

- 4 The financial year of a business ends on 31 December. At the beginning of the financial year, the following payments were made in respect of a new machine.

	\$
purchase cost	60 000
installation cost	10 000

It was discovered that the installation cost had been incorrectly treated as an expense. It is the policy of the business to depreciate machinery at 20% per annum using the straight-line method.

What was the effect of this error on the profit for the year ended 31 December?

- A \$8000 overstated
- B \$8000 understated
- C \$12 000 overstated
- D \$12 000 understated

- 5 The motor vehicles at cost account had a balance of \$90 000 at the beginning of the year on 1 January.

On 1 September in the same year, the following transactions took place.

- 1 A motor vehicle was disposed of. The vehicle had been purchased in the previous year for \$21 000.
- 2 A new motor vehicle was purchased at a cost of \$24 000.

Depreciation is calculated at 20% using the straight-line method. Depreciation is charged on a month-by-month basis for each month the motor vehicle is owned.

What was the depreciation charge for the year ended 31 December?

- A \$15 400      B \$18 200      C \$18 600      D \$22 400

- 6 Which error would **not** affect the agreement of the totals of a trial balance?

- A A credit note for \$56 received from a supplier was entered in the book of prime entry as \$65.
- B Goods taken for own use by the owner for \$180 were debited to the cash account and debited to the drawings account.
- C The discounts received total in the cash book was not transferred to the general ledger.
- D The purchases returns account was understated by \$50 and the cash account was overstated by \$50.