1 Which accounting concept is being applied when calculating depreciation?

A business entity

B matching

C materiality

D substance over form

2 A company purchased a new delivery vehicle.

Which items would appear in the income statement?

1 delivery cost of the delivery vehicle

2 insurance for the delivery vehicle

3 painting of the company name on the delivery vehicle

4 purchase cost of the delivery vehicle

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

3 A company has two non-current assets. Details are as follows:

asset	date bought	cost $	depreciation method		residual value
X	1 Jan 2018	10 000	straight-line	life 5 years	$2000
Y	1 Jan 2018	20 000	reducing balance	rate 20%	nil

What was the total depreciation charge in the income statement for the year ended 31 December 2019?

A $4800   **B** $5200   **C** $5600   **D** $6000

4 A business purchased a new machine on 1 January 2020 for $15 000 paying $10 000 by cheque.

The balance was settled by part exchange of an old machine. This old machine had cost $12 000 on 1 January 2018 and had been expected to last for 6 years with a residual value of $2400.

The business uses the straight-line method of depreciation.

What was the loss on the disposal of the old machine?

A $1400   **B** $3000   **C** $3800   **D** $4600