

**1** For which items does the cash book act as a book of prime entry?

- 1 payments to suppliers
- 2 purchase of a non-current asset on credit
- 3 receipts from customers
- 4 returns outwards

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

**2** Which statements about the reducing balance method of depreciation are correct?

- 1 The annual percentage depreciation rate changes each year.
- 2 The annual depreciation charge remains the same each year.
- 3 The annual percentage depreciation rate remains the same each year.
- 4 The annual depreciation charge falls each year.

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

**3** On 1 April 2021 a business purchased a machine for \$120 000 with an estimated residual value of \$12 000.

On 1 July 2022 the machine was sold for \$100 000.

Machinery is depreciated at the rate of 20% per annum using the straight-line method. Depreciation is calculated for each month of ownership.

Which entry should be made in the provision for depreciation of machinery account for the disposal of the machine?

- A** \$21 600 credit
- B** \$21 600 debit
- C** \$27 000 credit
- D** \$27 000 debit

**4** Sue purchased a new machine. She depreciated it at a rate of 40% per annum using the reducing balance method. After two years its net book value was \$3600.

What was the purchase price of the machine?

**A** \$7056      **B** \$9216      **C** \$10 000      **D** \$22 500