

Depreciation of Fixed Assets | Question

Layout

Workings:

Working 1:

Add up the value of all vehicles owned at the start of the first of the two years that the accounts are based on. Normally this is vehicles/machines 1,2&3 and a refrigeration/DVD unit. Vehicles bought during the two years in question are not included.

Workings 2-6:

There are 2 types of questions for depreciation accounts.

1. Straight line (cost) method.
2. Diminishing balance (NBV) method.

The only difference is the way you find workings 2-6, after that point everything is the exact same.

1. Straight line (cost) method workings table:

Vehicles:	20(07)	20(08)	20(09)		20(10)	20(11)	Total:
1.	000	000	000		000	000	
2.	-	000	000		000	000	xxx
R. unit.	-	-	000		000	000	+ xxx
							= <u>W5</u>
3.	-	-	000		000	-	<u>W6</u>
4.	-	-	-		000	000	
5.	-	-	-		-	000	
Total:	[000 + 000 + 000]						
		= <u>W2</u>			<u>W3</u>	<u>W4</u>	

2. Diminishing balance (NBV) workings table:

Vehicles:	Dep. To 1/1/(2010)	BV on 1/1/(2010)	Dep. For 20(10)	BV on 1/1/(11)	Dep. For 20(11)	Total:
1.	000	000	000	000	000	
2.	000	000	-	-	-	xxx
R. unit.	000	000	-	-	-	+xxx
						=W5
3.	000	000	000	000	000	W6
4.	-	-	000	000	000	
5.	-	-	-	-	000	
Total:	W2		W3		W4	

Straight line:

- In this example, vehicles 4 and 5 were bought during the years 2010 and 2011, this will almost always be the case.
- In order to fill in the boxes you find x% of the cost of the vehicle. If the vehicle is there for the whole year, you slot this figure right in. If it was only there for (e.g. 4 months) you multiply this figure by 4/12 and put it in.
- You only need to fill in the total columns for the vehicles that were disposed.
- In this example, the total row for 2007,2008 and 2009 are combined to give working 2. The question here asks to provide accounts for 2010 and 2011 so we found the depreciation from every previous year based on the info given.

Diminishing balance:

- In this example, vehicles 4 and 5 were bought during the years 2010 and 2011, this will almost always be the case.
- In order to fill in the column 'Dep. To 1/1/ 20(10)', you must first do some separate workings for vehicles 1-3 and for the unit.

Here is what you would do for Vehicle 1 for example, the others follow the same concept.

Vehicle 1:

2007: 000

2008: 000

2009: 000

= ...

- If for example vehicle 2 was only bought in 2008, you would do the same thing just without the 2007 row.
- To fill in the Book Value (BV) column, you take the depreciation (from the previous column) away from the original cost.
- To fill in the Depreciation for 20(10) columns, you find x% of the book value.

In both cases, the accounts are for 2010 and 2011. The first vehicle disposed is called W5 and the second is working W6. They're not always in order.

The accounts:

- There are 3 accounts and they're the same for both methods. These are, Cost, Depreciation and Disposal.
- In these accounts, you will see "W2 //W3 etc." in some places. This means that you will put the figure you got for working 2, from the earlier workings, in this place.

Vehicles a/c

Dr.			Cr.		
Date	Details	€Total	Date	Details	€Total
x/x/x	bal b/d	W1	x/x/x	disposal 000	
x/x/x	bank	<u>000</u>	x/x/x	bal c/d	<u>000</u>
		<u>000</u>			<u>000</u>
x/x/x	bal b/d	000	x/x/x	disposal 000	

x/x/x	bank	<u>000</u>	x/x/x	bal c/d	<u>000</u>
		<u>000</u>			<u>000</u>

Provision for depreciation a/c

Dr.			Cr.		
Date	Details	€Total	Date	Details	€Total
x/x/x	disposal	W5	x/x/x	bal b/d	W2
x/x/x	bal c/d	<u>000</u>	x/x/x	P&L	<u>W3</u>
		<u>000</u>			<u>000</u>
x/x/x	disposal	W6	x/x/x	Bal b/d	000
x/x/x	bal c/d	<u>000</u>	x/x/x	P&L	<u>W4</u>
		<u>000</u>			<u>000</u>

Disposal a/c

Dr.			Cr.		
Date	Details	€Total	Date	Details	€Total
x/x/x	Vehicles	000	x/x/x	depreciation	000
			x/x/x	Trade in all.	000
x/x/x	(Profit)	<u>000</u>	x/x/x	(Loss)	<u>000</u>
		<u>000</u>			<u>000</u>
x/x/x	Vehicles	000	x/x/x	depreciation	000
			x/x/x	compensation	000
			x/x/x	Trade in all.	000
x/x/x	(Profit)	<u>000</u>	x/x/x	(Loss)	<u>000</u>
		<u>000</u>			<u>000</u>

- On the next page is a blank template for the workings. You should first familiarise yourself with the tables and learn them and then print these templates and use them as a guide to save time.

1. Straight line (cost) method workings table:

Vehicles:	20()	20()	20()		20()	20()	Total:
6.							
7.							
R. unit.							
8.							
9.							
10.							
Total:							
		=					

2. Diminishing balance (NBV) workings table:

Vehicles:	Dep. To 1/1/(20)	BV on 1/1/(20)	Dep. For 20(10)	BV on 1/1/()	Dep. For 20()	Total:
3.						
4.						
R. unit.						
5.						
6.						
7.						
Total:						