Assignment 3

1. Gill purchased a notebook PC for £2,600. It has an estimated life of four years and a

scrap value of £200. She is not certain whether she should use the straight line or the reducing balance basis to calculate depreciation on the computer.

You are required to calculate the depreciation (to the nearest £) using both methods, showing

clearly the balance remaining in the computer account at the end of each of the four years under

each method. (Assume that 45 per cent per annum is to be used for the reducing balance method.)

1. A company purchased a machine on January 1, 2020, for $10,000. The machine has a useful life of 5 years and a residual (scrap) value of $1,000. The company uses straight-line depreciation.

On March 31, 2023, the machine was sold for $4,000.

**Required:**

1. Calculate the annual depreciation.
2. Calculate the accumulated depreciation up to the date of disposal.
3. Determine the book value of the machine on the disposal date.
4. Calculate the gain or loss on disposal.
5. Prepare the journal entries for:

* Annual depreciation (for 2020, 2021, 2022, and 3 months of 2023)
* Disposal of the asset on March 31, 2023

1. Prepare the T-accounts:

* Machinery Account
* Accumulated Depreciation Account
* Bank Account (for sale proceeds)
* Disposal

1. A business includes $110,000 worth of machinery at cost in its accounts. Its policy is to make a provision for depreciation at 20% per annum straight line. The total provision now stands at $70,000. The business sells for $19,000 a machine which it purchased exactly 2 years ago for $30,000. **Show the relevant ledger entries.**