

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 04.03.2021

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Depreciation, Provisions and Reserves

Question 12:

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.

ANSWER:

Books of Ashwani Journal

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
2011 Jul.01	Machinery A/c To Creditors for Machinery A/c To Bank A/c (Machinery bought on credit and Rs 25,000 paid for installation through cheque)	Dr.	2,25,000	2,00,000 25,000
2011 Dec.31	Depreciation A/c To Machinery A/c (Depreciation charged on Machinery)	Dr.	20,500	20,500
2011 Dec.31	Profit and Loss A/c To Depreciation A/c (Depreciation transferred to Profit and Loss Account)	Dr.	20,500	20,500
2012				

2012 Dec.31	Depreciation A/c To Machinery A/c (Depreciation charged on Machinery)	Dr.	41,000	41,000
2013 Dec.31	Profit and Loss A/c To Depreciation A/c (Depreciation transferred to Profit and Loss Account)	Dr.	41,000	41,000
2013 Dec.31	Depreciation A/c To Machinery A/c (Depreciation charged on Machinery)	Dr.	41,000	41,000
2013 Dec.31	Profit and Loss A/c To Depreciation A/c (Depreciation transferred to Profit and Loss Account)	Dr.	41,000	41,000

**Ledger
Machinery Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2011				2011			
Jul.01	Creditors for Machinery		2,00,000	Dec.31	Depreciation		20,500
Jul.01	Bank		25,000	Dec.31	Balance c/d		2,04,500
			<u>2,25,000</u>				<u>2,25,000</u>
2012				2012			
Jan.01	Balance b/d		2,04,500	Dec.31	Depreciation		41,000
			<u>2,04,500</u>	Dec.31	Balance c/d		1,63,500
							<u>2,04,500</u>
2013				2013			
Jan.01	Balance c/d		1,63,500	Dec.31	Depreciation		41,000

			Dec.31	Balance c/d	1,22,500
		1,63,500			1,63,500

Working Note:

Calculation of annual depreciation

$$\text{Depreciation (p.a.)} = \frac{(2,00,000 + 25,000 - 20,000)}{5}$$

= Rs 41,000 per annum

Question 13:

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

ANSWER:

**Books of Laxmi Transport Ltd.
Truck Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2010 Oct.01	Bank		8,00,000	2011 Mar.31	Depreciation		60,000
				Mar.31	Balance c/d		7,40,000
			8,00,000				8,00,000
2011 Apr.01	Balance b/d		7,40,000	2012 Mar.31	Depreciation		1,11,000
				Mar.31	Balance c/d		6,29,000
			7,40,000				7,40,000
2012				2013			

Apr.01	Balance b/d	6,29,000	Mar.31	Depreciation	94,350
			Mar.31	Balance c/d	5,34,650
		6,29,000			6,29,000
2013			2013		
Apr.01	Balance b/d	5,34,650	Dec.31	Depreciation (9 months)	60,148
Dec.31	Profit and Loss (Profit)	25,498	Dec.31	Bank	5,00,000
		5,60,148			5,60,148

Note: As per the solution, the profit on the sale of truck, as on December 31, 2013 is Rs 25,498; however, the answer given in the book is Rs 58,237.
