2 A business depreciates its non-current assets.

REQUIRED

(a) Explain why a business should comply with the following concepts when accounting for non-current assets.

Prudence ....

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Accruals (matching) ....

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.... [4]

Additional information

T Limited prepares accounts to 30 June.

The following balances are available at 30 June 2017:

	$
Plant and machinery at cost	174 300
Provision for depreciation	48 700

On 1 July 2017 the company disposed of a machine which had a net book value of $20 000. The machine had been purchased on 1 July 2015.

On 1 October 2017 a new machine was purchased for $68 600 paid by cheque.

The company depreciates plant and machinery at 20% using the reducing balance method calculated on a month-by-month basis. No depreciation is charged in the year of disposal.

REQUIRED

(b) Prepare the provision for depreciation on plant and machinery account for the year ended 30 June 2018. Dates **are** required.

Provision for depreciation on plant and machinery

		$			$

Workings:

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.... [8]

Additional information

Rather than paying immediately, the company had the option to pay in full for the new machine 15 months from the date of purchase.

REQUIRED

(c) Explain the impact on the financial statements for the year ended 30 June 2018 of paying for the new machine 15 months from the date of purchase.

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.... [3]