2	The following information has been extr 1 January 2016.	racted from	the	books	of	account	of	FA	Limited	at
	Motor vehicles at cost Motor vehicles provision for depreciation	\$ 124 000 54 250								
	The following information is also available.									

- 1 All the company's motor vehicles had been purchased on 1 January 2014.
- 2 On 1 July 2016, a new motor vehicle was purchased for \$48 000. The cost was settled by a cheque payment of \$28 000, the balance by the part exchange of an old motor vehicle.

The vehicle that was part-exchanged had cost \$36 000.

3 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 purchase, but none in the year of sale.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 December 2016. (Dates are not required.)

Motor vehicles at cost

\$	\$

Motor vehicles provision for depreciation

		<u> </u>	
	\$		\$
	Disposal of n	on-current assets	
	\$		\$
Workings			

(b)	Analyse the effect on the profit for the year ended 31 December 2016 if FA Limited I always used the straight-line method of depreciation at 20% per annum. Show y workings.	
		[5]
(c)	Explain two accounting concepts that apply to making the annual charge for depreciation.	
	1	
	2	
		[4]