

4 Which item is revenue expenditure?

- A** installation costs of machinery
- B** legal fees on the purchase of premises
- C** number plates on a new motor vehicle
- D** redecorating office premises

5 On 1 January, the owner of a business purchased a new machine. All non-current assets are depreciated by 25% per annum.

During the year, the following payments were made in respect of the machine.

| | \$ |
|----------------------|--------|
| cost of machine | 16 000 |
| delivery | 400 |
| installation | 600 |
| one year's insurance | 100 |

A charge of \$5100 for these items was included in the draft statement of profit or loss for the year ended 31 December.

By how much was the draft profit for the year understated?

- A** \$300 **B** \$450 **C** \$750 **D** \$850

6 What is the purpose of providing for depreciation?

- A** to apply the matching principle
- B** to calculate the true value of non-current assets
- C** to ensure that money is available for repair of non-current assets
- D** to provide cash in the business for replacement of non-current assets

7 A business purchased a vehicle which had cost \$27 000 and had an estimated residual value of \$1000. Depreciation of \$18 200 has been charged on this vehicle.

The vehicle was sold in part exchange for a new vehicle which cost \$29 500. A cheque for \$19 000 was paid in settlement of the transaction.

Which profit or loss was made on the sale of the vehicle?

- A** loss \$1700
- B** loss \$2700
- C** profit \$1700
- D** profit \$2700