

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 11.02.2021

Teacher name – Ajay Kumar Sharma

Depreciation, Provisions and Reserves

Illustration 7

On April 01, 2015, following balances appeared in the books of M/s Kanishka Traders: Furniture account Rs. 50,000, Provision for depreciation on furniture Rs. 22,000. On October 01, 2015 a part of furniture purchased for Rupees 20,000 in April 01, 2011 was sold for Rs. 5,000. On the same date a new furniture costing Rs. 25,000 was purchased. The depreciation was provided @ 10% p.a. on original cost of the asset and no depreciation was charged on the asset in the year of sale. Prepare furniture account and provision for depreciation account for the year ending March 31, 2016.

Solution

Books of Kanishka Traders Furniture Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2015 Apr. 01	Balance b/d		50,000	2015 Oct. 01	Bank		5,000
Oct. 01	Bank		25,000	2016 March 31	Provision for depreciation		8,000 ¹
					Profit and Loss (Loss on sale)		7,000 ¹
					Balance c/d		55,000
			75,000				75,000

Provision for Depreciation on Furniture Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particular	J.F.	Amount Rs.
2015 Oct. 01	Furniture (Accumulated depreciation on furniture sold)		8,000	2015 Apr. 01	Balance b/d		22,000
2016 Mar. 31	Balance c/d		18,250	2016 Mar. 31	Depreciation (Rs. 3,000 + 1,250)		4,250
			26,250				26,250

Working Notes

1.	Calculation of amount of depreciation	
	Calculation of loss on sale	Rs.
	Original cost of furniture on 01.10.2015	20,000
	Less: Depreciation for 4 year from 01.04.2011 to 31.04.2015 (no depreciation for the year of sale @ 10% p.a. on original cost)	<u>8,000</u>
	Value as on 01.10.2015	12,000
	Sale price	<u>5,000</u>
2.	Loss on sale	7,000 ¹
	Depreciation for the year 2015-16	
	10% of Rs. 30,000 (Rs. 50,000 – Rs. 20,000) for full year	3,000
	10% of Rs. 25,000 for 6 month	<u>1,250</u>
		<u>4,250</u>

Illustration 8

Solve illustration 07, if the firm maintains furniture disposal account prepared along with furniture account and provision for depreciation on furniture account.

**Books of Anil Traders
Furniture Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2015 Apr. 01	Balance b/d		50,000	2015 Apr. 01	Furniture disposal		20,000
Oct.01	Bank		25,000	2016 Mar. 31	Balance c/d		55,000
			<u>75,000</u>				<u>75,000</u>

Provision for Depreciation on Furniture Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particular	J.F.	Amount Rs.
2015 Oct.01	Furniture disposal		8,000	2015 Apr.01	Balance b/d		22,000
2016 Mar. 31	Balance c/d		18,250	2016 Mar.31	Depreciation		4,250
			<u>26,250</u>				<u>26,250</u>

Furniture Disposal Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particular</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2015 Oct.01	Furniture		20,000	2015 Oct.01	Provision for Depreciation		8,000
					Bank		5,000
					Profit & Loss (Loss on sale)		7,000
			<u>20,000</u>				<u>20,000</u>