

- 1 A non-current asset costs \$250 000 and has a useful economic life of 25 years. The estimated residual value is \$10 000.

Depreciation is provided on a straight line basis.

After 10 years the asset is sold for \$120 000. Disposal costs of \$20 000 are incurred.

What is the loss on disposal?

- A** \$30 000      **B** \$34 000      **C** \$50 000      **D** \$54 000

- 2 Goods that had previously been purchased on credit have been returned to the supplier.

How should this be recorded in the purchaser's books of account?

	account to be debited	account to be credited
<b>A</b>	bank	purchases returns
<b>B</b>	trade payable	bank
<b>C</b>	creditor	purchases returns
<b>D</b>	purchases returns	trade payable

- 3 On 1 January 2012 a business had prepaid rent of \$50. During 2012, it made three rent payments of \$250 each. On 31 December 2012, the business owed \$200 rent for 2012.

The business owner only charged the rent payments made during 2012 in the income statement.

What is the effect on profit for the year?

- A** \$200 overstated  
**B** \$200 understated  
**C** \$250 overstated  
**D** \$250 understated

- 4 A computer used for demonstration to customers was treated as capital expenditure.

The following year a customer purchased the computer in the ordinary course of business.

Which entries are needed to adjust the cost of sales?

	account to be debited	account to be credited
<b>A</b>	inventory	computers
<b>B</b>	purchases	computers
<b>C</b>	sales	inventory
<b>D</b>	selling expenses	sales