**APPLICATION EXERCISE 14 – SUGGESTED SOLUTION**

1. **Calculate the depreciation expense for the year ended 30 June 2019.**

32 000 – 8 000 = $4 000 per year

6

$4 000 x 6 months = **$2 000**

12

1. **Assuming no additional Vans had been purchased, show how the Van would be reported in the Balance Sheet as at 30 June 2020.**

**Richie’s Rugs**

**Balance Sheet (extract) as at 30 June 2020**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| Van | 32 000 |  |
| Less: Accumulated Depreciation | 6 000 | 26 000 |

1. **Explain what the carrying value in the Balance Sheet represents.**

The carrying value represents the future economic benefits yet to be consumed by the current owner plus the residual value being the future economic benefits that will be consumed by the next owner.