

- 1 Which concept requires that profits should be based on recognising revenues and their related expenses for an accounting period?
- A** consistency
B matching
C materiality
D prudence

- 2 A business buys a non-current asset and decides to apply the straight-line method of depreciation. The accountant forgets to include an estimate of scrap value in the calculation.

Which statements are correct?

- 1 The annual depreciation charge is too high.
2 The annual depreciation charge is too low.
3 There is likely to be a loss on disposal in the future.
4 There is likely to be a profit on disposal in the future.

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

- 3 The table gives information relating to the non-current assets of a business.

	\$
net book value at the end of the year	25 000
net book value at the beginning of the year	16 000
depreciation charge for the year	5 000
additions at cost during the year	22 000

What is the net book value of disposals during the year?

- A** \$8000 **B** \$14 000 **C** \$18 000 **D** \$24 000

- 4 The accounting year of a company ends on 31 December. It purchased a warehouse for \$100 000 on 1 January 2013. The warehouse had an estimated useful economic life of 25 years. The company's accounting policy is to depreciate the warehouse using the straight-line method. On 1 January 2018, the warehouse was revalued at \$120 000.

What was the depreciation charge for the year ended 31 December 2018?

- A** \$4000 **B** \$4800 **C** \$5000 **D** \$6000