

- 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 |