**Question 16 (33 Marks)**

Grand Fabricators provide the following extract from their Statement of financial Position as at 30 June 2020:

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| --- | --- | --- |
| **Non-Current Assets** | $ | $ |
| Machinery | 260,000 |  |
| Accumulated depreciation | (98,000) | 162,000 |

One of the machines was constantly breaking down and needed to be replaced with a new one. The historical cost was $55,000 and it was purchased 1 February 2019. Factory machinery are depreciated at 8%pa on the reducing balance method. The faulty machine was sold 1 May 2021 for $15,000. The new machine came from Italy costing $80,000 and the business incurred the following costs: freight $9,000, insurance $3,700, test runs $2,600 and installation $2,400.

**Required:**

1. Calculate the accumulated depreciation on the faulty machine. (8 marks)

*(to nearest whole number)*

**Accumulated depreciation $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. Prepare the accumulated depreciation account for machinery for the financial year ended 30 June 2021. (13 marks)

**Workings**:

Accumulated Depreciation – Machinery Account

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(c) Calculate the gain or loss on sale. (3 marks)

**Gain/Loss on sale $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. Describe the meaning of your result in Part (C). (2 marks)

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(e) Explain the nature of depreciation. (3 marks)

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1. Prepare the exact to Statement of Financial Position as at 30 June 2021. (4 marks)

**Grand Fabricators**

**Statement Financial Position**

**as at 30 June 2021**

**Non-Current Assets**

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