NCERT Solutions for Class 11
Accountency
Chapter 7: Depreciation, Provisions and Reserves

1. What is "Depreciation"?
Ans: Depreciation is the decrease in the value of fixed assets caused by wear and tear over time. These fixed assets could be anything from furniture to machinery to a building. It is important to note that such fixed assets do not include land, as the value of land increases over time.

2. State briefly the need or providing depreciation.
Ans: The following are the requirements for providing depreciation:
• The value of fixed assets depreciates over time as a result of wear and tear, reducing the asset's capacity. As a result, depreciation must be recorded in order to reflect such an effect on the books of account.
• Depreciation depicts the true financial position of the business because it eliminates the possibility of assets being overvalued. • Depreciation meets the need and requirements of tax regulations and other compliances.
· Depreciation allows the business to meet the revenue matching principles, which require that the expenses incurred by the business be incurred in the same period that the income is recognized.

3. What are the causes of depreciation?
Ans: The following are the causes of depreciation:
• Some current assets have a finite life after which they become perishable. Inventory is an example of such an asset.
• Because fixed assets wear and tear over time, it is necessary to record the reduction in the cost of such fixed assets.
• As new technological innovations emerge, fixed assets such as equipment and machinery become obsolete. This must be properly recorded in the books of account, and depreciation accomplishes this.
• The use of some assets depletes over time, and this depletion of assets is recorded using accounting depreciation. Gas and oil reservoirs are examples of such assets.

4. Explain basic factors affecting the amount of depreciation.
Ans: The following are the primary factors that influence the amount of depreciation:

• **Depreciable cost** – This is the cost that remains after deducting both the residual cost and the various costs of the asset. The total depreciation should be equal to the total depreciation charged over the useful life of the asset.
• **Net residual value** – This is the value of the asset's sales after its useful life has ended. It is calculated by deducting all expenses incurred during the disposal of the asset.
• **Various Costs of the Asset** – Aside from the basic purchase cost of the asset, an asset will incur various costs. These expenses can take the form of transportation, commission fees, insurance premiums, and so on. These are the expenses incurred in order to restore the asset to working order.
• **Estimation of useful life** – The useful life of any asset is defined as its actual commercial life. As a result, the concept of the asset's physical life is excluded because it considers the fact that the asset will continue to sustain even after its useful life has ended, which may not be of commercial productivity for the business.

5. Distinguish between straight line method and the written down value method of calculating depreciation.
Ans: The following are the differences between the straight line and written down value methods:
• The straight-line method calculates depreciation based on the original cost, whereas the written down value method calculates depreciation based on the net cost.
• In the straight line method, the amount of annual depreciation is fixed, whereas in the written down value method, depreciation decreases the asset's value each successive year.
• The straight line method charges on the depreciation of the total charge of the asset, which includes the depreciation charge and other repair expenses. However, the charge of depreciation decreases year after year in written down value, so the total charge remains constant.
• The income tax authority recognizes the written down value method of depreciation but does not recognize the straight line method. Straight-line depreciation is appropriate for assets that require fewer repairs and thus become less scrap and obsolete over time. Land and buildings are two examples of such assets. The written down value method, on the other hand, is used in cases where there is a significant amount of repair expense or the market is affected by technological change.

6. "In case of a long term asset, repair and maintenance expenses are expected to rise in later years than in earlier year". Which method is suitable for

charging depreciation if the management does not want to increase burden on profits and loss account on account of depreciation and repair.
Ans: When the assets have long-term utility and the repair and maintenance costs are expected to rise in the later years of the asset's life, the written down value method is more useful than the straight line method of depreciation. As a result, this method of depreciation does not impose a burden on the profit or loss accounts. This occurs because the rate of depreciation in this method of depreciation decreases year after year.

7. What are the effects of depreciation on profit and loss account and balance sheet?
Ans: Depreciation has a direct impact on the profit and loss account because it is recorded as an expense. When the amount of depreciation is greater, the net company of income is less than in the case where the rate of depreciation was lower. The effect of depreciation on the balance sheet reduces the net amount of assets, which has a further impact on the business's net income on the balance sheet.

8. Distinguish between "provision" and "reserve".
Ans: The distinction between provision and reserve is as follows: • Provision refers to the charge against profit for determining net profit, whereas reserve refers to the appropriation of profit to determine the business's strengthened financial position.
• Provision determines the likely expenses that the business will incur in a given accounting period, whereas reserves are used to strengthen the business's financial position.
• Provision is shown on the asset side of the balance sheet, whereas reserves are shown as the current liability on the liabilities side of the balance sheet.
• Provisions reduce taxable profit because they are deducted from pre-tax profits. The reserves, on the other hand, are calculated on the basis of profits after taxes, which does not show the effect on profits.
• The creation of provisions in accordance with regulations is required to determine fair profits, whereas the creation of reserves, with the exception of specific reserves, is at the discretion of a company.
• Provisions cannot be used to distribute dividends, whereas a company's general reserve can be used to do so.

9. Give four examples each of "provision" and "reserves".
Ans: It is required to make provisions, which are undertaken and determined based on the identifiable expenses that any business incurs in an expected manner during

the accounting period. The reserves, on the other hand, are intended to strengthen the company's financial position. The four examples of each are:
• Provision for bad and doubtful debts
• Provision for repairs and maintenance
• Provision for depreciation
• Provision for taxes
• General reserve
• Capital reserve
• Workmen compensation reserve
• Dividend equalisation reserve

10. Distinguish between “revenue reserve” and “capital reserve”.
Ans: The following are the distinctions between revenue reserves and capital reserves:
• Revenue reserves are created to strengthen the financial position of the business, whereas capital reserves are created to meet legal requirements.
• Revenue reserves are generally used to meet contingencies and general needs such as dividend distributions, whereas capital reserves are used to meet legal requirements.
• Revenue reserves are created on the basis of revenue profits that occur in a routine manner during the regular operation of the business. The capital reserve, on the other hand, is created from the business's capital and is used for purposes that do not occur in regular business operations.

11. Give four examples of “revenue reserve” and “capital reserves”.
Ans: Here are four examples of revenue reserves:
• General reserve
• Dividend equalization reserve
• Workers' compensation reserve
• Debenture redemption reserve
The four examples of capital reserves are as follows:
• Premium on share or debenture issuance
• Profit from the sale of fixed assets;
• Profit from the revaluation of fixed assets and liabilities; and
• Profit from the redemption of debentures.

12. Distinguish between ‘general reserve’ and ‘specific reserve’.
Ans: The 'general reserve' is established to strengthen the company's financial position, and it can thus be used for any purpose the management sees fit. On the other hand, the creation of a "specific reserve" is done to address a specific need of

the organization. Thus, when specific reserves are used for the purpose for which they were created, they outlive their usefulness.

13. Explain the concepts of "secret reserve".

Ans: The secret reserve is established to deal with the reduction of the business's tax liability and to combine it with the profits made by the business in years when it is incurring losses in order to increase net profits. The secret reserve is not shown on the company's Balance Sheet, and it is created on the basis of highly charged depreciation on assets, showing contingent liabilities as actual liabilities, and making an excessive provision for doubtful debts. Thus, the establishment of a secret reserve is permissible if it is within reasonable limits.

14. Explain the concept of depreciation. What is the need for charging depreciation and what are the causes of depreciation?

Ans: Depreciation is defined as the reduction in the value of a business's asset over time. Fixed assets that must be depreciated include machinery, furniture, buildings, offices, and so on. (It is important to note that land is not a depreciable asset, and its value increases over time.)

