

- 5 Jake sold a non-current asset which was not fully depreciated. He mistakenly recorded this by debiting the bank account and crediting the sales account with the proceeds.

What was the effect of this error?

- 1 Assets were overstated.
- 2 Assets were understated.
- 3 Profit was overstated.
- 4 Profit was understated.

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

- 6 Sara bought a non-current asset. Depreciation was provided at the rate of 10% per annum in years 1 and 2. It was sold at a profit in year 3. The policy of the business is not to charge depreciation in the year of disposal.

How would profits be affected if the rate had been 15% per annum?

	profit in years 1 and 2	profit in year 3
A	higher	higher
B	higher	lower
C	lower	higher
D	lower	lower

- 7 A business buys a vehicle for \$10 000 on 1 January **Year 1** and sells it for \$6500 on 1 January **Year 3**.

The business has depreciated the vehicle at 10% a year, using the straight-line method.

The business provides a full year's depreciation in the year of purchase and none in the year of disposal.

Which amount for profit or loss will appear in the disposal account, and on what side of the disposal account will it be shown?

- A** \$1500 on the credit side
- B** \$1500 on the debit side
- C** \$2500 on the credit side
- D** \$2500 on the debit side