

- 1 Which item is revenue expenditure?
- A** cost of painting new office premises during construction
- B** cost of repairs to factory plant and machinery
- C** legal fees for the purchase of new factory premises
- D** wages of a company's own workmen for building an office extension
- 2 A customer paid a deposit in advance for goods to be supplied at a later date.
- How should this be recorded in the seller's books?

	debit	credit
<b>A</b>	cash	customer
<b>B</b>	cash	sales
<b>C</b>	customer	prepayment
<b>D</b>	customer	sales

- 3 On 1 October 2004 a company purchased machinery for \$26 000. It was decided to depreciate the asset using the reducing balance method at a rate of 20 % per annum.
- On 30 September 2006 the asset was sold for \$12 000.
- What is the profit or loss on disposal?
- A** \$3600 loss      **B** \$3600 profit      **C** \$4640 loss      **D** \$4640 profit

- 4 A trial balance shows:

	Dr \$	Cr \$
provision for doubtful debts		1200
debtors	28 000	

\$2100 of the debtors are irrecoverable and are to be written off. The owner of the business wishes to make the provision for doubtful debts equal to 5 % of his outstanding debtors.

What is the amount debited to the profit and loss account for the provision for doubtful debts?

- A** \$95      **B** \$1295      **C** \$1400      **D** \$2600