

- 1** What would be treated as part of the capital cost of the purchase of a building?
- 1 legal costs of the purchase
  - 2 redecoration of the building
  - 3 installation of air conditioning needed for the machinery in the building
- A** 1 only  
**B** 1 and 3 only  
**C** 2 and 3 only  
**D** 1, 2 and 3
- 2** In the books of Y how could a credit entry of \$500 in X's account have arisen?
- A** X bought goods from Y  
**B** X returned goods to Y  
**C** Y made a payment to X  
**D** Y returned goods to X
- 3** A company's net profit is \$20 000. Capital receipts of \$5000 have been treated as revenue receipts. Capital expenditure of \$4000 has been treated as revenue expenditure.
- What is the correct net profit figure?
- A** \$11 000      **B** \$19 000      **C** \$21 000      **D** \$29 000
- 4** At the beginning of the year a business has a provision for doubtful debts of \$2600. At the year end the provision is to be 5 % of trade debtors.
- The balance on the debtors' control account at the year end is \$69 200, before writing off a bad debt of \$480.
- The business operates a separate bad debts account.
- What is the entry in the Profit and Loss Account for the provision for doubtful debts?
- A** \$836 debit      **B** \$860 debit      **C** \$836 credit      **D** \$860 credit
- 5** A company has issued non-cumulative preference shares and ordinary shares.
- Which statement is correct?
- A** If no preference dividend is paid, it is carried forward to a future year.  
**B** Preference shareholders always get a dividend.  
**C** Preference shareholders and ordinary shareholders always get a dividend.  
**D** Preference shareholders may get a dividend.