

- 8 The following information is available for the telephone account for the year ended 31 December 2020.

	at 1 Jan 2020 \$	at 31 Dec 2020 \$	payments and refund \$
accrual	2000	5000	
prepayment	1000	3000	
payments made			19 000
amount refunded			500

What was the telephone expense for 2020?

- A** \$9500      **B** \$17 500      **C** \$19 500      **D** \$21 500

- 9 A trader calculated his draft profit for the year as \$16 000. The following items had not been adjusted.

- 1 decrease in prepaid insurance, \$400
- 2 increase in closing inventory, \$1200
- 3 decrease in provision for doubtful debts, \$120
- 4 increase in accrued rent receivable, \$300

What was the profit for the year after adjusting for these items?

- A** \$16 620      **B** \$16 980      **C** \$17 220      **D** \$17 780

- 10 An item of capital expenditure has been incorrectly treated as revenue expenditure in the financial statements of a business.

What is the effect of this error on the financial statements?

	assets	profit for the year
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated