

Question 3

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(a)

Vehicles Account

1/1/2008	Balance b/d (W1)	166,000	[1]	01/08/2008	Disposal	56,000	[1]
1/8/2008	Bank & trade-in No 4	66,000	[1]	31/12/2008	Balance c/d	176,000	
		<u>232,000</u>				<u>232,000</u>	
1/1/2009	Balance b/d	176,000		01/05/2009	Disposal	60,000	[1]
1/5/2009	Bank No 5	72,000	[1]	31/12/2009	Balance c/d	188,000	[1]
		<u>248,000</u>				<u>248,000</u>	

(b)

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Provision for Depreciation Account

[1]	01/08/2008	Disposal (W3)	33,047	[2]	01/01/2008	Balance b/d (W2)	76,016	[6]
	31/12/2008	Balance c/d	64,300		31/12/2008	Profit & Loss (W4)	21,331	[8]
			<u>97,347</u>				<u>97,347</u>	
[1]	01/05/2009	Disposal (W5)	31,328	[2]	01/01/2009	Balance b/d	64,300	
	31/12/2009	Balance c/d	60,816	[4]	31/12/2009	Profit & Loss (W6)	27,844	[8]
			<u>92,144</u>				<u>92,144</u>	
					01/01/2010	Balance b/d	60,816	

(c)

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Disposal of Vehicles Account

01/08/2008	Vehicle No 1	56,000	[1]	01/08/2008	Trade In	12,000	[2]
					Provision for Depreciation	33,047	[2]
				31/12/2008	Profit & Loss	10,953	[1]
		<u>56,000</u>				<u>56,000</u>	
01/05/2009	Vehicle No 3	60,000	[1]	01/05/2009	Compensation	20,000	[2]
31/12/2009	Profit & Loss	2,328	[1]		Trade In	11,000	[2]
					Provision for Depreciation	31,328	[2]
		<u>62,328</u>				<u>62,328</u>	

(d)

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- (i) Depreciation is the measure of the wearing away or loss in value of a fixed asset as a result of wear and tear, passage of time, obsolescence or extraction [4]
- (ii) Depreciation is an expense. Failure to include depreciation in the final accounts will [4] result in the profits being overstated and the net assets in the balance sheet will not show a true value.

Number	Cost	Dep to 1/1/2008	B.V. on 1/1/2008	Dep for 2008	BV. on 1/1/2009	Dep for 2009	Total Dep	
1 Unit	40,000 16,000	23,616 6,400	16,384 9,600	1,911 1,120	- -		25,527 7,520	33,047 W 3
2	50,000	24,400	25,600	5,120	20,480	4,096		
3	60,000	21,600	38,400	7,680	30,720	2,048		31,328 W 5
4	66,000	-	-	5,500	60,500	12,100		
5	72,000					9,600		
		76,016 (W2)		21,331 (W4)		27,844 (W6)		

(W1) 1/1/2008 Cost Balance 40,000 + 16,000 + 50,000 + 60,000 = **166,000**