1. The purpose of trial balance is to check whether debits and credits are equal.
2. Drawings are NOT an expense to a business.
3. **Cost of sales** are calculated as follows:
   - Opening inventory \( \times \)
   - Purchases \( \times \)
   - Less: returns outwards \( \times \)
   - Add: carriage inwards \( \times \)
   - Less: Closing inventory \( \times \)
4. Cash discount is offered for prompt payment of an invoice.
5. Goodwill is an intangible current asset.
6. Assets = Capital + Liabilities.
7. The external auditors give their opinion on the reliability of the published financial statements.
9. Valuation of inventory in the financial statements must be recorded at the LOWER of cost and net realisable value.
10. Working capital is current assets less current liabilities.
11. If the value of closing inventory is increased the outcome will be to increase profit and increase the value of current assets.
12. Relevance, Reliability, Understandability and Comparability are characteristics said to make accounting information useful.
13. Customer’s personal account will be recorded in Receivables ledger.
14. Dishonoured cheque from a customer will be recorded in debit receivables and credit bank.
15. Tangible assets are subject to depreciation with the exception of land.
16. Intangible assets may be subject to amortisation.
17. Methods of depreciation include straight-line and reducing balance methods.
18. Depreciable amount of an asset = Cost of the asset – residual value.
19. The purpose of a trial balance is to check the arithmetic accuracy.
20. Balance sheet is made up of Assets, Liabilities and Equity.