1 Which accounting concept states that revenue can only be recognised after it has been earned?

A consistency

B going concern

C money measurement

D realisation

2 A sole trader has changed the method of depreciating his machinery from the reducing balance method in the year 1 to the straight-line method in the year 2 of trading. The same percentage rate of depreciation is used in both cases.

What is the effect on the net book value of machinery and profit for the year 2?

	net book value	profit for the year 2
A	higher	higher
B	higher	lower
C	lower	higher
D	lower	lower

3 Paul has a year end of 31 December.

On 1 January 2020, he bought a non-current asset for $10 000. He sold it on 1 January 2021 for $8500.

Paul usually provides depreciation at the rate of 10% per annum. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. He forgot to provide for any depreciation on this non-current asset.

What was the effect of this error on Paul's profit for the year ended 31 December 2021?

A $1000 higher

B $1000 lower

C $1500 higher

D $1500 lower

4 A business depreciates its machinery at 10% per annum using the straight-line method on a month-by-month basis. The business's financial year end is 30 June.

Machinery which had cost $6600 on 1 April 2020 was sold on 30 November 2021. The profit on sale was $350.

What were the sale proceeds?

A $5150 **B** $5425 **C** $5850 **D** $6125