

1 Which item is revenue expenditure?

- A cost of painting new office premises during construction
- B cost of repairs to factory plant and machinery
- C legal fees for the purchase of new factory premises
- D wages of a company's own workmen for building an office extension

2 A customer paid a deposit in advance for goods to be supplied at a later date.

How should this be recorded in the seller's books?

	debit	credit
A	cash	customer
B	cash	sales
C	customer	prepayment
D	customer	sales

3 On 1 October 2004 a company purchased machinery for \$26 000. It was decided to depreciate the asset using the reducing balance method at a rate of 20 % per annum.

On 30 September 2006 the asset was sold for \$12 000.

What is the profit or loss on disposal?

- A \$3600 loss B \$3600 profit C \$4640 loss D \$4640 profit

4 A trial balance shows:

	Dr \$	Cr \$
provision for doubtful debts		1200
debtors	28 000	

\$2100 of the debtors are irrecoverable and are to be written off. The owner of the business wishes to make the provision for doubtful debts equal to 5 % of his outstanding debtors.

What is the amount debited to the profit and loss account for the provision for doubtful debts?

- A \$95 B \$1295 C \$1400 D \$2600