Topic 3: Fixed assets

Activity 1

1. $158\ 000 \times \frac{20}{100} \times \frac{12}{12} = 31\ 600$

2. $42\ 000 \times \frac{15}{100} \times \frac{8}{12} = 4\ 200$

3. Cost – Accumulated depreciation = Carrying value
   R210 400 – R13 150 = R197 250
   $197\ 250 \times \frac{25}{100} \times \frac{12}{12} = 49\ 312{,}50$

4. Depreciation:
   31 December 2018: $26\ 800 \times \frac{10}{100} \times \frac{6}{12} = 1\ 340$

   31 December 2019: $(26\ 800 - 1\ 340) \times \frac{10}{100} = 2\ 546$

   31 December 2020: $(26\ 800 - 1\ 340 - 2\ 546) \times \frac{10}{100} = 2\ 291{,}40$

   Accumulated depreciation on 31 December 2020: R1 340 + R2 546 +R 2 291,40 = R6 177,40

5. Old vehicles:
   R680 800 – R402 840 = R277 960
   $277\ 960 \times \frac{20}{100} = 55\ 592$

   New vehicle:
   $94\ 000 \times \frac{20}{100} \times \frac{6}{12} = 9\ 400$

   Total depreciation on 31 December 2020:
   R55 592 + R9 400 = R64 992

Activity 2

1. Vehicles:

$$560\,000 \times \frac{20}{100} = 112\,000$$

Equipment :

$$R340\,000 - R108\,800 = 231\,200 \times \frac{15}{100} = 34\,680$$

2. **GENERAL JOURNAL OF SUNSET TRADERS – DECEMBER 2019**

	Debit	Credit
Depreciation	146 680	
Accumulated depreciation on vehicles		112 000
Accumulated depreciation on equipment		34 680
Calculate depreciation at year-end on vehicles and equipment		

3.

General Ledger of Sunset Traders

BALANCE SHEET SECTION

Dr. ACCUMULATED DEPRECIATION ON VEHICLES Cr.

					2019 Jan.	1	Balance	b/d	220 000
					Dec.	31	Depreciation		112 000

ACCUMULATED DEPRECIATION ON EQUIPMENT

					2019 Jan.	1	Balance	b/d	108 800
					Dec.	31	Depreciation		34 680

NOMINAL ACCOUNTS SECTION

DEPRECIATION

2019 Dec.	31	Accumulated depreciation on vehicles		112 000					
		Accumulated depreciation on equipment		34 680					

Activity 3

1. Depreciation on vehicles:

$$429\,600 \times \frac{20}{100} \times \frac{12}{12} = 85\,920$$

$$180\,800 \times \frac{20}{100} \times \frac{3}{12} = 9\,040$$

R85 920 + R9 040 = R94 960

Depreciation on equipment:
R204 100 – R88 260 = R115 840

$$115\,840 \times \frac{15}{100} = 17\,376$$

$$35\,810 \times \frac{15}{100} \times \frac{8}{12} = 3\,581$$

R17 376 + R3 581 = R20 957

2. **GENERAL JOURNAL OF SUNSET TRADERS – DECEMBER 2022**

	Debit	Credit
Depreciation	115 917	
Accumulated depreciation on vehicles		94 960
Accumulated depreciation on equipment		20 957
Calculate depreciation at year-end on vehicles and equipment		

3.

General Ledger of Sunset Traders
BALANCE SHEET SECTION

Dr. **VEHICLES** **Cr.**

2022 Jan.	1	Balance	b/d	429 600					
Sep.	30	Creditors Control	CJ	180 800					
				610 400					

EQUIPMENT

2022 Jan.	1	Balance	b/d	204 100					
May	1	Creditors Control	CJ	35 810					

ACCUMULATED DEPRECIATION ON VEHICLES

					2022 Jan.	1	Balance	b/d	268 600
					Dec.	31	Depreciation		94 960

ACCUMULATED DEPRECIATION ON EQUIPMENT

					2022 Jan.	1	Balance	b/d	88 260
					Dec .	31	Depreciation		20 957

NOMINAL ACCOUNTS SECTION

Dr. **DEPRECIATION** **Cr.**

2022 Dec.	31	Accumulated depreciation on vehicles		94 960					
		Accumulated depreciation on equipment		20 957					

Activity 4

Remember the five steps to calculate the profit or loss when disposing of an asset:

