

- 1 X is a trader in office machinery. On 31 March he purchases an office machine on credit from Y. which section will increase on X's Statement of financial position on 31 March?
- A. Current assets only
 - B. Current assets and current liabilities
 - C. Noncurrent assets only
 - D. Noncurrent assets and current liabilities
- 2 On 1 January 2015 a trader owed one month's rent. During the year rent was paid by a cheque. On 31 December 2015 two month's rent was prepaid. How did the trader calculate the rent for the year ended 31 December 2015?
- A. amount paid + opening accrual + closing prepayment
 - B. amount paid + opening accrual–closing prepayment
 - C. amount paid–opening accrual+ closing prepayment
 - D. amount paid–opening accrual– closing prepayment
- 3 At the end of the financial year, Ryan had accrued motor expenses of \$200. How will this appear in Ryan's ledger and statement of financial position?

	motor expenses account in the ledger	statement of financial position
A	credit balance brought down	current asset
B	credit balance brought down	current liability
C	debit balance brought down	current asset
D	debit balance brought down	current liability

- 4 Which is capital income?
- A. Cash received from the sale of office equipment.
 - B. Cheque received from the sale of stock.
 - C. Discount received from trade creditors.
 - D. Rent received from tenants.

5 A business maintains a provision for doubtful debts of 2% of trade receivables. On 1 January 2015 the provision was \$1000. On 31 December 2015 the trade receivables amounted to \$150000.

Which entry should be made on 31 December 2015?

	debit	\$	credit	\$
A	income statement	2000	provision for doubtful debts	2000
B	provision for doubtful debts	2000	income statement	2000
C	income statement	3000	provision for doubtful debts	3000
D	provision for doubtful debts	3000	income statement	3000

6 Which appears in statement of financial position?

- A. Capital expenditure
- B. Cost of sales
- C. Gross profit
- D. Revenue expenditure

7 What is prepared to show the trading results for a financial year?

- A. capital account
- B. income statement
- C. statement of financial position
- D. trial balance

8 A trader prepares financial statements each year. What do these assist the trader to do?

- A. calculate the amount owing to creditors
- B. calculate the cash drawings
- C. check the bank statement balance
- D. make decisions about the future

- 9 At the time of preparing financial statements, balance of electricity bill in the trial balance was \$1560. It was informed that bill for the amount of \$125 was accrued. What will be the effect of this adjustment on final accounts?

	Income statement	Statement of financial position
A	Electricity bill expense \$1685	Current liability \$125
B	Electricity bill expense \$1685	Current Asset \$125
C	Electricity bill expense \$1435	Current liability \$125
D	Electricity bill expense \$1435	Current Asset \$125

- 10 A trader wishes to write off a debt owed by Raminder. How will this be recorded in the trader's books?

	Account to be debited	Account to be credited
A	Bad debts	Raminder
B	Provision for doubtful debts	Raminder
C	Raminder	Bad debts
D	Raminder	Provision for doubtful debts

- 11 What is the main purpose of charging depreciation on noncurrent assets?
- To provide funds for the replacement of assets.
 - To record the asset at their market value.
 - To reduce the cost of repairing assets.
 - To spread the cost of assets over useful lives.

12 Sam owns an engineering business. For which non-current asset is he most likely to use the revaluation method of depreciation?

- A. Delivery vehicle
- B. Loose tools
- C. Machinery
- D. Office equipment

13 Which accounting entry is made to increase a provision for doubtful debts?

	Account to be debited	Account to be credited
A	Accounts receivable	Provision for doubtful debts
B	Income statement	Provision for doubtful debts
C	Provision for doubtful debts	Accounts receivable
D	Provision for doubtful debts	Income statement

14 A trader's expenditure for 2015 includes the following:

	\$
Redecoration of premises	5000
Insurance of motor vehicles	2000
Purchase of machinery	10000

How much should the trader charge to the Income statement for 2015?

- A. \$7000
- B. \$10000
- C. \$12000
- D. \$17000

15 A motor vehicle is purchased for \$25000. It is to be depreciated on the diminishing (reducing) balance method at the rate of 20% per annum. What will be the book value of the motor vehicle after 3 years?

