

- 4 An improvement to business premises has been incorrectly treated as an expense in the financial statements.

What is the effect on the financial statements **after** this error has been corrected?

	assets	profit for the year
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

- 5 A business incurs the following business expenditure during the year.

	\$
purchase of a machine	9 700
3-year maintenance for the machine	10 000
replacing the wheels of a motor car	8 500
upgrading the hardware of a computer	5 600

What are the total costs to be included in the non-current assets account during the year?

- A** \$15 300 **B** \$15 600 **C** \$23 800 **D** \$25 300

- 6 What is a reason for providing for depreciation of non-current assets?

- A** to ensure non-current assets are replaced when they are worn out
B to match the cost to the revenue earned each year by the non-current assets
C to provide funds for purchasing replacement non-current assets
D to show the amount they would realise if non-current assets were sold

- 7 A business uses the straight-line method of depreciation.

A machine which it has owned for three years has a carrying value of \$13 000 at the end of the third year. When purchased, it was estimated that it had a life of five years and a residual value of \$5000.

What was the original cost of the machine?

- A** \$18 000 **B** \$20 000 **C** \$25 000 **D** \$32 500