

1 Which statement describes the purpose of preparing a trial balance?

- A to assist in the preparation of financial statements
- B to calculate owner's equity
- C to calculate profit for the year
- D to prove that ledger balances are free from errors

2 Phil purchased new premises and made the following payments.

	\$
premises	60 000
legal fees relating to purchase	2 000
insurance for the financial year	700

When recording the purchase of the premises, the legal fees and insurance were both treated incorrectly.

Phil's accounting policy is **not** to charge depreciation on non-current assets in the year of purchase.

What was the effect of the errors on the profit for the year?

- A \$1300 overstated
- B \$1300 understated
- C \$2700 overstated
- D \$2700 understated

3 The delivery cost of a machine purchased for business use has been included in carriage inwards.

What is the effect on the profit for the year and on total assets?

	profit for the year	total assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated