

- 1 Expenditure on a machine during a year has included the following:

	\$
insurance costs	2 400
new engine – machine will now produce more products per hour	22 300
cleaning costs	7 200

How much of this expenditure should be treated as capital expenditure?

- A** none **B** \$22 300 **C** \$24 700 **D** \$31 900

- 2 An item of capital expenditure has been incorrectly treated as revenue expenditure in the accounts of a business.

What is the effect of this error on the accounts of the business?

	assets	profit
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 3 A business buys a computer for \$2200 on 1 January 2002. The computer will be used for four years, after which time it will be sold for \$280. The business uses the straight-line method of depreciation.

What is the depreciation charge for the year ended 31 December 2003?

- A** \$480 **B** \$550 **C** \$960 **D** \$1100

- 4 A vehicle was part exchanged for a new vehicle. The value placed on the old vehicle was \$12 000.

Which entries record the \$12 000 part exchange?

	account debited	account credited
A	Cash	Motor Vehicles
B	Motor Vehicles	Cash
C	Disposals	Motor Vehicles
D	Motor Vehicles	Disposals