

**MULTICULTURAL CHRISTIAN FELLOWSHIP OF AUSTRALIA INCORPORATED**  
**Budget Vs Actual FY 1 July 2023 - 30 June 2024 and**  
**Budget FY 1 July 2024 - 30 June 2025**

DESCRIPTION	Budget 2023-2024	Total Budget 2023-2024	Actual 2023-2024	Total Actual 2023-2024	Variance \$ (Favorable/Unfavorable)	Actual - % Of Budget	Budget FY 2024-2025	Total Budget FY 2024-2025
<b>INCOME :</b>								
<b>Tithes-Offerings-Other Income</b>								
Marrara Tithes & Offering	\$250,000.00		\$265,475.62		\$15,475.62	106.19%	\$260,000.00	
Marrara Sunday School	\$950.00		\$1,223.05		\$273.05	128.74%	\$1,400.00	
Marrara Mission Offering	\$5,000.00		\$1,650.00		\$3,350.00	33.00%	\$2,200.00	
<b>Total Marrara Tithes</b>		<b>\$255,950.00</b>		<b>\$268,348.67</b>	<b>\$12,398.67</b>	<b>104.84%</b>		<b>\$263,600.00</b>
<b>Palmerston Tithes &amp; Offering:</b>								
Palmerston Tithes & Offering		<b>\$58,000.00</b>		<b>\$44,359.15</b>	<b>\$13,640.85</b>	<b>76.48%</b>		<b>\$0.00</b>
<b>Total Tithes Marrara-Palmerston</b>		<b>\$313,950.00</b>		<b>\$312,707.82</b>	<b>\$1,242.18</b>	<b>99.60%</b>		<b>\$263,600.00</b>
<b>Other Income:</b>								
Camp Fees Collection	\$7,300.00		\$8,617.30		\$1,317.30	118.05%	\$4,500.00	
Interest Income	\$3,500.00		\$4,920.68		\$1,420.68	140.59%	\$4,900.00	
CBB Remediation Interest Refund	\$0.00		\$407.98		\$407.98	0.00%	\$0.00	
Income from Sale of Fixed Asset-Container	\$0.00		\$463.93		\$463.93	0.00%	\$0.00	
<b>Total Other Income</b>		<b>\$10,800.00</b>		<b>\$14,409.89</b>	<b>\$3,609.89</b>	<b>133.42%</b>		<b>\$9,400.00</b>
<b>TOTAL INCOME</b>		<b>\$324,750.00</b>		<b>\$327,117.71</b>	<b>\$2,367.71</b>	<b>100.73%</b>		<b>\$273,000.00</b>
<b>EXPENSES:</b>								
<b>Admin Expense:</b>								
Consultancy/Fees/Permits	\$500.00		\$264.00		\$236.00	52.80%	\$300.00	
Decoration - Special Occasion	\$800.00		\$334.75		\$465.25	41.84%	\$200.00	
Office Supplies:								
Photocopier Toner	\$2,500.00		\$636.76		\$1,863.24	25.47%	\$500.00	
Stationery & Office Supplies	\$500.00		\$325.34		\$174.66	65.07%	\$400.00	
<b>Total Office Supplies</b>	<b>\$3,000.00</b>		<b>\$962.10</b>		<b>\$2,037.90</b>	<b>32.07%</b>	<b>\$900.00</b>	
Petrol	\$1,089.00		\$834.61		\$254.39	76.64%	\$1,050.00	
Picnic Expenses	\$400.00		\$351.30		\$48.70	87.83%	\$300.00	
Photocopy & Newsletter	\$400.00		\$183.95		\$216.05	45.99%	\$200.00	
Software -Accountng software	\$1,700.00		\$740.00		\$960.00	43.53%	\$1,900.00	
Stamps & PO Box Rental	\$250.00		\$162.81		\$87.19	65.12%	\$200.00	
Telephone	\$1,302.00		\$923.96		\$378.04	70.96%	\$744.00	
Sundry Exp	\$250.00		\$53.71		\$196.29	21.48%	\$0.00	
<b>Total Admin Expenses</b>		<b>\$9,691.00</b>		<b>\$4,811.19</b>	<b>\$4,879.81</b>	<b>49.65%</b>		<b>\$5,794.00</b>
Advertising & Promotion		<b>\$500.00</b>		<b>\$0.00</b>	<b>\$500.00</b>	<b>0.00%</b>		<b>\$0.00</b>
