

- 1 In the books of account of Y, how could a credit entry of \$500 in X's account have arisen?
- A** X bought goods from Y.
- B** X returned goods to Y.
- C** Y made a payment to X.
- D** Y returned goods to X.
- 2 A business paid \$5750 during its trading year for advertising. Part of this amount included \$500 in respect of the next financial year.

Which effects would the correct treatment of the \$500 have on the financial statements?

|          | profit for the year | net current assets |
|----------|---------------------|--------------------|
| <b>A</b> | decrease            | decrease           |
| <b>B</b> | decrease            | increase           |
| <b>C</b> | increase            | decrease           |
| <b>D</b> | increase            | increase           |

- 3 A rents its building to B.

At 31 December 2011, B owed \$4500 for rent. At 31 December 2012, B had paid \$3200 in advance. During the year A had received \$17 100 in rental from B.

What is the rental income to be shown in A's income statement for the year ended 31 December 2012?

- A** \$9400      **B** \$15 800      **C** \$18 400      **D** \$24 800

- 4 The draft financial statements of a business show a profit for the year of \$64 000 before taking account of the following.

- 1 the reduction of the provision for doubtful debts by \$300
- 2 the purchase of office stationery costing \$2400 which has not been entered in the records; only one sixth of this stationery was used by the year end

What is the corrected profit for the year?

- A** \$61 900      **B** \$63 900      **C** \$64 100      **D** \$64 300