

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 23.02.2021

Teacher name – Ajay Kumar Sharma

Depreciation, Provisions and Reserves

Question 1:

On April 01, 2010, Bajrang Marbles purchased a Machine for Rs 1,80,000 and spent Rs 10,000 on its carriage and Rs 10,000 on its installation. It is estimated that its working life is 10 years and after 10 years its scrap value will be Rs 20,000.

- (a) Prepare Machine account and Depreciation account for the first four years by providing depreciation on straight line method. Accounts are closed on March 31st every year.
- (b) Prepare Machine account, Depreciation account and Provision for depreciation account (or accumulated depreciation account) for the first four years by providing depreciation using straight line method accounts are closed on March 31 every year.

ANSWER:

(a)

Books of Bajrang Marbles Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2010 Apr.01	Bank (1,80,0000 + 20,000)		2,00,000	2011 Mar.31	Depreciation		18,000
					Balance c/d		1,82,000
			2,00,000				2,00,000
2011 Apr.01	Balance b/d		1,82,000	2012 Mar.31	Depreciation		18,000
				Mar.31	Balance c/d		1,64,000
			1,82,000				1,82,000
2012 Apr.01	Balance b/d		1,64,000	2013 Mar.31	Depreciation		18,000
				Mar.31	Balance c/d		1,46,000

		1,64,000			1,64,000
2013 Apr.01	Balance b/d	1,46,000	2014 Mar.31	Depreciation	18,000
		1,46,000	Mar.31	Balance c/d	1,28,000
					1,46,000

Working notes: Calculation of annual depreciation

$$\begin{aligned}
 \text{Depreciation (p.a.)} &= \frac{(\text{Original cost} - \text{Scrap Value})}{\text{Estimated Life of Asset (years)}} \\
 &= \frac{(1,80,000 + 10,000 + 10,000 - 20,000)}{10} \\
 &= ₹ 18,000 \text{ per annum}
 \end{aligned}$$

Depreciation Account

Dr.			Cr.		
Date	Particulars	J.F. (₹)	Date	Particulars	J.F. (₹)
2011 Mar.31	Machinery	18,000	2011 Mar.31	Profit and Loss	18,000
		18,000			18,000
2012 Mar.31	Machinery	18,000	2012 Mar.31	Profit and Loss	18,000
		18,000			18,000
2013 Mar.31	Machinery	18,000	2013 Mar.31	Profit and Loss	18,000
		18,000			18,000
2014 Mar.31	Machinery	18,000	2014 Mar.31	Profit and Loss	18,000

		18,000		18,000

(b)
Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2010 Apr.01	Bank		2,00,000	2011 Mar.31	Balance c/d		2,00,000
			2,00,000				2,00,000
2011 Apr.01	Balance b/d		2,00,000	2012 Mar.31	Balance c/d		2,00,000
			2,00,000				2,00,000
2012 Apr.01	Balance b/d		2,00,000	2013 Mar.31	Balance c/d		2,00,000
			2,00,000				2,00,000
2013 Apr.01	Balance b/d		2,00,000	2014 Mar.31	Balance c/d		2,00,000
			2,00,000				2,00,000

Provision for Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2011 Mar.31	Balance c/d		18,000	2011 Mar.31	Depreciation		18,000
			18,000				18,000
				2011			

2012 Mar.31	Balance c/d		Apr.01 2012	Balance b/d	18,000
		36,000	Mar.31	Depreciation	18,000
		36,000			36,000
2013 Mar.31	Balance c/d		2012 Apr.01	Balance b/d	36,000
		54,000	2013 Mar.31	Depreciation	18,000
		54,000			54,000
2014 Mar.31	Balance c/d		2003 Apr.01	Balance b/d	54,000
		72,000	2014 Mar.31	Depreciation	18,000
		72,000			72,000

Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2011 Mar.31	Provision for Depreciation		18,000	2011 Mar.31	Profit and Loss		18,000
			18,000				18,000
2012 Mar.31	Provision for Depreciation		18,000	2012 Mar.31	Profit and Loss		18,000
			18,000				18,000
2013 Mar.31	Provision for Depreciation		18,000	2013 Mar.31	Profit and Loss		18,000
			18,000				18,000
2014 Mar.31	Provision for Depreciation		18,000	2014 Mar.31	Profit and Loss		18,000
			18,000				18,000

