

Chapter 16 Depreciation

Practical Questions

Question 1

On 1st April, 2007, a limited company purchased a Machine for ₹ 1,90,000 and spent ₹ 10,000 on its installation. At the date of purchase, it was estimated that the scrap value of the machine would be ₹ 50,000 at the end of the sixth year.

Give Machine Account and Depreciation A/c in the books of the Company for 4 years after providing depreciation by Fixed Installment Method. The books are closed on 31st March every year.

Solution:

Dr. Machinery Account			Cr.		
Date 2017	Particulars	Amount ₹	Date 2017	Particulars	Amount ₹
April 1	Bank A/c (1,90,000 + 10,000)	2,00,000	March 31	Depreciation A/c	25,000
			March 31	Balance c/d	1,75,000
		2,00,000			2,00,000
2008			2009		
April 1	Balance b/d	1,75,000	March 31	Depreciation A/c	25,000
			March 31	Balance c/d	1,50,000
		1,75,000			1,75,000
2009			2010		
April 1	Balance b/d	1,50,000	March 31	Depreciation A/c	25,000

			March 31	Balance c/d	1,25,000
		1,50,000			1,50,000
2010			2011		
April 1	Balance b/d	1,25,000	March 31	Depreciation A/c	25,000
			March 31	Balance c/d	1,00,000
		1,25,000			1,25,000

Dr. Depreciation Account			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2008			2008		
March 31	Machinery A/c	25,000	March 31	Profit and Loss A/c	25,000
		25,000			25,000
2009			2009		
March 31	Machinery A/c	25,000	March 31	Profit and Loss A/c	25,000
		25,000			25,000
2010			2010		
March 31	Machinery A/c	25,000	March 31	Profit and Loss A/c	25,000
		25,000			25,000

2011			2011		
March 31	Machinery A/c	25,000	March 31	Profit and Loss A/c	25,000
		25,000			25,000

Working Note: Evaluation of Depreciation

Annual Depreciation = $\frac{\text{Cost of Asset} - \text{Scrap Value}}{\text{Estimated Useful Life of Asset}}$

$$= \frac{2,00,000 - (1,90,000 + 10,000)}{6}$$

$$= ₹ 25,000$$

Rate of Depreciation = $\frac{\text{Amount of Depreciation}}{\text{Total Cost of Asset}} \times 100$

$$= \frac{25,000}{2,00,000} \times 100$$

$$= 12.5 \%$$

Question 2

On 1st April, 2009, a Company bought Plant and Machinery costing ₹ 68,000. It is estimated that its working life is 10 years, at the end of which it will fetch ₹ 8,000. Additions are made on 1st April, 2010 to the value of ₹ 40,000 (Residual value ₹ 4,000). More additions are made on Oct. 1, 2011 to the value of ₹ 9,800 (Break up value ₹ 800). The working life of both the additional Plant and machinery is 20 years.

Show the Plant and Machinery account for the first four years, if depreciation is written off according to Straight Line Method. The accounts are closed on 31st March every year.

Solution:

Dr.			Plant & Machinery Account Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount (Rs)
2009			2010		
April 1	Bank A/c (P1)	68,000	March 31	Depreciation A/c	6,000
			March 31	Balance c/d	62,000
		68,000			68,000

2010			2011			
April 1	Balance b/d (P1)	62,000	March 31	Depreciation A/c		
Apr. 01	Bank A/c (P2)	40,000		P1	6,000	
				P2	1,800	7,800
			March 31	Balance c/d		
				P1	56,000	
				P2	38,200	94,200
		1,02,000				1,02,000
2011			2012			
April 1	Balance b/d		March 31	Depreciation A/c		
	P1	56,000		P1	6,000	
	P2	38,200	94,200	P2	1,800	
Oct. 1	Bank A/c (P3)	9,800		P3 (for 6 months)	225	8,025
			March 31	Balance c/d		
				P1	50,000	
				P2	36,400	

				P3	9,575	95,975
		1,04,000				1,04,000
2012			2013			
Apr. 01	Balance b/d		March 31	Depreciation A/c		
	P1	50,000		P1	6,000	
	P2	36,400		P2	1,800	
	P3	9,575	95,975	P3	450	8,250
			March 31	Balance c/d		
				P1	44,000	
				P2	34,600	
				P3	9,125	87,725
		95,975				95,975

Working Note : Evaluation of Depreciation

Annual Depreciation: $\text{Cost of Asset} - \text{Scrap Value} \div \text{Estimated Useful Life of Asset}$

$$P1 = \frac{68,000 - 8,000}{10}$$

$$= ₹ 6,000$$

$$P2 = \frac{40,000 - 4,000}{20}$$

$$= ₹ 1,800$$

$$P3 = \frac{9,800 - 800}{20}$$

$$= ₹ 450$$

Question 3

Chandra Ltd. purchased a second-hand machine for ₹ 8,000 plus CGST and SGST @ 6% each on 1st July, 2015. They spent ₹ 3,500 on its overhaul and installation.

Depreciation is written off 10% p.a. on the original cost. On 30th September, 2018, the machine was found to be unsuitable and sold for ₹ 6,500. Prepare the Machinery A/c for four years assuming that accounts are closed on 31st March.

Solution:

Dr.			Machinery Account Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2015			2016		
July 1	Bank A/c (8,000 + 3,500)	11,500	March 31	Depreciation A/c (for 9 months)	863
				Balance c/d	10,637
		11,500			11,500
2016			2017		
April 1	Balance b/d	10,637	March 31	Depreciation A/c	1,150
				Balance c/d	9,487
		10,637			10,637
2017			2018		
April 1	Balance b/d	9,487	March 31	Depreciation A/c	1,150
				Balance c/d	8,337
		9,487			9,487

2018			2018		
April 1	Balance b/d	8,337	September 30	Depreciation A/c	575
				Bank A/c (Sale)	6,500
				Profit and Loss A/c (Sale Loss)	1,262
		8,337			8,337

Working Notes: Evaluation of Profit or Loss on Sale

Particulars	Amount ₹
Value of Machinery on 1st April, 2018	8,337
Less: 6 months depreciation	575
Value of Machinery on 30th September, 2018	7,762
Less: Sale Value	6,500
Loss on Sale	1,262

Question 4

A Ltd. purchased a machine for ₹ 5,00,000 on 1st April, 2012. Further addition were made on 1st October 2012 and on 1st July 2013 for ₹ 4,00,000 and ₹ 3,00,000 respectively. On 1st January, 2015, 1st machine was sold for ₹ 2,85,000 and new machine was purchased for ₹ 6,00,000.

Prepare Machine A/c for three years ending 31st March, 2015 if depreciation is to be charged @ 10% p.a. on straight-line basis.

Solution:

Dr.			Machinery Account Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹

2012			2013		
April 1	Bank A/c (M1)	5,00,000	March 31	Depreciation A/c (M1)	50,000
Oct 1	Bank A/c (M2)	4,00,000		Depreciation A/c (M2)	20,000
			March 31	Balance c/d	
				M1	4,50,000
				M2	3,80,000
		9,00,000			9,00,000
2013			2014		
April 1	Balance b/d		March 31	Depreciation A/c	
	M1	4,50,000		M1	50,000
	M2	3,80,000	8,30,000	M2	40,000
July 1	Bank A/c (M3)	3,00,000		M3	22,500
			March 31	Balance c/d	
				M1	4,00,000
				M2	3,40,000
				M3	2,77,500
					10,17,500

		11,30,000			11,30,000
2014			2015		
April 1	Balance b/d		Jan.1	Depreciation A/c (for 9 months of M1)	37,500
	M1 4,00,000			Bank A/c (M1 Sale)	2,85,000
	M2 3,40,000			Profit and Loss A/c (Sale Loss)	77,500
	M3 2,77,500	10,17,500	March 31	Depreciation on-	
2015				M2 40,000	
Jan 1	Bank A/c (M4)	6,00,000		M3 30,000	
				M4 15,000	85,000
			March 31	Balance c/d	
				M2 3,00,000	
				M3 2,47,500	
				M4 5,85,000	11,32,500
		16,17,500			16,17,500

Question 5

On 1st January, 2006, A Ltd. Purchased a machine for ₹ 2,40,000 and spent ₹ 10,000 on its erection. On 1st July, 2006 an additional machinery costing ₹ 1,00,000 was purchased. On 1st July, 2008 the machine purchased on 1st January, 2006 was sold for ₹ 1,43,000 and on the same date, a new machine was purchased at a cost of ₹ 2,00,000.

Show the Machinery Account for the first three calendar years after charging depreciation at 5% by the Straight Line Method.

					M2	92,500	3,17,500
			3,35,000				3,35,000
2008				2008			
Jan. 1	Balance b/d			July 1	Depreciation A/c (M1)		6,250
	M1	2,25,000			Bank A/c (Sale of M1)		1,43,000
	M2	92,500	3,17,500		Profit and Loss A/c (M1 sale loss)		75,750
July 1	Bank A/c (M3)		2,00,000	Dec. 31	Depreciation A/c		
					M2	5,000	
					M3 (for 6 months)	5,000	10,000
					Balance c/d		
					M2	87,500	
					M3	1,95,000	2,82,500
			5,17,500				5,17,500

Working Note: Evaluation of M1 Profit or Loss on Sale

Particulars	₹
Value of Machinery on 1st January, 2008	2,25,000
Less: 6 months depreciation	6,250

Value of Machinery on 1st July, 2008	28,750
Less: Sale Value	1,43,000
Loss on Sale	75,750

Question 6

A company purchased on 1st April, 2009, a machinery for ₹ 80,000. On 1st October, 2010, it purchased another machine for ₹ 50,000 and on 1st October, 2011, it sold off the first machine purchased in 2009 for ₹ 23,000. Depreciation was provided on the machinery at the rate of 20% p.a. on the original cost annually.

Give the Machinery Account for four years commencing from 1st April, 2009.

Accounts are closed on 31st March every year.

Solution:

Dr.			Machinery Account Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2009			2010		
April 1	Bank A/c (M1)	80,000	March 31	Depreciation A/c	16,000
			March 31	Balance c/d	64,000
		80,000			80,000
2010			2011		
April 1	Balance b/d	64,000	March 31	Depreciation A/c	
October 1	Bank A/c (M2)	50,000		M1	16,000
				M2 (for 6 months)	5,000
					21,000

			March 31	Balance c/d	
				M1	48,000
				M2	45,000
		1,14,000			1,14,000
2011			2011		
April 1	Balance b/d		October 1	Depreciation A/c (M1)	8,000
	M1	48,000		Bank A/c (M1 Sale)	23,000
	M2	45,000	93,000	Profit and Loss A/c (M1 sale loss)	17,000
			2012		
			March 31	Depreciation A/c	10,000
				Balance c/d	35,000
		93,000			93,000
2012			2013		
April 1	Balance b/d	35,000	March 31	Depreciation A/c	10,000
			March 31	Balance c/d	25,000
		35,000			35,000

Working Note: Evaluation of M1 Profit or Loss on Sale

Particulars	Amount
Value of Machinery on Apr. 01, 2011	48,000
<i>Less:</i> Depreciation for 6 months	8,000
Value of Machinery on Oct. 01, 2011	40,000
<i>Less:</i> Sale Value	23,000
Loss on Sale	17,000

Question 7

Bhushan & Company purchased a Machinery on 1st April, 2009, for ₹ 54,000 and spent ₹ 6,000 on its installation. On the 1st of December, 2010, it purchased another machine for ₹ 30,000.

