



- 3 Clarissa started her business on 1 July 2022, and she is preparing her financial statements for the year ended 30 June 2024.

She depreciates her motor vehicles at 25% per annum using the straight-line method. Depreciation is charged on a monthly basis.

She purchased a motor vehicle on 1 July 2022 costing \$24 000.

She estimated that the motor vehicle would have a useful life of four years with no residual value.

On 30 September 2023 she purchased a new motor vehicle costing \$70 000. The old motor vehicle was part-exchanged at a value of \$14 800. The balance was settled with an interest-free loan repayable in equal monthly instalments over two years. The first loan instalment was due to be paid on 31 October 2023.

She estimated that the new motor vehicle would have a useful life of four years with a residual value of \$16 000.

- (a) Prepare **each** account for the year ended 30 June 2024.

Motor vehicle at cost account

Date	Details	\$	Date	Details	\$





Motor vehicle provision for depreciation account

Date	Details	\$	Date	Details	\$

[8]

(b) (i) Calculate the outstanding balance on the interest-free loan at 30 June 2024.

.....
 [1]

(ii) State how the interest-free loan would be shown in the statement of financial position at 30 June 2024.

.....
 [1]



Question	Answer	Marks																																																																		
3(a)	<p>Prepare <u>each</u> account for the year ended 30 June 2024.</p> <p style="text-align: center;">Motor vehicles at cost account</p> <table><tr><td>Date</td><td>Details</td><td>\$</td><td>Date</td><td>Details</td><td>\$</td></tr><tr><td>2023 1 July</td><td>Balance b/d</td><td>24 000 (1)</td><td>2023 30 Sept</td><td>Disposal</td><td>24 000 (1)</td></tr><tr><td>2023 30 Sept</td><td>Disposal</td><td>14 800 (1)</td><td>2024 30 June</td><td>Balance c/d</td><td>70 000</td></tr><tr><td></td><td>Loan account</td><td>55 200 (1)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>94 000</td><td></td><td></td><td>94 000</td></tr><tr><td>2024 1 July</td><td>Balance b/d</td><td>70 000 (1)OF</td><td></td><td></td><td></td></tr></table> <p style="text-align: center;">Motor vehicles provision for depreciation account</p> <table><tr><td>Date</td><td>Details</td><td>\$</td><td>Date</td><td>Details</td><td>\$</td></tr><tr><td>2023 30 Sept</td><td>Disposal</td><td>7 500 (1)</td><td>2023 1 July</td><td>Balance b/d</td><td>6 000</td></tr><tr><td>2024 30 June</td><td>Balance c/d</td><td>10 125</td><td>2024 30 June</td><td>Statement of profit or loss</td><td>11 625 (1)</td></tr><tr><td></td><td></td><td>17 625</td><td></td><td></td><td>17 625</td></tr><tr><td></td><td></td><td>70 000</td><td>2024 1 July</td><td>Balance b/d</td><td>10 125 (1)OF</td></tr></table>	Date	Details	\$	Date	Details	\$	2023 1 July	Balance b/d	24 000 (1)	2023 30 Sept	Disposal	24 000 (1)	2023 30 Sept	Disposal	14 800 (1)	2024 30 June	Balance c/d	70 000		Loan account	55 200 (1)						94 000			94 000	2024 1 July	Balance b/d	70 000 (1)OF				Date	Details	\$	Date	Details	\$	2023 30 Sept	Disposal	7 500 (1)	2023 1 July	Balance b/d	6 000	2024 30 June	Balance c/d	10 125	2024 30 June	Statement of profit or loss	11 625 (1)			17 625			17 625			70 000	2024 1 July	Balance b/d	10 125 (1)OF	8
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3(b)(i)	<p>Calculate the outstanding balance on the interest-free loan at 30 June 2024.</p> <p>\$55 200 – (9 × 2 300) = \$34 500 (1)</p>	1																																																																		
3(b)(ii)	<p>State how the interest-free loan will be shown in the statement of financial position at 30 June 2024.</p> <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Non-current liabilities</td><td>6 900</td><td rowspan="2">} (1)</td></tr><tr><td>Current liabilities</td><td>27 600</td></tr></table>		\$		Non-current liabilities	6 900	} (1)	Current liabilities	27 600	1																																																										
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3(c)	<p>Advise Clarissa whether or not she should change her method of charging depreciation. Justify your advice by discussing <u>both</u> methods.</p> <p>Straight line method (Max 2)</p> <ul style="list-style-type: none"> • Easier to calculate (1) • Difficult to accurately predict estimated useful life (1) • Difficult to predict residual value (1) <p>Reducing balance method (Max 2)</p> <ul style="list-style-type: none"> • More realistic (1) • Recognises vehicle loses more value in the early years (1) • Recognises increased maintenance costs as vehicle ages (1) • Results in more realistic profit calculations (1) <p>Advice supported with a comment (1)</p> <p>Accept other valid responses.</p>	5