The following are the requirements for providing depreciation:

• Every fixed asset loses value over time due to wear and tear, reducing the working capacity of these assets. As a result, the depreciation is carried out in order to reflect this decrease in the books of accounts.

· The depreciation thus depicts the company's true financial position because it does not overestimate the prices of assets in the books of account. Companies are required to meet the obligations imposed by the tax authorities, which necessitates the recording of depreciation in the books of accounts. According to the revenue matching principles, expenses incurred by the business must be accounted for in the same accounting period in which they occurred in order for the business to gain revenue.

The following are the causes of depreciation:

· The value of fixed assets decreases over time as fixed assets such as equipment and machinery become obsolete due to the introduction of new technology and equipment. As a result, such asset obsolescence must be recorded in the books of account through accounting depreciation.

• Some fixed assets have a very short life span and die after their life is over. This occurs with current assets such as inventory, and it is critical for the business to record this depreciation in the price of the business's assets.

· Every fixed asset is bound to suffer from wear and tear over time, which reduces the value of the asset, and such depreciation is required to account for the reduction in the amount of the asset.

• As the use of some assets depletes, depreciation becomes the means by which the asset's decrease in value can be accounted for.

15. Discuss in detail the straight line method and written down value method of depreciation. Distinguish between the two and also give situations where they are useful.

Ans: The Straight-line method is a technique for calculating the depreciation that occurs to the asset's original cost. The amount with which the depreciation must be done is fixed under this method, and thus the depreciation occurs every year with the specified fixed amount.

The written down value method, on the other hand, refers to a depreciation technique in which the depreciation to the value of the fixed asset occurs with the reduction decreasing year after year. It subtracts the amount of the original cost from the amount of depreciation, which is calculated based on the asset's usage until it is used.

The straight line method has the following advantages:

• The straight line method is easier and simpler to calculate than the written down value method.

• Assets can be depreciated until the asset's value is zero.

• Because the same amount of depreciation is charged each year, comparing figures in the Statement of Profit or Loss becomes easier.

• It is used for assets that have incurred low repair and maintenance costs as a result of continuous use of the asset over a period of time.

The Straight Line Method has the following limitations:

· The burden of depreciation increases on the profit or loss account in the later years of the asset as the cost of repairs and maintenance rises and the assets age.

• Even if the asset is in usable condition for the business, its value becomes zero.

Similarly, the Written Down Value Method has a number of advantages, which are as follows:

i. This method of depreciation is based on the logical assumption that the asset is used more in its early years and less in its later years.

ii. As a result, it is appropriate for assets that have a higher cost of repair I the later years of the asset's life as the amount of depreciation decreases I the later years of the asset's life

iii. The income tax authorities recognize this method.

iv. The loss due to asset obsolescence decreases as more depreciation is charged in the early years of the asset.

The written down value method has the following limitations:

i. The written down value method of calculation can be complex and difficult.

ii. The asset cannot be completely written off while it is being used in the business because the asset's value does not become zero at any time.

16. Describe in detail two methods of recording depreciation. Also give the necessary journal entries.

Ans: Depreciation is recorded using one of two methods:

I. Charging depreciation directly to the asset account – In this method, depreciation is first charged from the asset's cost, then to the profit and loss account. The balance sheet thus shows the net value of the asset after depreciation is deducted.

The journal entries in this method are as follows:

• Subtracting depreciation from the asset's cost

Depreciation ac Dr
To Asset ac Cr

· To charge the depreciation to profit and loss account

Profit and Loss ac Dr
To Depreciation Cr

II. Making a provision for accumulated depreciation – The amount of depreciation to be charged in the accumulated under the separate account under this method of charging depreciation. Thus, in the balance sheet, the asset's value is shown in its original value, and the accumulated amount of depreciation is shown in the liabilities side of the balance sheet.

The journal entries in this method are as follows:

• Including depreciation in the depreciation provision

Depreciation ac Dr
To Provision for depreciation Cr

· To charge the depreciation to profit and loss account

Profit and Loss ac Dr
To Depreciation Cr

17. Explain determinants of the amount of depreciation.

Ans: • Depreciable cost – This is the cost that remains after deducting both the residual cost and the various costs of the asset. The total depreciation should be equal to the total depreciation charged over the useful life of the asset.

• Net residual value – This is the value of the asset's sales after its useful life has ended. It is calculated by deducting all expenses incurred during the disposal of the asset.

• **Various Costs of the Asset** – Aside from the basic purchase cost of the asset, an asset will incur various costs. These expenses can take the form of transportation, commission fees, insurance premiums, and so on. These are the expenses incurred in order to restore the asset to working order.

• **Estimation of useful life** – The useful life of any asset is defined as its actual commercial life. As a result, the concept of the asset's physical life is excluded because it considers the fact that the asset will continue to sustain even after its useful life has ended, which may not be of commercial productivity for the business.

18. Name and explain different types of reserves in details.
Ans: A business establishes a reserve in order to strengthen its financial position through retained earnings. There are several types of reserves:
I. Revenue Reserve: The revenue reserve is a reserve created from profits generated by the business's normal routine operations. These can be used to meet either a general or a specific purpose. There are two kinds of reserves: general reserves and specific reserves.
a. General Reserve: These reserves are created without a specific purpose in mind, so they can be used for anything, including the goal of expansion and growth. For example, retained earnings, contingency reserves, and so on.
b. Specific Reserve: These are reserves that are created for a specific purpose. Examples of such reserves include: debenture redemption reserves, dividend equalization reserves, and so on.
II. Capital Reserve: It is created from capital profit, i.e., profit from activities other than normal business operations, such as the sale of fixed assets, and so on. It was created to compensate for the capital loss. It cannot be paid out as a dividend. The following is an example of capital reserves.
i. Premium on share issuance
ii. Premium on debenture issuance
iii. Profit on debenture redemption
iv. Profit on fixed asset sale
v. Profit on reissue of forfeited shares vi. Profit before incorporation

III. Secret Reserves: Secret reserves are reserves created by overstating liabilities or understating assets. They are not reflected in the Balance Sheet. Because the liabilities are overstated, this reduces tax liabilities. Management creates it to avoid competition by lowering profit. The Companies Act of 1956 forbids the establishment of a secret reserve and requires full disclosure of all material facts and accounting policies when preparing final statements.

19. What are provisions. How are they created? Give the accounting treatment in case of provision of doubtful debts?
Ans: Provisions are created by businesses to allow them to incur expenses and losses that are known to the business and that they may incur in the future.

Provisions are charged on the business's revenue and are thus shown as a deduction from assets or as the business's current liability. Some examples of provisions are as follows:

- Provision for bad and doubtful debts
- Provision for depreciation
- Provision for repairs and maintenance

The accounting treatment of provision for doubtful debts is as follows:
Doubtful debts are those for which the company is unsure of the recovery, so they make a provision to account for such losses. The following is the journal entry:
Profit and loss ac Dr
To provision for doubtful debts Cr

20. On April 01, 2010, Bajrang Marbles purchased a Machine for Rs 2,80,000 and spent Rs 10,000 on its carriage and Rs 10,000 on its installation. It is estimated that its working life is 10 years and after 10 years its scrap value will be Rs 20,000.
(a) Prepare Machine account and Depreciation account for the first four years by providing depreciation on straight line method. Accounts are closed on March 31st every year.
(b) Prepare Machine account, Depreciation account and Provision for depreciation account (or accumulated depreciation account) for the first four years by providing depreciation using straight line method accounts are closed on March 31 every year.

