

- 8 Bank interest income, \$1800, had been correctly entered in the bank account but recorded as interest expense.

Which entries in the ledger will correct the error?

| | account to be debited | \$ | account to be credited | \$ |
|----------|--------------------------|------|---------------------------|------|
| A | interest expense | 1800 | suspense | 1800 |
| B | interest income | 1800 | suspense | 1800 |
| | interest expense | 1800 | | |
| C | suspense | 1800 | interest income | 1800 |
| D | suspense | 3600 | interest income | 1800 |
| | | | interest expense | 1800 |

- 9 A company has the following balances.

| | \$ |
|--|---------|
| trade receivables at 31 December 2017 | 125 400 |
| provision for doubtful debts at 1 January 2017 | 1 800 |

During the year ended 31 December 2017 debts of \$20 500 had been written off. The company provides for doubtful debts at a rate of 5% of trade receivables at each year end.

Which expense for doubtful debts was included in the income statement for the year ended 31 December 2017?

- A** \$3445 **B** \$4470 **C** \$5245 **D** \$6270

- 10 How are purchases calculated when proper accounting records have **not** been kept?

- A** sales \times (1 – margin) – closing inventory + opening inventory
B sales \times (1 – margin) + closing inventory – opening inventory
C sales \times (1 – mark-up) – closing inventory + opening inventory
D sales \times (1 – mark-up) + closing inventory – opening inventory

- 11 The draft financial statements for a business included an inventory valued at \$550 000.

This valuation included damaged items which originally cost \$50 000. These could be sold for \$15 000 provided that \$5000 is spent on repairs.

What is the correct inventory valuation?

- A** \$490 000 **B** \$500 000 **C** \$510 000 **D** \$515 000