

**1** Which item is classed as revenue expenditure?

- A** installation costs of machinery
- B** legal fees on the purchase of premises
- C** number plates on a new motor vehicle
- D** redecorating office premises

**2** What is the purpose of depreciation?

- A** to allocate the cost of the assets over their lives
- B** to improve liquidity ratios of the business
- C** to provide sufficient funds to replace the assets
- D** to show the assets at their market values

**3** A company's year end is 30 April. It purchases a factory in May 2014 at a cost of \$200 000. The factory will be depreciated over 20 years. A full year's depreciation is charged in the year of purchase.

In May 2017 the factory is revalued at \$300 000.

How much should be included in the revaluation reserve account?

- A** \$100 000      **B** \$120 000      **C** \$130 000      **D** \$140 000

**4** A business has a year end of 31 December. It purchased a non-current asset on 1 January 2014 for \$100 000. It was depreciated using the reducing balance method at 20% per annum. It was sold for \$40 000 on 1 January 2016.

What was the loss on disposal?

- A** \$20 000      **B** \$24 000      **C** \$40 000      **D** \$60 000

**5** Why does a business keep a sales ledger control account?

- 1 It helps deter fraud.
- 2 It helps with the preparation of financial statements.
- 3 It identifies doubtful debt easily.
- 4 It predicts the sales for the coming year.

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