Ans: (a) Books of Bajrang Marbles
Machinery Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2010 Apr. 01	Bank		3,00,000	2011 Mar.31	Depreciation on Balance c/d		28,000 2,72,000
			3,00,000				3,00,000

2011 Apr. 01	Balance b/d		2,72,000	2012 Mar.31 Mar.31	Depreciation on Balance c/d		28,000 2,44,000
			2,72,000				2,72,000
2012 Apr. 01	Balance b/d		2,44,000	2013 Mar.31 Mar. 31	Depreciation on Balance c/d		28,000 2,16,000
			2,44,000				2,44,000
2013 Apr. 01	Balance b/d		2,16,000	2014 Mar.31 Mar.31	Depreciation on Balance c/d		28,000 1,88,000
			2,16,000				2,16,000

Note: According to the solution, the closing balance of the machinery account at the end of the fourth year is Rs 1,88,000; however, the answer in the book is Rs 1,28,000

However, if we had taken the machine's purchase price of Rs 1,80,000 rather than Rs 2,80,000, the closing balance would have been Rs 1,28,000 instead of Rs 2,80,000.

Working notes: Calculation of Annual depreciation

$$\text{Depreciation } (p.a) = \frac{(\text{ original cost - scrap value})}{\text{Estimated life of asset (years)}}$$

$$= \frac{(2,80,000+10,000+10,000-20,000)}{10} = \text{ Rs. } 28,000 \text{ per annum}$$

Depreciation Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.

2011 Mar. 31	Machinery		28,000	2011 Mar.31	Profit and loss		28,000
			28,000				28,000
2012 Mar. 31	Machinery		28,000	2012 Mar.31	Profit and loss		28,000
			28,000				28,000
2013 Mar. 31	Machinery		28,000	2013 Mar.31	Profit and loss		28,000
			28,000				28,000
2014 Mar. 31	Machinery		28,000	2014 Mar.31	Profit and loss		28,000
			28,000				28,000

(b) Machinery Amount

Machinery Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2010 Apr. 01	Bank		3,00,000	2011 Mar.31	Depreciation on Balance c/d		3,00,000
			3,00,00				3,00,00

			0				0
2011 Apr. 01	Balance b/d		3,00,00 0	2012 Mar.31 Mar.31	Depreciation on Balance c/d		3,00,00 0
			3,00,00 0				3,00,00 0
2012 Apr. 01	Balance b/d		3,00,00 0	2013 Mar.31 Mar. 31	Depreciation on Balance c/d		3,00,00 0
			3,00,00 0				3,00,00 0
2013 Apr. 01	Balance b/d		3,00,00 0	2014 Mar.31 Mar.31	Depreciation on Balance c/d		3, 00,00 0
			3,00,00 0				3,00,00 0

Provision for Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2011 Mar.31	Balance c/d		28,000	2011 Mar.31	Depreciation on		3,00,00 0
			28,000				3,00,00 0
2012 Mar.31	Balance c/d		56,000	2011 Apr.01 2012 Mar.31	Balance c/d Depreciation on		28,000 28,000
			56,000				56,000

2013 Mar. 31	Balance c/d		84,000	2012 Mar.31 2013 Mar. 31	Balance c/d Depreciation on		56,000 28,000
			84,000				84,000 0
2014 Apr. 01	Balance c/d		1,12,00 0	2003 Apr.01 2014 Mar.31	Balance b/d Depreciation on		84,000 28,000
			1,12,00 0				1,12,00 0

Depreciation Account
Dr.
Cr.

Date	**Particulars**	**J.F.**	**Amount Rs.**	**Date**	**Particulars**	**J.F.**	**Amount Rs.**
2011 Mar. 31	Provision for depreciation		28,000	2011 Mar.31	Profit and loss		28,000
			28,000				28,000
2012 Mar. 31	Provision for depreciation		28,000	2012 Mar.31	Profit and loss		28,000
			28,000				28,000
2013 Mar. 31	Provision for depreciation		28,000	2013 Mar.31	Profit and loss		28,000
			28,000				28,000

2014 Mar. 31	Provision for depreciation		28,000	2014 Mar.31	Profit and loss		28,000
			28,000				28,000

Note: According to the solution, the closing balance of the Provision for Depreciation Account at the end of the fourth year is Rs 1,12,000; however, the answer in the book is Rs 72,000.
However, if we had taken the machine's purchase price of Rs 1,80,000 rather than Rs 2,80,000, the closing balance would have been Rs 72,000.

21. On July 01, 2010, Ashok Ltd. Purchased a Machine for Rs 1,08,000 and spent Rs 12,000 on its installation. At the time of purchase it was estimated that the effective commercial life of the machine will be 12 years and after 12 years its salvage value will be Rs 12,000. Prepare machine account and depreciation Account in the books of Ashok Ltd. For first three years, if depreciation is written off according to straight line method. The account are closed on December 31st, every year.

Ans:
Machinery Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2010 Jul-01	Bank		12,000	2010 Dec-31	Depreciation Balance c/d		4500 115500
			12,000				120000
2011 Jan-01	Balance b/d		115500	2011 Dec-31	Depreciation Balance c/d		9000 106500

			115500				115500
2012 Jan-01	Balance b/d		106500	2012 Dec-31	Depreciation Balance c/d		9000 97500
			106500				106500
2013 Jan-01	Balance b/d		97500				

Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2010 Dec-31	Machinery		4500	2010 Mar.31	Profit and loss		4500
			4500				4500
2011 Dec-31	Machinery		9000	2011 Mar.31	Profit and loss		9000
			9000				9000
2012 Dec-31	Machinery		9000	2012 Mar.31	Profit and loss		9000
			9000				9000

Working Note:
Calculation of Annual Depreciation

$\text{Depreciation}= \frac{108000+12000-12000}{12}=\text{9000p.a}$

22. Reliance Ltd. Purchased a second hand machine for Rs 56,000 on October 01, 2011 and spent Rs 28,000 on its overhaul and installation before putting it to operation. It is expected that the machine can be sold for Rs 6,000 at the end of its useful life of 15 years. Moreover an estimated cost of Rs 1,000 is expected to be incurred to recover the salvage value of Rs 6,000. Prepare machine account and Provision for depreciation account for the first three years charging depreciation by fixed Instalment Method. Accounts are closed on March 31, every year.

Ans:

Machinery Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2011 Oct-01	Bank		84000	2011 Dec-31	Balance c/d		84000
			84000				84000
2012 Jan-01	Balance c/d		84000	2012 Dec-31	Balance c/d		84000
			84000				84000
2013 Jan-01	Balance c/d		84000	2013 Dec-31	Balance c/d		84000
			84000				84000

Provision for Depreciation Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.

2011 Dec- 31	Balance c/d		1316	2011 Dec- 31	Depreciation		1316
			1316				1316
2012 Dec- 31	Balance c/d		6583	2012 Jan-01 Dec- 31	Balance c/d Depreciation		1316 5267
			6583				6583
2013 Dec- 31	Balance c/d		11850	2013 Jan-01 Dec- 31	Balance c/d Depreciation		6583 5267
			11850				11850
				2014 Jan-01	Balance b/d		11850

Working Note:
Calculation of Annual Depreciation
$\text{Depreciation = }\frac{56000+28000-6000+1000}{15}=5267\text{p}\text{.a}$

23. Berlia Ltd. Purchased a second hand machine for Rs 56,000 on July 01, 2015 and spent Rs 24,000 on its repair and installation and Rs 5,000 for its carriage. On September 01, 2016, it purchased another machine for Rs 2,50,000 and spent Rs 10,000 on its installation.
(a) Depreciation is provided on machinery @10% p.a on original cost method annually on December 31. Prepare machinery account and depreciation account from the year 2015 to 2018.