On 30th June 2011, the first machine purchased on 1st April, 2009, is sold for ₹ 36,000 and on the same date it purchased new machinery for ₹ 80,000.

On December 1, 2012, the second machine (purchased on December 1, 2010) was also sold off for ₹ 26,000.

Depreciation was provided on machinery @ 10% p.a. on Original Cost Method annually on 31st March. Give the machinery account for four years.

Solution:

Dr. Machinery			Account Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2009			2010		
April 1	Bank A/c (M1) (54,000 + 6,000)	60,000	March 31	Depreciation A/c	6,000
			March 31	Balance c/d	54,000
		60,000			60,000

2010				2011		
April 1	Balance b/d		54,000	March 31	Depreciation A/c	
Dec. 1	Bank A/c (M2)		30,000		M1	6,000
					M2 (for 4 months)	1,000
				March 31	Balance c/d	7,000
					M1	48,000
					M2	29,000
			84,000			84,000
2011				2011		
April 1	Balance b/d			June 30	Depreciation A/c (M1)	1,500
	M1	48,000			Bank A/c (Sale of M1)	36,000
	M2	29,000	77,000		Profit and Loss A/c (M1 sale loss)	10,500
June 30	Bank A/c (M3)		80,000	2012		
				March 31	Depreciation A/c	
					M2	3,000
					M3 (for 9	6,000
						9,000

					months)		
					Balance c/d		
					M2	26,000	
					M3	74,000	1,00,000
			1,57,000				1,57,000
2012				2012			
April 1	Bank A/c			Dec. 01	Depreciation A/c (M2)		2,000
	M2	26,000			Bank A/c (Sale of M2)		26,000
	M3	74,000	1,00,000	2013			
Dec.1	Profit and Loss A/c (M2 profit sale)		2,000	March 31	Depreciation A/c (M3)		8,000
					Balance c/d		66,000
			1,02,000				1,02,000

Working Note 1 : Evaluation of M1 of profit or loss on sale

Particulars	₹
Value of Machinery on 1st April, 2011	48,000
Less: 3 months depreciation	1,500
Value of Machinery on 30th Jun, 2011	46,500
Less: Sale Value	36,000

Loss on Sale	10,500
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Working Note 2: Evaluating M2 profit or loss on the sale.

Particulars	₹
Value of Machinery on 1st April, 2012	26,000
Less: 8 months depreciation	2,000
Value of Machinery on 1st December, 2012	24,000
Less: Sale Value	26,000
Profit on Sale	2,000

Question 8

On 1st October, 2009, Raj & Co. purchased machinery worth ₹ 40,000. On 1st October, 2011, it buys additional machinery worth ₹ 10,000. On 30th September, 2012, half of the machinery purchased on 1st Oct., 2009, is sold for ₹ 8,200. The company writes off 10 per cent p.a. on the original cost. The accounts are closed every year on 31st March.

Show the Machinery Account for four years.

Solution:

Dr. Machinery				Account Cr.			
Date	Particulars		Amount (Rs)	Date	Particulars		Amount (Rs)
2009				2010			
October 1	Bank A/c			March 31	Depreciation A/c		
	M1	20,000			M1 (for 6 months)	1,000	
	M2	20,000	40,000		M2 (for 6 months)	1,000	2,000

					Balance c/d		
					M1	19,000	
					M2	19,000	38,000
			40,000				40,000
2010				2011			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	19,000			M1	2,000	
	M2	19,000	38,000		M2	2,000	4,000
					Balance c/d		
					M1	17,000	
					M2	17,000	34,000
			38,000				38,000
2011				2012			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	17,000			M1	2,000	
	M2	17,000	34,000		M2	2,000	
October 1	Bank A/c (M3)		10,000		M3 (<i>for 6 months</i>)	500	4,500
				March	Balance c/d		

				31			
					M1	15,000	
					M2	15,000	
					M3	9,500	39,500
			44,000				44,000
2012				2012			
April 1	Balance b/d			Sept. 30	Depreciation A/c (M1)		1,000
	M1	15,000			Bank A/c (Sale of M1)		8,200
	M2	15,000			Profit and Loss A/c (Loss on Sale of M1)		5,800
	M3	9,500	39,500	2013			
				March 31	Depreciation A/c		
					M2	2,000	
					M3	1,000	3,000
					Balance c/d		
					M2	13,000	
					M3	8,500	21,500
			39,500				39,500

Working Note: Evaluation of M1 profit and loss on sale

Particulars	₹
Value of Machinery on 1st April, 2012	15,000
Less: 6 months depreciation	1,000
Value of Machinery 30th September 2012	14,000
Less: Sale Value	8,200
Loss on Sale	5,800

Note: The purchase of plant and machinery purchased on 1st October, 2009 can be divided into two parts (M1 and M2)

Therefore, M1 was sold at ₹ 8,200

M2, is still in the business.

Question 9

On 1st April, 2010, Plant and Machinery was purchased for ₹ 1,20,000. New machinery was purchased on 1st Oct., 2010, for ₹ 50,000 and on 1st July, 2011, for ₹ 25,000.

On 1st January, 2013, a machinery of the original value of ₹ 20,000 which was included in the machinery purchased on 1st April, 2010, was sold for ₹ 6,000. Prepare Plant & Machinery A/c for three years after providing depreciation at 10% p.a. on Straight Line Method. Accounts are closed on 31st March every year.

Solution:

Dr. Plant &			Machinery Account Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2010			2011			
April 1	Bank A/c		March 31	Depreciation A/c		
	M1	20,000		M1	2,000	
	M2	1,00,000		M2	10,000	
		1,20,000				

October 1	Bank A/c (M3)		50,000		M3(6 months)	2,500	14,500
				March 31	Balance c/d		
					M1	18,000	
					M2	90,000	
					M3	47,500	1,55,500
			1,70,000				1,70,000
2011				2012			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	18,000			M1	2,000	
	M2	90,000			M2	10,000	
	M3	47,500	1,55,500		M3	5,000	
July 1	Bank A/c (M4)		25,000		M4(9 months)	1,875	18,875
				March 31	Balance c/d		
					M1	16,000	
					M2	80,000	
					M3	42,500	
					M4	23,125	1,61,625

			1,80,500			1,80,500	
2012				2013			
April 1	Balance b/d			January 01	Depreciation A/c (M1)	1,500	
	M1	16,000			Bank A/c (M1 sale)	6,000	
	M2	80,000			Profit and Loss A/c (M1 Loss Sale)	8,500	
	M3	42,500		March 31	Depreciation A/c		
	M4	23,125	1,61,625		M2	10,000	
					M3	5,000	
					M4	2,500	17,500
				March 31	Balance c/d		
					M2	70,000	
					M3	37,500	
					M4	20,625	1,28,125
			1,61,625				1,61,625

Working Note: Evaluate M1 sale Profit or Loss

Particulars	₹
Value of Machinery on 1st April, 2012	16,000

Less: Depreciation for 9 months	1,500
Value of Machinery on 1st January, 2013	14,500
Less: Sale Value	6,000
Loss on Sale	8,500

Note: The purchase of plant and machinery purchased on 1st April, 2010 can be divided into two parts (M1 and M2)

Therefore, M1: ₹ 20,000 (sold for Rs 6,000)

M2: ₹ 1,00,000 (is still in the business)

Question 10

From the following transactions of a concern, prepare Machinery Account for the year ending 31st March, 2013.

April 1	(i) Purchased a second-hand machinery for ₹ 40,000. (ii) Spent ₹ 10,000 on repairs to make it serviceable.
Sept.30	Purchased additional new machinery for ₹ 20,000.
Dec. 31	Repairs and renewals of machinery ₹ 2,000.
March 31	Depreciate the machinery at 10% p.a.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2013		

April 1	Bank A/c (M1) (40,000 + 10,000)	50,000	March 31	Depreciation A/c		
September 30	Bank A/c (M2)	20,000		M1	5,000	
				M2 (for 6 months)	1,000	6,000
				Balance c/d		
				M1	45,000	
				M2	19,000	64,000
		70,000				70,000

Note: The repair charges are classified under revenue expenditure as it is collected on 31st December, 2012 but machine was bought on 30th September, 2012.

Question 11

A plant is purchased for ₹ 60,000 on 1st April, 2009. It is estimated that the residual value of this plant at the end of its working life of 10 years will be ₹ 20,920. Depreciation is to be provided at 10% p.a. on diminishing balance method.

You are required to show the Plant Account for 4 years, assuming that the books are closed on 31st March every year.

Solution:

Plant Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2009			2010		
April 1	Bank A/c	60,000	March 31	Depreciation A/c	6,000
			March 31	Balance c/d	54,000
		60,000			60,000

2010			2011		
April 1	Balance b/d	54,000	March 31	Depreciation A/c	5,400
			March 31	Balance c/d	48,600
		54,000			54,000
2011			2012		
April 1	Balance b/d	48,600	March. 31	Depreciation A/c	4,860
			March 31	Balance c/d	43,740
		48,600			48,600
2012			2013		
April 1	Balance b/d	43,740	March 31	Depreciation A/c	4,374
			March 31	Balance c/d	39,366
		43,740			43,740

Note: The scrap value of asset is omitted, when depreciation is imposed according to the written down value method.

Question 12

On 1st July, 2005, Geeta Paper Limited purchased a Plant for ₹ 1,50,000 and paid ₹ 10,000 as freight on its carriage. Depreciation was provided at 10% p.a. on the Written Down Value Method on this plant. On 1st Oct., 2008, this plant was sold for ₹ 80,000.

Prepare Plant A/c for 4 years, assuming that the books are closed on 31st March every year.

