3 Petra owns a small manufacturing business. Her depreciation policy is as follows:

Non-current asset	Depreciation policy
Plant and machinery	20% per annum reducing balance method
A full year's depreciation is charged in the year of purchase but none in the year of sale.	

The following information in respect of plant and machinery has been extracted from the books of account for the year ended 31 July 2021.

Date	Details
1 August 2020	Cost, $26 800; Provision for Depreciation, $12 200.
1 January 2021	Purchased new machinery, cost $4200. This was settled by a cheque payment of $2450 and part exchange of machinery that had originally cost $2500 in September 2018.
31 July 2021	Machinery with an original cost of $850 and a net book value of $60 was scrapped with no proceeds.

REQUIRED

(a) Prepare the provision for depreciation account for plant and machinery for the year ended 31 July 2021.

Provision for Depreciation – Plant and Machinery

Date	Details	$	Date	Details	$
			2020 Aug 1	Balance b/d	12 200

[5]

Workings:

(b) Prepare the disposal account for the year ended 31 July 2021.

Disposal Account

Date	Details	$	Date	Details	$

[7]

(c) Discuss the reasons why a business may choose to depreciate plant and machinery using the reducing balance method.

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