Step 1:	Calculate depreciation for the year.	0	*(No depreciation calculated when sold at the beginning of year.)*
Step 2:	Calculate the accumulated depreciation.	R35 136	
Step 3:	Transfer the cost price.	R72 000	
Step 4:	Transfer the selling price.	R36 000	
Step 5:	Calculate the profit or loss:		
	Cost	R72 000	
	less Accumulated deprecation	(R35 136)	
	= Book value	R36 864	
	less Selling price	(R36 000)	
	Loss	R864	

GENERAL JOURNAL OF SILVER STAR TRADERS – MARCH 2025

	Debit	Credit
Accumulated depreciation on vehicles	35 136	
Asset disposal		35 136
Transfer accumulated depreciation		
Asset disposal	72 000	
Vehicles		72 000
Transfer vehicle at cost price		
Debtors Control (P. Peters)	36 000	
Asset disposal		36 000
Transfer selling price of vehicle sold		
Asset disposal	864	
Loss on sale of vehicle		864
Loss on sale of vehicle		

General Ledger of Silver Star Traders
BALANCE SHEET SECTION

Dr. **VEHICLES** **Cr.**

2025 Mar.	1	Balance	b/d	760 200	2025 Mar.	1	Asset disposal		72 000

ACCUMULATED DEPRECIATION ON VEHICLES

2025 Mar.	1	Asset disposal		35 136	2025 Mar.	1	Balance	b/d	36 500

DEBTORS CONTROL

2025 Mar.	1	Balance	b/d	218 500					
		Asset disposal		36 000					

NOMINAL ACCOUNTS SECTION

Dr. **ASSET DISPOSAL** **Cr.**

2025 Mar.	1	Vehicles		72 000	2025 Mar.	1	Accumulated depreciation on vehicles		35 136
							Debtors Control		36 000
							Loss on sale of asset		864
				72 000					72 000

LOSS ON SALE OF ASSET

Mar.	1	Asset disposal		864					

Activity 5

Depreciation:
R180 000 – R64 800 = R115 200

$$115\,200 \times \frac{20}{100} = 23\,040$$

Accumulated depreciation:
R64 800 + R23 040 = R87 840

General Ledger of Blue Sky Traders
BALANCE SHEET SECTION

Dr. **VEHICLES** **Cr.**

2022 Mar.	1	Balance	b/d	480 000	2023 Feb.	28	Asset disposal	GJ	180 000

ACCUMULATED DEPRECIATION ON VEHICLES

2022 Feb.	28	Asset disposal		87 840	2022 Mar.	1	Balance	b/d	75 500

DEBTORS CONTROL

2022 Mar.	1	Balance	b/d	50 600					
2023 Feb.		Asset disposal	GJ	106 000					

NOMINAL ACCOUNTS SECTION

ASSET DISPOSAL

Dr.									Cr.
2023 Feb.	28	Vehicles	GJ	180 000	2023 Feb.	28	Accumulated depreciation on vehicles	GJ	87 840
		Profit on sale of asset		13 840			Debtors Control	GJ	106 000
				193 840					193 840

PROFIT ON SALE OF ASSET

					2023 Feb.	28	Asset disposal		13 840

Activity 6

Date of sale: 30 November 2025 – during the year
Date of accumulated depreciation: at the beginning of the year
Therefore, depreciation must be calculated for 9 months.

