2 Richard commenced business on 1 May 2011. At the end of the first year of trading an extract from his statement of financial position showed:

Non-current assets	Cost	Accumulated Depreciation	Net book value
	$	$	$
Freehold land and Buildings	100 000	2 000	98 000
Machinery	64 000	16 000	48 000
Motor vehicle	12 000	3 600	8 400

Richard has a policy to depreciate non-current assets as follows:

- Buildings at 2% per annum on cost.
- Machinery at 25% per annum on cost.
- Motor vehicles at 30% per annum using the reducing balance method.
- Depreciation is charged for each month of ownership.

On 1 August 2012 additional machinery, costing $18 000, was purchased.

On 1 January 2013 a new motor vehicle costing $24 000 was purchased. On the same date the old motor vehicle was traded in. Richard received an allowance of $2 600 against the cost of the new vehicle. The vehicle disposed had originally cost $12 000 and was purchased on 1 May 2011. All payments and receipts for purchases and disposals were in cash.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 30 April 2013. Dates are not required.

(i) Motor vehicles (at cost)

....

....

....

....

....

....

....

.... [5]

(ii) Provision for depreciation of motor vehicles

....

....

....

....

....

....

....

....

....

....

.... [5]

(iii) Disposal of motor vehicles

....

....

....

....

....

....

....

....

....

....

.... [5]

(b) Calculate the depreciation charge for the year ended 30 April 2013 to be shown in the income statement, clearly identifying the amount charged for each category of asset.

....

....

....

....

....

....

....

....

....

....

.... [6]

Additional information

Richard is considering the admission of a partner and feels that he should be rewarded for his efforts in starting and developing the business. His accountant has advised him that there is an asset called goodwill.

REQUIRED

(c) Explain the meaning of the term goodwill and suggest **two** reasons how it may arise.

....

....

....

....

....

....

....

....

.... [5]

(d) Explain how goodwill should be treated in the books of partnership.

....

....

....

....

....

....

.... [4]