

- 1 Which entries are required to show a decrease in the existing provision for doubtful debts?

	debit	credit
<b>A</b>	bad debts account	provision for doubtful debts account
<b>B</b>	income statement	provision for doubtful debts account
<b>C</b>	provision for doubtful debts account	bad debts account
<b>D</b>	provision for doubtful debts account	income statement

- 2 A trader, whose year end was 31 December 2014, paid business rates of \$3000 on 1 November 2014. The business rates were for the six months ending 31 March 2015, but no adjustment had been made for the prepayment.

Which effect does this omission have on the profit for the year?

- A** overstated \$1500  
**B** overstated \$2000  
**C** understated \$1500  
**D** understated \$2000
- 3 Closing inventory of \$5000 at 31 December 2014 has been incorrectly entered in the financial statements as \$3000.

How does this affect the financial statements at 31 December 2014?

	profit for the year	net assets
<b>A</b>	no effect	understated
<b>B</b>	overstated	overstated
<b>C</b>	understated	no effect
<b>D</b>	understated	understated