Calculation of depreciation:

$$4\ 400 \times \frac{20}{100} \times \frac{9}{12} = 660$$

Accumulated depreciation on date of sale:
R1 600 + R660 = R2 260

General Ledger of Treetop Traders

BALANCE SHEET SECTION

EQUIPMENT

Dr.									Cr.
2025 Mar.	1	Balance	b/d	110 000	2025 Nov.	30	Asset disposal		4 400

ACCUMULATED DEPRECIATION ON EQUIPMENT

2025 Nov.	30	Asset disposal		2 260	2025 Mar.	1	Balance	b/d	36 800
					2025 Nov.	30	Depreciation		660

DEBTORS CONTROL

2025 Mar.	1	Balance	b/d	34 800					
Nov.	30	Asset disposal		2 760					

NOMINAL ACCOUNTS SECTION

DEPRECIATION

Dr.									Cr.
2025 Nov.	31	Accumulated depreciation on equipment		660					

Dr.				ASSET DISPOSAL					Cr.
2025 Nov.	30	Equipment		4 400	2025 Nov.	30	Accumulated depreciation on equipment		2 260
		Profit on sale of asset		620			Debtors Control: C. Cele		2 760
				5 020					5 020

PROFIT ON SALE OF ASSET

					2025 Nov.	30	Asset disposal		620

Activity 7

Calculation of depreciation

Depreciation on three vehicles (3 × R330 000):
1 March 2024 – 28 February 2025: R990 000 × 20% = R198 000
1 March 2025 – 28 February 2026: R990 000 × 20% = R198 000
1 March 2026 – 28 February 2027: R990 000 × 20% = R198 000

Accumulated depreciation on three vehicles on 28 February 2027: R594 000

Depreciation on vehicle sold:
1 March 2024 – 28 February 2025: 330 000 × 20% = R66 000
1 March 2024 – 28 February 2026: 330 000 × 20% = R66 000
1 March 2024 – 28 February 2027: 330 000 × 20% = R66 000

Depreciation on vehicle sold on 31 May 2027:

$$330\,000 \times \frac{20}{100} \times \frac{3}{12} = 16\,500$$

Total accumulated depreciation on vehicle sold on 31 May 2027:
R66 000 + R66 000 + R66 000 + R16 500 = R214 500

Depreciation on new vehicle on 28 February 2028:

$$600\,000 \times \frac{20}{100} \times \frac{6}{12} = 60\,000$$

Depreciation on remaining vehicles on 28 February 2028:

$$660\,000 \times \frac{20}{100} = 132\,000$$

Total depreciation on vehicles on 28 February 2028:
R60 000 + R132 000 = R192 000

General Ledger of Blacksmith Traders
BALANCE SHEET SECTION

Dr. **ACCUMULATED DEPRECIATION ON EQUIPMENT** **Cr.**

2027 May	31	Asset disposal	GJ	214 500	2027 Mar.	1	Balance **	b/d	594 000
					May	31	Depreciation (on vehicle sold)	GJ	16 500
2028 Feb.	28	Balance	c/d	528 000	2028 Feb.	28	Depreciation (on remaining vehicles)	GJ	132 000
				724 500					742 500
					Mar.	1	Balance	b/d	528 000

NOMINAL ACCOUNTS SECTION

Dr. **ASSET DISPOSAL** **Cr.**

May	31	Vehicles	GJ	330 000	May.	31	Accumulated depreciation on vehicles	GJ	214 500
		Profit on sale of asset	GJ	19 500			Bank	CRJ	135 000
				349 500					349 500

Activity 8

1.–3. **Calculation of depreciation**

Depreciation on vehicle sold on 28 February 2022:
R90 000 – R36 000 = R54 000

$$54\,000 \times \frac{20}{100} \times \frac{12}{12} = 10\,800$$

Accumulated depreciation on vehicle sold on 28 February 2022:
R36 000 + R10 800 = R46 800

Depreciation on remaining vehicles on 28 February 2022:
Old vehicles:

$$= (249\,525 - 90\,000) - (141\,750 - 46\,800 + 10\,800) \times \frac{20}{100}$$

$$= (159\,525 - 105\,750) \times \frac{20}{100}$$

$$= 53\,773 \times \frac{20}{100}$$

$$= 10\,755$$

New vehicle:

$$202\,500 \times \frac{20}{100} \times \frac{7}{12} = 23\,625$$

Total depreciation on remaining vehicles on 28 February 2022:
R10 755 + R23 625 = R34 380

General Ledger of Sunset Traders
BALANCE SHEET SECTION

Dr. VEHICLES Cr.

