

- 13** The wages of staff employed in manufacturing goods have been debited in the income statement.

What is the effect of this error?

	gross profit	profit for the year
A	overstated	no effect
B	overstated	overstated
C	understated	no effect
D	understated	understated

- 14** During the year ended 31 December 2012 a business made a profit of \$31 000. A dividend of 8% was paid on the 200 000 ordinary shares of \$0.50 each, and \$12 000 was transferred to general reserve.

The retained earnings of the business on 31 December 2012 amounted to \$68 000.

What was the balance of retained earnings on 1 January 2012?

- A** \$41 000 **B** \$57 000 **C** \$65 000 **D** \$79 000

- 15** X and Y have been in partnership for some years sharing profits in the ratio of 3:2. Z joins the partnership and introduces cash of \$40 000. The profit-sharing will now be X - 40%, Y - 30% and Z - 30%. Goodwill is valued at \$60 000.

After joining the partnership, what is the balance of Z's capital account?

- A** \$18 000 credit
B \$22 000 debit
C \$22 000 credit
D \$40 000 credit

- 16** Which statement about a receipts and payments account is correct?

- A** Capital expenditure is not included.
B Figures are adjusted for prepayments and accruals.
C Income appears on the debit side.
D It is like an income statement for a limited company.