Audit Fees		<b>\$2,000.00</b>		<b>\$1,200.00</b>	<b>\$800.00</b>	<b>60.00%</b>		<b>\$1,400.00</b>
<b>Camp Expenses - 2 Camps</b>								
Food	\$8,500.00		\$11,459.16		\$2,959.16	134.81%	\$5,000.00	
Accommodation	\$8,500.00		\$10,108.86		\$1,608.86	118.93%	\$4,500.00	
Other Camp Expenses	\$0.00		\$1,119.43		\$1,119.43	0.00%	\$500.00	
<b>Total Camp Expenses</b>		<b>\$17,000.00</b>		<b>\$22,687.45</b>	<b>\$5,687.45</b>	<b>133.46%</b>		<b>\$10,000.00</b>
<b>Cleaning Expenses:</b>								
Church Cleaning	\$8,800.00		\$7,350.00		\$1,450.00	83.52%	\$7,800.00	
Toiletries/Cleaning Supplies	\$600.00		\$234.37		\$365.63	39.06%	\$500.00	
Waste Disposal	\$2,500.00		\$2,138.58		\$361.42	85.54%	\$2,300.00	
<b>Total Cleaning Exp</b>		<b>\$11,900.00</b>		<b>\$9,722.95</b>	<b>\$2,177.05</b>	<b>81.71%</b>		<b>\$10,600.00</b>
<b>Coaster Bus Expenses:</b>								
Registration/Insurance	\$1,000.00		\$776.05		\$223.95	77.61%	\$800.00	
Repairs & Maintenance	\$7,000.00		\$219.09		\$6,780.91	3.13%	\$3,000.00	
<b>Total Coaster Bus Exp</b>		<b>\$8,000.00</b>		<b>\$995.14</b>	<b>\$7,004.86</b>	<b>12.44%</b>		<b>\$3,800.00</b>
<b>Depreciation:</b>								
Building - Main	\$18,515.00		\$18,954.55		\$439.55	102.37%	\$19,000.00	
Plant & Equipment - Main	\$5,000.00		\$4,971.87		\$28.13	99.44%	\$4,500.00	
Building - Sunday School	\$14,400.00		\$13,734.94		\$665.06	95.38%	\$13,800.00	
Plant & Equipment-Sunday School	\$1,400.00		\$1,036.76		\$363.24	74.05%	\$935.00	
Coaster Bus	\$490.00		\$450.25		\$39.75	91.89%	\$415.00	
<b>Total Depreciation Exp</b>		<b>\$39,805.00</b>		<b>\$39,148.37</b>	<b>\$656.63</b>	<b>98.35%</b>		<b>\$38,650.00</b>

DESCRIPTION	Budget 2023-2024	Total Budget 2023-2024	Actual 2023-2024	Total Actual 2023-2024	Variance \$ (Favorable/ Unfavorable)	Actual - % Of Budget	Budget FY 2024-2025	Total Budget FY 2024-2025
<b>Gifts/Honorarium/Support</b>								
Donation Special Purpose	\$500.00		\$0.00		\$500.00	0.00%	\$0.00	
Honorarium - Guest Speakers	\$800.00		\$0.00		\$800.00	0.00%	\$4,000.00	
Visitation Gifts	\$200.00		\$0.00		\$200.00	0.00%	\$200.00	
<b>Total Gifts/Honorarium/Support</b>		<b>\$1,500.00</b>		<b>\$0.00</b>	<b>\$1,500.00</b>	0.00%		<b>\$4,200.00</b>
<b>Insurance:</b>								
Bldng Insurance - Business Pack	\$17,000.00		\$16,773.45		\$226.55	98.67%	\$18,000.00	
Commercial Motor Insurance	\$1,800.00		\$1,156.77		\$643.23	64.27%	\$1,800.00	
Voluntary Workers Insurance	\$800.00		\$710.00		\$90.00	88.75%	\$900.00	
Total Busines Insurance Pack	<b>\$19,600.00</b>		<b>\$18,640.22</b>		<b>\$959.78</b>	<b>95.10%</b>	<b>\$20,700.00</b>	
Workers Comp Insrnce	<b>\$3,500.00</b>		<b>\$561.16</b>		<b>\$2,938.84</b>	<b>16.03%</b>	<b>\$2,500.00</b>	
<b>Total Insurance Exp</b>		<b>\$23,100.00</b>		<b>\$19,201.38</b>	<b>\$3,898.62</b>	<b>83.12%</b>		<b>\$23,200.00</b>
