

**1** How should inventory be valued according to the prudence concept?

- A** cost price only
- B** lower of cost and net realisable value
- C** replacement cost only
- D** lower of replacement cost and revaluation cost

**2** Why is depreciation charged on non-current assets?

- A** to be able to calculate a profit or loss on disposal
- B** to calculate a residual scrap value
- C** to reflect future replacement cost
- D** to spread its cost over its useful life

**3** The net book values of a company's non-current assets are as follows.

	\$
at 1 January 2017	20 000
at 31 December 2017	15 000

During 2017 non-current assets, \$7000, were purchased. Non-current assets were sold realising a profit of \$1000. The depreciation charge for 2017 was \$8000.

What were the disposal proceeds of the assets sold?

- A** \$3000      **B** \$4000      **C** \$5000      **D** \$8000

**4** Which costs may be capitalised as land and buildings?

- 1 construction cost of an extension
- 2 insurance premium
- 3 legal fees on purchase
- 4 redecoration costs

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