

- 1 An item is included in the financial statements because it affects their interpretation.

Which accounting concept is being applied?

- A consistency
- B materiality
- C money measurement
- D substance over form

- 2 Why is depreciation provided on non-current assets?

- A so that the cost is allocated to periods that benefit from them
- B so that the business entity concept is applied
- C so that there is enough cash in the business to replace them
- D so that they are shown at market value

- 3 A company purchased an asset costing \$100 000. It had a life of five years and an estimated residual value of \$20 000. The company uses straight-line depreciation.

The asset was sold for \$5000 at the end of the five-year period.

What is the **total** effect on year five profits from both depreciating and selling the asset?

	amount of expense \$
A	1000
B	15 000
C	16 000
D	31 000