

- 1 A business has a bank overdraft of \$4800. It pays for materials invoiced at \$3000 less a trade discount of 20 % and a settlement discount of 5 %.

A cheque for \$500 is received from a debtor.

What is the bank balance after these transactions?

- A \$2020 overdraft
- B \$6580 overdraft
- C \$7150 overdraft
- D \$7580 overdraft

- 2 Which of the following items will be debited to accounts in the purchases ledger?

- 1 discount allowed
- 2 payments to suppliers
- 3 purchases
- 4 purchases returns

- A 1 and 2      B 2 and 3      C 2 and 4      D 3 and 4

- 3 The personal spending of the owner of a business is **not** recognised as a business expense.

Which accounting principle is being applied?

- A business entity
- B consistency
- C money measurement
- D prudence

- 4 A business obtained a machine by means of a hire purchase agreement. It showed the machine in its balance sheet at the cash price of \$30 000 although only \$10 000 has been repaid.

Which accounting principle is involved?

- A accruals
- B materiality
- C prudence
- D substance over form