

- 8 John did not keep sales or purchases ledger control accounts. His trial balance did not balance and a suspense account was opened. The following errors were discovered.
- 1 Sales of \$200 had been entered as a credit in both a customer's account and the sales account.
 - 2 Purchases of \$350 from J Brown had been entered as a credit in E Brown's account.
 - 3 Machinery repairs of \$600 had been entered in the machinery at cost account.
 - 4 Returns inwards of \$450 had been entered in the sales returns account but omitted from the customer's account.

What was the amount of opening balance on the suspense account?

- A** \$400 **B** \$500 **C** \$650 **D** \$850

- 9 A business valued its inventory at the year end at cost, \$24 650. This did **not** take account of the following.
- 1 Goods had been invoiced to a customer at \$3000 and included in sales. They should have been treated as goods on sale or return as the customer had not indicated they would buy them.
 - 2 Goods purchased for \$6400 and included in the inventory have been damaged and now have a sales value of \$5700.
 - 3 Returns inwards which had been sold for \$800 had not been included in the inventory.

The business has a mark-up of 25%.

What was the correct value of the inventory?

- A** \$26 350 **B** \$26 990 **C** \$27 590 **D** \$27 750

- 10 A business prepaid its rent.

What is the effect of this on the current assets and the rent expense at the year end?

	current assets	rent expense
A	decrease	increase
B	increase	decrease
C	increase	no effect
D	no effect	increase