<b>Kitchen/Church Food Exp:</b>								
Food - Anniversary, Special Occasions & Communion Supplies	\$10,000.00		\$8,664.21		\$1,335.79	86.64%	\$10,000.00	
Kitchen Supplies	\$1,700.00		\$2,225.73		<b>\$525.73</b>	130.93%	\$2,500.00	
<b>Total Kitchen Expenses</b>		<b>\$11,700.00</b>		<b>\$10,889.94</b>		<b>93.08%</b>		<b>\$12,500.00</b>
<b>Mission Expenses:</b>								
<b>Australia Mission:</b>								
Ezekiel Samar - Local Ministry	\$10,400.00		\$10,600.00		<b>\$200.00</b>	101.92%	\$10,400.00	
Ken Matthews	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$0.00	
MCF Members - Bible Training	\$2,000.00		\$0.00		\$2,000.00	0.00%	\$0.00	
Pastor Cesar Mangohig	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,000.00	
Paul Mangohig	\$2,500.00		\$2,500.00		\$0.00	100.00%	\$2,000.00	
New Hope International	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,000.00	
Norman Mangohig-Australia-Overseas	\$2,000.00		\$0.00		\$2,000.00	0.00%	\$0.00	
Pastor Paul Ballenas -Seminars	\$2,000.00		\$0.00		\$2,000.00	0.00%	\$0.00	
Rachel Borneman-Wycliff - Aboriginal	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$2,000.00	
Scripture Union RE in Schools	\$1,500.00		\$1,500.00		\$0.00	100.00%	\$1,500.00	
Evangelism - Local Outreach Ministry	\$2,000.00		\$228.01		\$1,771.99	11.40%	\$2,500.00	
Rhema 97.7 FM	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$1,000.00	
<b>Total Australia Mission Exp</b>	<b>\$30,400.00</b>		<b>\$22,828.01</b>		<b>\$7,571.99</b>	<b>75.09%</b>	<b>\$21,400.00</b>	
<b>Africa:</b>					<b>\$0.00</b>			
Msnry Moises Escaro	<b>\$1,000.00</b>		<b>\$1,000.00</b>		<b>\$0.00</b>	100.00%	<b>\$0.00</b>	
<b>Burma Mission:</b>					<b>\$0.00</b>			
Ephraim Orphanage	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$0.00	
Monika Parker	\$1,500.00		\$1,500.00		\$0.00	100.00%	\$1,500.00	
Aung Ling	\$0.00		\$0.00		\$0.00	0.00%	\$1,000.00	
Burma Pastors (3)	\$1,500.00		\$1,500.00		\$0.00	100.00%	\$0.00	
<b>Total Burma Mission Exp</b>	<b>\$4,000.00</b>		<b>\$4,000.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$2,500.00</b>	
<b>India Mission:</b>								
Pastor Gophi	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$2,000.00	
Pastor Judson	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$2,000.00	
Pastor Sudhakar	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$2,000.00	
Viji Matthews	\$2,000.00		\$2,000.00		\$0.00	100.00%	\$2,000.00	
Prasad	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,000.00	
<b>Total India Mission Exp</b>	<b>\$9,000.00</b>		<b>\$9,000.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$9,000.00</b>	
<b>Israel Mission:</b>								
Dr Jack Sara	<b>\$1,500.00</b>		<b>\$2,500.00</b>		<b>\$1,000.00</b>	166.67%	<b>\$1,500.00</b>	
<b>Philippine Mission:</b>								
