Part 1:

Multiple Choice Questions: (5 total marks available – 5 questions - 1 mark each)

Question 1

ABC Inc. purchases many small pieces of office furniture, such as trash cans, that cost less than $100 each. The company accounts for these items as expenses when acquired instead of reporting them as property, plant, and equipment on its balance sheet. The company's accountant states that no accounting principle has been violated. What is the justification for expensing these furniture items, aside from cost vs. benefit considerations?

a. neutrality
b. materiality
c. verifiability
d. predictive value