3. Depreciation of Fixed Assets

Westside Transport Ltd prepares its final accounts to the 31 December each year. The company's policy is to depreciate its vehicles at the rate of 20% of Book Value (reducing balance) per annum, calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for Depreciation Account. (Calculations to the nearest Euro.)

On 01/01/2011, Westside Transport Ltd owned the following vehicles:

No. 1 purchased on 01/01/2007 for €50,000
No. 2 purchased on 01/01/2008 for €60,000
No. 3 purchased on 01/01/2009 for €70,000

On 01/09/2011, Vehicle No. 1 was traded in for €16,000 against a new vehicle costing €75,000. Vehicle No. 1 had a refrigeration unit fitted on 01/01/2010 costing €18,000. This refrigeration unit was depreciated at the rate of 30% for the first year and thereafter at the same rate as Vehicle No. 1. On 01/03/2012, Vehicle No. 3 was crashed and traded in against a new vehicle costing €85,000. The company received compensation from the insurance company to the value of €24,000 and the cheque paid for the new vehicle was €65,000.

You are required to show, with workings, for each of the two years 2011 and 2012:
Required:

(a) Show the Vehicles Account, with workings, for each of the two years 2011 and 2012. (6)

(b) Show the Provision for Depreciation Account, with workings, for each of the two years 2011 and 2012. (32)

(c) Show the Vehicles Disposal Account, with workings, for each of the two years 2011 and 2012. (14)

(d) Explain the difference between the straight line method and the diminishing balance method of depreciation. (8)

(60 marks)