

- 1 Mia has agreed to supply goods to a customer on a sale or return basis. At the end of her financial year, the customer has not indicated whether they will keep the goods.

Which accounting concept should Mia apply to these items in her financial accounts?

- A matching
- B prudence
- C realisation
- D substance over form

- 2 Which item should be treated as capital expenditure?

- A cost of a printer for an existing computer system
- B rent paid on a factory, whilst the company negotiated the purchase of the factory
- C repainting the wooden office door
- D repair costs to a car which are not covered by insurance

- 3 A business has a financial year end of 31 December. It purchased a vehicle on 1 January 2019 for \$30 000.

The business depreciates vehicles at the rate of 20% per annum using the reducing balance method. Depreciation is charged on a month-by-month basis.

The vehicle was sold on 30 September 2021.

A profit on disposal of \$3000 had been calculated. However, no entries had been made to record the depreciation for 2021.

What was the effect of **not** recording the depreciation for 2021 on the profit on disposal?

- A \$2880 overstated
- B \$3840 overstated
- C \$2880 understated
- D \$3840 understated

- 4 A trader bought a machine on 1 January 2019. He depreciated it at the rate of 10% per annum using the straight-line method.

He sold this machine on 1 January 2021 for \$4000. The profit on disposal was \$200.

How much had the machine cost on 1 January 2019?

- A \$4560
- B \$4750
- C \$5040
- D \$5250