

1 Which statements are correct?

- 1 A book of prime entry is also part of the double entry system.
- 2 All sales made by the business are included in the sales ledger.
- 3 Ledger accounts for income and liabilities have credit balances.
- 4 Trade discounts appear in the income statement.

A 1 and 2 **B** 1 and 3 only **C** 1, 3 and 4 **D** 3 and 4 only

2 Which accounting concepts are **not** reasons for including depreciation in the income statement?

- 1 matching
- 2 materiality
- 3 prudence
- 4 realisation

A 1 and 4 **B** 2 and 3 **C** 3 only **D** 4 only

3 On 1 January 2019, a non-current asset was purchased at a cost of \$290 000. Delivery and installation costs of \$10 000 were also paid.

The reducing balance method is used to depreciate the asset at a rate of 20% per annum. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

On 31 December 2021, the non-current asset was sold for \$205 000. Disposal costs of \$5000 were also paid.

What was the profit on disposal?

A \$8000 **B** \$13 000 **C** \$14 400 **D** \$46 400

4 A sole trader purchased a machine costing \$30 000 with an estimated residual value of \$5000. It was expected to have a useful life of five years.

At the end of the fourth year, the machine was sold at a profit of \$200.

Depreciation is charged using the straight-line method. A full year's depreciation is charged for each year the asset is owned.

What was the amount of sale proceeds?

A \$5200 **B** \$6200 **C** \$10 200 **D** \$15 200