

1 Which statements about the prudence concept are correct?

- 1 Assets should not be overstated.
- 2 Liabilities should be overstated.
- 3 Losses should only be provided for after they have occurred.

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

2 The accounting year for a business ends on 31 December. On September 2013 it had purchased a machine for \$20 000.

The machine was sold on 30 November 2016 for \$7500.

The company depreciated the machinery at 15% using the straight-line method. It charged a full year's depreciation in the year of purchase and none in the year of sale.

What is the profit or loss on disposal?

- A** \$2750 loss
- B** \$2750 profit
- C** \$3500 loss
- D** \$3500 profit