**2022 Confucian Private Secondary Paper 2 Question 2**

Mitsui Enterprise prepares its year end accounts on 31 December annually. The Statement of Financial Position extracted as at 31 December 2020 as below:

Mitsui Enterprise

Statement of Financial Position (extract) as at 31 December 2020

|  |  |  |
| --- | --- | --- |
| **Non-current Assets** | RM | RM |
| Machinery | 61,000 |  |
| Less: Accumulated Depreciation of Machinery | 25,400 | 35,600 |

Below is the additional information related to the assets above:

1. The machinery consists of three units of machine, which were acquired on:

10 April 2018 (Machine A, cost RM 15,000),

5 November 2018 (Machine B, cost RM 24,000), and

6 March 2020 (Machine C, cost RM 22,000).

1. The company depreciates its machinery at the rate of 20% per annum assuming no scrap value after the lapse of the period, and no depreciation is provided for in the year of disposal.
2. When the machine is purchased in the first-half of a financial year, then a full year’s depreciation is provided for that year.
3. When the machine is purchased in the second-half of a financial year, then a half year’s depreciation is provided for that year.

During the year ended 31 December 2021, the following transactions took place:

1. On 10 February 2021,

Mitsui Enterprise bought a new machine (D) for RM 19,000 on credit from Honda Trading. Transportation costs and installation costs for the machine incurred on 10 February 2021 amounted to RM 300 and RM 700 respectively.

1. On 31 March 2021,

Machine (A) was destroyed by fire and had to be written off. Toko Insurance Company agreed to compensate 80% of the carrying value of the machinery.

1. On 14 May 2021,

Machine (B) was sold at the price of 20% below its carrying amount. The transaction was settled by cheque.

1. On 10 September 2021,

Machine (C) was considered not suitable for the company and was exchanged for machine (E) costing RM 32,000. The trade-in value of the old machine (C) was RM 18,000 and the balance paid by cheque at the date of purchase.

1. On 1 December 2021,

Due to the increase in demand, proprietor agreed to bring in personal machine (F) RM 15,000 for business use.

**You are required to:**

1. Prepare the following accounts for year 2021:
2. Machinery;
3. Accumulated Depreciation of Machinery; and
4. Disposal of Machinery.
5. Show the non-current assets section of the Statement of Financial Position (extract) as at 31 December 2021.
6. Give any three causes of depreciation and any three factors affecting calculation of depreciation.