

- 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