

- 1 The owner of a business purchased a camera to take some photographs of her family.

She wishes to include it as an asset in the financial statements of the business. Her accountant says that she should **not** do this.

Which accounting principle is the accountant applying?

- A business entity
- B consistency
- C going concern
- D realisation

- 2 What are the characteristics of non-current assets?

- 1 They are not intended for resale.
- 2 They provide future economic benefits.
- 3 They prevent the company from going out of business.

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

- 3 A business has a year end of 31 December. It depreciates its motor vehicles over four years using the straight-line method. A full year's depreciation is charged in the year of purchase, but none in the year of sale.

A motor vehicle purchased on 1 July 2016 for \$18 000 had an estimated residual value of \$4000. The motor vehicle was sold for \$5000 on 31 December 2019.

What was the profit or loss on disposal?

- A \$1000 loss
- B \$1000 profit
- C \$2500 loss
- D \$2500 profit