



## Worksheet 8: Knowing facts, terms and concepts answers

- 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?  
**D** *prudence*
- 2 In which book of prime entry is the contra between the sales ledger control account and the purchases ledger control account recorded?  
**B** *general journal*
- 3 Which statement about rights issues is correct?  
**B** *These shares can only be offered to existing shareholders.*
- 4 What is the reason for calculating an overhead absorption rate in a manufacturing business?  
**D** *to establish costs per unit of product*
- 5 How is margin of safety calculated?  
**A** *actual sales minus break-even sales*