

- 1 Hedley has 100 items of inventory in his warehouse and five more with a customer on a sale or return basis. He provides the following information.

	\$ per unit
historic cost paid	60
selling price	85
current replacement cost	65

Which value should appear in the statement of financial position for inventory?

- A** \$6000      **B** \$6300      **C** \$6825      **D** \$8500

- 2 When preparing a sole trader's annual accounts, no adjustment was made for a prepayment at the end of the year.

What is the effect of this omission?

<b>A</b>	current assets overstated	owner's capital overstated
<b>B</b>	current assets understated	owner's capital understated
<b>C</b>	profit for the year overstated	trade payables understated
<b>D</b>	profit for the year understated	trade payables understated

- 3 Which statement is correct?

- A** The balance on the bad debts recovered account is carried down to the next accounting period.
- B** The balance on the bad debts recovered account is credited to the income statement.
- C** The balance on the provision for doubtful debts account is calculated before the deduction of bad debts.
- D** The balance on the provision for doubtful debts account is not included in a trial balance.

- 4 A trader took out a 6% bank loan of \$30 000 on 1 November 2013, to be repaid in full in 10 years' time. Interest is to be paid annually. No interest had been paid by 30 April 2014.

How should this be recorded in the statement of financial position at 30 April 2014?

	current liabilities \$	non-current liabilities \$
<b>A</b>	0	30 000
<b>B</b>	900	30 000
<b>C</b>	1 800	30 000
<b>D</b>	30 900	0