Ebenezer Ponce	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,000.00	
Lanuza - Surigao	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$0.00	
Living Grace Baptist Church	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,500.00	
Pastor Roland Sion-BFBC CagayanValley	\$1,000.00		\$1,000.00		\$0.00	100.00%	\$1,000.00	
<b>Total Philippine Mission Exp</b>	<b>\$4,000.00</b>		<b>\$4,000.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$3,500.00</b>	

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<b>Contingency Funds:</b>					<b>\$0.00</b>			
Contingency - Others	\$5,100.00		\$500.00		\$4,600.00	9.80%	\$0.00	
Total Contingency	<b>\$5,100.00</b>		<b>\$500.00</b>		<b>\$4,600.00</b>	9.80%	<b>\$0.00</b>	
<b>Total Mission Exp</b>		<b>\$55,000.00</b>		<b>\$43,828.01</b>	<b>\$11,171.99</b>	79.69%		<b>\$37,900.00</b>
<b>Music Team Exp</b>								
<b>Marrara:</b>								
Administration-SongSelectLicenceFee	\$1,200.00		\$1,161.82		\$38.18	96.82%	\$1,200.00	
Fellowship/Team Building	\$1,000.00		\$320.60		\$679.40	32.06%	\$0.00	
Media Exp- Batteries, cables etc	\$600.00		\$428.02		\$171.98	71.34%	\$1,000.00	
Workshops/Mentoring - Trainings	\$2,000.00		\$0.00		\$2,000.00	0.00%	\$0.00	
Musical Instrument Accessories	\$1,200.00		\$501.02		\$698.98	41.75%	\$250.00	
<b>Total Music Team Exp Marrara</b>	<b>\$6,000.00</b>		<b>\$2,411.46</b>		<b>\$3,588.54</b>	40.19%	<b>\$2,450.00</b>	
<b>Music Ministry - Choir Exp:</b>								
Bookbinding/Printing/Stationery	\$160.00		\$488.65		\$328.65	305.41%	\$300.00	
CD/DVD/Choir Books - Resources Special Events	\$1,500.00		\$96.36		\$1,403.64	6.42%	\$1,500.00	
Music Program Subscription	\$300.00		\$827.36		\$527.36	275.79%	\$500.00	
Tambourines	\$0.00		\$299.91		\$299.91	0.00%	\$0.00	
Team Building/Fellowship	\$1,000.00		\$0.00		\$1,000.00	0.00%	\$0.00	
<b>Total Choir Expense</b>	<b>\$2,960.00</b>		<b>\$1,712.28</b>		<b>\$1,247.72</b>	57.85%	<b>\$2,300.00</b>	
Music Team-Choir Team Building/Fellowship	\$0.00		\$0.00		\$0.00	0.00%	\$1,000.00	
<b>Total Music Team-Choir Expenses</b>	<b>\$8,960.00</b>		<b>\$4,123.74</b>		<b>\$4,836.26</b>	46.02%	<b>\$5,750.00</b>	
<b>Palmerston:</b>								
License Song Select	\$600.00		\$0.00		\$600.00	0.00%	\$0.00	
Media -Batteries etc	\$200.00		\$0.00		\$200.00	0.00%	\$0.00	
Musical Instrument Accessories	\$1,000.00		\$0.00		\$1,000.00	0.00%	\$0.00	
<b>Total Palmerston</b>	<b>\$1,800.00</b>		<b>\$0.00</b>		<b>\$1,800.00</b>	0.00%	<b>\$0.00</b>	
<b>Total Music Team Exp</b>		<b>\$10,760.00</b>		<b>\$4,123.74</b>	<b>\$6,636.26</b>	38.32%		<b>\$5,750.00</b>
<b>Pastoral Care - Discipleship</b>								
Bible Study Materials	\$1,000.00		\$309.81		\$690.19	30.98%	\$1,000.00	
Fellowship Expenses:								
Men	\$600.00		\$125.45		\$474.55	20.91%	\$600.00	
Women	\$600.00		\$297.25		\$302.75	49.54%	\$600.00	