(b) Prepare machinery account and depreciation account from the year 2015 to 20018, if depreciation is provided on machinery @10% p.a. on written down value method annually on December 31.

Ans:

Machinery A/c (Original Cost Method)

Date	Particular	Amount	Date	Particular	Amount
2015			2015		
Jul-01	Bank (i)	85000	Dec-31	Depreciation	4250
	(5600+24000+5000)		Dec-31	Balance c/d	80750
		85000			85000
2016			2016		
Jan-01	Balance b/d (i)	80750	Dec-31	Depreciation	17167
Sep-01	Bank (ii)	260000		(i) 8500 (ii) 8667	
	(250000 + 10000)		Dec-31	Balance c/d	323583
				(i) 72250 (ii) 251333	
		340750			340750
2017			2017		
Jan-01	Balance b/d	323583	Dec-31	Depreciation	34500
	(i) 72250 (ii) 251333			(i) 8500 (ii) 26000	
			Dec-31	Balance c/d	289083
				(i) 63570 (ii) 225333	
		323583			323583
2018			2018		

Jan-01	Balance b/d	289083	Dec-31	Depreciation	34500
	(i) 63750 (ii) 225333			(i) 8500 (ii) 26000	
			Dec-31	Balance c/d	254583
				(i) 55250 (ii) 199333	
			289083		289083

Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2015 Dec-31	Machinery		4250	2015 Dec-31	Profit and loss		4250
			4250				4250
2016 Dec-31	Machinery (i) 8500 (ii) 8667		17167	2016 Dec-31	Profit and loss		17167
			17167				17167
2017 Dec-31	Machinery (i) 8500 (ii) 26000		34500	2017 Dec-31	Profit and loss		34500
			34500				34500
2018 Dec-31	Machinery (i) 8500 (ii) 26000		34500	2018 Dec-31	Profit and loss		34500

			34500				34500

Working Note:
Calculation of Annual Depreciation
(i) Depreciation (p.a.) on machinery purchased on Jul 01,
2015 $= \frac{56000+24000+5000\times10}{100} = Rs.8500\,p.a.$

(ii) Depreciation (p.a.) on machinery purchased on Sep 01, 2016
$= \frac{250000+10000\times10}{100} = Rs.26000\,p.a.$

(b) Machinery A/c (Written Down Value Method)

Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015			2015		
Jul-01	Bank (i)	85000	Dec-31	Depreciation	4250
	(5600+24000+5000)		Dec-31	Balance c/d	80750
		85000			85000
2016			2016		
Jan-01	Balance b/d (i)	80750	Dec-31	Depreciation	16742
Sep-01	Bank (ii)	260000		(i) 8075 (ii) 8667	
	(250000 + 10000)		Dec-31	Balance c/d	324008
				(i) 72675 (ii) 251333	
		340750			340750
2017			2017		
Jan-01	Balance b/d	324008	Dec-31	Depreciation	32401

	(i) 72675 (ii) 251333			(i) 7268 (ii) 25133	
			Dec-31	Balance c/d	291607
				(i) 65407 (ii) 226200	
		324008			324008
2018			2018		
Jan-01	Balance b/d	291607	Dec-31	Depreciation	29160
	(i) 65407 (ii) 226200			(i) 6540 (ii) 22620	
			Dec-31	Balance c/d	262447
				(i) 58867 (ii) 203580	
			291607		291607

Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2015 Dec-31	Machinery		4250	2015 Dec-31	Profit and loss		4250
			4250				4250
2016 Dec-31	Machinery (i) 8075 (ii) 8667		16742	2016 Dec-31	Profit and loss		16742
			16742				16742

2017 Dec-31	Machinery (i) 7268 (ii) 25133		32401	2017 Dec-31	Profit and loss		32401
			32401				32401
2018 Dec-31	Machinery (i) 6540 (ii) 22620		29160	2018 Dec-31	Profit and loss		29160
			29160				29160

24. Ganga Ltd. purchased a machinery on January 01, 2014 for Rs 5,50,000 and spent Rs 50,000 on its installation. On September 01, 2014 it purchased another machine for Rs 3,70,000. On May 01, 2016 it purchased another machine for Rs 8,40,000 (including installation expenses). Depreciation was provided on machinery @10% p.a. on original cost method annually on December 31. Prepare:
(a) Machinery account and depreciation account for the years 2014, 2015, 2016 and 2017.
(b) If depreciation is accumulated in provision for Depreciation account then prepare machine account and provision for depreciation account for the years 2014, 2015, 2016 and 2017.
Ans:
(a) Machinery A/c

Date	Particular	Amount	Date	Particular	Amount
2014			2014		
Jan-01	Bank (i)	600000	Dec-31	Depreciation	72333
	(550000+50000)			(i) 60000 (ii) 12333	
Sep-01	Bank (ii)	370000	Dec-31	Balance c/d	897667
				(i) 540000 (ii) 357667	

		970000			970000
2015 Jan-01	Balance b/d	897667	Dec-31	Depreciation	153000
	(i) 540000 (ii) 357667			(i) 60000 (ii) 37000	
May-01	Bank (iii)	840000		(iii) 56000	
			Dec-31	Balance c/d	1584667
				(i) 480000 (ii) 320667	
				(iii) 784000	
		1737667			1737667
2016 Jan-01	Balance b/d	1584667	Dec-31	Depreciation	181000
	(i) 480000 (ii) 320667 (iii) 784000			(i) 60000 (ii) 37000 (iii) 84000	
			Dec-31	Balance c/d	1403667
				(i) 420000 (ii) 283667 (iii) 700000	
		1584667			1584667
2017 Jan-01	Balance b/d	1403667	Dec-31	Depreciation	
	(i) 420000 (ii) 283667 (iii) 700000			(i) 60000 (ii) 37000 (iii) 84000	
			Dec-31	Balance c/d	1222667

				(i) 360000 (ii) 246667 (iii) 616000	
		1403667			1403667

Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Dec- 31	Machinery		72333	2014 Dec-31	Profit and loss		72333
			72333				72333
2015 Dec- 31	Machinery		153000	2015 Dec-31	Profit and loss		153000
			153000				153000
2016 Dec- 31	Machinery		181000	2016 Dec-31	Profit and loss		181000
			181000				181000
2017 Dec-31	Machinery		181000	2017 Dec-31	Profit and loss		181000
			181000				181000

(b) Machinery A/c

Date	Particular	Amount	Date	Particular	Amount
2014			2014		

Jan-01	Bank (i)	600000	Dec-31	Balance c/d	970000
	(550000+50000)			(i) 60000 (ii) 370000	
Sep-01	Bank (ii)	370000			
		970000			970000
2015 Jan-01	Balance b/d	970000	2015 Dec-31	Balance c/d	181000
	(i) 600000 (ii) 370000			(i) 600000 (ii) 370000	
May-01	Bank (iii)	840000		(iii) 840000	
		1810000			181000
2016 Jan-01	Balance b/d	1810000	Dec-31	Balance c/d	181000
	(i) 600000 (ii) 370000 (iii) 840000			(i) 600000 (ii) 370000 (iii) 840000	
		1810000			181000
2017 Jan-01	Balance b/d	1403667	Dec-31	Depreciation	
	(i) 600000 (ii) 370000 (iii) 840000			(i) 600000 (ii) 370000 (iii) 840000	

		1810000			1810000

Provision for Depreciation Account
Dr.
Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Dec- 31	Balance c/d		72333	2014 Dec-31	Depreciation		72333
			72333				72333
2015 Dec- 31	Balance c/d		225333	2015 Jan-01	Balance b/d		72333
				Dec-31	Depreciation		153000
			225333				225333
2016 Dec- 31	Balance c/d		406333	2016 Jan- 01	Balance b/d		225333
				Dec-31	Depreciation		181000
			406333				406333
2017 Dec-31	Balance c/d		587333	2017 Jan-01	Balance b/d		406333
				Dec-31	Depreciation		181000
			587333				587333

25. Azad Ltd. purchased furniture on October 01, 2014 for Rs 4,50,000. On March 01, 2015 it purchased another furniture for Rs 3,00,000. On July 01, 2016 it sold off the first furniture purchased in 2014 for Rs 2,25,000. Depreciation is provided at 15% p.a. on written down value method each year. Accounts are closed each year on March 31. Prepare furniture account,

and accumulated depreciation account for the years ended on March 31, 2015, March 31, 2016 and March 31, 2017. Also give the above two accounts if furniture disposal account is opened.

