9, there was no change in the amount of capital contributed by both partners.

Determine the amount of profit shared by Peter for the year ended 31 December 20X9.
(2 marks)

- A HK\$43,440.
- B HK\$65,160.
- C HK\$81,240.
- D HK\$85,200.

- 38.** XYZ Company has hired you as an accountant and it is time to consider retiring an asset. The following facts are provided to you by the financial controller in a briefing:
- (1) The original cost of the equipment is HK\$6,000.
 - (2) The carrying amount after 4 years of depreciation is HK\$2,000.
 - (3) The amount of HK\$2,000 represents the loss.
 - (4) The decision to retire the asset is made by management the day after depreciation expense is posted on 1 May 20X1.

Identify the correct compound journal entries to retire the asset as at 2 May 20X1.
(2 marks)

A	Dr. Loss on disposal Dr. Accumulated depreciation: equipment Cr. Equipment	HK\$2,000 HK\$4,000	HK\$6,000
B	Dr. Equipment Cr. Gain on disposal Cr. Accumulated depreciation: equipment	HK\$6,000	HK\$2,000 HK\$4,000
C	Dr. Loss on disposal Dr. Accumulated depreciation: equipment Cr. Equipment	HK\$4,000 HK\$2,000	HK\$6,000
D	Dr. Equipment Cr. Gain on disposal Cr. Accumulated depreciation: equipment	HK\$6,000	HK\$4,000 HK\$2,000

Scenario-based Multiple Choice Questions

Answer Questions 39 to 41 with the information provided in the following scenario.

Joyful Manufacturing Limited ("JML") manufactures and sells a single product. JML maintains a standard costing system. Standard cost of direct materials and direct labour for the year just ended are:

	<u>HK\$</u>
Direct materials (10 kg at HK\$5)	50
Direct labour (3 hours at HK\$60)	180

20,000 units were produced for the year just ended. Other actual data for the same year ended are as follows:

Direct materials purchased	210,000 kg
Direct material price variance (at the time of purchase)	HK\$42,000 Adverse
Direct material quantity/usage variance	HK\$50,000 Favourable
Direct labour	61,000 hours
Direct labour rate variance	HK\$305,000 Favourable

39. Compute the total cost of direct materials purchased for the year just ended. (1 mark)

- A HK\$1,008,000.
- B HK\$1,040,000.
- C HK\$1,092,000.
- D HK\$1,100,000.

40. Compute the direct materials used for the year just ended. (2 marks)

- A 190,000 kg.
- B 200,000 kg.
- C 210,000 kg.
- D 220,000 kg.

41. Compute the direct labour actual rate per hour for the year just ended. (2 marks)

- A HK\$50.
- B HK\$55.
- C HK\$60.
- D HK\$65.

Answer Questions **42** to **43** with the information provided in the following scenario.

Below are the percentage returns of stocks (in descending order) of eight local banks for the past year:

25%, 18%, 16%, 13%, 8%, -2%, -5%, -10%

42. Calculate the median of the above set of stock returns. (1 mark)

- A 8%.
- B 13%.
- C 10.5%.
- D 15.25%.

43. Calculate the upper quartile of the above set of stock returns. (1 mark)

- A 18%.
- B 17%.**
- C -3.5%.
- D -5%.

Answer Questions **44** to **45** with the information provided in the following scenario.

The following balances related to Willy Limited ("Willy") as at 31 May 20X8.

	Debit <u>HK\$</u>	Credit <u>HK\$</u>
Cash at bank	35,000	
Trade receivables	Unknown	
Inventory	140,000	
Trade payables		215,000
Share capital		44,000
Sales		950,000
Cost of sales	Unknown	
Salary expense	150,000	
Office supply expenses	4,000	
Dividend	15,000	

Additional information:

- (1) Willy is incorporated on 1 June 20X7 and sells one particular product to retail shops.
- (2) All sales are credit sales.
- (3) Cash receipts from customers are HK\$750,000.
- (4) Willy prices sales so as to make a gross margin of 30%.
- (5) No returns of goods inwards or outwards. All expenses have been paid in cash. Assume no profits tax applies.

44. Calculate Willy Limited's total assets as at 31 May 20X8. (2 marks)

- A HK\$175,000
- B HK\$235,000
- C HK\$340,000
- D HK\$375,000

45. Calculate Willy Limited's net profit for the year ended 31 May 20X8. (2 marks)

- A HK\$116,000
- B HK\$131,000
- C HK\$226,000
- D HK\$285,000

* * * END OF EXAMINATION PAPER * * *

Modules 1 to 5 (Combined Modules) Sample Paper

Answers

The purpose of the suggested answers is meant to help candidates in their revision and learning. The sample questions and answers should be used with caution as the content may not have been updated to reflect any changes in relevant standards or legislation.

Questions	Answers	Marks Allocation
1	C	1
2	C	1
3	D	1
4	D	1
5	C	1
6	A	1
7	C	1
8	A	1
9	B	1
10	C	1
11	C	1
12	B	1
13	D	1
14	A	1
15	B	1
16	A	1
17	B	1
18	C	1
19	B	1
20	B	1
21	C	1
22	D	1
23	B	1
24	B	1
25	D	1
26	C	1
27	C	1
28	A	2
29	B	2
30	B	2
31	D	2
32	A	2
33	C	2
34	A	2
35	C	2
36	D	2
37	B	2
38	A	2
39	C	1
40	A	2
41	B	2
42	C	1
43	B	1
44	D	2
45	B	2