- A. \$10000
- B. \$12200
- C. \$12800
- D. \$15000

16 How is the loss on the sale of noncurrent asset recorded?

	Account to be debited	Account to be credited
A	Disposal	Income statement
B	Noncurrent asset	Income statement
C	Income statement	Disposal
D	Income statement	Fixed asset

17 Sulin sublet part of her premises to Mai. How will Sulin classify the rent she received?

- A. Capital expenditure
- B. Capital income
- C. Revenue expenditure
- D. Revenue income

- 18 What is ensured by applying the principle of consistency?
- A. Business assets are separate from the owner's assets.
 - B. Income statements exclude items relating to a different financial period.
 - C. Income statements exclude items which have no monetary value.
 - D. Results can be compared from year to year.
- 19 At the end of the financial year there was a credit balance brought down on the office expenses account. In which section of statement of financial position will this be recorded?
- A. capital
 - B. current assets
 - C. current liabilities
 - D. non-current assets
- 20 A machine that originally cost \$8000 is now sold for \$900. The balance on the provision for depreciation account for this machine is \$6900. What is the effect of this transaction?
- A. Loss on sale \$200
 - B. Profit on sale \$200
 - C. Loss on sale \$1100
 - D. Profit on sale \$1100
- 21 How is gross profit calculated?
- A. Sales less expenses
 - B. Sales less purchases
 - C. Sales less sales return less closing stock
 - D. Sales less sales return less cost of sales

22 At the year-end a business wrote off a bad debt.

What is the effect of this?

- A. capital reduced and current assets reduced
- B. capital reduced and non-current assets reduced
- C. current liabilities increased and current assets reduced
- D. current liabilities increased and non-current assets reduced

23 Ezra received the following cheques. \$210 from the sale of goods \$1000 from the sale of old motor vehicle (at book value) \$150 for rent of premises How did Ezra classify these receipts?

	sale of goods	Motor vehicle	rent received
A	capital receipt	capital receipt	revenue receipt
B	capital receipt	revenue receipt	capital receipt
C	revenue receipt	capital receipt	revenue receipt
D	revenue receipt	revenue receipt	capital receipt

24 A motor vehicle cost \$ 8000. The price included \$ 36 for petrol. The total payment of \$8000 was debited in the motor vehicle account.

What is the effect on the income statement and statement of financial position?

	Income statement	Statement of financial position
A	Profit overstated by \$36	Noncurrent assets overstated by \$36
B	Profit overstated by \$36	Noncurrent assets understated by \$36
C	Profit understated \$36	Noncurrent assets overstated by \$36
D	Profit overstated by \$36	Noncurrent assets understated by \$36

25 Which group contains only trading businesses?

- A. driving school, motor insurance agency, vehicle repair business
- B. driving school, motor insurance agency, petrol station
- C. motor parts shop, vehicle repair business, car dealership
- D. motor parts shop, petrol station, car dealership

26 At the end of the financial year, Ryan received \$200 in advance for rent. How will this appear in Ryan's ledger and statement of financial position?

	Rent received account in the ledger	statement of financial position
A	credit balance brought down	current asset
B	credit balance brought down	current liability
C	debit balance brought down	current asset
D	debit balance brought down	current liability

27 A business provides the following information.

	\$
trade receivables	13 400
provision for doubtful debts brought forward	800
debts to be written off as bad	600
provision for doubtful debts carried forward (equal to 5 % of trade receivables)	?

What is the provision for doubtful debts to be carried forward to next year?

- A \$600
- B \$640
- C \$660
- D \$670

28 A sole trader and a large limited company purchase identical office equipment. The sole trader treats it as a non-current asset and the limited company treats it as an expense.

Which accounting principle is being applied?

- A. accounting entity
- B. materiality
- C. money measurement
- D. prudence

29 A trader writes off an amount owed by Mustafa by debiting the bad debts account and crediting Mustafa's account. Which accounting principle is the trader applying?

- A. accounting entity
- B. consistency
- C. dual aspect
- D. money measurement

30 A business applies the money measurement principle.

What would be included in the financial statements?

- A. morale of workers
- B. quality of the goods sold
- C. skill of workers
- D. value of the goods sold