

Chapter 5

No examples

Chapter 6

Example 1

$$\text{Depreciation} = \frac{12,000 - 2,000}{5} = 2,000 \text{ p.a.}$$

2002:	9/12 × 2,000	1,500
2003:		2,000
2004:		2,000

31.12.2002 31.12.2003 31.12.2004

Statement of Profit or Loss:

Depreciation	1,500	2,000	2,000
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Statement of Financial Position:

Cost	12,000	12,000	12,000
Less: Accumulated Depreciation	(1,500)	(3,500)	(5,500)
	<u>10,500</u>	<u>8,500</u>	<u>6,500</u>

Example 2

	Cost	15,000
Yr 1	Depreciation (20%)	(3,000)
		<u>12,000</u>
Yr 2	Depreciation (20%)	(2,400)
		<u>9,600</u>
Yr 3	Depreciation (20%)	(1,920)
		<u>7,680</u>

Year 1 Year 2 Year 3

Statement of Profit or Loss:

Depreciation	3,000	2,400	1,920
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Statement of Financial Position:

Cost	15,000	15,000	15,000
Less: Accumulated Depreciation	(3,000)	(5,400)	(7,320)
	<u>12,000</u>	<u>9,600</u>	<u>7,680</u>



Example 3

$$\text{Depreciation} = \frac{15,000 - 1,000}{5} = 2,800 \text{ p.a.}$$

$$\text{Y/e 30.6.02} \quad 6/12 \times 2,800 = \mathbf{\$1,400}$$

Car		Accumulated Depreciation A/C			
Cash	15,000			2002 Dep Exp	1,400
		2003 Balance	4,200	2003 Dep Exp	2,800
		Cash	<u>4,200</u>		<u>4,200</u>
				Balance	4,200
		2004 Balance	7,000	2004 Dep Exp	2,800
			<u>7,000</u>		<u>7,000</u>
				Balance	7,000

Depreciation Expense A/C			
2002 Accum Dep	1,400	2002 SOPL	1,400
	<u>1,400</u>		<u>1,400</u>
2003 Accum Dep	2,800	2003 SOPL	2,800
	<u>2,800</u>		<u>2,800</u>
2004 Accum Dep	2,800	2004 SOPL	2,800
	<u>2,800</u>		<u>2,800</u>

Example 4

Car		Accumulated Depreciation	
Balance	15,000	Balance	7,000
		Dep Exp (3/12 × 2,800)	700
	<u>15,000</u>		<u>7,700</u>
		Balance	7,700
		Disposal	<u>7,700</u>

Depreciation Expense		Disposal A/C	
Accum Depr	700	Car	15,000
	<u>700</u>	Accum Depr	7,700
		Cash	6,500
		SOPL (loss on sale)	800
			<u>15,000</u>



Example 5

Buildings				Accumulated Depreciation			
Balance	3,600,000	Revaluation a/c	528,000			Balance	1,080,000
		Balance	3,072,000	Balance	1,116,000	Dep Exp (W1)	36,000
	<u>3,600,000</u>		<u>3,600,000</u>		<u>1,116,000</u>		<u>1,116,000</u>
Balance	3,072,000			Revaluation	1,116,000	Balance	1,116,000
					<u>1,116,000</u>		<u>1,116,000</u>
						Dep Exp (W2)	44,522
Depreciation Expense				Revaluation A/C			
Accum Dep	36,000			Building	528,000	Accum Dep	1,116,000
Accum Dep	44,522	SOPL	80,522	Profit on reval.	588,000		
	<u>80,522</u>		<u>80,522</u>		<u>1,116,000</u>		<u>1,116,000</u>

(W1) Dep Exp = $6/12 \times 2\% \times 3,600,000 = \$36,000$

(W2) Dep Exp = $6/12 \times \frac{3,072,000}{34.5} = \$44,522$

With depreciation at 2% p.a., expected life of building was 50 years.

At date of revaluation, the accumulated depreciation is \$1,116,000. At the rate of \$72,000 p.a..

this is $\frac{1,116,000}{72,000} = 15.5$ years

So expected life remaining = $50 - 15.5 = 34.5$ years.

Chapter 7

No examples

