

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 07.03.2021

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## Depreciation, Provisions and Reserves

Question 16:

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.

**ANSWER:**

### Books of Juneja Transport Company Truck Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2011 Oct.01	Bank		20,00,000	2012 Mar.31	Depreciation		1,00,000
				Mar.31	Balance c/d		19,00,000
			20,00,000				20,00,000
2012 Apr.01	Balance b/d		19,00,000	2013 Mar.31	Depreciation		1,90,000
				Mar.31	Balance c/d		17,10,000
			19,00,000				19,00,000
2013 Apr.01	Balance b/d		17,10,000	2013 Jul.01	Depreciation (3 Month on one Truck)		21,375
				Jul.01	Bank (Insurance Claim)		6,00,000
2014 Jan.31	Bank		12,00,000	Jul.01	Profit and Loss (loss)		2,33,625

			Dec.31	Depreciation (9 Month on II Truck)	64,125
			Dec.31	Bank	1,50,000
			Dec.31 2014	Profit and Loss (Loss)	6,40,875
			Mar.31	Depreciation (2 Months)	20,000
			Mar.31	Balance c/d	11,80,000
		29,10,000			29,10,000

**Note: As per solution, loss on truck one is as Rs 2,33,625; however, as per NCERT book, loss is of Rs 3,26,250.**

### Truck – 1

	Opening Balance	–	Depreciation	=	Closing Balance
Oct.01, 2011	10,00,000	–	50,000 (6 Months)	=	9,50,000
Apr.01, 2012	9,50,000	–	95,000	=	8,55,000
Apr.01, 2013	8,55,000	–	21,375 (3 Months)	=	8,33,625
Value on July 01, 2013	=		8,33,625		
Insurance Claim	=		<u>– 6,00,000</u>		
Loss on Truck – 1	=		Rs 2,33,625		

### Truck – 2

	Opening Balance	–	Depreciation	=	Closing Balance
Oct.01, 2012	10,00,000	–	50,000 (6 Months)	=	9,50,000
Apr.01, 2012	9,50,000	–	95,000	=	8,55,000
Apr.01, 2013	8,55,000	–	64,125 (9 Months)	=	7,90,875

Value on Dec.31, 2013	=	7,90,875
Sale of Truck	=	<u>- 1,50,000</u>
Loss on Truck – 2	=	Rs 6,40,875

**Question 17:**

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.

**ANSWER:**

**Cranes Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017				2017			
Apr.01	Machinery (35,00,000 + 5,00,000)		40,00,000	Oct.01	Depreciation		25,000
Oct.01	Profit and Loss (Profit)		47,500	Oct.01	Bank		5,22,500
Oct.01	Bank		9,00,000	Dec.31	Depreciation $35,00,000 \times \frac{10}{100} \times \frac{9}{12} = 2,62,500$ $9,00,000 \times \frac{10}{100} \times \frac{6}{12} = 22,500$		2,85,000
				Dec.31	Balance c/d 32,37,500 + 8,77,500		41,15,000
			<u>49,47,500</u>				<u>49,47,500</u>

**Question 18:**

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.

**ANSWER:**

**Books of Shri Krishna Manufacturing Company  
Machinery Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2014 Jul.01	Bank		7,50,000	2014 Dec.31	Depreciation		56,250
				Dec.31	Balance c/d		6,93,750
			7,50,000				7,50,000
2015 Jan.01	Balance b/d		6,93,750	2015 Dec.31	Depreciation		1,04,063
				Dec.31	Balance c/d		5,89,687
			6,93,750				6,93,750
2016 Jan.01	Balance b/d		5,89,687	2016 Oct.01	Depreciation (9 months for one machine)		6,634
Oct.01	Bank		1,25,000	Oct.01	Insurance Co.		45,000
				Oct.01	Profit and Loss (Loss)		7,335
				Dec.31	Depreciation (i) 79,608, (ii) 4,688		84,296
				Dec.31	Balance c/d (i) 4,51,110, (ii) 1,20,312		5,71,422
			7,14,687				7,14,687
2017 Jan.01	Balance b/d			2017 Dec.31	Depreciation		

	(i) 4,51,110, (ii) 1,20,312		5,71,422	Dec.31	(i) 67,667, (ii) 18,047 Balance c/d	85,714
					(i) 3,83,443, (ii) 1,02,265	4,85,708
			<u>5,71,422</u>			<u>5,71,422</u>

**Working Note:**

**Machine Costing Rs 75,000 sold on Oct.01, 2002**

	Opening Balance	–	Depreciation	=	Closing Balance
Jul.01, 2014	75,000	–	5,625 (6 months)	=	69,375
Jan.01, 2015	69,375	–	10,406	=	58,969
Jan.01, 2016	58,969	–	6,634 (9 months)	=	52,335

Value on Oct.01, 2016	52,335
Insurance Claim Loss	<u>– 45,000</u>
	<u>Rs 7,335</u>