1 When valuing inventory for inclusion in the financial statements, its selling price is ignored if it is higher than its cost price.

Which concept is being applied in this situation?

A business entity

B consistency

C duality

D historic cost

2 Why is depreciation provided on a non-current asset?

1 to apply the matching concept

2 to ensure the asset is shown at its market value

3 to spread the cost of the asset over its useful life

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

3 The accounting year of a business ends on 31 December.

An office building with a useful life of 40 years was purchased on 1 January 2010 for $400 000. It is expected to have no residual value. Depreciation is charged using the straight-line method.

The office building was revalued on 1 January 2018 for $480 000.

What will be the net book value of the office building at 31 December 2019?

A $360 000 **B** $450 000 **C** $456 000 **D** $465 000

4 A new machine is purchased at a price of $75 000. In addition, delivery and installation cost is $2500.

The business depreciates all non-current assets at a rate of 20% per annum using the straight-line method.

By how much would depreciation decrease the profit for the year?

A $14 500 **B** $15 000 **C** $15 500 **D** $17 500