

- 1 An item of capital expenditure has been incorrectly treated as revenue expenditure in the accounts of a business.

What is the effect of this error on the accounts of the business?

	assets	profit
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 2 A business has a bank overdraft of \$4800. It pays for materials invoiced at \$3000 less a trade discount of 20 % and a settlement discount of 5 %.

A cheque for \$500 is received from a debtor.

What is the bank balance after these transactions?

- A** \$2020 overdraft
- B** \$6580 overdraft
- C** \$7150 overdraft
- D** \$7580 overdraft

- 3 Which of the following items will be debited to accounts in the purchases ledger?

- 1 discount allowed
- 2 payments to suppliers
- 3 purchases
- 4 purchases returns

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

- 4 The personal spending of the owner of a business is **not** recognised as a business expense.

Which accounting principle is being applied?

- A** business entity
- B** consistency
- C** money measurement
- D** prudence