1 A business depreciates its non-current assets. It then includes them in the statement of financial position at the net book value.

Which concept is the business following?

A duality

B prudence

C realisation

D substance over form

2 Which item is capital income?

A bank interest received

B proceeds from sale of business premises

C rental income from property

D sale of inventory to a customer

3 A company purchased a machine on 1 April 2017 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 2019 the machine was sold for $12 500. The company 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

4 Why do businesses charge depreciation on their non-current assets?

A to ensure that sufficient cash is available to replace the assets

B to show the realisable value of the assets in the statement of financial position

C to spread the cost of the assets over their estimated useful life

D to show when the assets must be replaced