

1 Which 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

2 The accounting year end of a business is 31 October.

On 1 April the business rents out part of its warehouse for an annual rent of \$6000. Payments were received in equal instalments on 1 April, 1 July, 1 October and 1 January.

At 31 October what would the financial statements show?

|          | income statement |      | statement of financial position |      |
|----------|------------------|------|---------------------------------|------|
|          |                  | \$   |                                 | \$   |
| <b>A</b> | rental income    | 3500 | current asset                   | 1000 |
| <b>B</b> | rental income    | 3500 | current liability               | 1000 |
| <b>C</b> | rental income    | 4500 | current liability               | 1000 |
| <b>D</b> | rental income    | 6000 | current asset                   | 1500 |

3 Which transaction would increase the current assets of a business?

- A** paying invoices \$950, after receiving \$50 cash discount
- B** purchasing a machine on credit for \$1200
- C** purchasing inventory for \$1100 cash and selling it on credit for \$1500
- D** selling inventory with an original cost of \$800 at below cost price

4 A new machine is purchased at a price of \$75 000. In addition, delivery and installation cost is \$2500.

The business depreciates all non-current assets at a rate of 20% per annum using the straight line method.

By how much would this transaction decrease the profit for the year?

**A** \$14 500      **B** \$15 000      **C** \$15 500      **D** \$17 500