

- 1 Expenditure on a machine during a year has included the following:

	\$
insurance costs	2 400
new engine – machine will now produce more products per hour	22 300
cleaning costs	7 200

How much of this expenditure should be treated as capital expenditure?

- A** none                      **B** \$22 300                      **C** \$24 700                      **D** \$31 900

- 2 An item of capital expenditure has been incorrectly treated as revenue expenditure in the accounts of a business.

What is the effect of this error on the accounts of the business?

	assets	profit
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

- 3 A business buys a computer for \$2200 on 1 January 2002. The computer will be used for four years, after which time it will be sold for \$280. The business uses the straight-line method of depreciation.

What is the depreciation charge for the year ended 31 December 2003?

- A** \$480                      **B** \$550                      **C** \$960                      **D** \$1100

- 4 A vehicle was part exchanged for a new vehicle. The value placed on the old vehicle was \$12 000.

Which entries record the \$12 000 part exchange?

	account debited	account credited
<b>A</b>	Cash	Motor Vehicles
<b>B</b>	Motor Vehicles	Cash
<b>C</b>	Disposals	Motor Vehicles
<b>D</b>	Motor Vehicles	Disposals