

- 1 A business makes up its financial statements to 30 April each year.

Included in the ledger account balances on 1 May 2011 was insurance (debit) \$800.

On 31 October 2011 an insurance premium of \$2100 was paid for the year ending 31 October 2012.

Which amount was charged for insurance in the income statement for the year ended 30 April 2012?

- A** \$1050                      **B** \$1850                      **C** \$2100                      **D** \$2900

- 2 A business increases its provision for doubtful debts by \$1600.

What will be the effect of this adjustment on the financial statements?

	profit for the year	trade receivables (net)
<b>A</b>	decrease by \$1600	decrease by \$1600
<b>B</b>	decrease by \$1600	increase by \$1600
<b>C</b>	increase by \$1600	decrease by \$1600
<b>D</b>	increase by \$1600	increase by \$1600

- 3 The dividends receivable account shows dividends of \$7500 received during the year. Dividends of \$1200 are due at the year end.

How will dividends be shown in the financial statements?

	income statement	\$	statement of financial position	\$
<b>A</b>	credit	7500	other receivables	1200
<b>B</b>	credit	8700	other receivables	1200
<b>C</b>	debit	7500	other payables	1200
<b>D</b>	debit	8700	other payables	1200

- 4 Which statement is correct?

- A** All reserves are created by a transfer from retained earnings.
- B** Revaluation reserves appear in the non-current assets section of the statement of financial position.
- C** Some reserves are treated as current liabilities at the financial year end.
- D** Total reserves form part of shareholders' equity.