

- 5 At the end of a financial period, a business has the following balances.

	\$
total debtors balances	10 620
bad debt not yet written off	260
provision for doubtful debt brought forward	460

What should the business do if it wishes to maintain the bad debt provision at 5 % of debtors?

- A** decrease the existing provision by \$58
B increase the existing provision by \$58
C decrease the existing provision by \$71
D increase the existing provision by \$71
- 6 A fixed asset is purchased on 1 April 2000 at a cost of \$240 000. It has an estimated residual value of \$40 000 at the end of its 5 year life and is to be depreciated on the reducing balance basis at the rate of 30 % each year.

What is the depreciation charge for the year ending 31 March 2002 (to the nearest \$)?

- A** \$42 000 **B** \$50 400 **C** \$98 000 **D** \$117 600
- 7 What does the 'going concern' principle mean?
- A** a business is profitable
B a business will continue to operate for the foreseeable future
C the assets of a business exceed its liabilities
D the assets of a business should be valued at disposal value
- 8 When a businessman introduces capital into his business, the transaction is debited in the Cash Book and credited to his Capital account.

Of which accounting principle is this an example?

- A** entity
B going concern
C matching
D prudence