Total Fellowship Exp	<b>\$1,200.00</b>		<b>\$422.70</b>		<b>\$777.30</b>	35.23%	<b>\$1,200.00</b>	
Other Pastoral Care	\$750.00		\$59.96		\$690.04	7.99%	\$500.00	
<b>Total Pastoral Care</b>		<b>\$2,950.00</b>		<b>\$792.47</b>	<b>\$2,157.53</b>	26.86%		<b>\$2,700.00</b>
<b>Website-Internet-Media</b>								
Email subscription	\$150.00		\$88.28		\$61.72	58.85%	\$150.00	
Internet - Telstra	\$1,320.00		\$1,066.03		\$253.97	80.76%	\$1,500.00	
Media Exp- parts, cables, external drives	\$500.00		\$404.02		\$95.98	80.80%	\$300.00	
Workshop/Seminars	\$200.00		\$0.00		\$200.00	0.00%	\$200.00	
Website	\$650.00		\$214.43		\$435.57	32.99%	\$650.00	
<b>Total Website etc</b>		<b>\$2,820.00</b>		<b>\$1,772.76</b>	<b>\$1,047.24</b>	62.86%		<b>\$2,800.00</b>
<b>Salary Norman Mangohig- Part Time</b>								
Salary	\$15,235.50		\$14,930.78		\$304.72	98.00%	\$0.00	
Annual Leave	\$609.42		\$609.42		\$0.00	100.00%	\$0.00	
Annual Leave- Unused	\$0.00		\$2,947.72		\$2,947.72	0.00%	\$0.00	
Leave Loading- Unused	\$0.00		\$299.55		\$299.55	0.00%	\$0.00	
<b>Total Salary</b>	<b>\$15,844.92</b>		<b>\$18,787.47</b>		<b>\$2,942.55</b>	118.57%	<b>\$0.00</b>	
MEA Exp	\$15,844.92		\$15,844.92		\$0.00	100.00%	\$0.00	
Total Salary and MEA	<b>\$31,689.84</b>		<b>\$34,632.39</b>		<b>\$2,942.55</b>	109.29%	<b>\$0.00</b>	
Superannuation 11%	\$3,485.88		\$3,452.37		\$33.51	99.04%	\$0.00	
<b>Total Salary Package-N Mangohig</b>		<b>\$35,175.72</b>		<b>\$38,084.76</b>	<b>\$2,909.04</b>	108.27%		<b>\$0.00</b>

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<b>Salary Package Senior Pastor- P Ballenas</b>								
Salary from 1/11/22 to 30/6/23 & FY 2023-2024	\$30,000.00		\$31,250.00		\$1,250.00	104.17%	\$30,000.00	
Annual Leave	\$2,500.00		\$1,250.00		\$1,250.00	50.00%	\$2,500.00	
<b>Total Salary</b>	<b>\$32,500.00</b>		<b>\$32,500.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$32,500.00</b>	
<b>MEA</b>	<b>\$32,500.00</b>		<b>\$32,500.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$32,500.00</b>	
<b>Total Salary and MEA</b>	<b>\$65,000.00</b>		<b>\$65,000.00</b>		<b>\$0.00</b>	<b>100.00%</b>	<b>\$65,000.00</b>	
<b>Add: Other Benefits</b>								
Private Health Fund Cover- Medibank	\$2,800.00		\$4,867.63		\$2,067.63	173.84%	\$5,000.00	
Mobile Phone & data	\$1,698.00		\$1,204.75		\$493.25	70.95%	\$1,557.00	
Petrol	\$2,411.00		\$1,846.83		\$564.17	76.60%	\$2,450.00	
<b>Total</b>	<b>\$6,909.00</b>		<b>\$7,919.21</b>		<b>\$1,010.21</b>	<b>114.62%</b>	<b>\$9,007.00</b>	
<b>Total Salary-MEA-Other Benefits</b>	<b>\$71,909.00</b>		<b>\$72,919.21</b>		<b>\$1,010.21</b>	<b>101.40%</b>	<b>\$74,007.00</b>	
Superannuation 11% and 11.5%	\$7,150.00		\$7,150.00		\$0.00	100.00%	\$7,475.00	
<b>Total Salary Package &amp; Other Benefits</b>		<b>\$79,059.00</b>		<b>\$80,069.21</b>	<b>\$0.00</b>			<b>\$81,482.00</b>
