

- 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