

- 4 A business had a financial year end of 31 December 2020.

On 1 September 2020 it had sold an old motor vehicle and purchased a replacement.

How were these transactions recorded in the provision for depreciation account on 1 September 2020?

	the transfer to the disposal account was recorded on the debit side	depreciation on the new vehicle was recorded on the credit side
A	<i>x</i>	<i>x</i>
B	<i>x</i>	✓
C	✓	✓
D	✓	<i>x</i>

key

✓ = correct

x = not correct

- 5 During the year ended 31 December 2017 a business purchased a vehicle for \$23 500.

On 30 September 2020 it was sold for \$3500.

Depreciation was charged at 20% per annum using the straight-line method. A full year's depreciation was charged in the year of purchase **and** the year of disposal.

What was the profit or loss on disposal of the vehicle?

- A** \$1200 loss
- B** \$1200 profit
- C** \$5900 loss
- D** \$5900 profit
- 6 X sold Y goods on credit with a list price of \$5000. When X prepared the invoice, he forgot to give Y 10% trade discount.

What was the effect of this error in X's books of account?

- 1 A suspense account with a credit balance of \$500 was opened.
- 2 A suspense account with a debit balance of \$500 was opened.
- 3 Assets were overstated by \$500.
- 4 Assets were understated by \$500.

A 1 and 3

B 2 and 4

C 3 only

D 4 only