Falcon 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. Accumulated Depreciation is **£21,250**
- 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.

Equipment at cost

Balance b/d	51,000	Disposals Account	
		Balance c/d	
	51,000		51,000

Equipment: accumulated depreciation

Disposals		Balance b/d	37,400
Balance c/d			
	37,400		**37,400**

Disposals Account

Equipment at cost		Equip. Accum. Dep.	
Income Statement		Bank	
	27,250		**27,250**

LIVEWORKSHEETS