2021 Mar.	1	Balance	b/d	249 525	2022 Feb.	28	Asset disposal		90 000
Aug.	1	Cash	CRJ	202 500			Balance	c/d	362 025
				452 025					452 025
2022 Mar.	1	Balance	b/d	362 025					

ACCUMULATED DEPRECIATION ON VEHICLES

2022 Feb.	28	Asset disposal		46 800	2021 Mar.	1	Balance	b/d	141 750
		Balance	c/d	140 130	2022 Feb.	28	Depreciation		10 800
							Depreciation (10 755 + 23 625)		34 380
				186 930					186 930
					Mar.	1	Balance	b/d	140 130

NOMINAL ACCOUNTS SECTION

Dr. DEPRECIATION Cr.

2022 Feb.	28	Accumulated depreciation on vehicles		10 800	2022 Feb.	28	Profit and loss		45 180
		Accumulated depreciation on vehicles		34 380					
				45 180					45 180

ASSET DISPOSAL

2022 Feb.	28	Vehicles		90 000	2022 Feb.	28	Accumulated depreciation on vehicles (36 000+10 800)		46 800
		Profit on sale of asset		1 800			Bank		45 000
				91 800					91 800

PROFIT ON SALE OF ASSET

2022 Feb.	28	Profit and loss		1 800	2022 Feb.	28	Asset disposal		1 800

2. See calculation of depreciation on previous page:
Depreciation on remaining vehicles on 28 February 2022: R10 755 + R23 625 = R34 380

Activity 9

1.–3. **Calculation of depreciation**

Depreciation for the 6 months 1 March 2015 to 31 August 2015:

$$3\,300 \times \frac{20}{100} \times \frac{6}{12} = 330$$

Accumulated depreciation on date of sale:

Accumulated depreciation on 1 March 2015 + depreciation for 6 months: R1 200 + R330 = R1 530

Depreciation on remaining equipment at year-end:

Remaining equipment: R60 000 – 3 300 = R56 700

Depreciation on remaining equipment:

$$56\,700 \times \frac{20}{100} = 11\,340$$

General Ledger of Star Traders

BALANCE SHEET SECTION

Dr. EQUIPMENT Cr.

2015 Mar.	1	Balance	b/d	60 000	2015 Aug.	31	Asset disposal		3 300
					2016 Feb.	28	Balance	c/d	56 700
				60 000					60 000
2016 Mar.	1	Balance	b/d	56 700					

ACCUMULATED DEPRECIATION ON EQUIPMENT

2015 Aug.	31	Asset disposal		1 530	2015 Mar.	1	Balance	b/d	16 800
2016 Feb.	28	Balance	c/d	26 940	Aug.	31	Depreciation		330
					2016 Feb.	28	Depreciation		11 340
				28 470					28 470
					2016 Mar.	1	Balance	b/d	26 940

DEBTORS CONTROL

2015 Mar.	1	Balance	b/d	28 000	2016 Feb.	28	Balance	c/d	30 070
Aug.	31	Asset disposal		2 070					
				30 070					30 070
2016 Mar.	1	Balance	b/d	30 070					

NOMINAL ACCOUNTS SECTION

Dr. **DEPRECIATION** Cr.

