

2. Depreciation of Fixed Assets

Trench Transport Ltd prepares its final accounts to the 31st December each year. The company's policy is to depreciate its vehicles at the rate of 15% of cost per annum calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for Depreciation Account.

On 1/1/2000 Trench Transport Ltd owned the following vehicles:

No 1 purchased on 1/1/1996 for €6,000

No 2 purchased on 1/9/1997 for €7,000

No 3 purchased on 1/3/1998 for €8,000

On 1/4/2000 Vehicle No 3 was crashed and traded in against a new vehicle costing €96,000. The company received compensation to the value of €28,000 and the cheque paid for the new vehicle was €57,000.

On 1/8/2001 Vehicle No 1 was traded in for €12,000 against a new vehicle costing €90,000. Vehicle No 1 had a refrigeration unit fitted on 1/1/1998 costing €16,000. This refrigeration unit was depreciated at the rate of 30% of cost for each of the first two years and thereafter at the rate of 15% of cost per annum.

You are required to show, with workings, for each of the two years 2000 and 2001:

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|--------------------------------------------|-------------------|
| (a) The Vehicles Account | (8) |
| (b) The Provision for Depreciation Account | (36) |
| (c) The Vehicles Disposal Account. | (16) |
| | (60 marks) |