

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