**APPLICATION EXERCISE 17 – SUGGESTED SOLUTION**

1. **Calculate the accumulated depreciation amount of the Shelving sold as at 31 October 2019.**

$5 700 x 20% = $1 140 per annum

$1 140 = $95 per month

12

$95 x 22 months owned

= **$2 090**

1. **Show how the Disposal of Shelving account would appear in the General Ledger as at 31 October 2019.**

**Disposal of Shelving**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Cross-reference** | **Amount** | **Date** | **Cross-reference** | **Amount** |
| 31/10 | Shelving | 5 700 | 31/10 | Accumulated Depreciation – Shelving | 2 090 |
|  |  |  |  | Bank | 3 000 |
|  |  |  |  | Loss on Disposal – Shelving | 610 |
|  |  | 5 700 |  |  | 5 700 |

1. **Explain why a profit or loss on disposal of Shelving occurred.**

A Loss on Disposal occurred as the proceeds from selling the Shelving was less than its carrying value.

This might be due to under depreciating the asset due to over estimating the assets useful and/or residual value or the Shelving was in poorer condition than expected when it was sold.