

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 03.03.2021

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## Depreciation, Provisions and Reserves

Question 10

Saraswati Ltd. purchased a machinery costing Rs 10,00,000 on January 01, 2011. A new machinery was purchased on 01 May, 2012 for Rs 15,00,000 and another on July 01, 2014 for Rs 12,00,000. A part of the machinery which originally cost Rs 2,00,000 in 2011 was sold for Rs 75,000 on April 30, 2014. Show the machinery account, provision for depreciation account and machinery disposal account from 2011 to 2015 if depreciation is provided at 10% p.a. on original cost and account are closed on December 31, every year.

ANSWER:

### Books of Saraswati Ltd.

#### Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2011 Jan.01	Bank (i) (8,00,000 + 2,00,000)		10,00,000	2011 Dec.31	Balance c/d		10,00,000
			10,00,000				10,00,000
2012 Jan.01	Balance b/d		10,00,000	2012 Dec.31	Balance c/d		25,00,000
May.01	Bank (ii)		15,00,000				25,00,000
			25,00,000				25,00,000
2013 Jan.01	Balance b/d		25,00,000	2013 Dec.31	Balance c/d		25,00,000
			25,00,000				25,00,000
2014 Jan.01	Balance b/d		25,00,000	2014 Apr. 30	Machinery Disposal		2,00,000

Jul.01	Bank (ii)		12,00,000	Dec.31	Balance c/d (i) 8,00,000 (ii) 15,00,000 (iii) 12,00,000		35,00,000
			37,00,000				37,00,000
2015 Jan.01	Balance c/d		35,00,000	2015 Dec.31	Balance c/d		35,00,000
			35,00,000				35,00,000

### Provision for Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2011 Dec.31	Balance c/d		1,00,000	2011 Dec.31	Depreciation (i)		1,00,000
			1,00,000				1,00,000
2012 Dec.31	Balance c/d		3,00,000	2012 Jan.01	Balance c/d		1,00,000
			3,00,000	2012 Dec.31	Depreciation (i) 1,00,000 (ii) 1,00,000 (8 months)		2,00,000
			3,00,000				3,00,000
2013 Dec.31	Balance b/d		5,50,000	2013 Jan.01	Balance c/d		3,00,000
			5,50,000	2013 Dec.31	Depreciation (i) 1,00,000 (ii) 1,50,000,		2,50,000
			5,50,000				5,50,000
2014 Apr. 30	Machinery Disposal		66,667	2014 Jan.01	Balance b/d		5,50,000
2014 Dec.31	Balance c/d		7,80,000	2014 Apr. 30	Depreciation		6,667
				2014 Dec.31	Depreciation		

				(i) 80,000, (ii) 1,50,000, (iii) 60,000		2,90,000
		8,46,667				8,46,667
2015 Dec.31	Balance c/d	11,30,000	2015 Jan.01	Balance c/d		7,80,000
			Dec.31	Depreciation (i) 80,000, (ii) 1,50,000, (iii) 1,20,000		3,50,000
		11,30,000				11,30,000

### Machinery Disposal Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2014 Apr. 30	Machinery		2,00,000	2014 Apr. 30 Apr. 30 Apr. 30	Provision for Depreciation Bank Profit and Loss (Loss)		66,667 75,000 58,333
			2,00,000				2,00,000

#### Working Note:

	Opening Balance		Depreciation	=	Closing Balance
2011	2,00,000	–	20,000	=	1,80,000
2012	1,80,000	–	20,000	=	1,60,000
2013	1,60,000	–	20,000	=	1,40,000
2014	1,40,000	–	6,667	=	1,33,333
	Accumulated Depreciation		66,667		

Value on Apr. 30, 2014	1,33,333
Sale on Apr. 30, 2014	– 75,000
Loss on sale	<u>₹ 58,333</u>

**Question 11**

Carriage Transport Company purchased 5 trucks at the cost of Rs 2,00,000 each on April 01, 2011. The company writes off depreciation @ 20% p.a. on original cost and closes its books on December 31, every year. On October 01, 2013, one of the trucks is involved in an accident and is completely destroyed. Insurance company has agreed to pay Rs 70,000 in full settlement of the claim. On the same date the company purchased a second hand truck for Rs 1,00,000 and spent Rs 20,000 on its overhauling. Prepare truck account and provision for depreciation account for the three years ended on December 31, 2013. Also give truck account if truck disposal account is prepared.

**ANSWER:**

**Books of Carriage Transport Company  
Truck Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2011 Apr.01	Bank		10,00,000	2011 Dec.31	Balance c/d		10,00,000
			10,00,000				10,00,000
2012 Jan.01	Balance b/d		10,00,000	2012 Dec.31	Balance c/d		10,00,000
			10,00,000				10,00,000
2013 Jan.01	Balance b/d		10,00,000	2013 Oct.01	Truck Disposal		2,00,000
Oct.01	Bank		1,20,000	Dec.31	Balance c/d		9,20,000
			11,20,000				11,20,000

**Provision for Depreciation Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2011 Dec.31	Balance c/d		1,50,000	2011 Dec.31	Depreciation		1,50,000
			1,50,000				1,50,000

2012 Dec.31	Balance c/d		3,50,000	2012 Jan.01	Balance c/d		1,50,000
				Dec.31	Depreciation		2,00,000
			<u>3,50,000</u>				<u>3,50,000</u>
2013 Oct.01	Truck Disposal		1,00,000	2013 Jan.01	Balance b/d		3,50,000
Oct.01	Balance c/d		4,46,000	Oct.01	Depreciation (9 Months)		30,000
				Dec.31	Depreciation (1,60,000 + 6,000)		1,66,000
			<u>5,46,000</u>				<u>5,46,000</u>

### Truck Disposal Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
2013 Oct.01	Truck		2,00,000	2013 Oct.01	Provision for Depreciation Insurance Co.		1,00,000
				Oct.01	(Insurance Claim)		70,000
				Oct.01	Profit and Loss (Loss)		30,000
			<u>2,00,000</u>				<u>2,00,000</u>

#### Working Note:

Truck involved in accident

	Opening Balance		Depreciation		Closing Balance
Apr.01, 2011	2,00,000	–	30,000	=	1,70,000
Jan.01, 2012	1,70,000	–	40,000	=	1,30,000
Jan.01, 2013	1,30,000	–	30,000	=	1,00,000
Accumulated Depreciation		=	<u>1,00,000</u>		

Value on Oct.01, = 1,00,000

2013

Less: Insurance = 70,000

Claim

Loss on Accident 30,000

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