

1 Which of these items require entries to be made in the general journal?

- 1 purchase of a non-current asset on credit
- 2 sale of inventory to a customer on credit
- 3 the owner taking drawings from their business in cash
- 4 writing off an irrecoverable debt

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

2 Which statement relating to depreciation is **not** correct?

- A** A business can never change its accounting policy on depreciation.
- B** Depreciation is the allocation of the cost of a non-current asset over its useful life.
- C** Freehold land is usually not depreciated.
- D** Non-current assets of similar class are depreciated using the same method of depreciation.

3 Arnaud owned a vehicle which originally cost \$20 000. During the year ended 31 May 2021, he paid for repairs of \$3700 and provided depreciation of \$4000.

On 31 May 2021, the vehicle had a net book value of \$12 000. Arnaud sold the vehicle on that date and the loss on disposal amounted to \$2500.

What were the **cash** inflows and outflows relating to the vehicle during the year?

	cash inflows \$	cash outflows \$
A	9 500	3 700
B	9 500	7 700
C	13 500	6 200
D	13 500	8 000

4 Two years ago a business purchased two machines costing \$25 000 each.

During the third year one of them with a net book value of \$16 000 was sold. A new machine costing \$30 000 was purchased.

Depreciation is charged at 20% per annum using the reducing balance method on all the assets owned at the end of the accounting period.

What was the depreciation charge for the third year?

A \$6000 **B** \$9200 **C** \$11 000 **D** \$12 800