1 Which items would be entered in the General Journal?

1 goods taken by owner for personal use

2 goods purchased for resale

3 purchase of a non-current asset on credit

4 purchase of office stationery

A 1 and 2 **B** 1 and 3 only **C** 1, 3 and 4 **D** 3 and 4 only

2 Why is it important for a trader to distinguish between capital expenditure and revenue expenditure?

1 to apply the realisation concept

2 to know which method of depreciation to use

3 to obtain a more accurate profit figure

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

3 A company purchased a new vehicle for $30 000. It part-exchanged an existing vehicle at a value of $6500, with the balance being paid by cheque.

The part-exchanged vehicle originally cost $12 000 and had a net book value of $4800 on disposal.

Which entries will be made in the accounts?

	income statement	bank account
A	$1700 income	motor vehicle at cost $23 500 credit
B	$1700 expense	motor vehicle at cost $30 000 debit
C	$5500 expense	motor vehicle at cost $23 500 debit
D	$5500 income	motor vehicle at cost $30 000 credit

4 At 31 December 2021 a business had a non-current asset with a net book value of $18 000. It had been purchased during the year ended 31 December 2020.

Depreciation is charged at a rate of 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase.

What was the original cost of the non-current asset?

A $22 500 **B** $24 000 **C** $27 000 **D** $32 000