Solution:

Plant Account	
Dr.	Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2005			2006		
July 1	Bank A/c (1,50,000 + 10,000)	1,60,000	March 31	Depreciation A/c (for 9 months)	12,000
				Balance c/d	1,48,000
		1,60,000			1,60,000
2006			2007		
April 1	Balance b/d	1,48,000	March 31	Depreciation A/c	14,800
			March 31	Balance c/d	1,33,200
		1,48,000			1,48,000
2007			2008		
April 1	Balance b/d	1,33,200	March 31	Depreciation A/c	13,320
			March 31	Balance c/d	1,19,880
		1,33,200			1,33,200
2008			2008		
April 1	Balance b/d	1,19,880	October 1	Depreciation A/c	5,994
				Bank A/c (Sale)	80,000

				Profit and Loss A/c (<i>Loss on Sale</i>)	33,886
		1,19,880			1,19,880

Working Note: Evaluating profit or loss on Sale

Particulars	₹
Value of Plant on 1st April, 2008	1,19,880
<i>Less:</i> 6 months Depreciation	5,994
Value of Plant on 1st October, 2008	1,13,886
<i>Less:</i> Sale Value	80,000
Loss on Sale	33,886

Question 13

A Company purchased a second-hand machine on 1st April, 2016, for ₹ 30,000 and immediately spent ₹ 4,000 on its repair and ₹ 1,000 on its installation. On Oct. 1, 2018, the machine was sold for ₹ 25,000. Prepare Machine Account after charging depreciation @ 10% p.a. by diminishing balance method, assuming that the books are closed on 31st March every year. IGST was charged @ 12% on purchase and sale of machine.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2017		
April 1	Bank A/c (30,000 + 4,000 + 1,000)	35,000	March 31	Depreciation A/c	3,500

				Balance c/d	31,500
		35,000			35,000
2017			2018		
April 1	Balance b/d	31,500	March 31	Depreciation A/c	3,150
			March 31	Balance c/d	28,350
		31,500			31,500
2018			2018		
April 1	Balance b/d	28,350	October 1	Depreciation A/c	1,418
				Bank A/c (Sale)	25,000
				Profit and Loss A/c (Loss on Sale)	1,932
		28,350			28,350

Working Note: Calculation of Profit or Loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2018	28,350
Less: 6 months depreciation	1,418
Value of Machinery on 1st October, 2018	26,932
Less: Sale Value	25,000
Loss on Sale	1,932

Question 14

A firm purchased on 1st April, 2009, a second-hand Machinery for ₹ 36,000 and spent ₹ 4,000 on its installation. On 1st Oct. in the same year another Machinery costing ₹ 20,000 was purchased. On 1st Oct., 2011, the Machinery bought on 1st April, 2009 was sold off for ₹ 12,000 and on the same date a fresh Machine was purchased for ₹ 64,000. Depreciation is provided annually on 31st March, @ 10% p.a. on the Written Down Value Method. Show the Machine A/c from 1st April, 2009 to 31st March, 2013.

Solution:

Machinery Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2009			2010			
April 1	Bank A/c (M1) (36,000 + 4,000)	40,000	March 31	Depreciation A/c		
October 1	Bank A/c (M2)	20,000		M1	4,000	
				M2 (for 6 months)	1,000	5,000
			March 31	Balance c/d		
				M1	36,000	
				M2	19,000	55,000
		60,000				60,000
2010			2011			
April 1	Balance b/d		March	Depreciation A/c		

				31			
	M1	36,000			M1	3,600	
	M2	19,000	55,000		M2	1,900	5,500
				March 31	Balance c/d		
					M1	32,400	
					M2	17,100	49,500
			55,000				55,000
2011				2011			
April 1	Balance b/d			October 1	Depreciation A/c (M1)		1,620
	M1	32,400			Bank A/c (Sale of M1)		12,000
	M2	17,100	49,500		Profit and Loss A/c (Loss on Sale of M1)		18,780
October 1	Bank A/c (M3)		64,000	2012			
				March 31	Depreciation A/c		
					M2	1,710	
					M3 (for 6 months)	3,200	4,910
				March 31	Balance c/d		

					M2	15,390	
					M3	60,800	76,190
			1,13,500				1,13,500
2012				2013			
April 1	Balance b/d			March 31	Depreciation A/c		
	M2	15,390			M2	1,539	
	M3	60,800	76,190		M3	6,080	7,619
				March 31	Balance c/d		
					M2	13,851	
					M3	54,720	68,571
			76,190				76,190

Working Note: Evaluating profit or loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2011	32,400
Less: 6 months depreciation	1,620
Value of Machinery on 1st October, 2011	30,780
Less: Sale Value	12,000
Loss on Sale	18,780

Question 15 (A)

State four main causes of providing depreciation.

Solution: The four main causes of providing depreciation are.

- **Wear and Tear-** Any asset does not remain effective all the time. Its life gradually breaks down and decreases after its usage over a period of time, and needs to be replaced.
- **Obsolescence** – With new technologies coming up everyday, the asset might be outdated.
- **Limited agreement or contract** – When an asset is obtained for a particular time, so, whether it is utilized or not, its value is considered to be zero when its useful life ends.
- **Deterioration** – Due to natural impacts like weather, rain, heat, etc. the asset is deteriorated and its effectiveness decreases

(B) A Company purchased a machinery for ₹ 50,000 on 1st Oct., 2007. Another machinery costing ₹ 10,000 was purchased on 1st Dec., 2008. On 31st March, 2010, the machinery purchased in 2007 was sold at a loss of ₹ 5,000. The Company charges depreciation at the rate of 15% p.a. on Diminishing Balance Method. Accounts are closed on 31st March every year.

Prepare Machinery account for 3 years.

Solution :

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2007			2008		
October 1	Bank A/c (M1)	50,000	March 31	Depreciation A/c (for 6 months)	3,750
			March 31	Balance c/d	46,250
		50,000			50,000
2008			2009		
April 1	Balance b/d	46,250	March 31	Depreciation A/c	

December 1	Bank A/c (M2)	10,000		M1	6,938	
				M2 (for 4 months)	500	7,438
			March 31	Balance c/d		
				M1	39,312	
				M2	9,500	48,812
		56,250				56,250
2009			2010			
April 1	Balance b/d		March 31	Depreciation A/c		5,897
	M1	39,312		Bank A/c (Sale of M1)		28,415
	M2	9,500	48,812	Profit and Loss A/c (Loss on Sale of M1)		5,000
			March 31	Depreciation A/c (M2)		1,425
			March 31	Balance c/d		8,075
		48,812				48,812

Working Note: Evaluating M1 sale price

Particulars	₹
Value of Machinery on 1st April, 2009	39,312

Less: 12 months depreciation	5,897
Value of Machinery on 31st March, 2010	33,415
Less: Sale loss	5,000
Sale Value (<i>Balancing Figure</i>)	28,415

Question 16

Ashoka Ltd. bought a machine on 1st April, 2010 for ₹ 2,40,000 and spent ₹ 4,000 on its carriage and ₹ 6,000 towards installation cost. On 1st July, 2011 it purchased a second hand machinery for ₹ 75,000 and spent ₹ 25,000 on its overhauling.

On 1st January, 2013 it decided to sell the machinery bought on 1st April, 2010 at a loss of ₹ 20,000. It bought another machine on the same date for ₹ 40,000. Company decided to charge depreciation @ 15% p.a. on written down value method. Prepare machinery account for 3 years. Books are closed each year on 31st March.

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2011		
April 1	Bank A/c (M1) (2,40,000 + 4,000 + 6,000)	2,50,000	March 31	Depreciation A/c	37,500
			March 31	Balance c/d	2,12,500
		2,50,000			2,50,000
2011			2012		
April 01	Balance b/d	2,12,500	March 31	Depreciation A/c	

July 01	Bank A/c (M2) (75,000+25,000)		1,00,000		M1	31,875	
					M2 (for 9 months)	11,250	43,125
				March 31	Balance c/d		
					M1	1,80,625	
					M2	88,750	2,69,375
			3,12,500				3,12,500
2012				2013			
April 1	Balance b/d			January 01	Depreciation A/c (M1)		20,320
	M1	1,80,625			Bank A/c (Sale of M1)		1,40,305
	M2	88,750	2,69,375		Profit and Loss A/c (Loss on Sale of M1)		20,000
2013				March 31	Depreciation A/c		
Januar 01	Bank A/c (M3)		40,000		M2	13,312	
					M3 (for 3 months)	1,500	14,813
				March 31	Balance c/d		
					M2	75,438	
					M3	38,500	1,13,938

		3,09,375			3,09,375
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Working Note: Evaluating M1 sale price

Particulars	₹
Value of Machinery on 1st April, 2012	1,80,625
Less: 9 months Depreciation	20,320
Value of Machinery on 1st January, 2013	1,60,305
Less: Loss on Sale	20,000
Sale Value (<i>Balancing Figure</i>)	1,40,305

Question 17

The Sameer Transport Company purchased 10 Trucks at ₹ 90,000 each on 1st April 2011. On 1st October 2013 one of the Trucks was involved in an accident and is completely destroyed. ₹ 56,200 was received from the Insurance company in full settlement. On the same date another truck was purchased by the company for the sum of ₹ 1,00,000. The company writes off 20% per annum on the Diminishing Balance Method. The company maintains the calendar year as its financial year. Show the Truck Account for four years ending 31st December, 2014.

Solution:

Truck Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2011			2011		
April 1	Bank A/c		December 31	Depreciation A/c	
	T1	90,000		T1 (<i>for 9 months</i>)	13,500

	T2	5,50,800	6,12,000	December 31	Depreciation A/c		
October 1	Profit and Loss A/c (Profit on Sale of T1)		4,180		T2	1,10,160	
October 1	Bank A/c (T3)		1,00,000		T3 (for 6 months)	5,000	1,15,160
				December 31	Balance c/d		
					T2	4,40,640	
					T3	95,000	5,35,640
			7,16,180				7,16,180
2014				2014			
January 1	Balance b/d			December 31	Depreciation A/c		
	T2	4,40,640			T2	88,128	
	T3	95,000	5,35,640		T3	19,000	1,07,128
				December 31	Balance c/d		
					T2	3,52,512	
					T3	76,000	4,28,512
			5,35,640				5,35,640

Working Note: Calculation of Profit & Loss on Sale of T1

Particulars	Amount
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Value of Truck on Jan. 01, 2013	61,200
Less: Depreciation for 9 months	9,180
Value of Truck on Oct. 01, 2013	52,020
Less: Sale Value	56,200
Profit on Sale	4,180

Note: Here, the truck bought on 1st April, 2011 is divided into two segments i.e. T1 and T2.

Thus, T1: ₹ 90,000 (sold for ₹ 56,200)

T2: ₹ 8,10,000 (includes cost of 9 trucks)

Question 18

Raja Textiles Co. which closes its books on 31st March, purchased a machine on 1-4-2009 for ₹ 50,000. On 1-10-2010, it purchased an additional machine for ₹ 30,000. The part of the machine which was purchased on 1-4-2009 costing ₹ 10,000 was sold for ₹ 3,600 on 30th Sept., 2012. Prepare the Machine Account for four years, if the depreciation is provided at the rate of 10% p.a. on Diminishing Balance Method.

