

- 5 A book-keeper compared the business bank statement with the cash book. He then updated the cash book and finally prepared a bank reconciliation statement.

Why was the bank reconciliation statement prepared?

- A to ensure no transactions had been omitted from the cash book
- B to establish the value of unpresented cheques
- C to explain the difference between the cash book balance and the bank statement balance
- D to find out if any cheques had been dishonoured

- 6 A suspense account was opened to record the difference on a trial balance.

The following errors were then discovered.

- 1 Discount allowed of \$2000 had only been entered in the sales ledger control account.
- 2 A cheque for \$1500 paid for repairs had been entered as \$5100 in the repairs account.

What was the opening balance on the suspense account?

- A \$1600 credit
- B \$1600 debit
- C \$5600 credit
- D \$5600 debit

- 7 Inventory costing \$1200 has been damaged. It would normally be sold for \$1800.

It can be sold for \$1700 if repairs are undertaken at a cost of \$600. To replace the inventory would cost \$1000.

At which value should the damaged inventory be shown in the financial statements?

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

- 8 A company's trial balance showed trade receivables of \$14 600 and an existing provision for doubtful debts of \$470.

It was discovered that the trade receivables included an irrecoverable debt of \$500. A contra entry of \$400 was also to be made.

The provision for doubtful debts is to be maintained at 5% of trade receivables.

Which amount for doubtful debts was charged in the income statement?

- A** \$215 **B** \$235 **C** \$470 **D** \$685