

## Questions – Test Your Understanding



### Test your understanding 1

Spanners Ltd has a car it wishes to dispose of. The car cost £12,000 and has accumulated depreciation of £5,000. The car is sold for £4,000.

#### **Tasks**

- (a) Clearly state whether there is a profit or a loss on disposal.
- (b) Show the entries in the motor car account, accumulated depreciation account and disposal account.



## Test your understanding 2

Complete the journal voucher below for the following information:

A company buys a car for £20,000.

The depreciation charged to date is £7,500.

The car is sold for £10,000 at the end of three years.

Using the information above and the following account names and codes, complete the journal voucher below:

**0130** Motor vehicles at cost

**0140** Motor vehicles accumulated depreciation

**0163** Cash at bank (receipts)

**0240** Disposals

### Journal entry No 235

<b>Date</b>	<b>13 June 20XX</b>		
Prepared by	A Tech		
Authorised by	B Jones		
<b>Account</b>	<b>Code</b>	<b>Debit £</b>	<b>Credit £</b>
	0240		
	0130		
	0140		
	0240		
	0163		
	0240		



### Test your understanding 3

A motor vehicle which had originally been purchased on 31 October 20X1 for £12,000 was part exchanged for a new vehicle on 31 May 20X3. The new vehicle cost £15,000 and was paid for using the old vehicle and a cheque for £5,000.

Prepare a disposals account for the old vehicle showing clearly the transfer to the statement of profit or loss. (Depreciation for motor vehicles is calculated on a monthly basis at 20% per annum straight line method assuming no residual value.)

#### Disposals account

Disposals account	