Solution:

Machinery Account							
Dr.				Cr.			
Date	Particulars		Amount ₹	Date	Particulars		Amount ₹
2009				2010			
April 1	Bank A/c			March 31	Depreciation A/c		
	M1	10,000			M1	1,000	
	M2	40,000	50,000		M2	4,000	5,000
				March 31	Balance c/d		

					M1	9,000	
					M2	36,000	45,000
			50,000				50,000
2010				2011			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	9,000			M1	900	
	M2	36,000	45,000		M2	3,600	
October 1	Bank A/c (M3)		30,000		M3 (for 6 months)	1,500	6,000
				March 31	Balance c/d		
					M1	8,100	
					M2	32,400	
					M3	28,500	69,000
			75,000				75,000
2011				2012			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	8,100			M1	810	
	M2	32,400			M2	3,240	

	M3	28,500	69,000		M3	2,850	6,900
				March 31	Balance c/d		
					M1	7,290	
					M2	29,160	
					M3	25,650	62,100
			69,000				69,000
2012				2012			
April 1	Balance b/d			September 30	Depreciation A/c (M1)		365
	M1	7,290		September 30	Bank A/c (sale of M1)		3,600
	M2	29,160		September 30	Profit and Loss A/c (Loss on Sale of M1)		3,325
	M3	25,650	62,100	2013			
				March 31	Depreciation A/c		
					M2	2,916	
					M3	2,565	5,481
				March 31	Balance c/d		
					M2	26,244	
					M3	23,085	49,329
			62,100				62,100

Working Note: Evaluation of m1 Profit & Loss Sale

Particulars	₹
Value of Machinery on 1st April, 2012	7,290
Less: 6 months Depreciation	365
Value of Machinery on 30th September, 2012	6,925
Less: Sale Value	3,600
Loss on Sale	3,325

Note: Machine bought on 1st April, 2009 is divided into two parts M1 and M2.

Thus, M1: ₹ 10,000 (sold for ₹ 3,600)

M2: ₹ 40,000

Question 19

A Company, which closes its books on 31st March every year, purchased on 1st July, 2010, machinery costing ₹ 30,000. It purchased further machinery on 1st January, 2011, costing ₹ 20,000 and on 1st October, 2011, costing ₹ 10,000. On 1st April, 2012, one-third of the machinery installed on 1st July, 2010, became obsolete and was sold for ₹ 3,000.

Show how the machinery account would appear in the books of the Company, it being given that machinery was depreciated by Diminishing Balance Method at 10% per annum. What would be the balance of Machinery Account on 1st April, 2013?

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2011		
July 01	Bank A/c		March	Depreciation A/c	

				31			
	M1	10,000			M1 (<i>for 9 months</i>)	750	
	M2	20,000	30,000		M2 (<i>for 9 months</i>)	1,500	
2011					M3 (<i>for 3 months</i>)	500	2,750
January 1	Bank A/c (M3)		20,000	March 31	Balance c/d		
					M1	9,250	
					M2	18,500	
					M3	19,500	47,250
			50,000				50,000
2011				2012			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	9,250			M1	925	
	M2	18,500			M2	1,850	
	M3	19,500	47,250		M3	1,950	
October 1	Bank A/c (M4)		10,000		M4 (<i>for 6 months</i>)	500	5,225
				March 31	Balance c/d		
					M1	8,325	

					M2	16,650	
					M3	17,550	
					M4	9,500	52,025
			57,250				57,250
2012				2012			
April 1	Balance b/d			April 1	Bank A/c (<i>Sale of M1</i>)		3,000
	M1	8,325			Profit and Loss A/c (<i>Loss on Sale of M1</i>)		5,325
	M2	16,650		2013			
	M3	17,550		March 31	Depreciation A/c		
	M4	9,500	52,025		M2	1,665	
					M3	1,755	
					M4	950	4,370
				March 31	Balance c/d		
					M2	14,985	
					M3	15,795	
					M4	8,550	39,330
			52,025				52,025

Working Note: Evaluation of M1 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2012	8,325
Less: Sale Value	3,000
Loss on Sale of Machinery	5,325

Note: Machinery bought on 1st July, 2010 is divided into two parts i.e. M1 and M2.

M1: 1/3rd value i.e ₹ 10,000 (sold for ₹ 3,000)

M2: 2/3rd value i.e. ₹ 40,000 (is in the business)

Question 20

On July 1, 2005 Pushpak Ltd. purchased a machinery for ₹ 5,70,000 and paid ₹ 30,000 for its overhauling and installation. Depreciation is provided @ 20% p.a. on Original Cost Method and the books are closed on 31st March every year. The machine was sold on 31st January 2008 for a sum of ₹ 1,60,000. You are required to show the Machinery Account and Provision for Depreciation Account for three years.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2005			2006		
July 1	Bank A/c (5,70,000 + 30,000)	6,00,000	March 31	Balance c/d	6,00,000
		6,00,000			6,00,000
2006			2007		
April 1	Balance b/d	6,00,000	March 31	Balance c/d	6,00,000

		6,00,000			6,00,000
2007			2008		
April 1	Balance b/d	6,00,000	January 31	Provision for Depreciation A/c	3,10,000
				Bank A/c (Sale)	1,60,000
				Profit and Loss A/c (Loss on Sale)	1,30,000
		6,00,000			6,00,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2006			2006		
March 31	Balance c/d	90,000	March 31	Depreciation A/c (for 9 months)	90,000
		90,000			90,000
2007			2006		
March 31	Balance c/d	2,10,000	April 1	Balance b/d	90,000
			2007		
			March 31	Depreciation A/c	1,20,000
		2,10,000			2,10,000

2008			2007		
January 31	Machinery A/c	3,10,000	April 1	Balance b/d	2,10,000
			2008		
			January 31	Depreciation A/c (<i>for 10 months</i>)	1,00,000
		3,10,000			3,10,000

Working Note: Evaluation Profit & Loss on Sale

Particulars	Amount
Value of Machinery on 1st July, 2005	6,00,000
<i>Less:</i> 9 Months depreciation	90,000
Value of Machinery on 1st April, 2006	5,10,000
<i>Less:</i> Depreciation	1,20,000
Value of Machinery on 1st April, 2007	3,90,000
<i>Less:</i> 10 Months depreciation	1,00,000
Value of Machinery on 31st January, 2008	2,90,000
<i>Less:</i> Sale Value	1,60,000
Loss on Sale	1,30,000

Question 21

A machine as purchased on 1st October 2012 at a cost of ₹ 3,00,000 and ₹ 20,000 were spent on its installation. The depreciation is written off at 10% p.a. on the Diminishing

Value Method. The books are closed on 31st March every year. The machine was sold for ₹ 1,30,000 on 1st July 2015. Show the Machinery Account and Provision for Depreciation Account for all the years.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2013		
October 1	Bank A/c (3,00,000 + 20,000)	3,20,000	March 31	Balance c/d	3,20,000
		3,20,000			3,20,000
2013			2014		
April 1	Balance b/d	3,20,000	March 31	Balance c/d	3,20,000
		3,20,000			3,20,000
2014			2015		
April 1	Balance b/d	3,20,000	March 31	Balance c/d	3,20,000
		3,20,000			3,20,000
2015			2015		
April 1	Balance b/d	3,20,000	July 1	Provision for Depreciation A/c	79,916
				Bank A/c (Sale)	1,30,000

				Profit and Loss A/c (Loss on Sale)	1,10,084
		3,20,000			3,20,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2013			2013		
March 31	Balance c/d	16,000	March 31	Depreciation A/c (for 6 months)	16,000
		16,000			16,000
2014			2013		
March 31	Balance c/d	46,400	April 1	Balance b/d	16,000
			2014		
			March 31	Depreciation A/c	30,400
		46,400			46,400
2015			2014		
Mar. 31	Balance c/d	73,760	April 1	Balance b/d	46,400
			2015		

			March 31	Depreciation A/c	27,360
		73,760			73,760
2015			2015		
July 1	Machinery A/c	79,916	April 1	Balance b/d	73,760
			July 1	Depreciation A/c (for 3 months)	6,156
		79,916			79,916

Working Note: Evaluate sale of Profit & Loss

Particulars	₹
Value of Machinery on 1st October, 2012	3,20,000
Less: 6 Months depreciation	16,000
Value of Machinery on 1st April, 2013	3,04,000
Less: Depreciation	30,400
Value of Machinery on 1st April, 2014	2,73,600
Less: Depreciation	27,360
Value of Machinery on 1st April, 2015	2,46,240
Less: 3 Months depreciation	6,156
Value of Machinery on 1st July, 2015	2,40,084
Less: Sale Value	1,30,000

Loss on Sale	1,10,084
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Question 22

On 1st April 2008, the Company purchased 6 machines for ₹ 50,000 each. Depreciation at the rate of 10% p.a. is charged on Straight Line Method. The accounting year of the Company ends on 31st March and the depreciation is credited to a separate 'Provision for Depreciation Account'. On 1st October, 2010, one machine was sold for ₹ 30,000 and on 1st April, 2011 a second machine was sold for ₹ 24,000.

You are required to prepare Machinery Account and Provision for Depreciation Account for four years ending 31st March, 2012.

Solution:

Machinery Account							
Dr.				Cr.			
Date	Particulars		Amount ₹	Date	Particulars		Amount ₹
2008				2009			
April 1	Bank A/c			March 31	Balance c/d		
	M1	50,000			M1	50,000	
	M2	50,000			M2	50,000	
	M3	2,00,000	3,00,000		M3	2,00,000	3,00,000
			3,00,000				3,00,000
2009				2010			
April 1	Balance b/d			March 31	Balance c/d		
	M1	50,000			M1	50,000	

	M2	50,000			M2	50,000	
	M3	2,00,000	3,00,000		M3	2,00,000	3,00,000
			3,00,000				3,00,000
2010				2010			
April 1	Balance b/d			October 1	Provision for Depreciation A/c		12,500
	M1	50,000			Bank A/c (<i>Sale of M1</i>)		30,000
	M2	50,000			Profit and Loss A/c (<i>Loss on Sale of M1</i>)		7,500
	M3	2,00,000	3,00,000	2011			
				March 31	Balance c/d		
					M2	50,000	
					M3	2,00,000	2,50,000
			3,00,000				3,00,000
2011				2011			
April 1	Balance b/d			April 1	Provision for Depreciation A/c		15,000
	M2	50,000			Bank A/c (<i>Sale of M2</i>)		24,000
	M3	2,00,000	2,50,000		Profit and Loss A/c (<i>Loss on Sale of M2</i>)		11,000
				2012			

			March 31	Balance c/d (M3)	2,00,000
		2,50,000			2,50,000

Provision for Depreciation Account						
Dr.				Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2009			2009			
March 31	Balance c/d	30,000	March 31	Depreciation A/c		
				M1	5,000	
				M2	5,000	
				M3	20,000	30,000
		30,000				30,000
2010			2009			
March 31	Balance c/d	60,000	April 1	Balance b/d		30,000
			2010			
			March 31	Depreciation A/c		
				M1	5,000	

				M2	5,000	
				M3	20,000	30,000
		60,000				60,000
2010			2010			
October 1	Machinery A/c (M1) (5,000 + 5,000 + 2,500)	12,500	April 1	Balance b/d		60,000
2011			October 1	Depreciation A/c (M1)		2,500
March 31	Balance c/d	75,000	2011			
			March 31	Depreciation A/c		
				M2	5,000	
				M3	20,000	25,000
		87,500				87,500
2011			2011			
April 1	Machinery A/c (M2) (5,000 + 5,000 + 5,000)	15,000	April 1	Balance b/d		75,000
2012			2012			
March 31	Balance c/d	80,000	March 31	Depreciation A/c (M3)		20,000

		95,000			95,000
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Working Notes 1: Evaluate M1 Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2008	50,000
<i>Less:</i> Depreciation	5,000
Value of Machinery on 1st April, 2009	45,000
<i>Less:</i> Depreciation	5,000
Value of Machinery on 1st April, 2010	40,000
<i>Less:</i> 6 months depreciation	2,500
Value of Machinery on 1st October, 2010	37,500
<i>Less:</i> Sale Value	30,000
Loss on Sale	7,500

Working Note 2: Evaluate M2 Profit & Loss on sale

Particulars	₹
Value of Machinery on 1st April, 2008	50,000
<i>Less:</i> Depreciation	5,000
Value of Machinery on 1st April, 2009	45,000
<i>Less:</i> Depreciation	5,000
Value of Machinery on 1st April, 2010	40,000

Less: Depreciation	5,000
Value of Machinery on 1st April, 2011	35,000
Less: Sale Value	24,000
Loss on Sale	11,000

Note: Machinery bought on 1st April, 2008 is divided into M1, M2 and M3.

