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| **Topic Overview** |
| **Topic** | BAFS Elective Part – Accounting StrandFinancial Accounting A01: Period-end Adjustments Relating to the Preparation of Financial Statements – Depreciation |
| **Level** | S5 / S6 |
| **Duration** | 3 lessons (40 minutes per lesson)  |

**Learning Objectives:**

1. To distinguish between capital expenditure and revenue expenditure;
2. To understand the meaning and objectives of providing depreciation;
3. To compare the commonly used methods of depreciation: straight-line, reducing-balance and depreciation based on usage; and
4. To explain the effect of depreciation charge on gain / loss on disposal.

**Overview of Contents:**

Lesson 1 Concept of Capital Expenditure, Revenue Expenditure and Depreciation

Lesson 2 Common Methods of Calculating Depreciating Charges

Lesson 3 Disposal of Non-current Assets

**Resources:**

* + Topic Overview, Teaching Plan
	+ PowerPoint Presentation
	+ Student Worksheet and Answers to Student Worksheet

**Suggested Activities:**

* + Group Discussion
	+ Class Exercises

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| **Lesson 1** |
| **Theme** | Concept of Capital Expenditure, Revenue Expenditure and Depreciation |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this lesson, students will be able to:

1. distinguish between capital expenditure and revenue expenditure;
2. state the meaning and objectives of providing depreciation; and

3. compare the methods of calculating depreciation charges.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction** |
| * Introduce the concept of capital expenditure and revenue expenditure
* **Activity 1 - Identify capital expenditure and revenue expenditure of a car**
* Review the concept of depreciation
* An example of a car for delivery is used to help students grasp the concept of depreciation including the following terms:
	+ Cost.
	+ Estimated useful life.
	+ Expected scrap value.
* **Activity 2 - Set up your own business and acquire the non-current assets**
	+ Students are asked to form groups of four to five and set up their own virtual business. The business can be a Restaurant, a Gym Centre, a Yoga Studio, a Cafe or a Supermarket.
	+ Students create the name of the company, discuss the nature of the business, the capital required, and most importantly, to list 5 non-current assets they must acquire. Then they record their discussion outcomes on Worksheet p.2.
	+ Students are invited to provide verbal feedback. Note that worksheet information will be used in future activities.
	+ There is no right or wrong answer. Teacher may verify and comment on the reasonableness of answers.

 | PPT#1-3PPT#4-5Student Worksheet p.1PPT#6-13PPT#14-17Student Worksheet p.2 | 5 minutes5 minutes5 minutes10 minutes |
| **Part II: Content** |
| * Teacher introduces different depreciation methods.
* **Activity 3 - Group discussion**
	+ This is an extension of Activity 2. Students remain in the same group to choose the possible depreciation methods to apply.
	+ Groups will present their discussion outcomes. Other classmates are encouraged to give comments.
	+ Teacher summarises suggested methods and explains that there are various methods of allocating depreciable cost.

 | PPT#18PPT#19-20StudentWorksheetp.3 | 10 minutes |
| **Part III: Conclusion** |
| * Teacher concludes the lesson and highlights the key concepts.
 |  | 5 minutes |

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| **Lesson 2** |
| **Theme** | Common Methods of Calculating Depreciation Charges |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this lesson, students will be able to:

1. calculate depreciation using the straight-line; reducing-balance method and depreciation based on production quantity (units of production method);
2. compare the straight-line method, reducing balance method and units of production method; and
3. identify the factors to be considered when choosing a depreciation method.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction**  |
| * Teacher recaps different depreciation methods (straight-line method, reducing balance method and units of production method).
 | PPT #21-22 | 5 minutes |
| **Part II: Contents**  |
| * **Activity 4 - Case study and group discussion**
	+ Students work in group to complete this case study.
	+ Students complete Student Worksheet p.4-9 to:
		- Determine the depreciation charge, accumulated depreciation and net book value using the straight-line method; reducing-balance method and depreciation based on production quantity (units of production method);
		- determine the annual depreciation and the impact of depreciation on profit;
		- compare the straight-line, reducing balance methods and units of production method;
		- discuss the factors affecting the choice of depreciation methods; and
		- compute depreciation if the non-current asset is purchased during the year.
	+ Students present their answers, summarise the differences and conclude the discussion.
 | PPT #23-27StudentWorksheetp.4 -9 | 25 minutes |
| * **Activity 5 - A mini-case**
	+ Students work in group to complete Student Worksheet p.10, which reviews the depreciation charges and net book value from incomplete records.
	+ Students present their answers, summarise the differences and conclude their discussion.
 | PPT#28-29StudentWorksheetp.10 | 7 minutes |
| **Part III: Conclusion** |
| * Teacher concludes lesson and highlights key concepts learned.
 |  | 3 minutes |

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| **Lesson 3** |
| **Theme** | Disposal of Non-current Assets |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this session, students will be able to:

1. master the accounting treatment on disposal of non-current assets; and
2. handle the case of disposal with trade-in.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction** |
| * Teacher discusses the disposal of non-current assets with receipt of cash:
	+ Accounting entries.
	+ Gain/loss on disposal.
 | PPT #30-34 | 5 minutes |
| **Part II: Content** |
| * Teacher discusses the disposal of non-current with ‘Trade-in’:
	+ Accounting entries.
	+ Gain/loss on disposal.
 | PPT #35-38 | 5 minutes |
| * **Activity 6 - Case study and group discussion**
	+ This is an extension of Activity 4. Students work in group to determine the accounting entries for disposal.
	+ Accounting entries for disposal of the asset for cash.
	+ Accounting entries for disposal of the asset for a trade-in transaction.
	+ Concept of accumulated depreciation, net book value and gain/loss on disposal is applied.
 | PPT #39-41StudentWorksheetp.11-18 | 25 minutes |
| **Part III: Conclusion** |
| * Teacher concludes lesson and highlights key points learned.
 | PPT #42 | 5 minutes |