

- 4 On 1 January a business has prepaid \$800 for four months' motor insurance. It also has an outstanding invoice for fuel of \$140.

During January it pays the fuel invoice and a further \$600 for fuel.

At 31 January it has an outstanding fuel invoice of \$160.

What is the charge for motor expenses in the income statement for January?

- A** \$760 **B** \$960 **C** \$1100 **D** \$1560

- 5 A business values its inventory at the lower of cost and net realisable value.

Which accounting principle applies?

- A** matching
B materiality
C prudence
D substance over form

- 6 A business provides the following information.

	\$
cheque paid in 2013 for equipment bought in 2012	15 000
equipment purchased on credit in 2013	42 000
net book value of equipment at 1 January 2013	83 000
net book value of equipment at 31 December 2013	67 000

What was the depreciation charge in the income statement for the year ended 31 December 2013?

- A** \$16 000 **B** \$31 000 **C** \$43 000 **D** \$58 000

- 7 When preparing the financial statements for the year the following errors are discovered.

- 1 The sales journal was undercast by \$300.
- 2 No provision had been made for accrued wages of \$200.
- 3 No account had been taken of prepaid rent of \$400.

The draft profit for the year is \$8050.

What will be the profit when the errors are corrected?

- A** \$8150 **B** \$8550 **C** \$8750 **D** \$8950