

Vehicle No	Cost	Annual Dep	Dep to 01/01/20	Dep 31/12 2020	Dep 31/12 2021		
1	60,000	12,000	36,000	6,000	-	42,000	
Unit	24,000	4,800/7200	14,400	2,400		16,800	58,800
2	72,000	14,400	18,000	14,400	14,400		
3	78,000	15,600	15,600	15,600	5,200	36,400	
4	108,000	21,600		10,800	21,600		
5	96,000	19,200			12,800		
			84,000	49,200	54,000		

(a)

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Vehicles Account

01/01/2020	Balance b/d	234,000[1]	01/05/2020	Disposal	84,000[1]
01/05/2020	Purchases	108,000[1]	31/12/2020	Balance c/d	258,000
		342,000			342,000
01/01/2021	Balance b/d	258,000	01/08/2021	Disposal	78,000[1]
01/08/2021	Purchases	96,000[1]	31/12/2021	Balance c/d	276,000[1]
		354,000			354,000
01/01/2022	Balance b/d	288,000			

(b)

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Provision for Depreciation Account

01/05/2020	Disposal	58,800[4]	01/01/2020	Balance b/d	84,000[6]
31/12/2020	Balance c/d	74,400[1]	31/12/2020	P&L	49,200[8]
		133,200			133,200
01/08/2021	Disposal	36,400[4]	01/01/2021	Balance b/d	74,400
31/12/2021	Balance c/d	92,000[2]	31/12/2021	P&L	54,000[7]
		128,400			128,400
			01/01/2021	Balance b/d	92,000

(c)

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Disposal of Vehicle Account number 1

01/07/2020	Cost	84,000[2]	01/07/2020	Provision for Dep	58,800[2]
			01/07/2020	Trade In	8,000[2]
			31/12/2020	Loss	17,200[1]
		<u>84,000</u>			<u>84,000</u>

Disposal of Vehicle Account number 3

01/05/2021	Cost	78,000[1]	01/05/2021	Provision for Dep	36,400[2]
			01/05/2021	Compensation	20,000[2]
			01/05/2021	Trade In	21,000[1]
			31/12/2021	Loss	600[1]
		<u>78,000</u>			<u>78,000</u>

(d)

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- (i) Depreciation is an expense. Depreciation is charged so as to write off the cost of the fixed asset over its useful economic life. Failure to include depreciation in the final accounts will result in the profit being overstated and the net worth being overstated in the Balance Sheet and will not show a true and fair view (true value).

[4]

- (ii) The factors to be considered when accounting for depreciation are:

Type of asset
Estimated life of asset
Cost of asset
Scrap value of asset at end of life
Method of depreciation

[4]