

- 5 Which statement identifies why depreciation is provided on non-current assets?
- A so that the cost is allocated to periods that benefit from them
  - B so that the realisation 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
- 6 New equipment costing \$40 000, with an estimated residual value of \$6000, was acquired at the beginning of the year on 1 January.

On the same date the business made the following payments in respect of the equipment.

	\$
delivery	5000
installation	7000
8-year maintenance contract	8000

The equipment has an estimated life of 8 years. The business uses the straight-line method of depreciation.

What would be the carrying amount for this item at the end of the year on 31 December?

- A \$35 750      B \$46 250      C \$52 500      D \$53 250
- 7 Which error would **not** be identified by preparing a trial balance?
- A A contra entry of \$650 had been entered twice in the sales ledger control account.
  - B A purchase invoice of \$495 had been recorded as \$459 in the purchases journal.
  - C Carriage inwards of \$57 in the cash book had been recorded as \$75 in the carriage inwards account.
  - D Discount allowed of \$35 had been credited to the discount received account.
- 8 During the year a sole trader withdrew \$3000 cash from the business bank account. Accounting entries made were a debit of \$300 to the drawings account and a credit of \$3000 to the bank account.

In addition, \$500 had been omitted from the discount received account in the trial balance.

What was the balance on the suspense account **before** these errors were corrected?

- A \$2200 debit
- B \$2200 credit
- C \$3200 debit
- D \$3200 credit