Ans:

Furniture A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2014 Oct-01	Bank (i)	450000	2015 Mar-31	Balance c/d	750000
2015 Mar-01	Bank (ii)	300000			
		750000			750000
2015 Apr-01	Balance b/d	750000	2016 Mar-31	Balance c/d	750000
		750000			750000
2016 Apr-01	Balance b/d	750000	2016 Jul-01	Furniture Disposal	450000
			2017 Mar-31	Balance c/d	300000
		750000			750000

Accumulated Depreciation A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015 Mar-31	Balance	37500	2015 Mar-31	Depreciation	37500
		37500			
2016 Mar-31	Balance c/d	144376	2015 Apr-01	Balance b/d	37500

			2016 Mar-31	Depreciation	106876
				(i) 62438 (ii) 44378	
		144376			144376
2016 Jul-01	Furniture Disposal	109456	2016 Apr-01	Balance b/d	144376
2017			Jul-01	Depreciation (i)	13268
Mar-31	Balance c/d	85960	2017 Mar-31	Depreciation (ii)	37772
		195416			195416

Furniture Disposal A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2016 Jul-01	Furniture	450000	2016 Jul-01	Accumulated depreciation	109456
			Jul-01	Bank	225000
			Jul-01	Profit and loss (loss)	115544
		450000			450000

Working Note:
Furniture (i)

Years	Opening Balance - Depreciation	= Closing Balance
2014-15	450000 - 33750	= 416250
2015-16	416250 - 62438	= 353812
2016	33812 - 13268(3 months)	= 340544

	109456	
Balance on Jul 01, 2016	340544	
Sale on Jul 01, 2016	225000	
Loss on sale of furniture	Rs. 115544	

26. M/s Lokesh Fabrics purchased a Textile Machine on April 01, 2011 for Rs 1,00,000. On July 01, 2012 another machine costing Rs 2,50,000 was purchased. The machine purchased on April 01, 2011 was sold for Rs 25,000 on October 01, 2015. The company charges depreciation @15% p.a. on straight line method. Prepare machinery account and machinery disposal account for the year ended March 31, 2016.

Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Apr-01	Bank (i)	100000	2012 Mar-31	Depreciation	15000
			Mar-31	Balance c/d	85000
		100000			100000
2012 Apr-01	Balance b/d	85000	2013 Mar-31	Depreciation	43125
Jul-01	Bank (ii)	250000		(i) 15000 (ii) 28125	
			Mar-31	Balance c/d	291875
				(i) 70000 (ii) 221875	
		335000			335000
2013 Apr-01	Balance b/d	291875	2014 Mar-31	Depreciation	52500

	(i) 70000 (ii) 221875			(i) 15000 (ii) 37500	
			Mar-31	Balance c/d	239375
				(i) 55000 (ii) 184375	
		291875			291875
2014 Apr-01	Balance b/d	239375	2015 Mar-31	Depreciation	52500
	(i) 55000 (ii) 184375			(i) 15000 (ii) 37500	
			Mar-31	Balance c/d	186875
				(i) 40000 (ii) 146875	
		239375			239375
2015 Apr-01	Balance b/d	186875	2015 Oct-01	Depreciation	7500
	(i) 40000 (ii) 146875		Oct-01	Machinery Disposal	32500
			2016 Mar-31	Depreciation (ii)	37500
			Mar-31	Balance c/d	109375
		186875			186875

Machinery Disposal A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015			2015		
Oct-01	Machinery	32500	Oct-01	Bank	25000

			Oct-01	Profit and loss (loss)	7500
		32500			32500

27. The following balances appear in the books of Crystal Ltd, on Jan 01, 2015
Machinery account on Rs 15,00,000
Provision for depreciation account Rs 5,50,000
On April 01, 2015 a machinery which was purchased on January 01, 2012 for Rs 2,00,000 was sold for Rs 75,000. A new machine was purchased on July 01, 2015 for Rs 6,00,000. Depreciation is provided on machinery at 20% p.a. on Straight line method and books are closed on December 31 every year. Prepare the machinery account and provision for depreciation account for the year ending December 31, 2015.
Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015 Jan-01	Balance b/d	1500000	2015 Apr-01	Machinery disposal	200000
	(1300000+200000)		Dec-31	Balance c/d	1900000
Jul-01	Bank	600000			
		2100000			2100000

Provision for depreciation A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015 Apr-01	Machinery Disposal	130000	2015 Jan-01	Balance b/d	550000
Apr-01	Balance c/d	750000	Apr-01	Depreciation	10000
			Dec-31	Depreciation	32000
				(i) 260000	

				(ii) 60000	
		880000			880000

Working Note:
Machine sold on Jul 01, 2015

Years	**Opening Balance - Depreciation**	**= Closing Balance**
2012	200000 - 40000	= 160000
2013	160000 - 40000	= 120000
2014	120000 - 40000	= 80000
2015	80000 - 10000	= 70000
Accumulated Depreciation		= 130000
Balance on Jul 01, 2016	340544	
Value on Apr 01, 2015	70000	
Sale	75000	
Profit on sale of furniture	Rs. 5000	

Machinery Disposal A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015			2015		
Apr-01	Machinery	200000	Apr-01	Prov. For depreciation	130000
Apr-01	Profit and loss (profit)	5000	Oct-01	Bank	75000

		205000			205000

28. M/s. Excel Computers has a debit balance of Rs 50,000 (original cost Rs 1,20,000) in computers account on April 01, 2010. On July 01, 2010 it purchased another computer costing Rs 2,50,000. One more computer was purchased on January 01, 2011 for Rs 30,000. On April 01, 2014 the computer which has purchased on July 01, 2010 became obsolete and was sold for Rs 20,000. A new version of the IBM computer was purchased on August 01, 2014 for Rs 80,000. Show Computers account in the books of Excel Computers for the years ended on March 31 2011, 2012, 2013, 2014 and 2015. The computer is depreciated @10 p.a. on straight line method basis.
Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2010 Apr-01	Balance b/d (i)	50000	2011 Mar-31	Depreciation	31500
Jul-01	Bank (ii)	250000		(i) 12000 (ii) 18750 (iii) 750	
2011 Jan-01	Bank (iii)	30000	Mar-31	Balance c/d	298500
				(i) 38000 (ii) 231250 (iii) 29250	
		330000			
2011 Apr-01	Balance b/d	298500	Mar-31	Depreciation	40000
	(i) 38000 (ii) 231250			(i) 12000 (ii) 25000	
	(iii) 29250			(iii) 3000	
			Mar-31	Balance c/d (i) 26000 (ii) 206250 (iii) 26250	258500

