

- 15** The directors of a company are completing the accounts for the year ended 30 April 2004. They discover that the stock at 1 May 2003 was over-valued by \$50 000.

What is the effect of correcting this error in the accounts?

	net profit for year-end 30 April 2004	reserves brought forward at 1 May 2003
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 16** What is the definition of prime cost?

- A** direct materials + direct labour
- B** direct materials + direct labour + direct expenses
- C** direct materials + direct labour + factory overheads
- D** direct materials + direct labour + direct expenses + factory overheads

- 17** A business ends its financial year on 31 December. The stock was not counted until 10 January when it was found to be \$104 000 at cost. The following transactions took place from 1 to 10 January.

	\$
stock purchased	16 000
stock sold at selling price	15 000

Stock is sold at a mark-up of 25 %.

What was the value of stock at 31 December?

- A** \$99 250
- B** \$100 000
- C** \$108 000
- D** \$108 750