

Answers



Test your understanding 1

(a) **Profit or loss on disposal**

	£
Cost	12,000
Depreciation	(5,000)
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CV	7,000
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Comparing the carrying value of £7,000 with the sale proceeds of £4,000, there is a loss of $(7,000 - 4,000) = £3,000$.

(b) **Ledger account entries**

Disposal of non-current assets account

	£		£
Car cost	12,000	Accumulated depreciation	5,000
		Cash at bank a/c (sales proceeds)	4,000
		Loss on disposal	3,000
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	12,000		12,000
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Car account

	£		£
Balance b/d	12,000	Disposal a/c	12,000
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Car accumulated depreciation account

	£		£
Disposal a/c	5,000	Balance b/d	5,000
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Cash at bank account

	£		£
Disposal a/c	4,000		



Test your understanding 2

Journal entry No 235

Date	13 June 20XX		
Prepared by	A Tech		
Authorised by	B Jones		
Account	Code	Debit £	Credit £
Disposals	0240	20,000	
MV at cost	0130		20,000
MV acc dep'n	0140	7,500	
Disposals	0240		7,500
Cash at bank	0163	10,000	
Disposals	0240		10,000



Test your understanding 3

Disposals account

	£		£
Motor vehicles	12,000	Accumulated depreciation	3,800
Profit on disposal	1,800	Motor vehicles (part ex)	10,000
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	13,800		13,800
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Accumulated depreciation = $\text{£}12,000 \times 20\% \times 19/12 = 3,800$