

- 5 The table shows how a property appears in the balance sheet.

	\$
land and buildings	100 000
accumulated depreciation	(40 000)
net book value	<u>60 000</u>

The land and buildings are revalued to \$150 000.

What is the journal entry to record the revaluation?

		Dr \$	Cr \$
<b>A</b>	land and buildings profit and loss account	50 000	50 000
<b>B</b>	land and buildings accumulated depreciation revaluation reserve	50 000 40 000	90 000
<b>C</b>	land and buildings revaluation reserve	50 000	50 000
<b>D</b>	land and buildings revaluation reserve	90 000	90 000

- 6 Why do businesses charge depreciation on their fixed assets?

- A** to ensure that sufficient cash is available to replace the assets
- B** to show the realisable value of the assets in the balance sheet
- C** to show when the assets must be replaced
- D** to spread the cost of the assets over their estimated useful lives

- 7 When a businessman introduces capital into his business, the transaction is debited in the cash book and credited to his capital account.

Of which accounting principle is this an example?

- A** entity
- B** going concern
- C** matching
- D** prudence