

- 1 The skill and efficiency of the workforce of a business has increased during the financial period. The owner of the business wants to record a value for this in the financial statements. His accountant advises against this idea.

Which accounting concept is the accountant applying?

- A business entity
- B matching
- C money measurement
- D prudence

- 2 On 1 January 2020, Marek bought some machinery. He paid a total of \$50 000.

Of this, \$6000 was for maintenance of the machinery until 31 December 2022.

Marek depreciates his machinery at the rate of 10% per annum.

How was the expenditure recorded in Marek's financial statements for the year ended 31 December 2020?

	non-current assets \$	current assets \$	income statement \$
A	39 600	nil	10 400
B	39 600	4 000	6 400
C	41 600	4 000	4 400
D	45 000	nil	5 000

- 3 Which statements about depreciation are correct?

- 1 It is an application of the matching concept.
- 2 It provides funds for the replacement of a non-current asset.
- 3 It spreads the cost of a non-current asset over its useful life.

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