

- 1** A business purchases a machine for \$3200. It is estimated that it will have a useful life of 5 years and a residual value of \$700. Straight line depreciation is charged each year.

What is the net book value at the end of year 2?

- A** \$1920                      **B** \$2200                      **C** \$2560                      **D** \$2700

- 2** A bank statement showed an overdraft of \$750.

A cheque issued in payment of rent for \$570 had not been presented, and a cheque for \$624 received was omitted from the statement.

The statement included a bank charge of \$50 but it had not been entered in the cash book.

What amount should appear in the balance sheet?

- A** bank balance \$646  
**B** bank balance \$1894  
**C** bank overdraft \$494  
**D** bank overdraft \$696

- 3** A company pays rates annually in advance on 1 April each year. \$4000 is paid by them on 1 April 2009 and \$4800 on 1 April 2010. The company's accounting year end is 31 December.

What is the charge for rates in the 2010 income statement?

- A** \$4000                      **B** \$4200                      **C** \$4600                      **D** \$4800

- 4** At the end of its financial year a business had accounts receivable of \$16 000 and had a bad debts provision of \$640. The provision is to be maintained at 5 % of accounts receivable.

Which amount is shown in the income statement?

- A** \$160 credit      **B** \$160 debit      **C** \$800 credit      **D** \$800 debit

- 5** What might stop financial statements showing a true and fair view?

- A** changes in depreciation methods from year to year  
**B** changes in dividend policy  
**C** creation of an asset revaluation reserve  
**D** inclusion of purchased goodwill in a balance sheet