

- 3 The table shows how a property was recorded in the statement of financial position.

	\$
land and buildings	100 000
accumulated depreciation	(40 000)
net book value	<u>60 000</u>

The land and buildings were later revalued to \$150 000.

What is the journal entry to record the revaluation?

		Dr \$	Cr \$
A	income statement land and buildings	50 000	50 000
B	land and buildings income statement	50 000	50 000
C	land and buildings provision for depreciation revaluation reserve	50 000 40 000	90 000
D	revaluation reserve land and buildings provision for depreciation	90 000	50 000 40 000

- 4 A company purchased a machine for \$50 000. It had an estimated resale value of \$5000 at the end of five years.

The machine was sold for \$6000 at the end of its five year life.

Which statement is correct?

- A** Depreciation charges over the five year period have reduced profits by a total of \$50 000.
- B** The annual depreciation charge was overstated by \$200.
- C** The company profits in years one to four need to be adjusted.
- D** The depreciation method used by the company has no effect on profits.