		298500			298500
2012 Apr-01	Balance b/d	258500	2013 Mar-31	Depreciation	40000
	(i) 26000 (ii) 206250 (iii) 26250			(i) 12000 (ii) 25000 (iii) 3000	
			Mar-31	Balance c/d	218500
				(i) 14000 (ii) 181250 (iii) 23250	
		258500			258500
2013 Apr-01	Balance c/d	218500	2014 Mar-31	Depreciation	40000
	(i) 14000 (ii) 181250 (iii) 23250			(i) 12000 (ii) 25000 (iii) 3000	
			Mar-1	Balance c/d	
				(i) 2000 (ii) 156250 (iii) 20250	
		218500			218500
2014 Apr-01	Balance c/d	178500	Apr -01	Bank (ii)	20000
	(i) 2000 (ii) 156250 (iii) 20250		Apr-01 2015	Profit and loss (loss)	136250
Aug - 01	Bank (iv)	80000	Mar-31	Depreciation	10333
				(i) 2000 (ii) 3000 (iii) 5333	
			Mar-31	Balance c/d	91917
				(iii) 17250	

				(iv) 74667	
		258500			258500

29. Carriage Transport Company purchased 5 trucks at the cost of Rs 2,00,000 each on April 01, 2011. The company writes off depreciation @ 20% p.a. on original cost and closes its books on December 31, every year. On October 01, 2013, one of the trucks is involved in an accident and is completely destroyed. Insurance company has agreed to pay Rs 70,000 in full settlement of the claim. On the same date the company purchased a second hand truck for Rs 1,00,000 and spent Rs 20,000 on its overhauling. Prepare truck account and provision for depreciation account for the three years ended on December 31, 2013. Also give truck account if truck disposal account is prepared.

Ans:

Truck A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Apr-01	Bank	1000000	2011 Dec-31	Balance c/d	1000000
		1000000			1000000
2012 Jan-01	Balance b/d	1000000	2012 Dec-31	Balance c/d	1000000
		1000000			1000000
2013 Jan-01	Balance b/d	1000000	2013 Oct-01	Truck Disposal	200000
Oct-01	Bank	120000	Dec-31	Balance c/d	920000
		1120000			1120000

Provision For Depreciation A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Dec-31	Balance c/d	150000	2011 Dec-31	Depreciation (i)	150000
		150000			150000

2012 Dec-31	Balance b/d	350000	2012 Jan-01	Balance c/d	150000
				Depreciation	200000
		350000			350000
2013 Oct-01	Truck Disposal	100000	2013 Jan-01	Balance b/d	350000
Dec-31	Balance c/d	446000	Oct-01	Depreciation (9 moths)	30000
			Dec-31	Depreciation (160000+6000)	166000
		546000			546000

Truck Disposal A/c

Date	Particular	Amount	Date	Particular	Amount
2013 Oct-01	Truck	200000	2013 Oct-01	Provision of depreciation	100000
			Oct-01	Insurance Co. (Claim)	70000
			Oct-01	Profit and loss (loss)	30000
		200000			200000

Working Note:

Date	Opening Balance	- Depreciation	= Closing Balance
Apr 01,2011	200000	- 30000	= 170000
Jan 01,2012	170000	- 40000	= 130000
Jan 01,2013	130000	- 30000	= 100000

Accumulated Depreciation = 100000

Value on Oct 01, 2013 100000

Insurance Claim 70000

Loss on Accident Rs. 30000

30. Saraswati Ltd. purchased a machinery costing Rs 10,00,000 on January 01, 2011. A new machinery was purchased on 01 May, 2012 for Rs 15,00,000 and another on July 01, 2014 for Rs 12,00,000. A part of the machinery which originally cost Rs 2,00,000 in 2011 was sold for Rs 75,000 on October 31, 2014. Show the machinery account, provision for depreciation account and machinery disposal account from 2011 to 2015 if depreciation is provided at 10% p.a. on original cost and account are closed on December 31, every year.
Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Jan-01	Bank (i) (800000 + 200000)	1000000	2011 Dec-31	Balance c/d	1000000
		1000000			1000000
2012 Jan-01	Balance b/d	1000000	2012 Dec-31	Balance c/d	2500000
May-01	Bank (ii)	1500000			1000000
		2500000			2500000
2013 Jan-01	Balance b/d	2500000	2013 Dec-31	Balance c/d	2500000
		2500000			2500000
2014 Jan-01	Balance b/d	2500000	2014 Apr-30	Machinery Disposal	200000
Jul-01	Bank (iii)	1200000	Dec-31	Balance c/d	3500000
				(i) 800000 (ii) 1500000 (iii) 1200000	
		3700000			3700000
2015 Jan-01	Balance b/d	3500000	2015 Dec-31	Balance c/d	3500000

		3500000			3500000

Provision For Depreciation A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Dec-31	Balance c/d	100000	2011 Dec-31	Depreciation (i)	100000
		100000			100000
2012 Dec-31	Balance b/d	300000	2012 Jan-01	Balance c/d	100000
			Dec-31	Depreciation (i) 100000 (ii) 100000 (8 months)	200000
		300000			300000
2013 Dec-31	Balance c/d	550000	2013 Jan-01	Balance b/d	300000
			Dec-01	Depreciation	250000
				(i) 100000 (ii) 150000	
		550000			550000
2014 Apr-30	Machinery Disposal	66667	2014 Jan-01	Balance b/d	550000
Dec-31	Balance c/d	780000	Apr-30	Depreciation	6667
			Dec-31	Depreciation	
				(i) 80000 (ii) 150000 (iii) 60000 (6 months)	
		846667			846667
2015 Dec-31	Balance c/d	1130000	Jan-01	Balance b/d	780000

			Dec-31	Depreciation	350000
				(i) 80000 (ii) 150000 (iii) 120000	
		11300000			1130000

Machinery Disposal A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2014 Apr-30	Machinery	200000	2014 Apr-30	Depreciation	66667
			Apr-30	Bank	75000
			Apr-30	Profit and loss (loss)	58333
		200000			200000

Working Note:

Years	OpeningBalance	-Depreciation	= ClosingBalance
2011	200000	- 20000	=180000
2012	180000	-20000	=160000
2013	160000	-20000	=140000
2014	140000	-6667	=133333

Accumulated Depreciation=66667

ValueonApr30, 2014 133333

SaleonApr30, 2014 75000

LossonSale Rs. 58333

31. On July 01, 2011 Ashwani purchased a machine for Rs 2,00,000 on credit. Installation expenses Rs 25,000 are paid by cheque. The estimated life is 5

years and its scrap value after 5 years will be Rs 20,000. Depreciation is to be charged on straight line basis. Show the journal entry for the year 2011 and prepare necessary ledger accounts for first three years.

