

- 10** A business prepares its financial statements on 31 December. Insurance premiums paid were as follows.

date paid	period covered	\$
January 2015	1 July 2014 to 31 December 2014	940
July 2015	1 January 2015 to 30 June 2015	1120
January 2016	1 July 2015 to 31 December 2015	1245
March 2016	1 January 2016 to 30 June 2016	1880

Which amount should be shown in the income statement for the year ended 31 December 2015?

- A** \$1120 **B** \$2060 **C** \$2365 **D** \$3305
- 11** Why should non-current assets be revalued when a partner retires and a new partner is admitted?
- A** so that the new partner gains from the increase in value
- B** so that the old partners gain from building up the business
- C** so that the old partners can increase their drawings
- D** to calculate the amount the new partner must pay as capital
- 12** Closing inventory has been overvalued.

What is the effect on the financial statements?

	net current assets	profit from operations
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated