

- 4** On 30 September 2005 a manufacturer's current assets totalled \$28 000. The next day only two transactions took place.

1 Stock bought for cash.

The list price of \$2000 was subject to a trade discount of 20 % and a cash discount of 5 %.

Payment was made immediately.

2 A bad debt of \$400 was written off.

What was the total of current assets on 2 October 2005?

- A** \$27 680 **B** \$28 080 **C** \$29 520 **D** \$29 600

- 5** A business uses the straight line method to provide for depreciation of equipment.

Why should it continue to use this method in subsequent years?

- A** accounting principles never allow accounting methods to be changed
B other methods of depreciation are unsuitable for depreciating equipment
C to ensure that profits are stated on a consistent basis over time
D to ensure that the Balance Sheet always shows the market value for equipment

- 6** Stock has been damaged.

The stock cost \$1200.

It would have sold for \$1800 when perfect.

It can be sold for \$1700 if repairs are undertaken at a cost of \$600.

To replace the stock would cost \$1000.

At what value should the damaged stock be shown in the final accounts?

- A** \$1000 **B** \$1100 **C** \$1200 **D** \$1800

- 7** Which accounting policies illustrate the matching principle?

- 1 charging depreciation on fixed assets
2 revaluing fixed assets on a regular basis
3 using the reducing balance method of depreciation

- A** 1, 2 and 3
B 1 and 2 only
C 1 and 3 only
D 2 and 3 only