

**Question 2 Depreciation of Fixed Assets**

60

(a)

|        |                    | <b>Vehicles Account</b> |   |          |          |                |   |
|--------|--------------------|-------------------------|---|----------|----------|----------------|---|
| 1/1/97 | Balance b/d        | 215,000                 | ② | 1/4/97   | Disposal | 72,000         | ① |
| 1/4/97 | New Vehicle (No 4) | 76,000                  | ① | 1/8/97   | Disposal | 75,000         | ② |
| 1/8/97 | New vehicle (No 5) | <u>78,000</u>           | ① | 31/12/97 | Balance  | <u>222,000</u> |   |
|        |                    | <u>369,000</u>          |   |          |          | <u>369,000</u> |   |
| 1/1/99 | Balance b/d        | 207,000                 | ① |          |          |                |   |

(b) **Provision for Depreciation on Vehicles Account**

|          |             |      |                |   |          |               |      |                |   |
|----------|-------------|------|----------------|---|----------|---------------|------|----------------|---|
| 1/4/97   | Disposal    | (W4) | 22,500         | ⑤ | 1/1/97   | Balance b/d   | (W1) | 88,600         | ⑦ |
| 1/8/97   | Disposal    | (W5) | 51,563         | ⑤ | 31/12/97 | Profit & Loss | (W2) | 32,888         | ⑩ |
| 31/12/97 | Balance c/d |      | <u>47,425</u>  |   |          |               |      |                |   |
|          |             |      | <u>121,488</u> |   |          |               |      | <u>121,488</u> |   |
| 31/12/98 | Balance c/d |      | 80,725         | ③ | 1/1/98   | Balance b/d   |      | 47,425         |   |
|          |             |      | <u>80,725</u>  |   | 31/12/98 | Profit & Loss | (W3) | <u>33,300</u>  | ⑥ |
|          |             |      |                |   |          |               |      | <u>80,725</u>  |   |
|          |             |      |                |   | 1/1/99   | Balance b/d   |      | 80,725         |   |

(c)

|        |          | <b>Vehicles Disposal Account</b> |                |          |                      |      |                |   |
|--------|----------|----------------------------------|----------------|----------|----------------------|------|----------------|---|
| 1/4/97 | Vehicles | 72,000                           | ②              | 1/4/97   | Depreciation         | (W4) | 22,500         | ① |
| 1/8/97 | Vehicles | 75,000                           | ③              | 1/4/97   | Trade-in             |      | 22,000         | ④ |
|        |          |                                  |                |          | Bank (Ins. Comp.)    |      | 25,000         | ② |
|        |          |                                  |                | 1/8/97   | Depreciation         | (W5) | 51,563         | ① |
|        |          |                                  |                |          | Trade-in             |      | 20,000         | ② |
|        |          |                                  |                | 31/12/98 | Profit & Loss (Loss) |      | <u>5,937</u>   | ① |
|        |          |                                  | <u>147,000</u> |          |                      |      | <u>147,000</u> |   |

**Penalty - up to 3 marks for the omission of dates in Provision account**

**Workings**

| N0 | Cost   | Annual dep | Dep to 1/1/1997 | Dep for 1997  | Dep for 1998  | Total dep     |            |
|----|--------|------------|-----------------|---------------|---------------|---------------|------------|
| 1  | 60,000 | 9,000      | 36,000          | 5,250         |               | <b>51,563</b> | <b>W 5</b> |
|    | 15,000 | 2,250      | 9,000           | 1,313         |               |               |            |
| 2  | 68,000 | 10,200     | 23,800          | 10,200        | 10,200        | <b>22,500</b> | <b>W 4</b> |
| 3  | 72,000 | 10,800     | 19,800          | 2,700         |               |               |            |
| 4  | 76,000 | 11,400     |                 | 8,550         | 11,400        |               |            |
| 5  | 78,000 | 11,700     |                 | 4,875         | 11,700        |               |            |
|    |        |            | <b>88,600</b>   | <b>32,888</b> | <b>33,300</b> |               |            |
|    |        |            | <b>W 1</b>      | <b>W 2</b>    | <b>W 3</b>    |               |            |