

**1** What are the advantages of being a sole trader?

- 1 ability to make quick decisions
- 2 no bank borrowings are needed
- 3 owner keeps all the profits
- 4 unlimited liability for debts

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

**2** What is **not** a purpose of ledger accounts?

- A** to assist in the preparation of the financial statements
- B** to assist in the preparation of the trial balance
- C** to record the double entry from the subsidiary books
- D** to verify the accuracy of the bookkeeping system

**3** An item is included in a financial statement because it affects the interpretation of financial statements.

Which accounting concept is being applied?

- A** consistency
- B** materiality
- C** money measurement
- D** substance over form

**4** A business acquired new factory machinery costing of \$120 000. This amount was included in non-current assets, and depreciation at 10% of cost was charged to the draft statement of profit or loss for the period.

In addition the business paid \$14 000 for installation of the machinery and \$6000 for insuring the machine. These amounts were treated as revenue expenditure for the period.

The draft statement of profit or loss for the period showed a profit of \$50 000.

What is the revised profit for the period?

**A** \$48 600      **B** \$50 000      **C** \$62 600      **D** \$68 000