

Monyetla Project – Accounting Gr 11

Lesson 2: Asset disposal and Fixed assets

EXAMPLE: General Ledger accounts, note for Fixed assets
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PL TRADERS

(56 marks, 45 minutes)

David Pule and Simon Lelosa are partners in the firm who trades as PL Traders. The financial year ends on the last day of February.

REQUIRED:

- Complete the following General Ledger accounts:
 - Vehicles (8)
 - Accumulated depreciation on vehicles (12)
 - Depreciation (5)
 - Asset disposal (11)
- Complete the Fixed Asset note to the Balance Sheet on 29 February 2016. Show your calculations. (20)

INFORMATION:

Extract from the accounting records of PL Traders on 29 February 2016:

Land and buildings	?
Vehicles at cost	332 000
Equipment at cost	164 000
Accumulated depreciation on vehicles (1 Mar 2015)	172 600
Accumulated depreciation on equipment (1 Mar 2015)	27 360

Additional information on 29 February 2016:

- A vehicle, sold on 30 September 2015 for R58 000 cash, **was properly recorded**. This vehicle was bought on 1 October 2012 for R112 000.

A new vehicle was bought on 1 January 2016 for R96 000 on credit. This was also **properly recorded**.

Depreciation must be calculated at 15% p.a. on the cost price.
- Equipment costing R20 000 purchased during the year was **properly recorded**. Depreciation on equipment for the year amounted to R12 540.
- Land and buildings to the amount of R103 000 was bought for cash during the year. It was incorrectly recorded as repairs in the journals. Correct the error.

PL TRADERS

GENERAL LEDGER OF PL TRADERS

1.

Vehicles

[8]

Accumulated depreciation on vehicles

[12]

Depreciation

[5]

Asset Disposal

[11]

2. NOTE: PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Vehicles	Equipment
Carrying value beginning of year	400 000		
Cost			
Accumulated depreciation	-	(172 600)	(27 360)
Movements			
Addition at cost			
Disposal at carrying value	-		
Depreciation	-		
Carrying value end of year			
Cost		332 000	164 000
Accumulated depreciation	-		

20

Calculations:

Step 1: Cost price =

Step 2: Additional depreciation =

Step 3: Accumulated depreciation =

Carrying value = Cost price – Accumulated depreciation

=

Step 4: Selling price =

Step 5: Profit / Loss =

Step 6: Depreciation on the remaining assets

OLD:

NEW:

PL TRADERS

GENERAL LEDGER OF PL TRADERS

1. Vehicles

2015 Mar	1	Balance (332 000 – 96 000 + 112 000)	b/d	√√ 348 000	2015 Sep	30	Asset disposal √	GJ	√ 112 000
2016 Jan	1	Creditors control √	CJ	√ 96 000	2016 Feb	28	Balance	c/d	332 000
				444 000					444 000
2016 Mar	1	Balance	b/d	√ 332 000					
		√ Dates							

[8]

Accumulated depreciation on vehicles

2015 Sep	30	Asset disposal √	GJ	√√ 50 400	2015 Mar	1	Balance	b/d	√ 172 600
2016 Feb	28	Balance	c/d	169 800	2016 Sep	30	Depreciation √	GJ	√√ 9 800
				220 200	2016 Feb	28	Depreciation √	GJ	√√ 37 800
					2016 Mar	1	Balance	b/d	✓ 169 800
		√ Dates							

[12]

Depreciation

2015 Sep	30	Accumulated depreciation on vehicles √	GJ	✓ 9 800					
2016 Feb	28	Accumulated depreciation on vehicles √	GJ	✓ 37 800					
				47 600					
		√ Dates							

[5]

Asset disposal

2015 Sep	√ 30	Vehicles √	GJ	√ 112 000	2015 Sep	30	Accumulated depreciation on vehicles (40 600 √√ + 9 800 ✓)	GJ	✓ 50 400
							Bank √	CRJ	√ 58 000
							Loss on sale of asset ✓	GJ	✓ 3 600
				112 000					112 000

[11]

2. NOTE: PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Vehicles	Equipment
Carrying value beginning of year	400 000	175 400 <input checked="" type="checkbox"/>	116 640 <input checked="" type="checkbox"/>
Cost	400 000 <input checked="" type="checkbox"/>	348 000 <input checked="" type="checkbox"/>	144 000 <input checked="" type="checkbox"/>
Accumulated depreciation	-	(172 600)	(27 360)
Movements			
Addition at cost	103 000 <input checked="" type="checkbox"/>	96 000 <input checked="" type="checkbox"/>	20 000 <input checked="" type="checkbox"/>
Disposal at carrying value (112 000 <input checked="" type="checkbox"/> – 50 400 <input checked="" type="checkbox"/>)	-	(61 600) <input checked="" type="checkbox"/>	-
Depreciation	-	(47 600) <input checked="" type="checkbox"/>	(12 540) <input checked="" type="checkbox"/>
Carrying value end of year	503 000 <input checked="" type="checkbox"/>	162 200 <input checked="" type="checkbox"/>	124 100 <input checked="" type="checkbox"/>
Cost	503 000 <input checked="" type="checkbox"/>	332 000	164 000
Accumulated depreciation	-	(169 800) <input checked="" type="checkbox"/>	(39 900) <input checked="" type="checkbox"/>

20

Calculations:Previous years

1 Oct 2012 – 28 Feb 2013: $15/100 \times 112\,000 \times 5/12 = 7\,000$

1 Mar 2013 – 28 Feb 2014: $15/100 \times 112\,000 = 16\,800$

1 Mar 2014 – 28 Feb 2015: $15/100 \times 112\,000 = 16\,800 = \mathbf{R40\,600}$

Step 1: Cost price = **R112 000**

Step 2: Additional depreciation:

1 Mar 2015 – 30 Sept 2015: $15/100 \times 112\,000 \times 7/12 = \mathbf{R9\,800}$

Step 3: Accumulated depreciation = $40\,600 + 9\,800 = \mathbf{R50\,400}$

Step 4: Selling price = **R58 000** cash

Step 5: Loss = **R3 600**

Step 6: Depreciation end of the year

OLD: $15/100 \times (332\,000 - 96\,000) = \mathbf{R35\,400}$

NEW: $15/100 \times 96\,000 \times 2/12 = \mathbf{R2\,400} = \mathbf{R37\,800}$

TOTAL MARKS		56
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