



Worksheet 8: Knowing facts, terms and concepts

For each question, choose one correct option.

- 1 In financial statements, inventories are valued at the lower cost and net realisable value in the statement of financial position. Which accounting concept is being applied?

- A duality
- B historic cost
- C matching
- D prudence

A	B	C	D

- 2 In which book of prime entry is the contra between the sales ledger control account and the purchases ledger control account recorded?

- A cash book
- B general journal
- C purchases journal
- D sales journal

A	B	C	D

- 3 Which statement about rights issues is correct?

- A These shares can be offered to anyone.
- B These shares can only be offered to existing shareholders.
- C These shares cannot be sold at a premium.
- D These shares cannot be sold at less than the market price.

A	B	C	D

- 4 What is the reason for calculating an overhead absorption rate in a manufacturing business?

- A to control overhead expenditure
- B to determine whether or not a supplier is overcharging
- C to enable overheads to be apportioned to cost centres
- D to establish costs per unit of product

A	B	C	D



5 How is margin of safety calculated?

- A actual sales minus break-even sales
- B actual sales minus expected sales
- C actual sales minus cost of sales
- D expected sales minus cost of sales

A	B	C	D