

- 2 Bach runs a manufacturing business. An extract from his statement of financial position at 1 January 2012 is shown below:

Non-current assets	Cost \$	Accumulated depreciation \$	Net book value \$
Factory premises	220 000	26 400	193 600
Machinery	138 600	52 200	86 400

During 2012 the following transactions took place for machinery.

Disposals

Date	Machinery reference	Year of purchase	Initial cost \$	Disposal proceeds \$
26 March	M12	2009	14 000	7 100
17 August	M18	2008	8 000	1 320
13 December	M20	2007	9 600	850

Additions

Date	Machinery reference	Cost \$
20 April	M27	11 500
25 October	M31	16 200

All receipts and payments for these transactions are processed through the business bank account.

All of the remaining machinery at 31 December 2012 was purchased after 2008.

Depreciation on the factory premises is charged on a straight line basis based on a 50 year life, with no residual value.

Depreciation on machinery is charged on a straight line basis based on a five year life and an estimated residual value of 10% of the original cost.

It is the company policy to charge a full year's depreciation in the year of purchase but none in the year of disposal.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 December 2012.

(i) Machinery account

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(ii) Provision for depreciation of machinery account

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(iii) Machinery disposals account

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(b) Identify **two** alternative methods of providing for depreciation.

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(c) State **three** causes of depreciation.

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Bach's statement of financial position showed the following at 1 January 2013:

Trade receivables \$12 000

Trade payables \$10 000

Bank balance \$800 Dr

Sales are paid in full one month after the sale

Purchases are payable 50% in the month of purchase, the remainder one month later

Other expenses are paid in the month they occur

Budgeted sales, purchases and other expenses for the period January to March 2013 are as follows:

	January	February	March
	\$	\$	\$
Sales	10 000	12 000	14 000
Purchases	8 000	12 000	16 000
Other expenses	5 000	5 000	5 000

(d) Complete the following table to show the budgeted closing bank balance on 31 March 2013.

Receipts	January	February	March
Receipts from customers			
Payments			
Payments to suppliers			
Other expenses			
Opening bank balance			
Net cash flow			
Closing bank balance			

[6]

(e) Suggest **two** ways Bach could improve his budgeted bank balance at 31 March 2013.

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