2 Depreciation is provided for by a business when accounting for non-current assets.

(a) **(i)** State **three** possible causes of depreciation.

1 ....

2 ....

3 ....
[3]

(ii) Explain **two** accounting concepts which are applied when providing for depreciation.

1 Concept ....

Explanation

....

....

....

....

2 Concept ....

Explanation

....

....

....

....
[4]

The directors of K Limited prepare financial statements to 31 December. They have provided the following information.

Balances at 1 January 2019

	$
Motor vehicles cost	180 000
Motor vehicles provision for depreciation	105 000

During the year ended 31 December 2019

1 A new motor vehicle was acquired for $50 000.

2 A motor vehicle which had cost $40 000 and been depreciated by $17 500 was sold for $16 500.

The company policy is to depreciate motor vehicles at 25% per annum using the reducing balance method.

A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

REQUIRED

(b) Prepare for the year ended 31 December 2019:

(i) motor vehicles provision for depreciation account

Motor vehicles provision for depreciation account

		$			$

[6]

(ii) disposal account

Disposal account

		$			$

[2]