

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 02.03.2021

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Depreciation, Provisions and Reserves

Question 8:

The following balances appear in the books of Crystal Ltd, on Jan 01, 2015

| | Rs |
|------------------------------------|-----------|
| Machinery account on | 15,00,000 |
| Provision for depreciation account | 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.

ANSWER:

Machinery Account

| Dr. | | | | Cr. | | | |
|----------------|--|------|--------------|----------------|--------------------|------|--------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2015 Jan.01 | Balance b/d (13,00,000 + 2,00,000) | | 15,00,000 | 2015 Apr.01 | Machinery Disposal | | 2,00,000 |
| Jul.01 | Bank | | 6,00,000 | Dec.31 | Balance c/d | | 19,00,000 |
| | | | 21,00,000 | | | | 21,00,000 |

Provision for Depreciation Account

| Dr. | | | | Cr. | | | |
|----------------|--------------------|------|--------------|----------------|--------------|------|--------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2015 Apr.01 | Machinery Disposal | | 1,30,000 | 2015 Jan.01 | Balance b/d | | 5,50,000 |
| Apr.01 | Balance c/d | | 7,50,000 | Apr.01 | Depreciation | | 10,000 |
| | | | | Dec.31 | Depreciation | | |

| | | | | | | | |
|--|--|--|----------|------------------------------|--|--|----------|
| | | | | (i) 2,60,000, (ii) 60,000 | | | |
| | | | 8,80,000 | | | | 3,20,000 |
| | | | | | | | 8,80,000 |

Working Note:

Machine Sold on July 01, 2015

| (i) | Years | Opening Balance | Depreciation | Closing Balance |
|-----|-------|-----------------------------|--------------|-----------------|
| | 2012 | 2,00,000 | – 40,000 = | 1,60,000 |
| | 2013 | 1,60,000 | – 40,000 = | 1,20,000 |
| | 2014 | 1,20,000 | – 40,000 = | 80,000 |
| | 2015 | 80,000 | – 10,000 = | 70,000 |
| | | Accumulated Depreciation | = 1,30,000 | |

| | | |
|--------------------------------|---|---------------|
| Value on April 01, 2015 | = | (70,000) |
| Less: Sale | = | <u>75,000</u> |
| Profit on sale of Machinery | | 5,000 |

Machinery Disposal Account

| Dr. | | | | Cr. | | | |
|--------|--------------------------|------|-----------------|--------|-------------------------------|------|-----------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2015 | | | | 2015 | | | |
| Apr.01 | Machinery | | 2,00,000 | Apr.01 | Provision for Depreciation | | 1,30,000 |
| Apr.01 | Profit and Loss (Profit) | | 5,000 | Apr.01 | Bank | | 75,000 |
| | | | <u>2,05,000</u> | | | | <u>2,05,000</u> |

Question 9:

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.

ANSWER:

**Books of M/s Excel Computers
Computer Account**

| Dr. | | | | Cr. | | | |
|----------------|--|------|--------------|----------------|--------------------------|------|--------------|
| Date | Particulars | J.F. | Amount Rs | Date | Particulars | J.F. | Amount Rs |
| 2010 Apr.01 | Balance b/d (i) | | 50,000 | 2011 Mar.31 | Depreciation | | |
| Jul.01 | Bank (ii) | | 2,50,000 | | (i) 12,000, (ii) 18,750, | | |
| 2011 Jan.01 | Bank (iii) | | 30,000 | Mar.31 | (iii) 750 | | 31,500 |
| | | | | | Balance c/d | | |
| | | | | | (i) 38,000, (ii) | | |
| | | | | | 2,31,250, | | |
| | | | | | (iii) 29,250 | | 2,98,500 |
| | | | 3,30,000 | | | | 3,30,000 |
| 2011 Apr.01 | Balance b/d (i) 38,000, (ii) 2,31,250, (iii) 29,250 | | 2,98,500 | 2012 Mar.31 | Depreciation | | |
| | | | | | (i) 12,000 (ii) 25,000, | | |
| | | | | Mar.31 | (iii) 3,000 | | 40,000 |
| | | | | | Balance c/d | | |
| | | | | | (i) 26,000 (ii) | | |
| | | | | | 2,06,250, | | |
| | | | | | (iii) 26,250 | | 2,58,500 |
| | | | 2,98,500 | | | | 2,98,500 |
| 2012 Apr.01 | Balance b/d (i) 26,000 (ii) 2,06,250, (iii) 26,250 | | 2,58,500 | 2013 Mar.31 | Depreciation | | |
| | | | | Mar.31 | (i) 12,000, (ii) 25,000, | | 40,000 |
| | | | | | (iii) 3,000 | | |

| | | | | | |
|----------------|--|----------|----------------|--|----------|
| | | | | Balance c/d (i) 14,000, (ii) 1,81,250, (iii) 23,250 | 2,18,500 |
| | | 2,58,500 | | | 2,58,500 |
| 2013 Apr.01 | Balance b/d (i) 14,000, (ii) 1,81,250, (iii) 23,250 | | 2014 Mar.31 | Depreciation (i) 12,000, (ii) 25,000, (iii) 3,000 | 40,000 |
| | | 2,18,500 | Mar.31 | Balance c/d (i) 2,000, (ii) 1,56,250, (iii) 20,250 | 1,78,500 |
| | | 2,18,500 | | | 2,18,500 |
| 2014 Apr.01 | Balance c/d (i) 2,000, (ii) 1,56,250, (iii) 20,250 | | 2014 Apr.01 | Bank (ii) | 20,000 |
| | | 1,78,500 | Apr.01 | Profit and Loss (Loss) | 1,36,250 |
| Aug.01 | Bank (iv) | 80,000 | 2015 Mar.31 | Depreciation (i) 2,000, (iii) 3,000, (iv) 5,333 | 10,333 |
| | | | Mar.31 | Balance c/d (iii) 17,250, (iv) 74,667 | 91,917 |
| | | 2,58,500 | | | 2,58,500 |

Note: As per the solution, the closing balance, as on 31st March, 2005 is Rs 91,917; however, as per the book it is Rs 83,917.