

- 4** A business buys a machine on hire purchase for \$50 000.

Although it will not own the machine until it has paid the final instalment, it has made the following entries:

debit		credit	
Machinery account	\$50 000	Bank account	\$5 000
		Finance company account	\$45 000

Which accounting principle has been applied?

- A** going concern  
**B** matching  
**C** prudence  
**D** substance over form
- 5** A sole trader owns a vehicle valued at \$4000 for his own use and a vehicle valued at \$2500 for business use.
- On 1 April 2012 he sold the business vehicle. On the same date he bought a new vehicle for \$8000 for his own use and transferred his old vehicle to the business.
- What is the change in the value of vehicles in the business accounts?
- A** \$1500      **B** \$4000      **C** \$5500      **D** \$6500
- 6** Which accounting principle means that a company's financial statements are comparable from one period to the next?
- A** accruals  
**B** consistency  
**C** going concern  
**D** materiality