2 Helen Ossetia provides the following information for the year ended 31 May 2013.

Non-current assets	Buildings $000	Machinery $000	Motor vehicles $000	Total $000
Cost	2000	2000	700	4700
Accumulated depreciation at 31 May 2013	(120)	(800)	(300)	(1220)
Net Book Value	1880	1200	400	3480
Depreciation charge for the year	40	400	100	540

A full year's depreciation is charged in the year of purchase and no depreciation is charged in the year of disposal.

Buildings and machinery are depreciated using the straight line method.

Motor vehicles are depreciated using the reducing (diminishing) balance method.

REQUIRED

(a) Explain why Helen needs to depreciate her non-current assets.

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(b) State **three** causes of depreciation of motor vehicles.

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3 ..... [3]

(c) Calculate the rate of depreciation used by Helen at 31 May 2013 to depreciate **each** class of non-current asset.

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[4]

(d) Explain why machinery is usually depreciated using the straight line method while motor vehicles are usually depreciated using the reducing balance method.

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[4]

Additional information

During the year ended 31 May 2014:

1 Helen bought new machinery costing $720 000 and sold old machinery which had cost $160 000. The old machinery had been bought on 1 December 2011.

2 Helen bought a new motor vehicle. She traded in an old vehicle valued at $40 000 and paid the balance of $160 000, by cheque.

The trade in vehicle had cost $100 000 and had a net book value of $60 000 at the date of disposal.

3 A new building costing $1 000 000 was completed during the year.

REQUIRED

(e) Complete the non-current asset schedule below for the year ended 31 May 2014.

	Buildings	Machinery	Motor vehicles	Total
	$000	$000	$000	$000
COST				
Balance at 31 May 2013	2000	2000	700	4700
Additions				
Disposals				
Balance at 31 May 2014				
DEPRECIATION				
Balance at 31 May 2013	120	800	300	1220
Charge for the year				
Disposals				
Balance at 31 May 2014				
NBV at 31 May 2014				
NBV at 31 May 2013	1880	1200	400	3480

[16]