**4. Practise questions – solutions**

1. Which TWO of the following are advantages of trading as a partnership?

1 Additional capital can be raised because more people are investing in the business

2 A partnership has a separate legal identity from the individual partners

3 Partners have limited liability and are not personally liable for the debts of the partnership

4 A partnership is not required to make its financial accounts publicly available

* 1. 1 and 2
  2. 1 and 4
  3. 2 and 4
  4. 2 and 3

ANSWER: B

1. Petty cash is controlled under an imprest system. The imprest amount is £100. During a period, payments totalling £53 have been made. How much needs to be reimbursed at the end of the period to restore petty cash to the imprest account?
   1. £100
   2. £53
   3. £47
   4. £50

ANSWER: B

1. The petty cash imprest is restored to £200 at the end of each month. The following amounts are paid out of petty cash during last month.

Stationery                                          £28.20

Travelling costs                                £51

Office refreshments                         £25.80

Sundry payables                              £48.00 plus sales tax at 17.5%

What is the amount required to restore the imprest to £200?

* 1. £161.4
  2. £153
  3. £38.6
  4. £47

ANSWER: A

1. Which among the following formula can be used to compute the profit of a sole trader for the year?
   1. Opening capital- drawings- capital introduced- closing capital
   2. Opening capital + drawings- capital introduced- closing capital
   3. Closing capital + drawings - capital introduced- opening capital
   4. Closing capital- drawings- capital introduced+ opening capital

ANSWER: C

1. During the year ended 31 December 2019, Beta Traders had the following transactions on the receivables ledger.                                                         £

Receivables at 1 January 2019                                200,000

Receivables at 31 December 2019                          214,500

Goods returned                                                          25,500

Amounts paid into the bank from receivables      450,000

Discount received                                                    150,000

Discounts allowed                                                      10,000

What were the sales for the year?

* 1. £500,000
  2. £360,000
  3. £350,000
  4. £485,500

ANSWER: A

1. ABC Ltd. purchased a building on 1st January 2020 for £40,000 and decided to depreciate the asset at 10% using reducing balance method. What should be the value of building to be shown in the statement of financial position for the year ended 31st December 2021?
   1. £31,000
   2. £32,000
   3. £32,400
   4. £36,000

ANSWER: C

1. Which of the following transactions is a revenue expenditure?
   1. Expenditure to increase the capacity of the factory
   2. Electricity charges
   3. Purchase of a new machinery
   4. Repayment of a bank loan

ANSWER: B

1. Which of the following should appear as items in a company’s statement of changes in equity?

1. Profit for the financial year, 2. Income from investments, 3. Gain on revaluation of non-current assets, 4. Dividends paid

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

ANSWER: A

1. Which of the following may appear as current liabilities in a company's statement of financial position?

(1) Revaluation reserve(2) Loan due for repayment within 1 year(3) Income tax payable(4) Equity dividends payable

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

ANSWER: D

1. Which among the following transactions will result in a contra entry in a triple column cash book?

1. Cheque received from a customer, 2.Cheque received from the customer deposited into bank, 3.Withdraw money from the bank account for business purposes, 4.Withdraw money from the bank account for personal purposes of the owner.

* 1. 1 and 4
  2. 2 and 4
  3. 1 and 3
  4. 2 and 3

ANSWER: D