

**2 Answer Sections A and B.**

- A** Sarah runs a wholesale business. An extract from her statement of financial position (balance sheet) at 31 December 2009 shows:

Motor vehicles at cost	\$371 000
Motor vehicle accumulated depreciation	\$130 000

During the financial year ended 31 December 2010 the following transactions took place.

- 1 A motor vehicle purchased on 1 January 2006 for \$9200 was sold on 30 June 2010 for \$500.
- 2 A motor vehicle was purchased on 1 April 2010 for \$15 000.

Depreciation is charged at 20% per annum on cost, with the rate being applied for each part of the year. No allowance is made for any residual value.

All motor vehicles held by the company at 31 December 2010 had been purchased within the previous five years.

All transactions are by cheque.

**REQUIRED**

- (a)** Prepare the following ledger accounts for the year ended 31 December 2010.

- (i)** Motor vehicles account

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- (ii)** Provision for depreciation of motor vehicles account

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(iii)

Motor vehicle disposal account

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**(b)** Prepare an extract from the statement of financial position (balance sheet) for non-current assets at 31 December 2010.

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**(c)** Explain why businesses provide for depreciation on their non-current assets.

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- B** The treasurer of Hamilton Social Club has provided the following information for the year ended 31 March 2011.

	31 March 2010	31 March 2011
	\$	\$
Café inventory at cost	3400	3950
Café trade payables	1570	880
Subscriptions in arrears	240	120
Equipment (net book value)	5400	9360
Stock of stationery at cost	110	85
Cash at bank	1800	340
5% loan (repayable 2015)	—	5000

Equipment costing \$5000 was purchased on 1 April 2010. It was financed by the 5% loan. At the year end 31 March 2011, no payment of interest had been made.

Included in the café inventory at 31 March 2011 were items costing \$120 that were out of date. They had a net realisable value of \$30.

## REQUIRED

- (a) Prepare a statement of financial position (balance sheet) for Hamilton Social Club at 31 March 2011. Show clearly the surplus or deficit for the year. An income and expenditure account is **not** required.

[illegible]

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