

- 5 What does the application of the accounting principle of consistency ensure?
- A that all losses are provided for
 - B that assets are recorded at their actual cost
 - C that financial statements are produced annually
 - D that profits are calculated the same way each year
- 6 A trader recently purchased a non-current asset for his business at a cost of \$6500. A friend told him he could buy a similar asset on-line for \$5000. The trader is now unsure how to value the asset in the books of account.

Which principle should the trader apply?

- A accruals
 - B business entity
 - C historical cost
 - D materiality
- 7 At the financial year end of a business the following information is available.

| | \$ |
|--|------|
| debit balance on the bank statement | 1000 |
| unpresented cheques | 300 |
| lodgements not yet credited by the bank | 600 |
| bank charges and interest charged not yet entered in the cash book | 150 |

What is the current balance in the cash book?

- A \$400 credit B \$400 debit C \$550 credit D \$550 debit
- 8 Which error would result in the creation of a suspense account?
- A crediting the commission received account with rent received
 - B crediting the discounts allowed account with the discounts received
 - C debiting the bank interest paid account with bank interest received
 - D debiting the petrol account with a purchase of a new car