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. **<u>Cost of sales</u>** are calculated as follows:

   Opening inventory x
   Purchases x
   Less: returns outwards (x)
   Add: carriage inwards x
   Less: Closing inventory (x)
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
8. Books of original/prime entry are Cash book, Sales returns daybook, Petty cash book and journal
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 as debit receivables and credit bank
15. Tangible asset 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