M1: ₹ 50,000 (sold for ₹ 30,000 on 1st October, 2010)

M2: ₹ 50,000 (sold for ₹ 24,000 on 1st April, 2011)

M3: ₹ 2,00,000 (is the 4machines cost)

Question 23

On 1st July 2016, ABC Ltd. purchase 4 machines for ₹ 80,000 each. The accounting year of the company ends on 31st March every year. Depreciation is provided at the rate of 15% p.a. on original cost.

On 1st April, 2008 one machine was sold for ₹ 50,000 and on 1st January, 2010 a second machine was sold for ₹ 40,000. Another machine with a higher capacity which cost ₹ 2,00,000 was purchased on 1st January, 2010.

You are required to show: (i) Machinery Account, (ii) Depreciation Account, and (iii) Provision for Depreciation Account for four years ending 31st March, 2010.

Solution:

Machinery Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2006			2007			
July 1	Bank A/c		March 31	Balance c/d		
	M1	80,000		M1	80,000	
	M2	80,000		M2	80,000	

	M3	1,60,000	3,20,000		M3	1,60,000	3,20,000
			3,20,000				3,20,000
2007				2008			
April 1	Balance b/d			March 31	Balance c/d		
	M1	80,000			M1	80,000	
	M2	80,000			M2	80,000	
	M3	1,60,000	3,20,000		M3	1,60,000	3,20,000
			3,20,000				3,20,000
2008				2008			
April 1	Balance b/d			April 1	Provision for Depreciation A/c		21,000
	M1	80,000		April 1	Bank A/c (<i>Sale of M1</i>)		50,000
	M2	80,000		April 1	Profit and Loss A/c (<i>Loss on Sale of M1</i>)		9,000
	M3	1,60,000	3,20,000	2009			
				March 31	Balance c/d		
					M2	80,000	
					M3	1,60,000	2,40,000
			3,20,000				3,20,000

2009				2010			
April 1	Balance b/d			January 1	Provision for Depreciation A/c	42,000	
	M2	80,000		January 1	Bank A/c (<i>Sale of M2</i>)	40,000	
	M3	1,60,000	2,40,000	March 31	Balance c/d		
2010					M3	1,60,000	
January 1	Profit and Loss A/c (<i>Profit on Sale of M2</i>)		2,000		M4	2,00,000	3,60,000
January 1	Bank A/c (M4)		2,00,000				
			4,42,000				4,42,000

Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2007			2007		
March 31	Provision for Depreciation A/c	36,000	March 31	Profit & Loss A/c	36,000
		36,000			36,000
2008			2008		
March 31	Provision for Depreciation A/c	48,000	March 31	Profit & Loss A/c	48,000

		48,000			48,000
2009			2009		
March31	Provision for Depreciation A/c	36,000	March 31	Profit & Loss A/c	36,000
		36,000			36,000
2010			2010		
March31	Provision for Depreciation A/c	40,500	March 31	Profit & Loss A/c (31,500 + 9,000)	40,500
		40,500			40,500

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2007			2007		
March 31	Balance c/d	36,000	March 31	Depreciation A/c	
				M1 (for 9 months)	9,000
				M2 (for 9 months)	9,000
				M3 (for 9 months)	18,000
					36,000

		36,000				36,000
2008			2007			
March 31	Balance c/d	84,000	April 1	Balance b/d		36,000
			2008			
			March 31	Depreciation A/c		
				M1	12,000	
				M2	12,000	
				M3	24,000	48,000
		84,000				84,000
2008			2008			
April 1	Machinery A/c (9,000 + 12,000)	21,000	April 1	Balance b/d		84,000
2009			2009			
March 31	Balance c/d	99,000	March 31	Depreciation A/c		
				M2	12,000	
				M3	24,000	36,000
		1,20,000				1,20,000
2010			2009			

January 1	Machinery A/c (9,000 +12,000 + 12,000 + 9,000)	42,000	April 1	Balance b/d		99,000
March 31	Balance c/d	97,500	2010			
			January 1	Depreciation A/c (M2)		9,000
			March 31	Depreciation A/c		
				M3	24,000	
				M4 (for 3 months)	7,500	31,500
		1,39,500				1,39,500

Working Notes 1: Evaluate M1 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st July, 2006	80,000
Less: 9 months depreciation	9,000
Value of Machinery on 1st April, 2007	71,000
Less: Depreciation	12,000
Value of Machinery on 1st April, 2008	59,000
Less: Sale Value	50,000
Loss on Sale	9,000

Working Note 2: Calculation of Profit & Loss on Sale of M2

Particulars	₹
Value of Machinery on 1st July, 2006	80,000
<i>Less:</i> 9 months depreciation	9,000
Value of Machinery on 1st April, 2007	71,000
<i>Less:</i> Depreciation	12,000
Value of Machinery on 1st April, 2008	59,000
<i>Less:</i> Depreciation	12,000
Value of Machinery on 1st April, 2009	47,000
<i>Less:</i> 9 months depreciation	9,000
Value of Machinery on 1st January, 2010	38,000
<i>Less:</i> Sale Value	40,000
Profit on Sale	2,000

Note: Machinery bought on 1st July, 2006 is divided into M1, M2 and M3.

M1: ₹ 80,000 (sold for ₹ 50,000 on 1st April, 2008)

M2: ₹ 80,000 (sold for Rs 40,000 on 1st January, 2010)

M3: ₹ 1,60,000 (comprises the cost of two machines)

Question 24

X Ltd. which closes its books of account every year on 31st March, purchased on 1st October, 2011 machinery costing ₹ 4,40,000. It purchased further machinery on 1st April, 2012 costing ₹ 5,20,000. On 30th June, 2013, the first machine was sold for ₹ 2,50,000 and on the same date a fresh machine was installed at a cost of ₹ 3,00,000. On 1st July 2014, the second machine purchased on 1st April 2012 was also sold for ₹ 3,25,000.

June 30	Bank A/c (M3)		3,00,000	2014		
				March 31	Balance c/d	
					M2	5,20,000
					M3	3,00,000
						8,20,000
			12,60,000			12,60,000
2014				2014		
April 1	Balance b/d			July 01	Provision for Depreciation A/c	1,17,000
	M2	5,20,000			Bank A/c (Sale of M2)	3,25,000
	M3	3,00,000	8,20,000		Profit and Loss A/c (Loss on Sale of M2)	78,000
				2015		
				March 31	Balance c/d (M3)	3,00,000
			8,20,000			8,20,000

Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
March	Provision for Depreciation	22,000	March	Profit & Loss A/c	22,000

31	A/c		31		
		22,000			22,000
2013			2013		
March 31	Provision for Depreciation A/c	96,000	March 31	Profit & Loss A/c	96,000
		96,000			96,000
2014			2014		
March 31	Provision for Depreciation A/c	85,500	March 31	Profit & Loss A/c (74,500 + 11,000)	85,500
		85,500			85,500
2015			2015		
March 31	Provision for Depreciation A/c	43,000	March 31	Profit & Loss A/c (30,000 + 13,000)	43,000
		43,000			43,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2012			2012		
March	Balance c/d (M1)	22,000	March	Depreciation A/c (M1)	22,000

31			31	<i>(for 6 months)</i>		
		22,000				22,000
2013			2012			
March 31	Balance c/d	1,18,000	April 1	Balance b/d		22,000
			2013			
			March 31	Depreciation A/c		
				M1	44,000	
				M2	52,000	96,000
		1,18,000				1,18,000
2013			2013			
June 30	Machinery A/c (M1) (22,000 + 44,000 + 11,000)	77,000	April 1	Balance b/d		1,18,000
2014			June 30	Depreciation A/c (M1) <i>(for 3 months)</i>		11,000
March 31	Balance c/d	1,26,500	2014			
			March 31	Depreciation A/c		
				M2	52,000	

				M3 (for 9 months)	22,500	74,500
		2,03,500				2,03,500
2014			2014			
July 01	Machinery A/c (M2) (52,000 + 52,000 + 13,000)	1,17,000	April 1	Balance b/d		1,26,500
2015			July 01	Depreciation A/c (M2) (for 3 months)		13,000
March 31	Balance c/d (M3)	52,500	2015			
			March. 31	Depreciation A/c (M3)		30,000
		1,69,500				1,69,500

Working Notes 1: Evaluate M1 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st October, 2011	4,40,000
Less: 6 months depreciation	22,000
Value of Machinery on 1st April, 2012	4,18,000
Less: Depreciation	44,000
Value of Machinery on 1st April, 2013	3,74,000

Less: 3 months depreciation	11,000
Value of Machinery on 30th June, 2013	3,63,000
Less: Sale Value	2,50,000
Loss on Sale	1,13,000

Working Notes 2: Evaluate M2 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2012	5,20,000
Less: Depreciation	52,000
Value of Machinery on 1st April, 2013	4,68,000
Less: Depreciation	52,000
Value of Machinery on 1st April, 2014	4,16,000
Less: 3 months depreciation	13,000
Value of Machinery on 30th June, 2014	4,03,000
Less: Sale Value	3,25,000
Loss on Sale	78,000

Question 25

A company purchased second-hand machinery on 1st May, 2009 for ₹ 5,85,000 and immediately spent ₹ 15,000 on its erection. On 1st October, 2010, it purchased another machine for ₹ 4,00,000. On 31st July, 2011, it sold off the first machine for ₹ 2,50,000 and bought another for ₹ 4,20,000. On 1st November, 2012, the second machine was also sold off for ₹ 3,00,000. Depreciation was provided on the machinery @ 15% p.a. on Equal Instalment Method.

Show the Machinery Account, Depreciation Account and Provision for Depreciation Account assuming that the books are closed on 31st March every year.

