

5 What are the characteristics of non-current assets?

- 1 They are not intended for resale.
- 2 They provide future economic benefits.
- 3 They prevent the company from going out of business.

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

6 At the beginning of the financial year on 1 January, a business acquired a new motor vehicle for \$34 000. In error, this was recorded in the account for motor expenses. Motor vehicles are depreciated using the reducing balance method at the rate of 30% per annum. It is estimated that the motor vehicle will have a residual value of \$4000 at the end of its life.

If the error is **not** corrected, what will be the effect on the profit for the year ended 31 December?

- A** \$10 200 overstated
- B** \$23 800 understated
- C** \$25 000 understated
- D** \$34 000 understated

7 A company purchased a machine on 1 April 2021 for \$25 000. It was depreciated at 20% per annum using the straight-line method. A full year's depreciation is charged in the year of purchase but none in the year of sale. On 30 June 2023 the machine was sold for \$12 500.

The company's year end is 31 December.

What was the profit or loss on the disposal of the machine?

- A** \$1250 loss
- B** \$1250 profit
- C** \$2500 loss
- D** \$2500 profit

8 Which error will cause a trial balance **not** to balance?

- A** an invoice entered as a credit note on original input
- B** a journal entry that does not balance
- C** a transaction entered as the wrong amount on original input
- D** a transaction not entered in the books of account