

Tiger Group of Industries

- You are working on the books of a business which is registered for VAT.
- During the year, some Equipment was disposed of.
- The Equipment had originally cost £25,000 plus VAT (which was reclaimed).
- The business' depreciation policy for Equipment is 20% straight-line per year. However, the company has a policy of applying depreciation on a month-by-month (pro-rata) basis.
- The Equipment had been owned for 4 years and 3 months.
- The Equipment was sold for £6,000 plus VAT and a cheque was received.

You are required to make the entries necessary to (a) record the disposal of the old machine.

NB: Each account should be properly balanced off or the balance transferred to the Income Statement.

Hint to calculate Depreciation- Please calculate 20% of Equipment at cost (£25,000) and Multiply by 4.25 (Years)-

Equipment at cost

Balance b/d	51,000		

Equipment: accumulated depreciation

		Balance b/d	37,400

Disposals Account