Solution:

Machinery Account						
Dr.				Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2009			2010			
May 1	Bank A/c (M1) (5,58,000 + 15,000)	6,00,000	March 31	Balance c/d		6,00,000
		6,00,000				6,00,000
2010			2011			
April 1	Balance b/d	6,00,000	March 31	Balance c/d		
October 1	Bank A/c (M2)	4,00,000		M1	6,00,000	
				M2	4,00,000	10,00,000
		10,00,000				10,00,000
2011			2011			
April 1	Balance b/d		July 31	Provision for Depreciation A/c		2,02,500
	M1	6,00,000		Bank A/c (<i>Sale of M1</i>)		2,50,000
	M2	4,00,000	10,00,000	Profit and Loss A/c (<i>Loss on Sale of M1</i>)		1,47,500

July 31	Bank A/c (M3)	4,20,000	2012			
				March 31	Balance c/d	
					M2	4,00,000
					M3	4,20,000
						8,20,000
			14,20,000			14,20,000
2012				2012		
April 1	Balance b/d			November 1	Provision for Depreciation A/c	1,25,000
	M2	4,00,000			Bank A/c (Sale of M2)	3,00,000
	M3	4,20,000	8,20,000	2013		
November 1	Profit and Loss A/c (Profit on Sale of M2)	25,000		March 31	Balance c/d (M3)	4,20,000
			8,45,000			8,45,000

Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2010		
March 31	Provision for Depreciation A/c	82,500	March 31	Profit & Loss A/c	82,500

		82,500			82,500
2011			2011		
March31	Provision for Depreciation A/c	1,20,000	March 31	Profit & Loss A/c	1,20,000
		1,20,000			1,20,000
2012			2012		
March 31	Provision for Depreciation A/c	1,32,000	March 31	Profit & Loss A/c (1,02,000 + 30,000)	1,32,000
		1,32,000			1,32,000
2013			2013		
March31	Provision for Depreciation A/c	98,000	March 31	Profit & Loss A/c (63,000 + 35,000)	98,000
		98,000			98,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2010		
March31	Balance c/d	82,500	March 31	Depreciation A/c (M1) (for 11 months)	82,500

		82,500				82,500
2011			2010			
March 31	Balance c/d	2,02,500	April 1	Balance b/d		82,500
			2011			
			March 31	Depreciation A/c		
				M1	90,000	
				M2 (for 6 months)	30,000	1,20,000
		2,02,500				2,02,500
2011			2011			
July 31	Machinery A/c (82,500 + 90,000 + 30,000)	2,02,500	April 1	Balance b/d		2,02,500
2012			July 31	Depreciation A/c (M1) (for 4 months)		30,000
March 31	Balance c/d	1,32,000	2012			
			March 31	Depreciation A/c		
				M2	60,000	
				M3 (for 8 months)	42,000	1,02,000
		3,34,500				3,34,500

2011			2012		
November 1	Machinery A/c (30,000 + 60,000 + 35,000)	1,25,000	April 1	Balance b/d	1,32,000
2013			November 1	Depreciation A/c (M2) (for 7 months)	35,000
March 31	Balance c/d	1,05,000	2013		
			March 31	Depreciation A/c (M3)	63,000
		2,30,000			2,30,000

Working Notes 1: Evaluate M1 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st May, 2009	6,00,000
Less: 11 months depreciation	82,500
Value of Machinery on 1st April, 2010	5,17,500
Less: Depreciation	90,000
Value of Machinery on 1st April, 2011	4,27,500
Less: 4 months depreciation	30,000
Value of Machinery on 31st July, 2011	3,97,500
Less: Sale Value	2,50,000

Loss on Sale	1,47,500
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Working Notes 1: Evaluate M2 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st October, 2010	4,00,000
Less: 6 months depreciation	30,000
Value of Machinery on 1st April, 2011	3,70,000
Less: Depreciation	60,000
Value of Machinery on 1st April, 2012	3,10,000
Less: 7 months depreciation	35,000
Value of Machinery on 1st November, 2012	2,75,000
Less: Sale Value	3,00,000
Profit on Sale	25,000

Question 26

X Ltd. purchased a plant on 1st July, 2010 costing ₹ 5,00,000. It purchased another plant on 1st September, 2010 costing ₹ 3,00,000. On 31st December, 2012, the plant purchased on 1st July, 2010 got out of order and was sold for ₹ 2,15,000. Another plant was purchased to replace the same for ₹ 6,00,000. Depreciation is to be provided at 20% p.a. according to Written Down Value Method. The accounts are closed every year on 31st March.

Show the Plant Account and Provision for Depreciation Account.

Solution:

Plant Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹

2010				2011			
July 1	Bank A/c (P1)	5,00,000		March 31	Balance c/d		
September 1	Bank A/c (P2)	3,00,000			P1	5,00,000	
					P2	3,00,000	8,00,000
		8,00,000					8,00,000
2011				2012			
April 1	Balance b/d			March 31	Balance c/d		
	P1	5,00,000			P1	5,00,000	
	P2	3,00,000	8,00,000		P2	3,00,000	8,00,000
			8,00,000				8,00,000
2012				2012			
April 1	Balance b/d			December 31	Provision for Depreciation A/c		2,11,000
	P1	5,00,000			Bank A/c (Sale of P1)		2,15,000
	P2	3,00,000	8,00,000		Profit and Loss A/c (Loss on Sale of P1)		74,000
December 31	Bank A/c (P3)	6,00,000		2013			
				March 31	Balance c/d		

				P2	3,00,000	
				P3	6,00,000	9,00,000
		14,00,000				14,00,000

Provision for Depreciation Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2011			2011			
March 31	Balance c/d	1,10,000	March 31	Depreciation A/c		
				P1 (for 9 months)	75,000	
				P2 (for 7 months)	35,000	1,10,000
		1,10,000			1,10,000	
2012			2011			
March 31	Balance c/d	2,48,000	April 1	Balance b/d	1,10,000	
			2012			
			March 31	Depreciation A/c		
				P1	85,000	

				P2	53,000	1,38,000
		2,48,000				2,48,000
2012			2012			
December 31	Machinery A/c (75,000 + 85,000 + 66,000)	2,11,000	April 1	Balance b/d		2,48,000
2013			December 31	Depreciation A/c (P1) (for 9 months)		51,000
March 31	Balance c/d	1,60,400	2013			
			March 31	Depreciation A/c		
				P2	42,400	
				P3 (for 3 months)	30,000	72,400
		3,71,400				3,71,400

Working Note: Evaluate P1 Profit & Loss on sale

Particulars	₹
Value of Plant on 1st July, 2010	5,00,000
Less: 9 months depreciation	75,000
Value of Plant on 1st April, 2011	4,25,000
Less: Depreciation	85,000

Value of Plant on 1st April, 2012	3,40,000
Less: 9 months depreciation	51,000
Value of Plant on 31st December, 2012	2,89,000
Less: Sale Value	2,15,000
Loss on Sale	74,000

Question 27

On 1st August, 2010, Hindustan Toys Ltd. purchased a plant for ₹ 12,00,000. The firm writes off depreciation at 10% p.a. on the diminishing balance and the books are closed on 31st March each year. On 1st July, 2012, a part of this plant of which the original cost was ₹ 1,80,000 was sold for ₹ 1,00,000 and on the same date a new plant was purchased for ₹ 4,00,000. Show the Plant Account and Provision for Depreciation Account for three years ending 31st March, 2013.

Solution:

Plant Account							
Dr.				Cr.			
Date	Particulars	Amount ₹		Date	Particulars	Amount ₹	
2010				2011			
August 1	Bank A/c			March 31	Balance c/d		
	P1	1,80,000			P1	1,80,000	
	P2	10,20,000	12,00,000		P2	10,20,000	12,00,000
			12,00,000				12,00,000
2011				2012			
April 1	Balance			March	Balance c/d		

	b/d			31			
	P1	1,80,000			P1	1,80,000	
	P2	10,20,000	12,00,000		P2	10,20,000	12,00,000
			12,00,000				12,00,000
2012				2012			
April 1	Balance b/d			July 01	Provision for Depreciation A/c		32,580
	P1	1,80,000			Bank A/c (Sale of P1)		1,00,000
	P2	10,20,000	12,00,000		Profit and Loss A/c (Loss on Sale of P1)		47,420
July 1	Bank A/c (P3)		4,00,000	2013			
				March 31	Balance c/d		
					P2	10,20,000	
					P3	4,00,000	14,20,000
			16,00,000				16,00,000

Provision for Depreciation Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2011			2011		

March 31	Balance c/d	80,000	March 31	Depreciation A/c		
				P1 (<i>for 8 months</i>)	12,000	
				P2 (<i>for 8 months</i>)	68,000	80,000
		80,000				80,000
2012			2011			
March 31	Balance c/d	1,92,000	April 1	Balance b/d		80,000
			2012			
			March 31	Depreciation A/c		
				P1	16,800	
				P2	95,200	1,12,000
		1,92,000				1,92,000
2012			2012			
July 01	Plant A/c (P1) (12,000 + 16,800 + 3,780)	32,580	April 1	Balance b/d		1,92,000
2013			July 01	Depreciation A/c (P1) (<i>for 3 months</i>)		3,780
March 31	Balance c/d	2,78,880	2013			

			March 31	Depreciation A/c		
				P2	85,680	
				P3 (for 9 months)	30,000	1,15,680
		3,11,460				3,11,460

Working Note: Evaluate P1 profit & loss on Sale

Particulars	₹
Value of Plant on 1st August, 2010	1,80,000
<i>Less: 8 months depreciation</i>	12,000
Value of Plant on 1st April, 2011	1,68,000
<i>Less: Depreciation</i>	16,800
Value of Plant on 1st April, 2012	1,51,200
<i>Less: 3 months depreciation</i>	3,780
Value of Plant on 1st July, 2012	1,47,420
<i>Less: Sale Value</i>	1,00,000
Loss on Sale	47,420

Note: Plant bought on 1st August, 2010 is categorised into P1 and P2.

P1: ₹ 1,80,000 (sold for ₹1,00,000 on 1st July, 2012)

2014				2014		
April 1	Balance b/d			July 1	Provision for Depreciation A/c	84,100
	M1	4,00,000		July 1	Bank A/c (<i>Sale of M1</i>)	3,20,000
	M2	16,00,000	20,00,000	2015		
July 1	Profit and Loss A/c (<i>Profit on Sale of M1</i>)	4,100		March 31	Balance c/d	
November 1	Bank A/c (M3)	4,80,000			M2	16,00,000
					M3	4,80,000
						20,80,000
			24,84,100			24,84,100

Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2013			2013		
March 31	Provision for Depreciation A/c	2,00,000	March 31	Profit and Loss A/c	2,00,000
		2,00,000			2,00,000
2014			2014		
March 31	Provision for Depreciation A/c	1,80,000	March 31	Profit and Loss A/c	1,80,000

		1,80,000			1,80,000
2015			2015		
March 31	Provision for Depreciation A/c	1,57,700	March 31	Profit and Loss A/c (1,47,600 + 8,100)	1,57,700
		1,57,700			1,57,700

Provision for Depreciation Account						
Dr.			Cr.			
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)	
2013			2013			
March 31	Balance c/d	2,00,000	March 31	Depreciation A/c		
				M1	40,000	
				M2	1,60,000	2,00,000
		2,00,000			2,00,000	
2014			2013			
March 31	Balance c/d	3,80,000	April 1	Balance b/d	2,00,000	
			2014			
			March 31	Depreciation A/c		

				M1	36,000	
				M2	1,44,000	1,80,000
		3,80,000				3,80,000
2014			2014			
July 1	Machinery A/c (M1) (40,000 + 36,000 + 8,100)	84,100	April 1	Balance b/d		3,80,000
2015			July 01	Depreciation A/c (M1) (for 3 months)		8,100
March 31	Balance c/d	4,53,600	2015			
			March 31	Depreciation A/c		
				M2	1,29,600	
				M3 (for 5 months)	20,000	1,49,600
		5,37,700				5,37,700

Working Note: Evaluate M1 profit & loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2012	4,00,000
Less: Depreciation	40,000
Value of Machinery on 1st April, 2013	3,60,000

Less: Depreciation	36,000
Value of Machinery on 1st April, 2013	3,24,000
Less: Depreciation for 3 months	8,100
Value of Machinery on 1 July, 2014	3,15,900
Less: Sale Value	3,20,000
Profit on Sale	4,100

Note: Machinery bought on 1st April, 2012 is divided into M1 and M2.

