

- 4 A trial balance shows the following information.

	\$
premises at cost	150 000
accumulated depreciation on premises	25 000

On 1 January the premises are revalued at \$270 000. At the same time 200 000 shares of \$1 each are issued for \$300 000.

What is the value of the reserves created on 1 January?

- A** \$120 000      **B** \$145 000      **C** \$220 000      **D** \$245 000
- 5 Which accounting principle attempts to deal with off-balance-sheet transactions?
- A** consistency  
**B** going concern  
**C** prudence  
**D** substance over form
- 6 Draft financial statements show revenue of \$106 000 and closing inventory of \$2100.

There were 100 items which had cost \$10 an item but which were for sale at \$6 an item. At the year end these were with a customer on a sale or return basis. These items were treated as having been sold although no sale had been agreed.

What are the values of revenue and inventory when the principle of prudence is applied?

	revenue \$	inventory \$
<b>A</b>	105 000	2700
<b>B</b>	105 000	3100
<b>C</b>	105 400	2700
<b>D</b>	105 400	3100

- 7 Inventory is valued at the lower of cost and net realisable value.

Which accounting principle is being applied?

- A** going concern  
**B** matching  
**C** materiality  
**D** prudence