

3. Depreciation of Fixed Assets

(60)

(a) **Vehicles Account** (6)

Date	Details	€	Date	Details	€
01/01/2011	Balance b/d (W1)	198,000 (1)	01/09/2011	Disposal	68,000 (1)
01/09/2011	Bank No. 4	75,000 (1)	31/12/2011	Balance c/d	205,000
		<u>273,000</u>			<u>273,000</u>
01/01/2012	Balance b/d	205,000	01/03/2012	Disposal	70,000 (1)
01/03/2012	Bank No. 5	85,000 (1)	31/12/2012	Balance c/d	220,000 (1)
		<u>290,000</u>			<u>290,000</u>
01/01/2013	Balance b/d	220,000			

(b) **Provision for Depreciation Account** (32)

Date	Details	€	Date	Details	€
01/09/2011	Disposal (W5)	*39,331 (3)	01/01/2011	Balance b/d (W2)	**89,400 (6)
31/12/2011	Balance c/d	64,584	31/12/2011	Profit & Loss (W3)	24,515 (8)
		<u>103,915</u>			<u>103,915</u>
01/03/2012	Disposal (W6)	*35,355 (3)	01/01/2012	Balance b/d	64,584
31/12/2012	Balance c/d	**63,506 (4)	31/12/2012	Profit & Loss (W4)	34,277 (8)
		<u>98,861</u>			<u>98,861</u>
			01/01/2013	Balance b/d	63,506

\* Allow student's own figure (1 mark).  
 \*\* Allow student's own figure (2 marks).

(c) **Vehicles Disposal Account** (14)

Date	Details	€	Date	Details	€
01/09/2011	Vehicle No. 1	68,000 (1)	01/09/2011	Prov. For Dep. (W5)	*39,331 (2)
			01/09/2011	Trade In	16,000 (2)
			31/12/2011	Profit & Loss	*12,669 (1)
		<u>68,000</u>			<u>68,000</u>
01/03/2012	Vehicle No. 3	70,000 (1)	01/03/2012	Prov. For Dep. (W6)	*35,355 (2)
31/12/2012	Profit & Loss	*9,355 (1)	01/03/2012	Compensation	24,000 (2)
			01/03/2012	Trade In	20,000 (2)
		<u>79,355</u>			<u>79,355</u>

\* Allow student's own figure.

**Workings**

W1 Opening Bal. of Vehicles Acc. on 01/01/2011:

	€
Vehicle No. 1	50,000
Refrigeration unit	18,000
Vehicle No. 2	60,000
Vehicle No. 3	70,000
	<u>198,000</u>

Vehicle	Cost	2007	2008	2009	2010	2011	2012	Total Dep.
	€	€	€	€	€	€	€	€
No. 1	50,000	10,000	8,000	6,400	5,120	2,731 (1)	—	32,251
Refrigeration unit	18,000	—	—	—	5,400	1,680 (1)	—	7,080
No. 2	60,000	—	12,000	9,600	7,680	6,144 (2)	4,915 (2)	35,355
No. 3	70,000	—	—	14,000	11,200	8,960 (2)	1,195 (2)	
No. 4	75,000	—	—	—	—	5,000 (2)	14,000 (2)	
No. 5	85,000	—	—	—	—	—	14,167 (2)	
Total Depreciation						<u>24,515</u>	<u>34,277</u>	
						(W3)	(W4)	

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

(8)

Straight line method (2 × 2)

- based on a percentage of the cost of the fixed asset
- an equal amount of depreciation is charged against profits each year

Diminishing balance (2 × 2)

- based on a percentage of the net book value of the fixed asset
- a greater amount of depreciation is charged against profits in the early years and a lesser amount in the later years