

- 1** A bank statement showed an overdraft of \$750.

A cheque issued in payment of rent for \$570 had not been presented, and a cheque for \$624 received was omitted from the statement.

The statement included a bank charge of \$50 but it had not been entered in the cash book.

What amount should appear in the balance sheet?

- A** bank balance \$646
- B** bank balance \$1894
- C** bank overdraft \$494
- D** bank overdraft \$696

- 2** A company pays rates annually in advance on 1 April each year. \$4000 is paid by them on 1 April 2009 and \$4800 on 1 April 2010. The company's accounting year end is 31 December.

What is the charge for rates in the 2010 income statement?

- A** \$4000                      **B** \$4200                      **C** \$4600                      **D** \$4800

- 3** At the end of its financial year a business had accounts receivable of \$16 000 and had a bad debts provision of \$640. The provision is to be maintained at 5 % of accounts receivable.

Which amount is shown in the income statement?

- A** \$160 credit      **B** \$160 debit      **C** \$800 credit      **D** \$800 debit

- 4** What might stop financial statements showing a true and fair view?

- A** changes in depreciation methods from year to year
- B** changes in dividend policy
- C** creation of an asset revaluation reserve
- D** inclusion of purchased goodwill in a balance sheet

- 5** A company has been depreciating its IT equipment over 5 years, but now finds that it is becoming obsolete in 3 years.

What does the consistency principle permit the company to do?

- A** change the depreciation policy to 3 years and highlight the effect of this in its financial statements
- B** change the depreciation policy to 3 years without indicating the effect on profits
- C** continue to depreciate over 5 years as per the existing policy
- D** continue to depreciate over 5 years but note that after 3 years the equipment will be obsolete