

- 2 Q Limited is a small wholesale business. It uses the reducing balance method of depreciation to depreciate delivery vehicles.

REQUIRED

- (a) Explain **one** advantage and **one** disadvantage to a business of using the reducing balance method of depreciation.

Advantage

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Disadvantage

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[4]

Additional information

Delivery vehicle A was purchased on 1 January 2018 for \$36 000.
Delivery vehicle B was purchased on 1 April 2018 for \$40 000.
Depreciation of 20% per annum has been provided annually using the reducing balance method.
A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
The business's financial year end is 31 December.

REQUIRED

- (b) Calculate the balance of the delivery vehicles provision for depreciation account at 31 December 2019.

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Additional information

On 1 February 2020 delivery vehicle C was purchased at a cost of \$38 000. Delivery vehicle B was sold in part-exchange for delivery vehicle C. A cheque for \$30 000 was paid on that date in full settlement of the amount remaining after part-exchange.

REQUIRED

- (c) Prepare the delivery vehicles cost account.

Delivery vehicles cost account

	\$		\$

[5]

Additional information

Delivery vehicles are depreciated because they are subject to wear and tear.

REQUIRED

(d) State **two** reasons, other than wear and tear, for depreciating non-current assets.

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[2]