<b>Rental Church- Palmerston</b>		<b>\$8,700.00</b>		<b>\$7,140.00</b>	<b>\$1,560.00</b>	<b>82.07%</b>		<b>\$0.00</b>
<b>Repairs/Maintenance</b>								
Aircond Repairs & Maintenance	\$3,000.00		\$1,760.00		\$1,240.00	58.67%	\$2,000.00	
Building Repairs	\$4,500.00		\$408.20		\$4,091.80	9.07%	\$4,000.00	
Facilities-Ground Maintenance	\$6,000.00		\$2,329.07		\$3,670.93	38.82%	\$3,500.00	
Music Inst, Ssystem etc	\$600.00		\$0.00		\$600.00	0.00%	\$600.00	
Plumbing	\$2,500.00		\$0.00		\$2,500.00	0.00%	\$1,500.00	
Pest Control	\$2,000.00		\$1,330.18		\$669.82	66.51%	\$1,500.00	
Equipment Repairs & Other Maint	\$1,000.00		\$0.00		\$1,000.00	0.00%	\$500.00	
<b>Total Repairs &amp; Maintenance</b>		<b>\$19,600.00</b>		<b>\$5,827.45</b>	<b>\$13,772.55</b>	<b>29.73%</b>		<b>\$13,600.00</b>
<b>Sunday School Exp:</b>								
Sunday School Exp-Marrara/Palmo		\$2,000.00		\$1,065.40	\$934.60	53.27%		\$1,500.00
<b>Senior Pastor Visa Processing Fees:</b>								
Visa Processing Fees	\$0.00		\$0.00		\$0.00	0.00%	\$30,000.00	
<b>Total</b>		<b>\$0.00</b>		<b>\$0.00</b>	<b>\$0.00</b>			<b>\$30,000.00</b>
<b>Utilities:</b>								
Electricity	\$6,500.00		\$5,714.29		\$785.71	87.91%	\$6,000.00	
Sewerage	\$3,200.00		\$2,711.82		\$488.18	84.74%	\$3,000.00	
Water	\$1,800.00		\$902.42		\$897.58	50.13%	\$1,500.00	
<b>TOTAL Utilities Exp</b>		<b>\$11,500.00</b>		<b>\$9,328.53</b>	<b>\$2,171.47</b>	<b>81.12%</b>		<b>\$10,500.00</b>
Youth Ministry		\$3,500.00		\$2,098.24	\$1,401.76	59.95%		\$2,000.00
Loss on Disposal of Assets		\$650.00		\$364.66	\$285.34	56.10%		\$400.00
Other Miscellaneous Expenses		\$0.00		\$0.00	\$0.00	0.00%		\$1,000.00
<b>TOTAL EXPENSES</b>		<b>\$356,910.72</b>		<b>\$303,151.65</b>	<b>\$53,759.07</b>	<b>84.94%</b>		<b>\$299,776.00</b>
<b>NET INCOME/(DEFICIT)</b>		<b>-\$32,160.72</b>		<b>\$23,966.06</b>	<b>-\$56,126.78</b>	<b>-74.52%</b>		<b>-\$26,776.00</b>

**NOTE:** Budgeted Depreciation Expense FY 2024-2025 in the amount of **\$38,650** does not involve cash payment.  
The Budgeted Total Expenses of \$299,776 less Depreciation Expense of \$38,650 = \$261,126 Total Expenses.  
The Budgeted Total Income FY 2024-2025 \$273,000 - \$261,126 Total Expenses = **\$11,874 Total Net Income.**

**The Purpose of Depreciation** - is to achieve the matching principle of accounting. That is, a company is attempting to match the historical cost of a productive asset (that has a useful life of more than a year) to the revenue earned from using the asset. Depreciation needs to be provided because an asset is bound to undergo wear and tear over a period of time. This reduces the working capacity and effectiveness of the asset. Hence, this should reflect the value of the asset, at which it is carried in the books of accounts (Profit & Loss and Balance Sheet).