2015 Aug.	31	Accumulated depreciation on equipment		330	2016 Feb.	28	Profit and loss		11 670
2016 Feb.	28	Accumulated depreciation on equipment		11 340					
				11 670					11 670

ASSET DISPOSAL

2015 Aug.	31	Equipment		3 300	2015 Aug.	31	Accumulated depreciation on equipment		1 530
		Profit on sale of asset		300			Debtors Control: P. Pitsi		2 070
				3 600					3 600

PROFIT ON SALE OF ASSET

2016 Feb.	28	Profit and loss		300	2015 Aug.	31	Asset disposal		300

2. See calculation of depreciation on previous page:
   Depreciation on remaining assets on 28 February 2016: R11 340

Activity 10

1.–3. **Calculation of depreciation**

Depreciation for the 7 months 1 March 2022 to 30 September 2022:

R19 000 – R8 500 = R10 500

$$10\,500 \times \frac{20}{100} \times \frac{7}{12} = 1\,225$$

Accumulated depreciation on date of sale:

R8 500 + R1 225 = R9 725

Depreciation on remaining vehicles on 28 February 2023:

20% × (balance of vehicles) – (balance of accumulated depreciation)

$$= \frac{20}{100} \times (78\,000 - 19\,000) - (26\,000 + 1\,225 - 9725)$$

$$= \frac{20}{100} \times (59\,000 - 17\,500)$$

$$= \frac{20}{100} \times 41\,500$$

$$= \text{R}8\,300$$

General Ledger of Star Traders
BALANCE SHEET SECTION

Dr. **VEHICLES** **Cr.**

2022 Mar.	1	Balance	b/d	78 000	2022 Sep.	30	Asset disposal		19 000
					2023 Feb.	28	Balance	c/d	59 000
				78 000					78 000
2023 Mar.	1	Balance	b/d	59 000					

ACCUMULATED DEPRECIATION ON VEHICLES

2022 Sep.	30	Asset disposal		9 725	2022 Mar.	1	Balance	b/d	26 000
2023 Feb.	28	Balance	c/d	25 800	Sep.	30	Depreciation		1 225
					2023 Feb.	28	Depreciation		8 300
				35 525					35 525
					Mar.	1	Balance	b/d	25 800

DEBTORS CONTROL

2022 Mar.	1	Balance	b/d	20 000	2023 Feb.	28	Balance	c/d	31 800
Sep.	30	Asset disposal		11 800					
				31 800					31 800
2023 Mar.	1	Balance	b/d	31 800					

NOMINAL ACCOUNTS SECTION

Dr. **DEPRECIATION** **Cr.**

2022 Sep.	30	Accumulated depreciation on vehicles		1 225	2023 Feb.	28	Profit and loss		9 525
2023 Feb.	28	Accumulated depreciation on vehicles		8 300					
				9 525					9 525

ASSET DISPOSAL

2022 Sep.	30	Vehicles		19 000	2022 Sep.	30	Accumulated depreciation on vehicles		9 725
		Profit on sale of asset		2 525			Debtors Control: S. Smit		11 800
				21 525					21 525

PROFIT ON SALE OF ASSET

2023 Feb.	28	Profit and loss		2 525	2022 Sep.	30	Asset disposal		2 525

2. See calculation of depreciation on previous page:
Depreciation on remaining assets on 28 February 2023: R8 300

4. **Notes to the financial statements for the year ended February 2023**

3.	TANGIBLE/FIXED ASSETS	Vehicles
	Cost	78 000
	Accumulated depreciation	(26 000)
	Carrying value end of previous year	52 000
	Movements	
	Additions at cost	0
	Disposals at carrying value (19 000 – 9 725)	(9 275)
	Depreciation for the year (1 225 + 8 300)	(9 525)
	Carrying value end of current year	33 200
	Cost (78 000 – 19 000)	59 000
	Accumulated depreciation (26 000 + 1 225 + 8 300 – 9 725)	(25 800)

Activity 11

1. **Calculation of depreciation on equipment sold**

Cost price	Date	Depreciation: 20% on diminishing balance	Accumulated depreciation	Carrying value
90 000	28/02/2020	90 000 $\times \frac{20}{100} \times \frac{12}{12}$ = 18 000	18 000	90 000 - 18 000 = 72 000
	28/02/2021	72 000 $\times \frac{20}{100} \times \frac{12}{12}$ = 14 400	18 000 + 14 000 = 32 4000	90 000 - 32 400 = 57 600
	31/08/2021	57600 $\times \frac{20}{100} \times \frac{6}{12}$ = 5 760	32 400 + 5 760 = 38160	90 000 - 38 160 = 51 840

