

- 2 Myra owns a delivery business. The following information is available about her business's delivery vehicles.

Vehicle	Date of purchase	Cost \$
A	1 August 2017	30 000
B	1 February 2018	36 000
C	1 June 2019	39 000

Vehicles are depreciated using the straight-line method at 20% per annum. Depreciation is charged on a month-by-month basis. The business's financial year end is 31 December.

REQUIRED

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

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Additional information

On 1 March 2020, Vehicle A was sold in part exchange for Vehicle D. Vehicle D cost \$42 000 of which \$29 200 was paid by cheque.

REQUIRED

(b) Prepare the vehicle disposal account.

Vehicle disposal account

	\$		\$

[5]

- (c) Prepare the provision for depreciation of vehicles account for the year ended 31 December 2020.

Provision for depreciation of vehicles account

	\$		\$

[3]

Additional information

Businesses may use the revaluation method of depreciation for some of their non-current assets.

REQUIRED

(d) Explain **one** reason why some businesses may use the revaluation method of depreciation.

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[2]

(e) State how an annual depreciation charge is calculated using the revaluation method.

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[1]