

- 2 Khalid runs a business. His non-current assets with a total value of \$200 000 consist of a motor vehicle and a machine with a life expectancy of 5 years. He anticipates that the machine will make products at a steady rate during that period.

**REQUIRED**

- (a) State **three** methods of depreciation which may be used by a business.

1 .....

2 .....

3 .....

[3]

- (b) Advise Khalid which method of depreciation he should use for **each** asset. Justify your advice.

Motor vehicle .....

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Machine .....

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..... [6]

- (c) State which accounting concept Khalid did **not** apply in each of the following scenarios.

Scenario	Concept
Khalid used the business bank account to pay for a deposit for a family holiday. This was treated as a business expense.	
A stapler for \$10 paid by Khalid out of the business bank account was added to the business office equipment account balance.	
Khalid became aware that a customer owing \$1500 was bankrupt. He took no action when preparing the financial statements.	

[3]

(d) State the purpose of financial statements.

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..... [3]