

ASSET DISPOSAL

The following information was extracted from the records of Bryanston Squash Club.

REQUIRED:

1. The Fixed note to the financial statements on 31 December 2008.
2. Calculate the amount paid to the supplier of the new equipment.

INFORMATION:

Extract from the Post-Closing Trial Balance on 31 December 2007:

Vehicles at cost	R90 000
Accumulated depreciation on vehicles	?
Equipment at cost	R25 000
Accumulated depreciation on equipment	R7 200

Extract from Statement of Receipts and Payments on 31 December 2008:

Payments	
Vehicle	?
Equipment	R2 000
Creditor (from equipment bought)	?

Additional information that needs to be considered:

VEHICLES:

- The vehicle for R90 000 was acquired on 30 June 2006.
- The second-hand vehicle was bought on 30 September 2008.
- No vehicles were sold during the current period.
- Vehicles are depreciated at 20 % p.a. on carrying value.
- The year-end (31 December 2008) balance of the Accumulated depreciation on vehicles after taking the above into account was calculated at R40 060.

EQUIPMENT:

- On 31 May 2008 outdated equipment (cost price R2 400) was traded-in at a loss of R500 for new equipment costing R25 000. The book value of the equipment traded-in was R840 on the first day of the accounting period. At year-end (31 December 2008) the supplier of the new equipment was still owed R9 000.
- Additional equipment was purchased for cash on 1 June 2008.
- Equipment is depreciated at 10 % p.a. on carrying value.

	VEHICLES	EQUIPMENT
Carrying value (beginning of year)	64 800	17 800
Cost	90 000	25 000
Accumulated depreciation	(25 200)	(7 200)
MOVEMENTS		
Additions at cost	38 000	27 000
Disposal at carrying value		(805)
Depreciation	(14 860)	(3 306)
Carrying value (end of year)	87 940	40 689
Cost	128 000	49 600
Accumulated depreciation	(40 060)	(8 911)

VEHICLES

	Cost	Depreciation	Acc Depre	Bookvalue
30/06/06	90 000			90 000
31/12/06	90 000	*	9 000	81 000
31/12/07	90 000	**	25 200	64 800
31/12/08	90 000	***	38 160	51 840

* $90\,000 \times 20\% \times 6/12 = 9\,000$

** $81\,000 \times 20\% \times 12/12 = 16\,200$

*** $64\,800 \times 20\% \times 12/12 = 12\,960$

DEPRECIATION NEW VEHICLE:

$$14\,860 - 12\,960 = 1\,900$$

$$X \times 20\% \times 3/12 = 1\,900$$

$$X = 1\,900 \div 20\% \div 3/12$$

$$= 38\,000$$

EQUIPMENT

	Cost	Depreciation	Acc Depre	Bookvalue
01/01/08	2 400		1 560	840
31/05/08	2 400	* 35	1 595	805
	Step 2		Step 3	Step 6

DEPRECIATION

$$* 840 \times 10\% \times 5/12 = 35$$

TOTAL DEPRECIATION

1) **Equipment sold** – R35

2) **New Equipment**

$$27\ 000 \times 10\% \times 7/12 = R1\ 575$$

3) **Old Equipment**

Cost	$25\ 000 - 2\ 400 = 22\ 600$
Acc Deprec	$7\ 200 - 1\ 560 = (5\ 640)$
Carrying Value	16 960

$$\text{Depreciation: } 16\ 960 \times 10\% \times 12/12 = R1\ 696$$

$$\text{TOTAL DEPRECIATION: } 35 + 1\ 575 + 1\ 696 = R3\ 306$$

COST OF EQUIPMENT – END OF THE YEAR

$$25\ 000 + 27\ 000 - 2\ 400 = R49\ 600$$