Ans:

Date	Particular	Debit	Credit
2011 Jul-01	Machinery A/c Dr To Creditors for Machinery A/c To Bank A/c (Machinery bought on credit and Rs.25000 paid for installation through cheque)	225000	200000 25000
2012 Dec-31	Depreciation A/c Dr To Machinery A/c (Depreciation charged on machinery) Profit & Loss A/c Dr To Depreciation A/c (Depreciation transferred to profit and loss account)	41000 41000	41000 41000
2013 Dec-31	Depreciation A/c Dr To Machinery A/c (Depreciation charged on machinery) Profit & Loss A/c Dr To Depreciation A/c (Depreciation transferred to profit and loss account)	41000 41000	41000 41000

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Jul-01	Creditors for machinery	200000	2011 Dec-31	Depreciation	20500
Jul-01	Bank	25000	Dec-31	Balance c/d	204500
		225000			225000

2012 Jan-01	Balance b/d	204500	2012 Dec-31	Depreciation	41000
May-01			Dec-31	Balance c/d	163500
		204500			204500
2013 Jan-01	Balance b/d	163500	2013 Dec-31	Depreciation	41000
			Dec-31	Balance c/d	122500
		163500			163500

Working Note:
Calculation of annual depreciation
Depreciation = (200000+25000- 20000)/(5)=Rs.41000 p.a

32. On October 01, 2010, a Truck was purchased for Rs 8,00,000 by Laxmi Transport Ltd. Depreciation was provided at 15% p.a. on the diminishing balance basis on this truck. On December 31, 2013 this Truck was sold for Rs 5,00,000. Accounts are closed on 31st March every year. Prepare a Truck Account for the four years.
Ans:

Truck A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2010 Oct-01	Bank	800000	2011 Mar-31	Depreciation	60000
			Mar-31	Balance c/d	740000
		800000			800000
2011 Apr-01	Balance b/d	740000	2012 Mar-31	Depreciation	111000
May-01			Mar-31	Balance c/d	629000
		740000			740000

2012 Apr-01	Balance b/d	629000	2013 Mar-31	Depreciation	94350
			Mar-31	Balance c/d	534650
		629000			629000
2013 Apr-01	Balance b/d	534650	2013 Dec-31	Depreciation (9 months)	60148
Dec-31	Profit and loss (profit)	25498	Dec-31	Bank	500000
		560148			560148

33. Kapil Ltd. purchased a machinery on July 01, 2011 for Rs 3,50,000. It purchased two additional machines, on April 01, 2012 costing Rs 1,50,000 and on October 01, 2012 costing Rs 1,00,000. Depreciation is provided @10% p.a. on straight line basis. On January 01, 2013, first machinery become useless due to technical changes. This machinery was sold for Rs 1,00,000, prepare machinery account for 4 years on the basis of calendar year.

Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Jul-01	Bank (i)	350000	2011 Dec-31	Depreciation (6 months	17500
			Dec-31	Balance c/d	332500
		350000			350000
2012 Jan-01	Balance b/d	332500	2012 Dec-31	Depreciation	48750
Apr-01	Bank (ii)	150000		(i) 35000 (ii) 11250 (9 months) (iii) 2500 (3 months)	
Oct-01	Bank (iii)	100000			
			Dec-31	Balance c/d	533750

				(i) 297500 (ii) 138750 (iii) 97500	
		582500			582500
2013 Jan-01	Balance b/d	533750	Jan-01	Bank (i)	100000
	(i) 297500 (ii) 138750		Jan-01	Profit and loss (loss)	197500
	(iii) 97500		Dec-31	Depreciation (ii) 150000 (iii) 10000	25000
			Dec-31	Balance c/d (ii) 123750 (iii) 87500	
		533750			533750
2014 Jan-01	Balance b/d	211250	Dec-01	Depreciation	25000
	(i) 123750 (ii) 87500		Jan-01	(ii) 15000 (iii) 10000	
			Dec-31	Balance c/d (ii) 108750 (iii) 77500	
		211250			211250
2015 Jan-01	Balance b/d	186250			
	(i) 108750 (ii) 77500				

34. On January 01, 2011, Satkar Transport Ltd, purchased 3 buses for Rs 10,00,000 each. On July 01, 2013, one bus was involved in an accident and was completely destroyed and Rs 7,00,000 were received from the Insurance Company in full settlement. Depreciation is writen off @15% p.a. on diminishing balance method. Prepare bus account from 2011 to 2014. Books are closed on December 31 every year.

Ans:

Bus A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Jan-01	Bank	3000000	2011 Dec-31	Depreciation	450000
			Dec-31	Balance c/d	2550000
		3000000			3000000
2012 Jan-01	Balance b/d	2550000	2012 Dec-31	Depreciation	382500
			Dec-31	Balance c/d	2167500
		2550000			2550000
2013 Jan-01	Balance b/d	2167500	Jan-01	Depreciation (6 months)	54187
Jul-01	Profit and loss (profit)	31687	Jul-01	Insurance Co. (claim)	7000000
	(iii) 97500		Dec-31	Depreciation	216750
			Dec-31	Balance c/d	1228250
		2199187			2199187
2014 Jan-01	Balance b/d	1228250	Dec-31	Depreciation	184237
			Dec-31	Balance c/d	1044013
		1228250			1228250

35. On October 01, 2011 Juneja Transport Company purchased 2 Trucks for Rs 10,00,000 each. On July 01, 2013, One Truck was involved in an accident

and was completely destroyed and Rs 6,00,000 were received from the insurance company in full settlement. On December 31, 2013 another truck was involved in an accident and destroyed partially, which was not insured. It was sold off for Rs 1,50,000. On January 31, 2014 company purchased a fresh truck for Rs 12,00,000. Depreciation is to be provided at 10% p.a. on the written down value every year. The books are closed every year on March 31. Give the truck account from 2011 to 2014.

Ans:

Truck A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2011 Oct-01	Bank	2000000	2012 Mar-31	Depreciation	100000
			Mar-31	Balance c/d	1900000
		2000000			2000000
2012 Apr-01	Balance b/d	1900000	2012 Mar-31	Depreciation	1900000
			Dec-31	Balance c/d	1710000
		1900000			1900000
2013 Apr-01	Balance b/d	1710000	Jul-01	Depreciation (3 months)	21375
Jan-01	Bank	1200000	Jul-01	Bank (Insurance claim)	6000000
			Jul-01	Profit and loss (loss)	233625
			Dec-31	Depreciation (9 months) on truck 2	64125
			Dec-31	Bank	150000
			Dec-31	Profit and loss (loss)	640875
			2014 Mar-31	Depreciation (2 months)	20000

			Mar-31	Balance c/d	1180000
		2910000			2910000

Working note:
Truck 1

Date OpeningBalance - Depreciation =ClosingBalance

Oct 01, 2011 1000000 - 50000(6 months)= 950000

Apr 01, 2012 950000 - 95000 = 855000

Apr 01 2013 855000 -21375(3 months) = 833625

Valueon Jul 01, 2013 = 833625

InsuranceClaim = 600000

LossonTruck1 = Rs. 233625

Truck 2

Date OpeningBalance - Depreciation = ClosingBalance

Oct 01, 2011 1000000 -50000(6 months) = 950000

Apr 01, 2012 95000 -95000 =855000

Apr 01, 2013 855000 -64125(9 months) = 790875

Valueon Dec31, 2013= 790875

Saleof Truck =150000

Losson Truck2 = Rs. 640875

36. A Noida based Construction Company owns 5 cranes and the value of this asset in its books on April 01, 2017 is Rs 40,00,000. On October 01, 2017 it sold one of its cranes whose value was Rs 5,00,000 on April 01, 2017 at a 10% profit. On the same day it purchased 2 cranes for Rs 4,50,000 each. Prepare

cranes account. It closes the books on December 31 and provides for depreciation on 10% written down value.

Ans:

Date	**Particular**	**Amount**	**Date**	**Particular**
2017 Apr-01	Machinery	4000000	2017 Oct-01	Depreciation
	(3500000 + 500000)		Oct-01	Bank
Oct-01	Profit and loss (profit)	47500	Dec-31	Depreciation
Oct-01	Bank	900000		$3500000 \times(10 / 100) \times(9 / 12)$ 262500
				$900000 \times(10 / 100) \times(6 / 12)$ 22500
			Dec-31	Balance c/d
				(3237500+877500)
		4947500		

37. Shri Krishan Manufacturing Company purchased 10 machines for Rs 75,000 each on July 01, 2014. On October 01, 2016, one of the machines got destroyed by fire and an insurance claim of Rs 45,000 was admitted by the company. On the same date another machine is purchased by the company for Rs 1,25,000. The company writes off 15% p.a. depreciation on written down value basis. The company maintains the calendar year as its financial year. Prepare the machinery account from 2014 to 2017.

Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2014 Jul-01	Bank	750000	2014 Dec-31	Depreciation	56250

			Dec-31	Balance c/d	693750
		750000			750000
2015 Jan-01	Balance b/d	693750	2015 Dec-31	Depreciation	104063
			Dec-31	Balance c/d	589687
		693750			693750
2016 Jan-01	Balance b/d	589687	2016 Oct-01	Depreciation (9 months for 1 machine)	6634
Oct-01	Bank	125000			
			Oct-01	Insurance Co.	45000
			Oct-01	Profit and loss (loss)	7335
			Dec-31	Depreciation	84296
				(i) 79608 (ii) 4688	
			Dec-31	Balance c/d	571422
				(i) 451110 (ii) 120312	
		714687			714687
2017 Jan-01	Balance b/d	571422	2017 Dec-31	Depreciation	85714
	(i) 451110 (ii) 120312			(i) 67667 (ii) 18047	
			Dec-31	Balance c/d	485708
				(i) 383443 (ii) 102265	
		571422			571422

Working Note: Machine costing Rs.75000 destroyed by fire on Oct 01st 2016

Date OpeningBalance - Depreciation = ClosingBalance

Jul 01, 2014 75000 - 5625(6 months) = 69375

Jan 01, 2015 6937 - 10406 =58969

Jan 01, 2016 58969 -6634(9 months) =52335

Value on Oct 01, 2016 = 52335

Insurance Claim = 45000

Loss = Rs. 7335

38. On January 01, 2014, a Limited Company purchased machinery for Rs 20,00,000. Depreciation is provided @15% p.a. on diminishing balance method. On March 01, 2016, one fourth of machinery was damaged by fire and Rs 40,000 were received from the insurance company in full settlement. On September 01, 2016 another machinery was purchased by the company for Rs 15,00,000. Write up the machinery account from 2016 to 2017. Books are closed on December 31, every year.

Ans:

Machinery A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2016 Jan-01	Balance b/d (i)		2016 Mar-01	Depreciation (1/4 machine for 2 months)	9031
	(1083750+361250)	1445000			
Sep-01	Bank (ii)	1500000	Mar-01	Bank	40000
			Mar-01	Profit and loss	312219
			Dec-31	Depreciation (i)	237563
				(i) 162563 (3/4th of machine) (ii) 75000	
			Dec-31	Balance c/d	2346187

				(i) 921187 (ii) 1425000	
		2945000			2945000
2017 Jan-01	Balance b/d	246187	2017 Dec-31	Depreciation	351927
				(i) 1381777 (ii) 213750	
			Dec-31	Balance c/d	1994260
				(i) 783009 (ii) 1211250	
		2346187			2346187

Working Note:
Machine (i)

(15% p.a.)

20142000000 - 300000 = 1700000

20151700000 - 255000 = 1445000

2016 1445000

1/4th of Machine (i)

Years OpeningBalance - Depreciation = ClosingBalance (15 % p.a.)

2014 500000 -75000 =425000

2015 425000 -63750 =361250

2016 361250 -9031(2 months)= 352219

Value on 1 Mar 2016 = 352219

InsuranceClaim=. 40000

Loss = Rs. 312219

Note: In this question, the machine was purchased on January 1, 2014, but they request machinery accounts from 2010 to 2013.
As a result of these years being printed by mistake, we make account for machinery from 2016 to 2017.

39. A Plant was purchased on 1st July, 2015 at a cost of Rs 3,00,000 and Rs 50,000 were spent on its installation. The depreciation is written off at 15% p.a. on the straight line method. The plant was sold for Rs 1,50,000 on October 01, 2017 and on the same date a new Plant was installed at the cost of Rs 4,00,000 including purchasing value. The accounts are closed on December 31 every year. Show the machinery account and provision for depreciation account for 3 years.

Ans:

Plant A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2015 Jul-01	Bank	350000	2015 Dec-31	Balance c/d	350000
		350000			350000
2016 Jan-01	Balance b/d	350000	2016 Dec-31	Balance c/d	350000
		350000			350000
2017 Jan-01	Balance b/d	350000	2017 Oct-01	Prov. For Depreciation	118125
Oct-01	Bank	400000	Oct-01	Bank	150000
			Oct-01	Profit and loss	81875
			Dec-31	Balance c/d	4000000
		750000			750000

Provision for Depreciation A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**

2015 Dec-31	Balance c/d	26250	2015 Dec-31	Depreciation	26250
		26250			26250
2016 Dec-31	Balance c/d	78750	2016 Jan-01	Balance b/d	26250
			Dec-31	Depreciation	52500
		78750			78750
2017 Oct-01	Plant	118125	Jan-01	Balance b/d	78750
Dec-31	Balance c/d	15000	Oct-01	Depreciation (i) (9 months)	39375
			Dec-31	Depreciation (ii) (3 months)	15000
		133125			118125

40. An extract of Trial balance from the books of Tahiliani and Sons Enterprises on Marc 31 2017 is given below:

Name of the Account	**Debit Amount Rs**	**Credit Amount Rs**
Sundry debtors	**50,000**	
Bad debts	**6,000**	
Provision for doubtful debts	**4,000**	

Additional Information:

· Bad Debts proved bad; however, not recorded amounted to Rs 2,000.

· Provision is to be maintained at 8% of debtors Give necessary accounting entries for writing off the bad debts and creating the provision for doubtful debts account. Also, show the necessary accounts.

Ans:

Journal			
Date	**Particular**	**Debit**	**Credit**

	Bad Debts A/c Dr To Debtors A/c (Further bad debts charged from debtor account)	2000	2000
	Provision for Doubtful Debt A/c Dr To Bad Debts A/c (Amount of bad debt transferred to provision for doubtful debt account)	4000	4000
	Profit and Loss A/c Dr To Provision for Doubtful Debt A/c (Amount of provision for doubtful debt transferred to profit and loss account)	7840	7840

Bad Debts A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2017 Mar-31	Balance b/d	6000	2017 Mar-31	Prov. For Bad Debts	8000
Mar-31	Debtors	2000			
		8000			8000

Debtor A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2017 Mar-31	Balance b/d	50000	2017 Mar-31	Bad Debts	2000
			Mar-31	Balance c/d	48000
		50000			50000

Provision for Doubtful Debts A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2017 Mar-31	Bad Debts	8000	2017 Mar-31	Balance b/d	4000
	(6000+2000)		Mar-31	Profit and loss	7840
Mar-31	Balance c/d	3840			

		11840			11840

41. The following information is extracted from the Trial Balance of M/s Nisha Traders on 31 March 2017.
Sundry Debtors 80,500
Bad Debts 1,000
Provision for Bad Debts 5,000
Additional Information
Bad Debts Rs 500
Provision is to be maintained at 2% of Debtors Prepare bad debts account, Provision for bad debts account and profit and loss account.
Ans:

Bad Debts A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2017 Mar-31	Balance b/d	1000	2017 Mar-31	Prov. For Bad Debts	1500
Mar-31	Debtors	500			
		1500			1500

Provision for Doubtful Debts A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**
2017 Mar-31	Bad Debts	1500	2017 Mar-31	Balance b/d	5000
Mar-31	Profit and loss	1900			
Mar-31	Balance c/d	1600			
		5000			5000
Profit and Loss A/c					
Date	**Particular**	**Amount**	**Date**	**Particular**	**Amount**

			2017 Mar-31	Provision for Bad Debts	1900