

**Question 3 - solution.**

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(a)

**Vehicles Account**

01/01/2003	Balance b/d	258,000 ①	01/05/2003	Disposal	80,000 ①
01/05/2003	Purchases	<u>90,000 ①</u>	31/12/2003	Balance b/d	<u>268,000</u>
		<u>348,000</u>			<u>348,000</u>
01/01/2004	Balance b/d	268,000	01/07/2004	Disposal	90,000 ①
01/07/2004	Purchases	<u>95,000 ①</u>	31/12/2004	Balance c/d	<u>273,000 ①</u>
		<u>363,000</u>			<u>363,000</u>
01/01/2005	Balance b/d	273,000			

(b)

**Disposal of Vehicle Account**

01/05/2003	Cost	80,000 ②	01/05/2003	Provision for Dep	33,000 ②
				Compensation	30,000 ②
				Trade In	15,000 ②
				Loss	<u>2,000 ①</u>
		<u>80,000</u>			<u>80,000</u>
01/07/2004	Cost	90,000 ②	01/07/2004	Prov. for Dep.	74,250 ②
	Profit	<u>8,250 ①</u>		Trade in	<u>24,000 ②</u>
		<u>98,250</u>			<u>98,250</u>

(c)

**Provision for Depreciation Account**

01/05/2003	Disposal W4	33,000 ②	01/01/2003	Balance b/d W1	106,100 ⑥
31/12/2003	Balance c/d	<u>112,800</u>	31/12/2003	P&L W2	<u>39,700 ⑧</u>
		<u>145,800</u>			<u>145,800</u>
					①
01/07/2004	Disposal W5	74,250 ②	01/01/2004	Balance b/d	112,800
31/12/2004	Balance b/d	<u>79,125 ④</u>	31/12/2004	P&L W3	<u>40,575 ⑧</u>
		<u>153,375</u>			<u>153,375</u>
					①
			01/01/2005	Balance b/d	79,125

(d)

Cost of asset  
 Estimated life of asset  
 Scrap value of asset

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Method of depreciation

**Workings**

Vehicle No	Cost	Annual dep	Dep to 1/1/2003	Dep for 2003	Dep for 2004	Total dep	
1	70,000	10,500	42,000	10,500	5,250	<b>74,250</b>	<b>W 5</b>
Unit	20,000		12,000	3,000	1,500		
2	80,000	12,000	29,000	4,000	-	<b>33,000</b>	<b>W 4</b>
3	88,000	13,200	23,100	13,200	13,200		
4	90,000	13,500	-	9,000	13,500		
5	95,000	14,250	-	-	7,125		
			<b>106,100</b>	<b>39,700</b>	<b>40,575</b>		
			<b>W 1</b>	<b>W 2</b>	<b>W 3</b>		

**Provision Balance 1/1/2003**

Vehicle 1.	42,000	
Unit.	12,000	
Vehicle 2.	29,000	
Vehicle 3.	<u>23,100</u>	
	<u>106,100</u>	<b>W 1</b>

**Provision for Dep. 2003**

Vehicle 1	10,500	
Unit	3,000	
Vehicle 2	4,000	
Vehicle 3	13,200	
Vehicle 4	9,000	
Vehicle 5	<u>Nil</u>	
	<u>39,700</u>	<b>W 2</b>

**Provision for Dep. 2004**

Vehicle 1	5,250	
Unit	1,500	
Vehicle 2	Nil	
Vehicle 3	13,200	
Vehicle 4	13,500	
Vehicle 5	<u>7,125</u>	
	<u>40,575</u>	<b>W 3</b>

**Disposal vehicle 2**

<b>01/01/2003</b>		
Depreciation 2003	29,000	
Depreciation for	<u>4,000</u>	
	<u>33,000</u>	<b>W 4</b>

**Disposal vehicle 1**

<b>01/01/2003</b>		
Depreciation - Vehicle	42,000	
Depreciation -Unit	12,000	
<b>2003</b>		
Depreciation -Vehicle	10,500	
Depreciation -Unit	3,000	
<b>2004</b>		
Depreciation -Vehicle	5,250	
Depreciation -Unit	<u>1,500</u>	
	<u>74,250</u>	<b>W 5</b>