

7.

		Effect	Amount
a)	Profit for the period	Overstated	\$600
b)	Non-current assets	Overstated	\$600

8.

		Effect	Amount
a)	Statement of financial performance	Expenses understated	2,500
		Profit for the year overstated	2,500
b)	Statement of financial position	Non-current assets and total assets overstated	2,500
		Equity overstated	2,500

9. In accordance with the materiality theory, relevant information should be reported in the financial statements if it is likely to make a difference to the decision-making process. Since the video game console of \$580 is insignificant to decision-making when compared to the size of profit of the business which is an average of \$100 million in this case, it does not need to be reported in the statement as a non-current asset. Instead, it can be classified as revenue expenditure.

## 11B. Non-Current Assets – Depreciation

1. According to the matching theory, expenses incurred must be matched against income earned in the same period to determine the profit for the period.

When the business uses non-current assets to generate income, a portion of the original cost of the non-current assets has to be recorded as depreciation expense. This will be matched against the income earned in the same financial period to determine the profit for the period.

2. a)  $\$200,000 / 40 = \$5,000$   
 b)  $[(140,000 - 10,000) / 10,000] = 13$  years  
 c)  $[110,000 - (13 \times 8,000)] = \$6,000$   
 d)  $[(7,000 \times 20) + 4,000] = \$144,000$

3. a) Depreciation expense =  $\$15,000 / 20$   
 = \$750

b)

Taiso Sushi Pte Ltd	
Statement of Financial Performance for the year ended 30 June 20X6 (extract)	
	\$
Less: Other expenses	
Depreciation of equipment	750

c)

Taiso Sushi Pte Ltd			
Statement of Financial Position as at 30 June 20X6 (extract)			
	Cost \$	Accumulated Depreciation \$	Net book value \$
Non-current assets			
Equipment	15,000	750	14,250

4. a) Depreciation expense =  $10\% \times \$150,000$   
 = \$15,000

b)

Zoom Logistic	
Statement of Financial Performance for the year ended 30 September 20X7 (extract)	
	\$
Less: Other expenses	
Depreciation of motor vehicles	15,000

c)

Zoom Logistic			
Statement of Financial Position as at 30 September 20X7 (extract)			
	Cost \$	Accumulated Depreciation \$	Net book value \$
Non-current assets			
Motor vehicles	150,000	15,000	135,000