**To watch videos and see working out and solutions click on links;**

**Part 1:** <https://www.loom.com/share/a11f3ef516184c76b1c635acd4c6e12f?sid=035963bf-d0be-4392-8ee2-c228d7a3f595>

**Part 2:** <https://www.loom.com/share/8defa7a4f22f47238057472b2a2da7ab?sid=7fd710db-4b12-4f78-97a3-e210f4e5fb96>

**Part 3:** <https://www.loom.com/share/aa3d3a966feb46b6aabf9af7fc0793eb?sid=68e1632c-6c75-4aef-9c41-9bfa7825a736>

**2021 Exam Question**

**Question 17 29 marks**

TecCar Pty Ltd are a local small business running a mechanical repairs and servicing centre in Kardinya. Apart from the premises, the business has a number of large depreciable assets including tuning machines, hoists, and tools.

On the 1 October 2021, TecCar replaced an old hoist with a new one costing $136,400 GST inclusive. The old hoist was purchased on the 1 April 2018 for $82,000, GST exclusive. TecCar depreciates all Plant & Equipment at 15% per annum, using the reducing balance method. The new hoist was purchased from LiftPower Ltd who gave TecCar a trade-in allowance of $26,500 in exchange for the old hoist. The trade-in allowance does not include GST. The remaining balance owing is to be repaid, in instalments, over the next three year period. The first repayment is due on the 1 December 2021.

(a) Calculate the Accumulated Depreciation on the old hoist being replaced from date of purchase to date of disposal. Round all calculations to the nearest whole dollar.

(8 marks)



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| **Workings**  **Answer: Accumulated Depreciation of hoist sold** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

1. Prepare the general journal entries required to record the disposal of the old hoist, and purchase of the new hoist on the 1st October 2021. Suitable narrations are required (13 marks)

**Workings**

**GENERAL JOURNAL**

|  |  |  |  |
| --- | --- | --- | --- |
| **DATE** | **DETAILS** | **DEBIT** | **CREDIT** |
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(c) Prepare the Sale of Asset account that would appear in the general ledger of TecCar

Pty Ltd on the 1 October 2021. (5 marks)

**Sale of Asset**

|  |  |  |  |  |  |
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1. Prepare the Accumulated Depreciation account that would appear in the general ledger of TecCar Pty Ltd for 1 April 2018 to 1 October 2021.

**Accumulated Depreciation on Plant & Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
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1. Was the hoist sold on 1 October 2021 over- or under-depreciated? Explain.

(3 marks)

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**Solution**

**Question 17 29 marks**

1. Depreciation workings

1/4/18 – 30/6/18 $82,000 x 0.15 x 3/12 = $3,075 (2)

1/7/18 – 30/6/19 $78,925 x 0.15 = 11,839 (1)

1/7/19 – 30/6/20 $67,086 x 0.15 = 10,063 (1)

1/7/20 – 30/6/21 $57,023 x 0.15 = 8,553 (1)

1/7/21 – 1/10/21 $48,470 x 0.15 x 3/12 = 1,818 (2)

Total Accumulated Depreciation 35,348 (1)

**(8 marks)**

**GENERAL JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DATE** | **DETAILS** | **DEBIT** | **CREDIT** |  |
| 2021 | Sale of Asset | 82,000 |  | **(1)** |
| Oct 1 | Plant & Equipment |  | 82,000 | **(1)** |
|  | *Transfer of the cost to sale of asset account* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |
|  | Accum Depn of P & E | 35,348 |  | **(1)** |
|  | Sale of Asset |  | 35,348 | **(1)** |
|  | *Transfer of the accum depn on the asset sold to* |  |  |  |
|  | *the sale of asset account* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |
|  | Plant & Equipment | 124,000 |  | **(1)** |
|  | GST-credits | 12,400 |  | **(1)** |
|  | Sale of Asset |  | 26,500 | **(2)** |
|  | GST-collections/payable |  | 2,650 | **(1)** |
|  | Accounts Payable – LiftPower Ltd |  | 107,250 | **(1)** |
|  | *Entry to record trade-in allowance and purchase* |  |  |  |
|  | *of new hoist* |  |  |  |
|  | ---------------------------------------------------- |  |  |  |
|  | Loss on Sale of Asset | 20,152 |  | **(1)** |
|  | Sale of Asset |  | 20,152 | **(2)\*** |
|  | *Entry to record the loss on sale of asset* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |

**OR**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DATE** | **DETAILS** | **DEBIT** | **CREDIT** |  |
| 2021 | Sale of Asset | 82,000 |  | **(1)** |
| Oct 1 | Plant & Equipment |  | 82,000 | **(1)** |
|  | *Transfer of the cost to sale of asset account* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |
|  | Accum Depn of P & E | 35,348 |  | **(1)** |
|  | Sale of Asset |  | 35,348 | **(1)** |
|  | *Transfer of the accum depn on the asset sold to* |  |  |  |
|  | *the sale of asset account* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |
|  | Plant & Equipment | 124,000 |  | **(1)** |
|  | GST-credits | 12,400 |  | **(1)** |
|  | Sale of Asset |  | 26,500 | **(2)** |
|  | Accounts Payable – LiftPower Ltd |  | 109900 | **(2)** |
|  | *Entry to record trade-in allowance and purchase* |  |  |  |
|  | *of new hoist* |  |  |  |
|  | ---------------------------------------------------- |  |  |  |
|  | Loss on Sale of Asset | 20,152 |  | **(1)** |
|  | Sale of Asset |  | 20,152 | **(2)\*** |
|  | *Entry to record the loss on sale of asset* |  |  |  |
|  | ------------------------------------------------------ |  |  |  |

**Appropriate narrations & correct dates up to (-2) (13 marks)**

*Calculation of Gain or Loss on Sale of Asset*

*Loss = 26,500 - (82,000 – 35,348)*

*= ($20,152)* **(2)\* Do not penalise consequential errors**

**(C)**

**Sale of Asset**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DATE** | **DETAILS** | **AMOUNT $** | **DATE** | **DETAILS** | **AMOUNT $** |
| 1/10/21 | Plant & Equipment | 82,000 **(1)** | 1/10/21 | Accum Depn | 35,348  **(1)** |
|  |  |  |  | Plant & Equip  (Trade in Allowance | 26,500  **(1)** |
|  |  |  |  | Loss on Sale | 20,152  **(2)** |
|  |  | **82,000** |  |  | **82,000** |

**Correct dates or no subtotals (-1) (5 marks)**

1. Prepare the Accumulated Depreciation account that would appear in the general ledger of TecCar Pty Ltd for 1 April 2018 to 1 October 2021.

**Accumulated Depreciation on Plant & Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1/10/21 | Sale of Asset | 35 348 | 30/6/2018 | Depreciation exp | 3 075 |
|  |  |  | 30/6/2019 | Depreciation exp | 11 839 |
|  |  |  |  |  | **14914** |
|  |  |  | 30/6/2020 | Depreciation exp | 10 613 |
|  |  |  |  |  | **24 977** |
|  |  |  | 30/6/2021 | Depreciation exp | 8 553 |
|  |  |  |  |  | **33 530** |
|  |  |  | 1/10/2021 | Depreciation exp | 1818 |
|  |  | **35 348** |  |  | **35 348** |

**(E)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Identifies loss on sale is due to under-depreciation and comprehensively gives reasons | 3 |
| Adequately explains why a loss on sale occurs | 2 |
| Identifies loss on sale is due to under-depreciation but does not give reasons | 1 |
| **Total** | **/3** |
| **Answer could include, but is not limited to** |  |
| * The hoist was under-depreciated as a loss on sale was incurred. * The hoist was sold for more than the carrying amount. * The asset was damaged or a new unexpected technological advancement was made or it was utilized much more than anticipated due to greater demand for services resulting in the trade-in allowance being well below the carrying amount * A loss on the sale of an asset indicates that too little depreciation was deducted. * The asset was damaged or was utilized much more than anticipated due to greater demand for services resulting in a shorter useful life for the asset * Accounting for depreciation requires estimation of residual value and useful life and these were not accurately estimated. |  |