Accounting Leaving Certificate Higher Level

Past Exam Questions on:

Depreciation of Fixed Assets.

Q2 2013

2. Depreciation of Fixed Assets

Blue Haulage Ltd prepares its final accounts to 31 December each year. The company's policy is to depreciate its vehicles at the rate of 15% of cost per annum, calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for Depreciation Account. (Calculations to the nearest Euro.)

On 01/01/2011, Blue Haulage Ltd owned the following vehicles:
No. 1 purchased on 01/01/2007 for €50,000
No. 2 purchased on 01/04/2008 for €60,000
No. 3 purchased on 01/09/2009 for €70,000

On 01/09/2011, Vehicle No. 1 was traded in for €20,000 against a new vehicle costing €75,000. Vehicle No. 1 had a refrigeration unit fitted on 01/01/2009 costing €15,000. This refrigeration unit was depreciated by 30% for the first two years and thereafter at the same rate as Vehicle No. 1. On 01/04/2012, Vehicle No. 3 was crashed and traded in against a new vehicle costing €86,000. The company received compensation from the insurance company to the value of €25,000 and the Profit and Loss Account at 31/12/2012 showed a profit on disposal of €1,125 for Vehicle No. 3.

You are required to show, with workings, for each of the two years 2011 and 2012:
(a) The Vehicles Account. (6)
(b) The Provision for Depreciation Account. (32)
(c) The Vehicles Disposal Account. (14)
(d) (i) Why does a company charge depreciation in calculating profit?
(ii) Why would a company choose one method of depreciation over another? (8)
(60 marks)

Q3 2010

3. Depreciation of Fixed Assets

Trans Haulage Ltd prepares its final accounts to 31st December each year. The company's policy is to depreciate its vehicles at the rate of **20% of *Book Value* (reducing balance)** per annum, calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for

Depreciation Account. (Calculations to the nearest Euro.)
On 01/01/2008, Trans Haulage Ltd owned the following vehicles:

No. 1 purchased on 01/01/2004 for €40,000
No. 2 purchased on 01/01/2005 for €50,000
No. 3 purchased on 01/01/2006 for €60,000

On 01/08/2008, Vehicle No. 1 was traded in for €12,000 against a new vehicle costing €66,000. Vehicle

No. 1 had a refrigeration unit fitted on 01/01/2007 costing €16,000. This refrigeration unit was depreciated at the rate of 40% for the first year and thereafter at the same rate as Vehicle No. 1. On 01/05/2009, Vehicle No. 3 was crashed and traded in against a new vehicle costing €72,000. The company received compensation from the insurance company to the value of €20,000 and the cheque paid for the new vehicle was €61,000.

You are required to show, with workings, for each of the two years 2008 and 2009:
(a) The Vehicles Account. (6)
(b) The Provision for Depreciation Account. (32)
(c) The Vehicles Disposal Account. (14)
(d) (i) Explain what is meant by depreciation.
(ii) Why does a company charge depreciation in calculating profit? (8)

Q3 2005

3 Depreciation of Fixed Assets

Ace Haulage Ltd. prepares its final accounts to 31st December each year. The company's policy is to depreciate its vehicles at the rate of 15% of cost per annum calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for Depreciation Account.

On 1/1/2003, Ace Haulage Ltd. owned the following vehicles:

No. 1 purchased on 1/1/1999 for €70,000
No. 2 purchased on 1/8/2000 for €80,000
No. 3 purchased on 1/4/2001 for €88,000

On 1/5/2003, Vehicle No. 2 was crashed and traded in against a new vehicle costing €90,000. The company received compensation to the value of €30,000 and the cheque paid for the new vehicle was
€75,000. On 1/7/2004, Vehicle No. 1 was traded in for €24,000 against a new vehicle costing €95,000. Vehicle No. 1 had a refrigeration unit fitted on the 1/1/2001 costing €20,000. This refrigeration unit was depreciated at the rate of 30% of cost for the first two years and thereafter at the rate of 15% of cost per annum.

You are required to show, with workings, for each of the two years 2003 and 2004:

(a) The Vehicles Account. (6)
(b) The Vehicle Disposal Account. (16)
(c) The Provision for Depreciation Account. (32)

What factors are taken into account in arriving at the annual depreciation charge. (6)