Depreciation Assignment

Simon has a business selling office stationery. On 1 January 2019 he owned two delivery vehicles which had been purchased on 1 January 2018.

Delivery vehicle A had cost \$30000 and delivery vehicle B had cost \$25000.

Simon uses the straight-line method for depreciating the delivery vehicles. A rate of 20% per annum on cost is used, with the rate being applied for each part of the year for which the delivery vehicles are owned.

Due to a decline in business, delivery vehicle B was sold on 31 March 2020 and a cheque for \$10350 was received. Delivery vehicle A was still in use at the end of 2020.

REQUIRED

(a) Complete the following accounts for each of the years ended 31 December 2019 and 2020. Balance the accounts at the end of each year where appropriate.

Date 2019	Details	\$	Date	Details	\$
Jan 1	Balance b/d	55000			

		mmmm			

Simon Delivery vehicles account

Date	Details	\$ Date 2019	Details	\$
		 Jan 1	Balance b/d	11 000

Provision for depreciation of delivery vehicles account

Delivery vehicles disposal account

Date	Details	s	Date	Details	\$

Simon's sister Yasmin is also in business and depreciates her delivery vehicles by the reducing balance method.

Simon is considering whether to apply the reducing balance method of depreciation to his delivery vehicles.

REQUIRED

(b) Advise Simon whether he should apply the reducing balance method of depreciation. Justify your answer.

[5]
[Total: 20]

QUESTION NO. 2

Sariah owns a business selling ladies' clothing. She maintains a system of double entry bookkeeping.

The following occurred during September 2020.

- 1 Purchased a motor vehicle on credit from Sharpe Motors \$6350.
- 2 Ruhee, a credit customer, was declared bankrupt owing Sariah \$1200. The debt is to be written off.

REQUIRED

(a) Prepare journal entries to record the above transactions. Narratives are not required.

Details	Debit \$	Credit \$
	*******	*********
	********	*****

Sariah Journal

Sariah is preparing her financial statements for the year ended 30 September 2020. She provides the following information for fixtures and fittings.

2019		\$
October 1	Fixtures and fittings at cost	28600
	Provision for depreciation of fixtures and fittings	6185
2020		
January 31	Sold fixtures and received a cheque	1150
	The fixtures had been purchased on 1 February 2018 for \$1500	
March 31	Purchased new fixtures paying by cheque	3500

Sariah's policy is to provide depreciation on fixtures and fittings at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase but none in the year of disposal.

[4]

REQUIRED

(b) Prepare the following accounts for the year ended 30 September 2020. Close the accounts by balancing or by making an appropriate year end transfer.

Date	Details	s	Date	Details	s
		•••••			
	*******	*******	********		
		*******	**********		

Sariah Fixtures and fittings account

Provision for depreciation of fixtures and fittings account

Date	Details	\$ Date	Details	s

Disposal account

Date	Details	s	Date	Details	s

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