**2. Practise questions**

1. Shannon started her new business on Dec 1 and the following transactions are related to the month of December:

1 Dec Introduced a delivery van to the new business worth £16,000

2 Dec Took a laptop from home to the business: £1,500

3 Dec Withdrew £400 cash from business account to pay personal credit card debt.

4 Dec Transferred £20,000 to the business bank account from her personal account to cover business start-up costs

Which among the following should be included in the statement of financial position as Owner’s capital account balance?

* 1. £37,100
  2. £37,500
  3. £37,900
  4. £34,900

ANSWER: A

1. Chalk purchases £500 worth of cheese from Cheddar Co. Chalk agrees to pay Cheddar Co in 30 days' time. What is the double entry to record the purchase in Cheddar Co's books?
   1. Debit sales £500, credit receivables £500
   2. Debit purchases £500, credit payables £500
   3. Debit receivables £500, credit sales £500
   4. Debit payables £500, credit purchases £500

ANSWER: C

1. Which ONE of the following statements is true?
   1. A debit records an increase in liabilities
   2. A debit records a decrease in assets
   3. A credit records an increase in liabilities
   4. A credit records an increase in equity

ANSWER: C

1. The following transactions were omitted from the books of accounts due to accountant’s error.

1. Purchase of goods for cash worth £300

2. Purchase of equipment worth £1,000

3. Payment of electricity expenses £250.

Which of the above transactions would affect the profit already computed?

* 1. All three
  2. Only 1 and 3
  3. Only 1 and 2
  4. None

ANSWER: B

1. What amount should be recorded as expense related to wages in the statement of profit or loss if wages paid are £3,000 and accrued wages at the end of the year was £500?
   1. £2,500
   2. £3,500
   3. £3,000
   4. £4,000

ANSWER: B

1. Roger has discounts allowed of £600 in his trial balance. How should this amount be reported in his financial statements?
   1. £600 CR to purchases
   2. £600 DR to purchases
   3. £600 DR to expenses
   4. £600 DR to other income

ANSWER: C

1. A business has compiled the following information for the year ended 31 October 2020:                                                                   £

Opening inventories                                    200,000

Purchases                                                     650,000

Closing inventories                                      325,000

The gross profit percentage of sales is 40%. What is the sales revenue for the year?

* 1. £325,000
  2. £875,000
  3. £525,000
  4. The sales revenue is impossible to calculate from this information

ANSWER: B