

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 25.02.2021

Teacher name – Ajay Kumar Sharma

## Depreciation, Provisions and Reserves

*Question 4:*

Berlia Ltd. Purchased a second hand machine for Rs 56,000 on July 01, 2015 and spent Rs 24,000 on its repair and installation and Rs 5,000 for its carriage. On September 01, 2016, it purchased another machine for Rs 2,50,000 and spent Rs 10,000 on its installation.

(a) Depreciation is provided on machinery @10% p.a on original cost method annually on December 31. Prepare machinery account and depreciation account from the year 2015 to 2018.

(b) Prepare machinery account and depreciation account from the year 2015 to 20018, if depreciation is provided on machinery @10% p.a. on written down value method annually on December 31.

**ANSWER:**

### Books of Berlia Ltd.

(a)

#### Machinery Account (Original Cost Method)

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2015 Jul.01	Bank (i) (5,600 + 24,000 + 5,000)		85,000	2015 Dec.31	Depreciation		4,250
				Dec.31	Balance c/d		80,750
			85,000				85,000
2016 Jan.01	Balance b/d (i)		80,750	2016 Dec.31	Depreciation		
Sep.01	Bank (ii) (2,50,000 + 10,000)		2,60,000	Dec.31	(i) 8,500, (ii) 8,667		17,167
				Dec.31	Balance c/d		3,23,583
					(i) 72,250, (ii) 2,51,333		
			3,40,750				3,40,750
2017 Jan.01	Balance b/d		3,23,583	2017 Dec.31	Depreciation		

	(i) 72,250, (ii) 2,51,333			Dec.31	(i) 8,500, (ii) 26,000 Balance c/d	34,500
					(i) 63,750, (ii) 2,25,333	2,89,083
		3,23,583				3,23,583
2018 Jan.01	Balance b/d (i) 63,750, (ii) 2,25,333	2,89,083	2018 Dec.31	Dec.31	Depreciation (i) 8,500, (ii) 26,000	34,500
				Dec.31	Balance c/d (i) 55,250, (ii) 1,99,333	2,54,583
		2,89,083				2,89,083

### Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2015 Dec.31	Machinery		4,250	2015 Dec.31	Profit and Loss		4,250
			4,250				4,250
2016 Dec.31	Machinery (i) 8,500 (ii) 8,667		17,167	2016 Dec.31	Profit and Loss		17,167
			17,167				17,167
2017 Dec.31	Machinery (i) 8,500 (ii) 26,000		34,500	2017 Dec.31	Profit and Loss		34,500
			34,500				34,500
2018 Dec.31	Machinery (i) 8,500 (ii) 26,000		34,500	2018 Dec.31	Profit and Loss		34,500
			34,500				34,500

#### Working notes: Calculation of annual depreciation

(i) Depreciation (p.a.) on Machinery Purchased on July 01, 2015

$$= (56,000 + 24,000 + \frac{10}{100} \times 5,000) \times \frac{10}{100}$$

$$= \text{Rs } 8,500 \text{ per annum}$$

(ii) Depreciation (p.a.) on Machinery purchased on September 01, 2016.

$$= (2,50,000 + \frac{10}{100} \times 10,000) \times \frac{10}{100}$$

$$= \text{Rs } 26,000 \text{ per annum}$$

(b)

**Machinery Account (Written Down Value method)**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2015 Jul.01	Bank (i) (5,600 + 24,000 + 5,000)		85,000	2015 Dec.31	Depreciation		4,250
			85,000	Dec.31	Balance c/d		80,750
							85,000
2016 Jan.01	Balance b/d (i)		80,750	2016 Dec.31	Depreciation		
Sep.01	Bank (ii) (2,50,000 + 10,000)		2,60,000	Dec.31	(i) 8,075, (ii) 8,667		16,742
			3,40,750	Dec.31	Balance c/d		
					(i) 72,675, (ii) 2,51,333		3,24,008
							3,40,750
2017 Jan.01	Balance b/d (i) 72,675, (ii) 2,51,333		3,24,008	2017 Dec.31	Depreciation		
				Dec.31	(i) 7,268, (ii) 25,133		32,401
				Dec.31	Balance c/d		
					(i) 65,407, (ii) 2,26,200		2,91,607
			3,24,008				3,24,008
2018 Jan.01	Balance b/d (i) 65,407, (ii) 2,26,200		2,91,607	2018 Dec.31	Depreciation		
					(i) 6,540, (ii) 22,620		29,160

