2023 Practice

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| Application | **Depreciation and Sale of Asset 10%** | **Total :** |  |

**SECTION A: PRACTICAL**

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 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 $5400 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 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)**

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)
* Deprectiation 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)

**16 marks**

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

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| **Plant and Equipment** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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| **Accumulated Depreciation** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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| **Depreciation** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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| **Sale of Plant and Equipment** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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| **Gain / Loss on Sale of Assets** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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| **Profit and Loss** | | | | | |
| **Date** | **Cross Ref** | **$$** | **Date** | **Cross Ref** | **$$** |
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