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| ACF 11 – TRENDY FEET | **Depreciation and Sale of Asset** | **AUG** | **2023** |

**Question 1 – Depreciation and Sale of Asset**

On 1 September 2026 Trendy Feet, a manufacturer of footwear, purchased plant and equipment. The asset was transported to Perth . The following payments were associated with the purchase of the plant and equipment before GST.

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| Purchase price | 33 000 |
| Transport Cost to Perth | 1 700 |
| Insurance on journey | 800 |
| Cost of preparing foundation for asset | 2 500 |
| Cost of testing the asset | 1 000 |
| Insurance once installed for 12 months | 900 |

The Plant is expected to have a residual value of $5,400 and a useful life of 7 years. It is depreciated using the straight-line method. The plant and equipment was sold on 31st October 2028

Show calculation of Depreciation Expense for the Plant and Equipment for balance day 2027, 2028 and 2029. **(6 marks)**

Prepare the following ledger accounts **from the date of purchase** to the date of sale – 31st October 2028. It was sold for $17 200 (before GST).

* Plant and Equipment (2 marks)
* Accumulated Depreciation (4 marks)
* Depreciation Expense (July 1 – Oct 31 2028 ONLY) (2 marks)
* Sale of Asset (4 marks)
* Gain/Loss on Sale of Asset (2 marks)
* Profit and Loss (2 marks)

Prepare the journal entries for the **31st of October 2028** including **gain/loss on sale of asset** and **profit and loss entry.** (Don’t forget narrations) **(12 marks)**

**GENERAL JOURNAL**

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| **Date** | **Details** | **Debit** | **Credit** |
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**GENERAL LEDGER**

**Plant & Equipment**

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| Date | Contra Account | Dr | Date | Contra Account | Cr |
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**Accumulated Depreciation of Plant & Equipment**

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| Date | Contra Account | Dr | Date | Contra Account | Cr |
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**Sale of Plant & Equipment**

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**Gain / Loss on Sale of Assets**

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| Date | Contra Account | Dr | Date | Contra Account | Cr |
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**Profit & Loss Summary**

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| Date | Contra Account | Dr | Date | Contra Account | Cr |
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