

**1** Which accounting concept is being applied when calculating depreciation?

- A** business entity
- B** matching
- C** materiality
- D** substance over form

**2** A company purchased a new delivery vehicle.

Which items would appear in the income statement?

- 1 delivery cost of the delivery vehicle
- 2 insurance for the delivery vehicle
- 3 painting of the company name on the delivery vehicle
- 4 purchase cost of the delivery vehicle

- A** 1 and 2      **B** 1 only      **C** 2 and 3      **D** 2 only

**3** A company has two non-current assets. Details are as follows:

asset	date bought	cost \$	depreciation method		residual value
X	1 Jan 2018	10 000	straight-line	life 5 years	\$2000
Y	1 Jan 2018	20 000	reducing balance	rate 20%	nil

What was the total depreciation charge in the income statement for the year ended 31 December 2019?

- A** \$4800      **B** \$5200      **C** \$5600      **D** \$6000

**4** A business purchased a new machine on 1 January 2020 for \$15 000 paying \$10 000 by cheque.

The balance was settled by part exchange of an old machine. This old machine had cost \$12 000 on 1 January 2018 and had been expected to last for 6 years with a residual value of \$2400.

The business uses the straight-line method of depreciation.

What was the loss on the disposal of the old machine?

- A** \$1400      **B** \$3000      **C** \$3800      **D** \$4600