

- 4 The table shows information relating to a company's fixed assets.

	\$
cost at 1 January 2002	10 500
accumulated depreciation at 1 January 2002	4 900
purchases for the year ended 31 December 2002	2 500
disposals for the year ended 31 December 2002	700

Depreciation is 25 % per annum on the reducing balance basis.

What is the depreciation charge for the year?

- A** \$1850      **B** \$2025      **C** \$2200      **D** \$3250

- 5 A business that purchases a shop incurs the following costs.

	\$
purchase price of the shop	680 000
legal fees incurred in the purchase of the shop	7 200
cost of initial stock	12 500
cost of installing air conditioning	47 300

Which amount will be capitalised as the cost of the shop?

- A** \$680 000      **B** \$687 200      **C** \$734 500      **D** \$747 000

- 6 Which of the following is the definition of a business as a going concern?

- A** The assets owned by the business exceed its liabilities.  
**B** The business has accumulated revenue reserves.  
**C** The business is currently liquid and able to pay its creditors.  
**D** The business will continue in operational existence for the foreseeable future.

- 7 A sole trader pays private expenses from the business bank account and records them as drawings.

Which accounting principle is applied?

- A** business entity  
**B** going concern  
**C** matching  
**D** prudence