

- 1** Which item would result in a credit entry in an income statement?
- A** an increase in the provision for doubtful debts
 - B** a reduction in the provision for doubtful debts
 - C** the creation of a provision for doubtful debts
 - D** the writing off of a trade receivable
- 2** A business prepares its financial statements on 31 December. Insurance premiums paid were as follows.

date	period covered	\$
January 2012	1 July 2011 to 31 December 2011	940
July 2012	1 January 2012 to 30 June 2012	1120
January 2013	1 July 2012 to 31 December 2012	1245
March 2013	1 January 2013 to 30 June 2013	1880

Which amount should be shown in the income statement for the year ended 31 December 2012?

- A** \$1120 **B** \$2060 **C** \$2365 **D** \$3305
- 3** A company has the following balances.

	\$
trade receivables at 31 December 2012	125 400
provision for doubtful debts at 1 January 2012	1 800

During the year ended 31 December 2012 bad debts of \$20500 had been written off. The company provides for 5% of trade receivables at each year end.

What is the doubtful debts expense for the year ended 31 December 2012?

- A** \$3445 **B** \$4470 **C** \$5245 **D** \$6270