

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 08.03.2021

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Depreciation, Provisions and Reserves

Question 19:

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.

ANSWER:

Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2016				2016			
Jan.01	Balance b/d (i) (10,83,750 + 3,61,250)		14,45,000	Mar.01	Depreciation (1/4 Machine for 2 Months)		9,031
Sep.01	Bank (ii)		15,00,000	Mar.01	Bank		40,000
				Mar.01	Profit and Loss		3,12,219
				Dec.31	Depreciation (i) (i) 1,62,563 (3/4 th of machine), (ii) 75,000		2,37,563
				Dec.31	Balance c/d (i) 9,21,187, (ii) 14,25,000		23,46,187
			<u>29,45,000</u>				<u>29,45,000</u>

2017 Jan.01	Balance b/d (i) 9,21,187, (ii) 14,25,000		2017 Dec.31	Depreciation (i) 1,38,177, (ii) 2,13,750	
		23,46,187	Dec.31	Balance c/d (i) 7,83,009, (ii) 12,11,250	3,51,927
					19,94,260
		23,46,187			23,46,187

Working Note:

Machine (i)

Years	January 01		Depreciation = (15% p.a.)		Closing Balance
2014	20,00,000	–	3,00,000	=	17,00,000
2015	17,00,000	–	2,55,000	=	14,45,000
2016	14,45,000				

1/4th of Machine (i)

Years	Opening Balance		Depreciation (15% p.a.)		Closing Balance
2014	5,00,000	–	75,000	=	4,25,000
2015	4,25,000	–	63,750	=	3,61,250
2016	3,61,250	–	9,031 (2 months)	=	3,52,219

Value on 1 Mar. 2016	=	3,52,219
Insurance Claim	=	40,000
Loss		<u>Rs</u> 3,12,219

Question 20:

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

ANSWER:

Plant Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2015 July.01	Bank		3,50,000	2015 Dec.31	Balance c/d		3,50,000
			3,50,000				3,50,000
2016 Jan.01	Balance b/d		3,50,000	2016 Dec.31	Balance c/d		3,50,000
			3,50,000				3,50,000
2017 Jan.01	Balance b/d		3,50,000	2017 Oct.01	Provision for Depreciation		1,18,125
Oct.01	Bank		4,00,000	Oct.01	Bank		1,50,000
				Oct.01	Profit and Loss		81,875
				Dec.31	Balance c/d		4,00,000
			7,50,000				7,50,000

Provision for Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2015 Dec.31	Balance c/d		26,250	2015 Dec.31	Depreciation		26,250
			26,250				26,250
2016 Dec.31	Balance b/d		78,750	2016 Jan.01	Balance c/d		26,250
				Dec.31	Depreciation		52,500

		78,750			78,750
2017 Oct.01	Plant	1,18,125	2017 Jan.01	Balance b/d	78,750
Dec.31	Balance c/d	15,000	Oct.01	Depreciation (i) (9 months)	39,375
			Dec.31	Depreciation (ii) (3 months)	15,000
		1,33,125			1,33,125

Question 21:

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.

ANSWER:

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Bad Debt A/c To Debtors A/c	Dr.	2,000	2,000

(Further bad debt charged from Debtors Account)				
Provision for Doubtful Debt A/c To Bad Debt A/c (Amount of bad debt transferred to Provision for Doubtful Debt Account)	Dr.	8,000		8,000
Profit and Loss A/c To Provision for Doubtful Debt A/c (Amount of Provision for Doubtful Debt transferred to Profit and Loss Account)	Dr.	7,840		7,840

Bad Debt Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017 Mar.31	Balance b/d		6,000	2017 Mar.31	Provision for Doubtful Debt		8,000
Mar.31	Debtors		2,000				8,000
			<u>8,000</u>				<u>8,000</u>

Debtors Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017 Mar.31	Balance b/d		50,000	2017 Mar.31	Bad Debt		2,000
				Mar.31	Balance c/d		48,000
			<u>50,000</u>				<u>50,000</u>

Provision for Doubtful Debts Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017				2017			

31 Mar.	Bad Debt (6,000 + 2,000)		8,000	Apr.01	Balance b/d		4,000
31 Mar.	Balance c/d		3,840	Mar.31	Profit and Loss		7,840
			11,840				11,840

Question 22:

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.

ANSWER:

Bad Debt Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017				2017			
Mar.31	Balance b/d		1,000	Mar.31	Provision for Bad Debts		1,500
Mar.31	Debtors		500				
			1,500				1,500

Provision for Bad debt Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2017				2017			

Mar.31	Bad Debt		1,500	Mar.31	Balance b/d		5,000
Mar.31	Profit and Loss		1,900				
Mar.31	Balance c/d		1,600				
			5,000				5,000

Profit and Loss Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
				2017			
				Mar.31	Provision for Bad Debts		1,900