**3. Practise questions**

1. Calculate gross profit from the following information.

Opening stock- £5,000, Purchases-£25,000, Sales-£42,000, Closing stock- £6,000

* 1. £18,000
  2. £6,000
  3. £17,000
  4. £11,000

1. Which among the following is the definition of ‘Asset’ according to IASB Conceptual framework?
   1. Gross inflow of economic benefits arising from ordinary operating activities of an entity.
   2. A present obligation of the entity to transfer an economic resource as a result of past events
   3. A present economic resource legally owned by the entity as a result of past events
   4. A present economic resource controlled by the entity as a result of past events
2. ................................... is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.
   1. Fair value
   2. Fulfilment value
   3. Current cost
   4. Historical cost
3. Which one of the following journal entries is required to record goods taken from inventory by the owner of a business?
   1. Debit Drawings, Credit Purchases
   2. Debit Sales, Credit Drawings
   3. Debit Drawings, Credit Inventory
   4. Debit Purchases, Credit Drawings
4. Which among the following entries can be used to record transfer of laptop worth £1,000 from owner’s home to the business?
   1. Debit Office equipment £1,000, credit capital £1,000
   2. Debit purchases £1,000, credit capital £1,000
   3. Debit capital £1,000, credit office equipment £1,000
   4. Debit Office equipment £1,000, credit cash £1,000
5. A Company’s trade receivables account on 31st March 2017 is given below:

TRADE RECEIVABLES ACCOUNT

£  £

Balance b/d 12,000 Bank 15,000

Sales 28,000 Discount 2,000

Balance c/d ?

Which of the following balance will appear in the trial balance on 1st April 2017?

* 1. £23,000 DR
  2. £40,000 DR
  3. £23,000 CR
  4. £17,000 CR

1. Which of the following statements are TRUE of limited liability companies?

(1) The shareholders of a limited liability company are exposed to debt and liabilities limited to the amount paid for their shares unless they have given personal guarantees.

(2) Financial statements must be produced on a periodic basis.

(3) A company continues to exist regardless of the identity of its owners.

* 1. 1 and 2 only
  2. 1 and 3 only
  3. 2 and 3 only
  4. 1, 2 and 3

1. Which one of the following statements is NOT true about non-current assets?
   1. Not specifically purchased for resale
   2. Goods that last for period less than 1 year
   3. Used in production/distribution of goods
   4. Material amount
2. Which among the following entries can be used to record purchases of office stationery for cash of £250?
   1. Debit purchases £250, credit payables £250
   2. Debit purchases £250, credit cash £250
   3. Debit cash £250, credit stationery £250
   4. Debit Stationery £250, credit cash £250
3. What will be the operating expenses to be shown in statement of profit or loss account if operating expenses paid was £2,200, prepaid operating expenses at the beginning of the year was £300 and prepaid operating expenses at the end of the year was £400?
   1. £2,300
   2. £2,900
   3. £1,500
   4. £2,100