

4 Fixed assets of a company were:

	start of year 10 \$	end of year 10 \$
at cost	460 000	505 000
cumulative depreciation	215 000	237 000
net book value	245 000	268 000

During the year fixed assets costing \$92 000 were purchased and fixed assets with a net book value of \$16 000 were sold.

What was the depreciation charge for the year?

- A** \$22 000 **B** \$23 000 **C** \$53 000 **D** \$69 000

5 What is the purpose of providing for depreciation?

- A** To apply the matching principle.
- B** To ascertain the true value of fixed assets.
- C** To ensure that money is available for repair of fixed assets.
- D** To provide cash in the business for replacement.

6 A pocket calculator costs \$9.50 and has a useful life of 5 years. The bookkeeper has decided to treat the purchase of the calculator as revenue expenditure.

Which accounting principle has been applied?

- A** accruals
- B** materiality
- C** prudence
- D** substance over form

7 Which accounting treatments illustrate the use of the matching principle?

- 1 valuation of stock at net realisable value rather than cost
- 2 using the First In First Out method of valuation each year
- 3 charging depreciation on fixed assets

- A** 1, 2 and 3
- B** 1 and 3 only
- C** 2 only
- D** 3 only