

2 Simon formed a parcel delivery business on 1 July 2021.

On 1 July 2021, he purchased a delivery vehicle for \$29 000 from his business bank account.

He decided to depreciate delivery vehicles on a monthly basis using the straight-line method. He estimated that the delivery vehicle would have a useful working life of four years and would have a residual value of \$5000.

On 1 November 2022, a new delivery vehicle was purchased at a cost of \$44 000. The old delivery vehicle was part exchanged at a value of \$16 800. The balance was settled by a bank loan repayable over two years.

He estimated that the new delivery vehicle would have a useful working life of five years and would have a residual value of \$8000.

(a) State **two** factors that cause the value of non-current assets to depreciate.

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- (b) Prepare the following accounts for the year ended 30 June 2023. the space provided to show your workings.

Delivery vehicles at cost

Date	Details	\$	Date	Details	\$

Delivery vehicles provision for depreciation

Date	Details	\$	Date	Details	\$

Workings:

(c) Calculate the profit or loss on disposal of the delivery vehicle sold on 1 November 2022.

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(d) Explain why it may be more appropriate to depreciate motor vehicles using the reducing balance method rather than the straight-line method.

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