

- 1 An item is found to be the subject of a material error in a company's financial statements.

What does 'material' mean?

- A The item affects only the income statement of the entity.
- B The item affects only the statement of financial position of the entity.
- C The item has a small monetary value.
- D The item may affect the economic decisions of a user of the financial statements.

- 2 Why does a business charge depreciation?

- 1 to be able to replace an asset at the end of its useful life
- 2 to charge the cost of an asset to each period that benefits from its use
- 3 to treat each asset according to the concept of consistency

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

- 3 Which items are revenue expenditure?

- 1 cost of painting new office premises during construction
- 2 cost of repairs to factory plant and machinery
- 3 legal fees for the purchase of new factory premises

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

- 4 The following information relates to non-current assets.

	\$
net book value at 31 December 2016	42 000
net book value at 31 December 2017	34 000
assets bought	8 700
receipts from assets sold	7 900
depreciation charge for the year 2017	9 500

What was the profit or loss on the disposal of non-current assets sold during the year?

- A loss \$700
- B loss \$900
- C profit \$700
- D profit \$900