

- 7** A bank statement showed an overdraft of \$750. The following was then discovered.
- 1 A cheque issued in payment of rent for \$570 had not been presented.
 - 2 A cheque for \$624 received was not shown on the bank statement.
 - 3 The bank statement included a bank charge of \$50 which had not been entered in the cash book.

What amount of overdraft should appear in the statement of financial position?

- A** \$646 **B** \$696 **C** \$754 **D** \$1894

- 8** What is a purpose of financial statements?

- A** to aid managers to manage the business
B to allow the owner to take drawings
C to ensure a profit is made
D to ensure accuracy of the double entry

- 9** An electricity accrual of \$375 was treated as a prepayment when preparing a trader's income statement.

What was the effect of this on the profit for the year?

- A** overstated by \$375
B overstated by \$750
C understated by \$375
D understated by \$750

- 10** The draft financial statements of a business show a profit for the year of \$64 000 before taking account of the following:

- 1 the reduction of the provision for doubtful debts by \$300
- 2 the purchase of office stationery costing \$2400 which has not been entered in the books; only one-sixth of this stationery was used by the year end.

What is the corrected profit for the year?

- A** \$61 900 **B** \$63 900 **C** \$64 100 **D** \$64 300