

- 2 Zainab uses the straight-line method of depreciation for business vehicles.

The non-current assets of the business include two vehicles.

Vehicle	Cost \$	Date of purchase
1	26 000	1 January 2021
2	28 200	1 September 2022

Vehicles are depreciated by 20% per annum. Depreciation is calculated on a month-by-month basis in the year of purchase. No depreciation is provided in the year of disposal. The financial year ends on 31 December.

- (a) Prepare the journal entry to record the depreciation charge for the year ended 31 December 2022. A narrative is **not** required.

Journal

		Dr \$	Cr \$

[3]

- (b) Prepare the provision for depreciation – vehicles account for the year ended 31 December 2022.

Provision for depreciation – vehicles

		\$			\$

[3]

### Additional information

On 15 February 2023 Vehicle 1 was disposed of at a profit of \$4200 and the proceeds were paid into the business's bank account.

(c) Prepare the vehicle disposal account.

#### Vehicle disposal

		\$			\$

[4]

(d) State **one** reason why it may be better to use the reducing balance method of depreciation for vehicles.

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..... [1]

(e) Explain **two** accounting concepts which apply to depreciation.

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2 .....  
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[4]