

1 Which statements relate to a sole trader?

- 1 The business is a separate legal entity.
- 2 There is no separation between ownership and control.
- 3 Some of the profit is used to pay interest on the owner's capital.
- 4 There is no legal requirement to keep full accounting records.

**A** 1, 3 and 4      **B** 1 and 3 only      **C** 2 and 3      **D** 2 and 4

2 Which item **incorrectly** applies the matching concept?

- A** capitalising staff expertise and writing it off over the working life of the staff
- B** including a value for unused stationery in the statement of financial position
- C** providing for irrecoverable debts in the year the sales took place
- D** recording telephone costs incurred but not yet billed

3 Goods that had previously been purchased on credit have been returned to the supplier.

How should this be recorded in the purchaser's books of account?

	account to be debited	account to be credited
<b>A</b>	bank	purchases returns
<b>B</b>	trade payable	bank
<b>C</b>	trade payable	purchases returns
<b>D</b>	purchases returns	trade payable

4 Jason sold a non-current asset with a carrying value of \$8000. He mistakenly recorded this by debiting the bank account and crediting the sales account with the proceeds of \$6500.

By which amount was the profit for the year overstated?

**A** \$1500      **B** \$5000      **C** \$6500      **D** \$8000