

- 3 Miu is a sole trader and prepares her financial statements to 31 May each year. She depreciates her motor vehicles using the reducing balance method at a rate of 20% per annum. Depreciation is charged monthly.

REQUIRED

- (a) State what is meant by depreciation of non-current assets.

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..... [1]

- (b) State **three** causes of depreciation of non-current assets.

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..... [3]

Additional information

Miu purchased a motor vehicle on 1 June 2013 for \$152 000.

On 1 March 2015, a new motor vehicle was purchased at a cost of \$190 000. The old motor vehicle was part-exchanged at a value of \$84 000.

The balance was settled by a bank loan repayable over 3 years.

REQUIRED

- (c) (i)** Prepare the motor vehicles at cost account for the year ended 31 May 2015.

Miu
Motor vehicles at cost account

[2]

- (ii) Prepare the motor vehicle provision for depreciation account for the years ended 31 May 2014 and 31 May 2015.

Miu
Motor vehicles provision for depreciation account

[5]

(iii) Calculate the profit or loss on disposal of the motor vehicle purchased on 1 June 2013.

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..... [1]

Additional information

Miu is considering the effect it would have on her financial statements if she sold motor vehicles for cash rather than part-exchange them in the future.

REQUIRED

(d) Advise Miu of the effect on her financial statements if she had not part-exchanged the motor vehicle but had sold it for \$80 000 cash.

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