

- 1 Why does a trader account for accrued income?
- A so that current liabilities are not overstated
 - B so that current liabilities are not understated
 - C so that profit is not overstated
 - D so that profit is not understated
- 2 A trader sends his staff on a training course costing \$100 per person. 10 staff attended in April and 4 in May. Half the total cost had to be paid at the start of April and the balance at the end of May.

Which entry for training was made in the statement of financial position on 30 April?

- A \$300 accrual
 - B \$400 accrual
 - C \$600 prepayment
 - D \$700 prepayment
- 3 A business paid \$10 000 for motor expenses in the year.
- The opening prepayment was \$1500 and the closing accrual was \$2000.
- What was the charge for motor expenses for the year?
- A \$6500
 - B \$9500
 - C \$10 500
 - D \$13 500
- 4 An item of revenue expenditure is wrongly treated as capital expenditure.

What is the effect of this error?

	non-current assets	profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated