

1 What is the accounting equation for capital employed?

- A current assets – current liabilities
- B fixed assets + current assets – current liabilities
- C fixed assets + current assets + current liabilities
- D net assets – current liabilities

2 When preparing a sole trader's annual accounts, no adjustments were made for closing amounts prepaid.

What is the effect of these omissions?

| | | |
|---|----------------------------|-----------------------------|
| A | net profit overstated | creditors understated |
| B | net profit understated | creditors understated |
| C | current assets overstated | owner's capital overstated |
| D | current assets understated | owner's capital understated |

3 Which item is revenue expenditure?

- A cost of painting new office premises during construction
- B cost of repairs to factory plant and machinery
- C legal fees for the purchase of new factory premises
- D wages of a company's own workmen for building an office extension

4 In the cash book of a company the bank account showed a credit balance of \$5000. There were unrepresented cheques amounting to \$1500. The bank statement showed bank charges of \$700 not in the cash book.

What is the balance on the bank statement?

- A \$3300 debit B \$4200 debit C \$4200 credit D \$5800 credit

5 A business increases its provision for doubtful debts by \$1600.

What will be the effect of this adjustment on the final accounts?

| | net profit | | net debtors | |
|---|-------------|--------|-------------|--------|
| A | decrease by | \$1600 | decrease by | \$1600 |
| B | decrease by | \$1600 | increase by | \$1600 |
| C | increase by | \$1600 | decrease by | \$1600 |
| D | increase by | \$1600 | increase by | \$1600 |