

2. Depreciation of Fixed Assets.

Speedo 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 1/1/1997 Speedo Transport Ltd owned the following vehicles:

No 1 purchased on 1/1/1993 for £60,000

No 2 purchased on 1/9/1994 for £68,000

No 3 purchased on 1/3/1995 for £72,000

On 1/4/1997 Vehicle No 3 was crashed and traded in against a new vehicle costing £76,000. The company received compensation to the value of £25,000 and the cheque paid for the new vehicle was £54,000. On 1/8/1997 Vehicle No 1 was traded in for £20,000 against a new vehicle costing £78,000. Vehicle No. 1 had a refrigeration unit fitted on 1/1/1995 costing £15,000. 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% pa of cost.

You are required to show, with workings, for each of the two years 1997 and 1998:

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

(60 marks)