

- 5** Adam's financial year ends on 31 December.

At the beginning of the year, on 1 January, the carrying value of machinery was \$20 000.

During the year, on 30 June, he purchased a new machine for \$6000. He paid 50% of the cost in cash and the balance by part exchange of an old machine which had the carrying value of \$2500 on that date.

He depreciates his machinery by 20% per annum on the carrying value calculated on a time basis.

What is the carrying value of the machinery shown in the statement of financial position at the end of the year on 31 December?

- A** \$18 000 **B** \$18 800 **C** \$19 150 **D** \$20 800

- 6** Which statement describes a limitation of reconciliation and verification procedures?

- A** Sometimes a sales ledger control account balance does not agree with the total of sales ledger account balances.
- B** Errors of commission could be present in the books of account.
- C** Bank transactions may be missing from the bank column in the cash book.
- D** The totals shown in the trial balance do not always agree.

- 7** The following errors in the accounting records have been found and corrected.

- 1 A purchase invoice for \$250 was omitted from the books of account.
- 2 A sale for \$120 to X was debited to the account of Y.
- 3 The sales journal was overcast by \$100.

The gross profit for the year before correcting the errors was \$60 200.

What is the correct gross profit for the year?

- A** \$59 850 **B** \$59 970 **C** \$60 350 **D** \$60 550