

- 14** Items cost \$15 per unit. They are normally sold for \$22. A damaged unit can only be sold at the normal selling price after modifications costing \$14. The scrap value of the item is \$7 per unit.

How much should the damaged unit be valued at in the balance sheet?

- A** \$7                      **B** \$8                      **C** \$14                      **D** \$15

- 15** The following items appear in the accounts of a manufacturing business.

- 1 purchase of raw materials
- 2 purchase of finished goods
- 3 carriage inwards
- 4 carriage outwards

Which items will be included in the manufacturing account?

- A** 1 and 2 only  
**B** 1 and 3 only  
**C** 1, 2 and 3  
**D** 1, 3 and 4

- 16** The directors of a company are completing the accounts for the year ended 30 April 2007. They discover that the stock at 1 May 2006 was over-valued by \$50 000.

What is the effect of correcting this error in the accounts?

	net profit for the year ended 30 April 2007	reserves brought forward at 1 May 2006
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase

- 17** A company issues 500 000 ordinary shares of \$1 each for \$3 each and 250 000 6% debentures.

By what amount will net assets of the company increase as a result of these transactions?

- A** no increase      **B** \$750 000      **C** \$1 500 000      **D** \$1 750 000