**Question 1 (24 marks)**

On 1 September 2015 Shimmer Shoes, a manufacturer of footwear, purchased manufacturing equipment. The equipment was transported to Perth. The following payments were associated with the purchase of the equipment, all exclusive of GST.

|  |  |
| --- | --- |
|  |  |
| Purchase price | 33,000 |
| Transport to Perth | 1,700 |
| Insurance during transportation | 800 |
| Cost of preparing concrete foundation for asset | 2,500 |
| Cost of installing the asset | 1,000 |
| Modifications before operation | 1,500 |
| Insurance for the first 12 months of operation | 900 |
| Maintenance 6 months after operation commenced | 500 |

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 equipment was sold on 31 March 2018. The financial year end for Shimmer Shoes is 30 June.

* + - * 1. Calculate of Depreciation Expenses for the Plant and Equipment for balance day 2016, 2017 and 2018.

2016: (4 marks) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2017: (2 marks)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2018: (3 marks)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* + - * 1. Prepare the following General Ledger accounts from the date of purchase to the date of sale. It was sold for $17,200 (before GST). (15 marks)

**SHIMMER SHOES**

**GENERAL LEDGER**

**Manufacturing Equipment**

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

**Accumulated Depreciation on Equipment**

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

**Sale of Asset**

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

**Question 2 (14 marks)**

**Trial Balance (extract)**

**as at 30 June 2018**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | **Debit**  **$** | | **Credit**  **$** | |
| Office Furniture (at cost) | | 12 000 | |  | |
| Accumulated Depreciation (as at 1 July 2017) | |  | | 6 000 | |
| Vehicle (at cost) | | 25 000 | |  | |
| Accumulated Depreciation (as at 1 July 2017) | |  | | 5 000 | |

At balance day 30 June 2018 the following information is provided:

* Office Furniture is depreciated on the straight line method. The item was purchased on 1 July 2014. There is no residual value and the estimated useful life is 6 years. Depreciation for the year ended 30 June 2018 has not been charged.
* The vehicle was purchased on 1 July 2016, depreciated at 20% p.a. using the reducing balance method. Depreciation for the year ended 30 June 2018 has not been charged.

1. Calculate the Depreciation expense for Equipment for the year ended 30 June 2018:

(2 marks)

1. Calculate the depreciation expense for Vehicles for the year ended 30 June 2018:

(2 marks)

(c) Journalise the entries for the depreciation calculated in (a) and (b)

**GENERAL JOURNAL**  (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Accounts Affected | Debit | Credit |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

(d) Show an extract of the **Non-Current Assets** Section in the Balance Sheet on 30 June 2018 with comparative figures for 30 June 2017: (6 marks)

**SOLUTIONS**

**Question 1 (24 marks)**

* + - * 1. Calculate of Depreciation Expenses for the Plant and Equipment for balance day 2016, 2017 and 2018.

2016: [(33,000 + 1,700 + 800 + 2,500 + 1,000 + 1, 500) – 5,400] /7 x 10/12 = **$4,179** (4 marks)

2017: [(33,000 + 1,700 + 800 + 2,500 + 1,000 + 1, 500) – 5,400] /7 = **$5,014** (2 marks)

2018: [(33,000 + 1,700 + 800 + 2,500 + 1,000 + 1, 500) – 5,400] /7 x 9/12 = **$3,761** (3 marks)

* + - * 1. Prepare the following General Ledger accounts from the date of purchase to the date of sale. It was sold for $17,200 (before GST). (15 marks)

**SHIMMER SHOES**

**GENERAL LEDGER**

**Manufacturing Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2015  1 Sep | Cash at Bank (Equipment) | 33 000 | 2018  31 Mar | Sale of Asset | 40 500 |
|  | Cash at Bank (Transport) | 1 700 |  |  |  |
|  | Cash at Bank (Insurance during Transport) | 800 |  |  |  |
|  | Cash at Bank (Concrete foundation) | 2 500 |  |  |  |
|  | Cash at Bank (Installation) | 1 000 |  |  |  |
|  | Cash at Bank (Modifications) | 1 500 |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Accumulated Depreciation on Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2018  31 Mar | Sale of Asset | 12, 954 | 2018 31 Mar | Depreciation on Equipment | 4179 |
|  |  |  |  | Depreciation on Equipment | 5014 |
|  |  |  |  | Depreciation on Equipment | 3761 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Sale of Asset**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2018  31 Mar | Manufacturing Equipment | 40 500 | 2018  31 Mar | Accumulated Depreciation on Equipment | 12 954 |
|  |  |  |  | Cash at Bank | 17 200 |
|  |  |  |  | Loss on Sale of Asset | 10 346 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Question 2 (14 marks)**

**Trial Balance (extract)**

**as at 30 June 2018**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | **Debit**  **$** | | **Credit**  **$** | |
| Office Furniture (at cost) | | 12 000 | |  | |
| Accumulated Depreciation (as at 1 July 2017) | |  | | 6 000 | |
| Vehicle (at cost) | | 25 000 | |  | |
| Accumulated Depreciation (as at 1 July 2017) | |  | | 5 000 | |

At balance day 30 June 2010 the following information is provided:

* Office Furniture is depreciated on the straight line method. The item was purchased on 1 July 2014. There is no residual value and the estimated useful life is 6 years. Depreciation for the year ended 30 June 2018 has not been charged.
* The vehicle was purchased on 1 July 2016, depreciated at 20% p.a. using the reducing balance method. Depreciation for the year ended 30 June 2018 has not been charged.

1. Calculate the Depreciation expense for Equipment for the year ended 30 June 2018:

(2 marks)

$12,000 / 6 = **$2,000**

1. Calculate the depreciation expense for Vehicles for the year ended 30 June 2018:

(2 marks)

($25,000 - $5,000) x 20% = **$4,000**

(c) Journalise the entries for the depreciation calculated in (a) and (b)

**GENERAL JOURNAL**  (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Accounts Affected | Debit | Credit |
| 30 Jun 2018 | Depreciation Office Furniture | 2 000 |  |
|  | Accumulated Depreciation Office Furniture |  | 2 000 |
|  | *Depreciation on Equipment on Straight-line Method* |  |  |
|  |  |  |  |
|  | Depreciation Vehicle | 4 000 |  |
|  | Accumulated Depreciation Vehicle |  | 4 000 |
|  | *Depreciation on Vehicle on Reducing-Balance Method* |  |  |

(d) Show an extract of the **Non-Current Assets** Section in the Balance Sheet on 30 June 2018 with comparative figures for 30 June 2017: (6 marks)

**2018 2017**

Office Furniture 12,000 12,000

Less Accumulated Depreciation 8,000 6,000

4,000 6,000

Motor Vehicles 25,000 25,000

Less Accumulated Depreciation 9,000 5,000

16,000 20,000