

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 28.02.2021

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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 (i) 72,250, (ii) 2,51,333		3,23,583
			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	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

			Dec.31	Balance c/d (i) 58,867, (ii) 2,03,580	
		2,91,607			2,62,447
					2,91,607

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) 8,075, (ii) 8,667		16,742	2016 Dec.31	Profit and Loss		16,742
			16,742				16,742
2017 Dec.31	Machinery (i) 7,268, (ii) 25,133		32,401	2017 Dec.31	Profit and Loss		32,401
			32,401				32,401
2018 Dec.31	Machinery (i) 6,540, (ii) 22,620		29,160	2018 Dec.31	Profit and Loss		29,160
			29,160				29,160

Question 5:

Ganga Ltd. purchased a machinery on January 01, 2014 for Rs 5,50,000 and spent Rs 50,000 on its installation. On September 01, 2014 it purchased another machine for Rs 3,70,000. On May 01, 2015 it purchased another machine for Rs 8,40,000 (including installation expenses).

Depreciation was provided on machinery @10% p.a. on original cost method annually on December 31. Prepare:

(a) Machinery account and depreciation account for the years 2014, 2015, 2016 and 2017.

(b) If depreciation is accumulated in provision for Depreciation account then prepare machine account and provision for depreciation account for the years 2014, 2015, 2016 and 2017.

ANSWER:

(a)

**Books of Ganga Ltd.
Machinery Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2014				2014			
Jan.01	Bank (i) (5,50,000 + 50,000)		6,00,000	Dec.31	Depreciation (i) 60,000 (ii) 12,333		72,333
Sep.01	Bank (ii)		3,70,000	Dec.31	Balance c/d (i) 5,40,000, (ii) 3,57,667		8,97,667
			9,70,000				9,70,000
2015				2015			
Jan.01	Balance b/d (i) 5,40,000, (ii) 3,57,667		8,97,667	Dec.31	Depreciation (i) 60,000, (ii) 37,000, (iii) 56,000		1,53,000
May.01	Bank (iii)		8,40,000	Dec.31	Balance c/d (i) 4,80,000 (ii) 3,20,667, (iii) 7,84,000		15,84,667
			17,37,667				17,37,667
2016				2016			
Jan.01	Balance b/d (i) 4,80,000, (ii) 3,20,667 (iii) 7,84,000		15,84,667	Dec.31	Depreciation (i) 60,000, (ii) 37,000, (iii) 84,000		1,81,000
				Dec.31	Balance c/d		

				(i) 4,20,000, (ii) 2,83,667, (iii) 7,00,000		14,03,667
			15,84,667			15,84,667
2017 Jan.01	Balance b/d (i) 4,20,000, (ii) 2,83,667, (iii) 7,00,000		14,03,667	2017 Dec.31	Depreciation (i) 60,000, (ii) 37,000, (iii) 84,000	1,81,000
			14,03,667	2017 Dec.31	Balance c/d (i) 3,60,000, (ii) 2,46,667, (iii) 6,16,000	12,22,667
			14,03,667			14,03,667

Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2014 Dec.31	Machinery		72,333	2014 Dec.31	Profit and Loss		72,333
			72,333				72,333
2015 Dec.31	Machinery		1,53,000	2015 Dec.31	Profit and Loss		1,53,000
			1,53,000				1,53,000
2016 Dec.31	Machinery		1,81,000	2016 Dec.31	Profit and Loss		1,81,000
			1,81,000				1,81,000
2017 Dec.31	Machinery		1,81,000	2017 Dec.31	Profit and Loss		1,81,000
			1,81,000				1,81,000

(b)

Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2014 Jan.01	Bank (i) (5,50,000 + 50,000)		6,00,000	2014 Dec.31	Balance c/d		
Sep.01	Bank (ii)		3,70,000				9,70,000
			9,70,000				9,70,000
2015 Jan.01	Balance b/d (i) 6,00,000 (ii) 3,70,000		9,70,000	2015 Dec.31	Balance c/d		
May.01	Bank (iii)		8,40,000				18,10,000
			18,10,000				18,10,000
2016 Jan.01	Balance b/d (i) 6,00,000 (ii) 3,70,000 (iii) 8,40,000		18,10,000	2016 Dec.31	Balance c/d		
			18,10,000				18,10,000
2017 Jan.01	Balance b/d (i) 6,00,000 (ii) 3,70,000 (iii) 8,40,000		18,10,000	2017 Dec.31	Balance c/d		
			18,10,000				18,10,000

Provision for Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2014 Dec.31	Balance c/d		72,333	2014 Dec.31	Depreciation		72,333

