

LECTURE EXAMPLE

At 1 January 1995 a business had motor vehicles which had originally cost £25000 in total. In April 1995 it sold a vehicle which had originally cost £6000 in August 1992 for £1800.

The balance on the provision for depreciation account at 1 January 1995 was £14000

Depreciation is provided at 25% on the straight line basis.

A full year's charge is made in the year of acquisition and none in the year of sale.

REQUIREMENT

- (1) What is the profit or loss on disposal of the old vehicle ?
- (2) What would be the depreciation charge for 1995 ?
- (3) What would be the net book value of the motor vehicles in the balance sheet at 31st December 1995 ?