

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>			①	<u>145,800</u>
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>			①	<u>153,375</u>
			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	74,250	W 5
Unit	20,000		12,000	3,000	1,500		
2	80,000	12,000	29,000	4,000	-	33,000	W 4
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		
			106,100	39,700	40,575		
			W 1	W 2	W 3		

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>	W 1

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>	W 2

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>	W 3

Disposal vehicle 2

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

Disposal vehicle 1

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