

1 Which sources are external short-term sources of finance for a limited company?

- 1 bank overdraft
- 2 retained earnings
- 3 share capital
- 4 trade credit

**A** 1 and 2      **B** 1 and 4      **C** 2 and 3      **D** 2 and 4

2 A sole trader settles an account payable in full with her own money. This transaction has **not** been recorded.

What will be the effect when this is recorded?

- A** asset decreased and liability decreased
- B** asset increased and liability decreased
- C** liability decreased and capital increased
- D** liability increased and capital decreased

3 Sally had \$1000 in the bank when she paid \$1500 to buy goods for resale. The bank allowed the payment.

How was this transaction recorded in Sally's books of account?

|          | account<br>debited | \$   | account(s)<br>credited | \$   |
|----------|--------------------|------|------------------------|------|
| <b>A</b> | inventory          | 1500 | bank                   | 1500 |
| <b>B</b> | inventory          | 1500 | bank                   | 1000 |
|          |                    |      | bank overdraft         | 500  |
| <b>C</b> | purchases          | 1500 | bank                   | 1500 |
| <b>D</b> | purchases          | 1500 | bank                   | 1000 |
|          |                    |      | bank overdraft         | 500  |

4 Which items identify revenue expenditure and a capital receipt?

|          | revenue expenditure                    | capital receipt                         |
|----------|--|---|
| <b>A</b> | carriage inward on a non-current asset | issue of debentures                     |
| <b>B</b> | commission received                    | proceeds from sale of non-current asset |
| <b>C</b> | discounts allowed                      | cash drawings                           |
| <b>D</b> | repair of motor vehicle                | receipt of loan from lender             |