

- 8 A business sells some of its inventory for \$500 on credit to a customer. The inventory originally cost \$600.

What is the effect of this transaction on the statement of financial position?

	current assets	owner's capital
A	decrease by \$100	decrease by \$100
B	decrease by \$100	increase by \$100
C	increase by \$100	decrease by \$100
D	increase by \$100	increase by \$100

- 9 Goodwill is adjusted in partners' accounts when there is a change in the profit sharing ratio.

How is this recorded?

	debit	credit
A	capital accounts in new profit sharing ratio	capital accounts in old profit sharing ratio
B	capital accounts in old profit sharing ratio	capital accounts in new profit sharing ratio
C	current accounts in new profit sharing ratio	current accounts in old profit sharing ratio
D	current accounts in old profit sharing ratio	current accounts in new profit sharing ratio

- 10 What is the purpose of providing for depreciation?

- A** to apply the matching principle
- B** to calculate the true value of non-current assets
- C** to ensure that money is available for repair of non-current assets
- D** to provide cash in the business for replacement of non-current assets

- 11 A trader decides to prepare departmental accounts.

Which statements explain the reason for his decision?

- 1 To be able to calculate inventory for each department.
- 2 To establish how to improve service to customers.
- 3 To have a basis for calculating staff bonuses.
- 4 To know the profit for each department.

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