

- 1 A business purchases a vehicle for \$10 000. The business depreciates its non current (fixed) assets at 20 % using the diminishing value method.

What is the depreciation charge for year 2?

- A** \$1600                      **B** \$2000                      **C** \$6400                      **D** \$8000

- 2 An item of capital expenditure has been incorrectly treated as revenue expenditure in the accounts of a business.

What is the effect of this error on the accounts of the business?

|          | assets      | profit      |
|----------|-------------|-------------|
| <b>A</b> | overstated  | overstated  |
| <b>B</b> | overstated  | understated |
| <b>C</b> | understated | overstated  |
| <b>D</b> | understated | understated |

- 3 A business has a bank overdraft of \$4800. It pays for materials invoiced at \$3000 less a trade discount of 20 % and a settlement discount of 5 %.

A cheque for \$500 is received from a debtor.

What is the bank balance after these transactions?

- A** \$2020 overdraft  
**B** \$6580 overdraft  
**C** \$7150 overdraft  
**D** \$7580 overdraft

- 4 Which of the following items will be debited to accounts in the purchases ledger?

- 1 discount allowed
- 2 payments to suppliers
- 3 purchases
- 4 purchases returns

- A** 1 and 2                      **B** 2 and 3                      **C** 2 and 4                      **D** 3 and 4