M1: ₹ 4,00,000 (sold for ₹ 3,20,000 on 1st July, 2014)

M2: ₹ 16,00,000

Question 29

Binny Textiles Ltd. which depreciates its machinery at 20% p.a. on diminishing balance method, purchased a machine for ₹ 6,00,000 on 1st October, 2010. It closes its books on 31st March every year. On 1st January, 2012, it purchased another machine for ₹ 1,50,000. On 1st December, 2012, one-third of the machinery purchased on 1st October, 2010 was sold for ₹ 80,000.

You are required to prepare Machinery A/c and Provision for Depreciation A/c for the relevant years

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2011		
October 1	Bank A/c		March 31	Balance c/d	
	M1	2,00,000		M1	2,00,000

	M2	4,00,000	6,00,000		M2	4,00,000	6,00,000
			6,00,000				6,00,000
2011				2012			
April 1	Balance b/d			March 31	Balance c/d		
	M1	2,00,000			M1	2,00,000	
	M2	4,00,000	6,00,000		M2	4,00,000	
2012					M3	1,50,000	7,50,000
December 1	Bank A/c (M3)		1,50,000				
			7,50,000				7,50,000
2012				2012			
April 1	Balance b/d			December 1	Provision for Depreciation A/c		75,200
	M1	2,00,000			Bank A/c (Sale of M1)		80,000
	M2	4,00,000			Profit and Loss A/c (Loss on Sale of M1)		44,800
	M3	1,50,000	7,50,000	2013			
				March 31	Balance c/d		
					M2	4,00,000	
					M3	1,50,000	5,50,000

		7,50,000			7,50,000
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Provision for Depreciation Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2011			2011			
March 31	Balance c/d	60,000	March 31	Depreciation A/c		
				M1 (for 6 months)	20,000	
				M2 (for 6 months)	40,000	60,000
		60,000				60,000
2012			2011			
March 31	Balance c/d	1,75,500	April 1	Balance b/d		60,000
			2012			
			March 31	Depreciation A/c		
				M1	36,000	
				M2	72,000	
				M3 (for 3 months)	7,500	1,15,500

		1,75,500				1,75,500
2012			2012			
December 1	Machinery A/c (M1) (20,000 + 36,000 + 19,200)	75,200	April 1	Balance b/d		1,75,500
2013			December 1	Depreciation A/c (M1) (for 8 months)		19,200
March 31	Balance c/d	2,05,600	2013			
			March 31	Depreciation A/c		
				M2	57,600	
				M3	28,500	86,100
		2,80,800				2,80,800

Working Note: Evaluate M1 profit & loss on sale

Particulars	₹
Value of Machinery on 1st October, 2010	2,00,000
Less: 6 months depreciation	20,000
Value of Machinery on 1st April, 2011	1,80,000
Less: Depreciation	36,000
Value of Machinery on 1st April, 2012	1,44,000

Less: 8 months depreciation	19,200
Value of Machinery on 1st december, 2012	1,24,800
Less: Sale Value	80,000
Loss on Sale	44,800

Note: Machine bought on 1st April, 2012 is divided into M1 and M2.

M1: ₹ 2,00,000 (Sold 1/3rd of machinery, for ₹ 80,000 on 1st December, 2012)

M2: ₹ 4,00,000 (2/3rd of machinery)

Question 30

The following balances appear in the books of Y Ltd:

	₹
Machinery A/c as on 1-4-2014	8,00,000
Provision for Depreciation A/c as on 1-4-2014	3,10,000

On 1-7-2014, a machinery which was purchased on 1-4-2011 for ₹ 1,20,000 was sold for ₹ 50,000 and on the same date another machinery was purchased for ₹ 3,20,000.

The firm has been charging depreciation at 15% p.a. on Original Cost Method and closes its books on 31st March every year. Prepare the Machinery A/c and Provision for Depreciation A/c for the year ending 31st March 2015.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2014			2014		
April 1	Balance b/d (6,80,000 + 1,20,000)	8,00,000	July 01	Provision for Depreciation A/c	58,500

July 1	Bank A/c	3,20,000		Bank A/c (Sale)	50,000
				Profit and Loss A/c (Loss on Sale)	11,500
			2015		
			March 31	Balance c/d	10,00,000
		11,20,000			11,20,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2014			2014		
July 1	Machinery A/c (54,000 + 4,500)	58,500	April 1	Balance b/d	3,10,000
2015			2015		
March 31	Balance c/d	3,94,000	March 31	Depreciation A/c (WN2)	1,42,500
		4,52,500			4,52,500

Working Notes 1: Evaluate Profit & Loss on Sale

Particulars	Amount
Value of Machinery on 1st April, 2011	1,20,000

Less: 3 Years 3 months depreciation	58,500
Value of Machinery 1st July, 2014	61,500
Less: Sale Value	50,000
Loss on Sale	11,500

Working Notes 2: Evaluate depreciation imposed during the year

Particulars	₹
On ₹ 6,80,000 @ 15%	1,02,000
On ₹ 1,20,000 @ 15% for 3 months	4,500
On ₹ 3,20,000 @ 15% for 9 months	36,000
	1,42,500

Question 31

On 1st April, 2010, following balances appeared in the books of M/s Krishna Traders:

	₹
Furniture Account	50,000
Provision for Depreciation on Furniture Account	22,000

On 1st October, 2010 a part of the Furniture purchased for ₹ 20,000 on 1st April, 2006 was sold for ₹ 5,000. On the same date a new furniture costing ₹ 25,000 was purchased.

The depreciation was provided @ 10% p.a. on the 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 31st March, 2011.

Solution:

Furniture Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2010		
April 1	Balance b/d (30,000 + 20,000)	50,000	October 1	Provision for Depreciation A/c	8,000
October 1	Bank A/c	25,000	October 1	Bank A/c (Sale)	5,000
			October 1	Profit and Loss A/c (Loss on Sale)	7,000
			2011		
			March 31	Balance c/d	55,000
		75,000			75,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2010		
October 1	Furniture A/c	8,000	April 1	Balance b/d	22,000
2011			2011		
March 31	Balance c/d	18,250	March 31	Depreciation A/c (WN2)	4,250

		26,250			26,250

Working Notes1: Evaluate Profit & Loss on Sale

Particulars	₹
Value of Furniture on 1st April, 2006	20,000
Less: 4 Years depreciation @ 10%	8,000
Value of Furniture on 1st October, 2010	12,000
Less: Sale Value	5,000
Loss on Sale	7,000

Working Notes 2: Depreciation imposed during the year

Particulars	₹
On Rs 30,000 @ 10%	3,000
On Rs 25,000 @ 10% for 6 months	1,250
	4,250

Question 32

Books of Mumbai Chemicals Ltd. showed the following balances on 1st April 2012:

Machinery A/c	₹ 10,00,000
Provision for Depreciation A/c	₹ 4,05,000

On 1st April, 2012, a machine which had a cost of ₹ 2,00,000 on 1st October, 2009 was sold for ₹ 80,000. The firm writes off depreciation @ 10% p.a. under the Reducing Balance Method and its accounts are made up on 31st March each year. You are required

to prepare the Machinery A/c and Provision for Depreciation A/c for the year ending 31st March, 2013.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
April 1	Balance b/d (8,00,000 + 2,00,000)	10,00,000	April 1	Provision for Depreciation A/c	46,100
				Bank A/c (Sale)	80,000
				Profit and Loss A/c (Loss on Sale)	73,900
			2013		
			March 31	Balance c/d	8,00,000
		10,00,000			10,00,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
April 1	Machinery A/c	46,100	April 1	Balance b/d	4,05,000

2013				M1	46,100	
March 31	Balance c/d	4,03,010		M2	3,28,900	4,05,000
			2013			
			March 31	Depreciation A/c (WN2)		44,110
		4,49,110				4,49,110

Working Notes 1: Evaluate Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st October, 2009	2,00,000
Less: 6 months depreciation	10,000
Value of Machinery on 1st April, 2010	1,90,000
Less: Depreciation	19,000
Value of Machinery on 1st April, 2011	1,71,000
Less: Depreciation	17,100
Value of Machinery on 1st April, 2012	1,53,900
Less: Sale Value	80,000
Loss on Sale	73,900

Working Notes 2: Evaluate depreciation on remaining value of Machinery

Total depreciation on machine sold = 10,000 + 19,000 + 17,1000 = ₹46,100

Accumulated depreciation on remaining machine (₹8,00,000) = 4,05,000 - 46,100 = ₹ 3,58,900

Value of remaining machine on 1st April, 2012 = ₹8,00,000- ₹3,58,900 = ₹4,41,100

DEpriciation on remaining machine on 31st March, 2013 = ₹4.,41,900 X10100 = ₹ 44,110

Question 33

On 1st July, 2010, X Ltd. purchased a machinery for ₹ 15,00,000. Depreciation is provided @ 20% p.a. on the original cost of the machinery and books are closed on 31st March each year. On 31st May, 2012, a part of this machine purchased on 1st July 2010 for ₹ 3,60,000 was sold for ₹ 2,40,000 and on the same date new machinery was purchased for ₹ 4,20,000. You are required to prepare (a) Machinery Account, (b) Provision for Depreciation Account, and (c) Machinery Disposal Account.