Calculation of selling price

Cost	90 000
Accumulated depreciation	(38 160)
Book value	51 840
Selling price	(?)
Profit	2 560

Selling price = R54 400

Depreciation on 28 February 2022:

Depreciation on vehicles on 28 February 2022:

Cost price	**Date**	**Depreciation: 15% on cost price**		**Accumulated depreciation**	**Carrying value**
		Calculation	Depreciation		
300 000	28/02/2021			270 000	30 000
	28/02/2022	$300\,000 \times \frac{15}{100} = 45\,000$	29 999	299 999	1

Depreciation cannot be R45 000, because the carrying value will then be negative.
Therefore, depreciation must be: R30 000 – R1 = **R29 999**

New vehicle:
Cost price = R192 000

$$192\,000 \times \frac{12}{100} \times \frac{3}{12} = 7\,200$$

Total depreciation on vehicles:
R7 200 + R29 999 = R37 199

Depreciation on equipment on 28 February 2022

Depreciation on remaining equipment:

$$(390\,000 - 90\,000) \quad - \quad (94\,400 = 5\,760 - 38\,160) \quad \times \frac{20}{100}$$

$$= \quad 300\,000 - 60\,000$$

$$= \quad 240\,000 \quad \times \frac{20}{100}$$

$$= \quad 48\,000$$

Dr. **ASSET DISPOSAL** **Cr.**

2021 Aug.	31	Equipment	GJ	90 000	2021 Aug.	31	Accumulated depreciation on equipment (18 000+14 400+5 760)	GJ	38 160
		Profit on sale of asset	GJ	2 560			Bank	GJ	54 400
				92 560					92 560

2. **Notes to the financial statements for the year ended February 2022**

3. TANGIBLE/FIXED ASSETS	Land and buildings	Vehicles	Equipment
Cost	1 950 000	300 000	390 000
Accumulated depreciation		(270 000)	(92 400)
Carrying value end of previous year	1 950 000	30 000	297 600
Movements			
Additions at cost	190 000	* 192 000	–
Disposal at carrying value (90 000 – 38 160)	–	–	(51 840)
Depreciation for the year		(37 199)	** (53 760)
Carrying value end of current year	**2 140 000**	**184 801**	**192 000**
Cost	2 140 000	492 000	300 000
Accumulated depreciation	–	(307 199)	(108 000)

* Vehicles: 180 000 + 12 000 = 192 000

** Equipment: R5 760 + R48 000 = R53 760

Activity 12

1.

Cost	R112 500
Accumulated depreciation	(R52 500)
Carrying value	R 60 000

2. Creditors Control

3. R37 500

4. R18 750

5. It was traded in on new equipment.

6. $\frac{3\ 750}{37\ 500} \times \frac{100}{1} = $ 10% for 6 months

Therefore: 10% × 2 = 20% per year

7.

Cost	R37 500
Accumulated depreciation	(R18 750)
Carrying value	R18 750
Trade-in price	(R26 250)
Profit	R7 500

8. **Depreciation on old equipment:**
R112 500 – R37 500 = R75 000

$$75\ 000 \times \frac{20}{100} = 15\ 000$$

Depreciation on new equipment:

$$135\ 000 \times \frac{20}{100} \times \frac{6}{12} = 13\ 500$$

Total depreciation: R15 000 + R13 500 = R28 500

9. **Balance of Equipment account on 28 February 2020:** R210 000

Balance of Accumulated depreciation account on 28 February 2020:
R52 500 + R3 750 + R28 500 – R18 750 = R66 000

Therefore, the carrying value of vehicles on 28 February 2020:

Cost	R210 000
Accumulated depreciation	(R66 000)
Carrying value	R144 000

10. **Total depreciation:**
R3 750 + R28 500 = R32 250