

1 Which items would be entered in the General Journal?

- 1 goods taken by owner for personal use
- 2 goods purchased for resale
- 3 purchase of a non-current asset on credit
- 4 purchase of office stationery

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

2 Why is it important for a trader to distinguish between capital expenditure and revenue expenditure?

- 1 to apply the realisation concept
- 2 to know which method of depreciation to use
- 3 to obtain a more accurate profit figure

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

3 A company purchased a new vehicle for \$30 000. It part-exchanged an existing vehicle at a value of \$6500, with the balance being paid by cheque.

The part-exchanged vehicle originally cost \$12 000 and had a net book value of \$4800 on disposal.

Which entries will be made in the accounts?

| | income statement | bank account |
|----------|------------------|---------------------------------------|
| A | \$1700 income | motor vehicle at cost \$23 500 credit |
| B | \$1700 expense | motor vehicle at cost \$30 000 debit |
| C | \$5500 expense | motor vehicle at cost \$23 500 debit |
| D | \$5500 income | motor vehicle at cost \$30 000 credit |

4 At 31 December 2021 a business had a non-current asset with a net book value of \$18 000. It had been purchased during the year ended 31 December 2020.

Depreciation is charged at a rate of 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase.

What was the original cost of the non-current asset?

A \$22 500 **B** \$24 000 **C** \$27 000 **D** \$32 000