

- 2 V Limited owns various non-current assets. Non-current assets depreciate due to a number of factors including wear and tear.

REQUIRED

(a) State **two** reasons, other than wear and tear, why non-current assets depreciate.

- 1
- 2 [2]

Additional information

Businesses must apply the consistency concept when accounting for depreciation.

REQUIRED

(b) Describe the consistency concept.

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- [2]

Additional information

The company's financial year ends on 31 December.

- 1 Property was purchased on 1 January 2019 at a cost of \$850 000. Property is depreciated at 5% per annum on cost.
- 2 On 1 January 2021 the directors decided to revalue the property at \$1 200 000.

REQUIRED

(c) Prepare the journal entry to record the revaluation of the property. A narrative is **not** required.

Journal

	Dr \$	Cr \$

[3]

Additional information

- 1 Furniture and equipment was purchased on 1 January 2019 at a cost of \$140 000.
- 2 Furniture and equipment is depreciated at 10% per annum using the reducing balance method.
- 3 On 1 September 2021, the directors sold furniture and equipment which had cost \$21 000 on 1 January 2019.
- 4 A full year's depreciation is charged in the year of purchase but none in the year of disposal.

REQUIRED

- (d) Calculate the charge for depreciation of furniture and equipment for the year ended 31 December 2021.

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..... [4]

Additional information

- 1 Motor vehicles were purchased on 1 January 2020 at a cost of \$84 000.
- 2 Motor vehicles are depreciated at 20% per annum using the reducing balance method.
- 3 On 1 November 2021, a new motor vehicle was purchased at a cost of \$44 000. A cheque for \$17 000 was paid for the vehicle and the balance was covered by the part-exchange of a vehicle which had cost \$40 000 on 1 January 2020.
- 4 A full year's depreciation is charged in the year of purchase but none in the year of disposal.

REQUIRED

- (e) Prepare the motor vehicle disposal account for the year ended 31 December 2021.

Motor vehicle disposal account

	\$		\$

[4]