

11 A business has the following assets and liabilities at the start of the year.

a motor car valued at \$2500

inventory which cost \$4000 with a sale value of \$5800

bank overdraft of \$500

a loan to a friend from the business bank account \$1000

What is the capital account balance at the start of the year?

A \$5000 **B** \$7000 **C** \$8000 **D** \$8800

12 A business buys a non-current asset and decides to apply the straight-line method of depreciation. The accountant forgets to include an estimate of scrap value in the calculation.

Which statements are correct?

- 1 The annual depreciation charge is too high.
- 2 The annual depreciation charge is too low.
- 3 There is likely to be a loss on disposal in the future.
- 4 There is likely to be a profit on disposal in the future.

A 1 and 3 **B** 1 and 4 **C** 2 and 3 **D** 2 and 4

13 What will increase profit?

- A** increasing depreciation rates
- B** increasing the general reserve
- C** increasing the provision for doubtful debts
- D** increasing the value of closing work-in-progress

14 The provisions of the Partnership Act apply if partners do **not** draw up a partnership agreement.

Which statement is true as a provision of the Partnership Act?

- A** Interest on drawings is charged at 5% a year.
- B** Interest on loans from partners is to be at 8% a year.
- C** Partners are not entitled to salaries.
- D** Profits are to be shared in the ratio of fixed capitals.