



- 4 A company has a fleet of delivery vehicles. Information from their statement of financial position at 31 December 2022 shows that the vehicles originally cost \$440 000 with accumulated depreciation of \$270 000.

The business purchased two additional vehicles costing a total of \$70 000 on 1 April 2023 on credit from L Autos.

On 30 November 2023, the business sold one of its vehicles. The vehicle had originally cost \$28 000 with accumulated depreciation of \$16 800. The vehicle was sold for \$10 500 to a local garage who paid by bank transfer.

The business provides for depreciation using the straight-line method at a rate of 20% per annum.

A full year's depreciation is charged in the year of purchase.

No depreciation is charged in the year of disposal.

REQUIRED:

- (a) Calculate the depreciation charge for the year ended 31 December 2023.

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- (b) Prepare the company's ledger accounts for the delivery vehicles, provision for depreciation and disposal of delivery vehicles for the year ended 31 December 2023.

Balance the accounts and bring down the balances on 1 January 2024.

Delivery vehicles account

Date	Details	\$	Date	Details	\$
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Provision for depreciation of delivery vehicles account

Date	Details	\$	Date	Details	\$
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Disposal of delivery vehicles account

Date	Details	\$	Date	Details	\$
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[10]



REQUIRED:

- [5]

[5]

Question	Answer		Marks															
4(a)	<table><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Cost of vehicles at start</td><td>440 000</td><td></td></tr><tr><td>Add Cost of new vehicles</td><td><u>70 000</u></td><td>510 000</td></tr><tr><td>Less Cost of vehicle sold</td><td></td><td><u>28 000</u></td></tr><tr><td>Cost of vehicles held at year end</td><td></td><td><u>482 000</u> (1)</td></tr></table>		\$	\$	Cost of vehicles at start	440 000		Add Cost of new vehicles	<u>70 000</u>	510 000	Less Cost of vehicle sold		<u>28 000</u>	Cost of vehicles held at year end		<u>482 000</u> (1)	Depreciation for the year = 482 000 × 20% = 96 400 (1)OF	2
	\$	\$																
Cost of vehicles at start	440 000																	
Add Cost of new vehicles	<u>70 000</u>	510 000																
Less Cost of vehicle sold		<u>28 000</u>																
Cost of vehicles held at year end		<u>482 000</u> (1)																

Question	Answer						Marks
4(b)	Delivery vehicles account						10
	Date 2023 Jan 1 Apr 1	Details Balance b/d L Autos	\$ 440 000 <u>70 000</u> 510 000	Date 2023 Nov 30 Dec 31	Details Disposal Balance c/d	\$ 28 000 <u>482 000</u> 510 000	
	2024 Jan 1	Balance b/d	***OF 482 000				
	Provision for depreciation of delivery vehicles account						
	Date 2023 Nov 30 Dec 31	Details Disposal Balance c/d	\$ 16 800 <u>349 600</u> 366 400	Date 2023 Jan 1 Dec 31	Details Balance b/d Income statement	\$ 270 000 <u>96 400</u> 366 400	
				2024 Jan 1	Balance b/d	***OF boths 349 600	
	Disposal of delivery vehicle account						
	Date 2023 Nov 30	Details Delivery vehicles	\$ 28 000 <u>28 000</u>	Date 2023 Nov 30 Dec 31	Details Prov. for depreciation Bank Income statement	\$ 16 800 10 500 <u>700</u> 28 000	
	(1) dates						

Question	Answer	Marks																
4(c)	<p>Advantages Application of the matching principle Vehicles would be valued at a more realistic/accurate figure May reflect the estimate of loss in value for vehicles more accurately/ depreciation may be more accurate Appropriate for vehicles as they lose more value/greater benefits are gained in the early years Total depreciation/annual depreciation charge will be lower Accept other valid points Max 2</p> <p>Disadvantages More difficult to calculate depreciation /need to recalculate depreciation each year The depreciation charge is higher in the early years Changing methods is against the consistency principle Changing methods makes comparisons between years more difficult Non-current asset may be overvalued Accept other valid points Max 2</p> <p>Recommendation (1)</p>	5																
4(d)	<table><tr><td>Non-current asset</td><td>Straight line</td><td>Revaluation</td><td>No depreciation</td></tr><tr><td>Land</td><td></td><td></td><td>✓ (1)</td></tr><tr><td>Fixtures & fittings</td><td>✓(1)</td><td></td><td></td></tr><tr><td>Loose tools</td><td></td><td>✓ (1)</td><td></td></tr></table>	Non-current asset	Straight line	Revaluation	No depreciation	Land			✓ (1)	Fixtures & fittings	✓(1)			Loose tools		✓ (1)		3
Non-current asset	Straight line	Revaluation	No depreciation															
Land			✓ (1)															
Fixtures & fittings	✓(1)																	
Loose tools		✓ (1)																