

- 1 The owner of a business has been told that work completed for a customer should be recorded in the books of account although the invoice has not yet been sent to the customer.

Which accounting concepts are being applied?

- 1 matching
- 2 materiality
- 3 realisation

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

- 2 Adam's financial year ends on 31 December 2017.

On 1 January 2017 the net book value of machinery was \$20 000.

On 30 June 2017 he purchased a new machine for \$6000. He paid 50% of the cost in cash and the balance by part exchange of an old machine, which had a net book value of \$2500 **on that date**.

He depreciates his machinery by 20% per annum on the net book value calculated on a time basis.

What is the net book value of the machinery shown in the statement of financial position on 31 December 2017?

**A** \$18 400      **B** \$18 800      **C** \$19 150      **D** \$20 800

- 3 A business has an accounting year-end of 31 March. It purchased a car on 1 April 2014 for \$15 000. The car was sold on 30 September 2017 for \$5000.

Depreciation is charged at 20% per annum. A full year's depreciation is charged in the year of purchase. No depreciation is charged in the year of sale.

What was the profit or loss on disposal?

- A** loss of \$500
- B** loss of \$1000
- C** profit of \$500
- D** profit of \$1000