1   Which item is classed as revenue expenditure?

   **A**   installation costs of machinery

   **B**   legal fees on the purchase of premises

   **C**   number plates on a new motor vehicle

   **D**   redecorating office premises


2   What is the purpose of depreciation?

   **A**   to allocate the cost of the assets over their lives

   **B**   to improve liquidity ratios of the business

   **C**   to provide sufficient funds to replace the assets

   **D**   to show the assets at their market values


3   A company's year end is 30 April. It purchases a factory in May 2014 at a cost of $200 000. The factory will be depreciated over 20 years. A full year's depreciation is charged in the year of purchase.

   In May 2017 the factory is revalued at $300 000.

   How much should be included in the revaluation reserve account?

   **A**   $100 000        **B**   $120 000        **C**   $130 000        **D**   $140 000


4   A business has a year end of 31 December. It purchased a non-current asset on 1 January 2014 for $100 000. It was depreciated using the reducing balance method at 20% per annum. It was sold for $40 000 on 1 January 2016.

   What was the loss on disposal?

   **A**   $20 000        **B**   $24 000        **C**   $40 000        **D**   $60 000


5   Why does a business keep a sales ledger control account?

           1   It helps deter fraud.

           2   It helps with the preparation of financial statements.

           3   It identifies doubtful debt easily.

           4   It predicts the sales for the coming year.

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