Solution:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2010			2011		
July 01	Bank A/c (11,40,000 + 3,60,000)	15,00,000	March 31	Balance c/d	15,00,000
		15,00,000			15,00,000
2011			2012		
April 1	Balance b/d	15,00,000	March 31	Balance c/d	15,00,000
		15,00,000			15,00,000
2012			2012		
April 1	Balance b/d	15,00,000	May 31	Machinery Disposal A/c	3,60,000
May	Bank A/c	4,20,000	2013		

31					
			March 31	Balance c/d	15,60,000
		19,20,000			19,20,000

Machinery Disposal A/c					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
May 31	Machinery A/c	3,60,000	May 31	Provision for Depreciation A/c	1,38,000
May 31	Profit and Loss A/c (Profit on Sale)	18,000		Bank A/c (Sale)	2,40,000
		3,78,000			3,78,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2011			2011		
March 31	Balance c/d	2,25,000	March 31	Balance b/d (for 9 months)	2,25,000

		2,25,000			2,25,000
2012			2011		
March 31	Balance c/d	5,25,000	April 1	Balance b/d	2,25,000
			2012		
			March 31	Depreciation A/c	3,00,000
		5,25,000			5,25,000
2012			2012		
May 31	Machine Disposal A/c (54,000 + 72,000 + 12,000)	1,38,000	April 1	Balance b/d	5,25,000
2013			May 31	Depreciation (for 2 months)	12,000
March 31	Balance c/d	6,97,000	2013		
			March 31	Depreciation A/c (WN2)	2,98,000
		8,35,000			8,35,000

Working Notes 1: Evaluate of Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st July, 2010	3,60,000
Less: 9 months depreciation	54,000

Value of Machinery on 1st April, 2011	3,06,000
Less: Depreciation	72,000
Value of Machinery on 1st April, 2012	2,34,000
Less: 2 months depreciation	12,000
Value of Machinery on 31st May, 2012	2,22,000
Less: Sale Value	2,40,000
Profit on Sale	18,000

Working Notes 2: Evaluate Depreciation imposed during the year

Particulars	₹
On ₹ 11,40,000 @ 20%	2,28,000
On ₹ 4,20,000 @ 20% for 10 months	70,000
	2,98,000

Question 34

ABC Ltd. purchased on 1st April 2006 a small plant for ₹ 1,00,000. On 1st October 2006 an additional plant was purchased costing ₹ 50,000. On 1st October 2007 the plant purchased on 1st April 2006, having become obsolete, was sold for ₹ 40,000.

Depreciation is provided @10% p.a. on original cost on 31st March every year. Show the plant A/c, Provision for Depreciation A/c and Plant Disposal A/c for the Years 2006-07 and 2007-08.

Solution :

Plant Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹

2006			2007		
April 1	Bank A/c	1,00,000	Mar. 31	Balance c/d	1,50,000
October 1	Bank A/c	50,000			
		1,50,000			1,50,000
2007			2007		
April 1	Balance b/d	1,50,000	October 1	Plant Disposal A/c	1,00,000
			2008		
			March 31	Balance c/d	50,000
		1,50,000			1,50,000

Plant Disposal A/c					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2007			2007		
October 1	Plant A/c	1,00,000	October 1	Provision for Depreciation A/c	15,000
				Bank A/c (<i>Sale</i>)	40,000
				Profit and Loss A/c (<i>Loss on Sale</i>)	45,000

		1,00,000			1,00,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amoun ₹	Date	Particulars	Amoun ₹
2007			2007		
March 31	Balance c/d	12,500	March 31	Balance b/d	12,500
		12,500			12,500
2007			2007		
October 1	Plant Disposal A/c (10,000+5,000)	15,000	April 1	Balance b/d	12,500
2008			October 1	Depreciation A/c	5,000
March 31	Balance c/d	7,500	2008		
			March 31	Depreciation A/c (WN2)	5,000
		22,500			22,500

Working Notes 1: Evaluate Profit & Loss on Sale

Particulars	₹

Value of Machinery on 1st April, 2006	1,00,000
Less: Depreciation	10,000
Value of Machinery on 1st April, 2007	90,000
Less: Depreciation for 6 months	5,000
Value of Machinery on 1st October, 2007	85,000
Less: Sale Value	40,000
Loss on Sale	45,000

Working Note 2: Evaluate depreciation imposed during the year

Depreciation on machine bought on 1st October, 2006 = $50,000 \times 10/100 = ₹ 5,000$

Question 35

On 1st September 2011, Gopal Ltd. purchased a plant for ₹ 10,20,000. On 1st July 2012 another plant was purchased for ₹ 6,00,000. The firm writes off depreciation @ 10% p.a. on original cost and its accounts are closed every year on 31st March. On 1st October 2014, a part of the second plant purchased on 1st July 2012 for ₹ 1,80,000 was sold for ₹ 1,10,000. On 1st December 2014, another plant was purchased for ₹ 3,00,000.

Prepare Plant Account, Provision for Depreciation Account and Plant Disposal Account.

Solution:

Plant Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2011			2012		
September 1	Bank A/c (P1)	10,20,000	March 31	Balance c/d	10,20,000
		10,20,000			10,20,000

2012				2013			
April 1	Balance b/d		10,20,000	March 31	Balance c/d		
July 1	Bank A/c				P 1	10,20,000	
	P2	1,80,000			P 2	1,80,000	
	P3	4,20,000	6,00,000		P 3	4,20,000	16,20,000
			16,20,000				16,20,000
2013				2014			
April 1	Balance b/d			March 31	Balance c/d		16,20,000
	P 1	10,20,000			P 1	10,20,000	
	P 2	1,80,000			P 2	1,80,000	
	P 3	4,20,000	16,20,000		P 3	4,20,000	16,20,000
			16,20,000				16,20,000
2014				2014			
April 1	Balance b/d			October 1	Plant Disposal A/c (P2)		1,80,000
	P 1	10,20,000		2015			
	P 2	1,80,000		March 31	Balance c/d		
	P 3	4,20,000	16,20,000		P 1	10,20,000	

December 1	Bank A/c (M4)	3,00,000		P 3	4,20,000	
				P 4	3,00,000	17,40,000
		19,20,000				19,20,000

Plant Disposal A/c					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2014			2014		
October 1	Plant A/c	1,80,000	October 1	Provision for Depreciation A/c	40,500
				Bank A/c (Sale of P2)	1,10,000
				Profit and Loss A/c (Loss on Sale of P2)	29,500
		1,80,000			1,80,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
March 31	Balance c/d	59,500	March 31	Depreciation A/c (for 7 months)	59,500

		59,500				59,500
2013			2012			
March 31	Balance c/d	2,06,500	April 1	Balance b/d		59,500
			2013			
			March 31	Depreciation A/c		
				P1	1,02,000	
				P2 (for 9 months)	13,500	
				P3 (for 9 months)	31,500	1,47,000
		2,06,500				2,06,500
2014			2013			
March 31	Balance c/d	3,68,500	April 1	Balance b/d		2,06,500
			2014			
			March 31	Depreciation A/c		
				P1	1,02,000	
				P2	18,000	
				P3	42,000	1,62,000

		3,68,500			3,68,500
2014			2014		
October 1	Plant Disposal A/c (P2) (13,500 + 18,000 + 9,000)	40,500	April 1	Balance b/d	3,68,500
2015			October 1	Depreciation A/c (P2) (for 6 months)	9,000
March 31	Balance c/d	4,91,000	2015		
			March 31	Depreciation A/c	
				P1	1,02,000
				P3	42,000
				P4 (for 4 months)	10,000
					1,54,000
		5,31,500			5,31,500

Working Note: Evaluate P2 Profit & Loss on Sale

Particulars	₹
Value of Plant on 1st July, 2012	1,80,000
Less: 9 months depreciation @ 10%	13,500
Value of Plant on 1st April, 2013	1,66,500
Less: Depreciation @ 10%	18,000
Value of Plant on 1st April, 2014	1,48,500

Less: 6 months depreciation @ 10%	9,000
Value of Plant on 1st October, 2014	1,39,500
Less: Sale Value	1,10,000
Loss on Sale	29,500

Note: Plant bought on 1st July, 2012 is divided into P2 and P3.

P2: ₹ 1,80,000 (sold for ₹ 1,10,000 on 1st October, 2014)

P3: ₹ 4,20,000

Question 36

On 1st June, 2010, Kedarnath Ltd. purchased a machinery for ₹ 27,00,000. Depreciation is provided @ 10% p.a. on diminishing balance method and the books are closed on 31st March each year. On 1st October, 2012, a part of the machinery purchased on 1st June, 2010 for ₹ 6,00,000 was sold for ₹ 3,50,000 and on the same date another machinery was purchased for ₹ 8,00,000. You are required to show (i) Machinery A/c, (ii) Provision for Dep. A/c, and (iii) Machinery Disposal A/c.

Solution :

Machinery Account							
Dr.				Cr.			
Date	Particulars		Amount ₹	Date	Particulars		Amount ₹
2010				2011			
June 1	Bank A/c			March 31	Balance c/d		
	M1	6,00,000			M1	6,00,000	
	M2	21,00,000	27,00,000		M2	21,00,000	27,00,000
			27,00,000				27,00,000

2011				2012			
April 1	Balance b/d			March 31	Balance c/d		
	M1	6,00,000			M1	6,00,000	
	M2	21,00,000	27,00,000		M2	21,00,000	27,00,000
			27,00,000				27,00,000
2012				2012			
March 31	Balance b/d			October 1	Machinery Disposal A/c (M1)		6,00,000
	M1	6,00,000		2013			
	M2	21,00,000	27,00,000	March 31	Balance c/d		
October 1	Bank A/c (M3)		8,00,000		M2	21,00,000	
					M3	8,00,000	29,00,000
			35,00,000				35,00,000

Machinery Disposal A/c					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		

October 1	Machinery A/c	6,00,000	October 1	Provision for Depreciation A/c	1,29,750
				Bank A/c (<i>Sale of M1</i>)	3,50,000
				Profit and Loss A/c (<i>Loss on Sale of M1</i>)	1,20,250
		6,00,000			6,00,000

Provision for Depreciation Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2011			2011			
March 31	Balance c/d	2,25,000	March 31	Balance b/d		
				M1 (<i>for 10 months</i>)	50,000	
				M2 (<i>for 10 months</i>)	1,75,000	2,25,000
		2,25,000				2,25,000
2012			2011			
March 31	Balance c/d	4,72,500	April 1	Balance b/d		2,25,000
			2012			

			March 31	Depreciation A/c		
				M1	55,000	
				M2	1,92,500	2,47,500
		4,72,500				4,72,500
2012			2012			
October1	Machine Disposal A/c (M1) (50,000 + 55,000 + 24,750)	1,29,750	April1	Balance b/d		4,72,500
2013			October1	Depreciation (M1)		24,750
March 31	Balance c/d	5,80,750	2013			
			March 31	Depreciation A/c (M1) (for 6 months)		
				M2	1,73,250	
				M3 (for 6 months)	40,000	2,13,250
		7,10,500				7,10,500

Working Note: Evaluate M1 Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st June, 2010	6,00,000
Less: 10 months depreciation @ 10%	50,000
Value of Machinery on 1st April, 2011	5,50,000

Less: Depreciation @ 10%	55,000
Value of Machinery on 1st April, 2012	4,95,000
Less: 6 months depreciation @ 10%	24,750
Value of Machinery on 1st October, 2012	4,70,250
Less: Sale Value	3,50,000
Loss on Sale	1,20,250

Note: Machinery bought on 1st June, 2010 is divided into M1 and M2.

M1: ₹ 6,00,000 (sold for ₹ 3,50,000 on 1st October, 2012)

M2: ₹ 21,00,000

Question 37

On 1st Jan. 2012, Panjim Dryfruits Ltd. bought a plant for ₹ 15,00,000. The company writes off depreciation @ 20% p.a. on Written Down Value Method and closes its books on 31st March every year. On 1st Oct. 2014, a part of the plant purchased on 1st Jan. 2012 for ₹ 3,00,000 was sold for ₹ 1,75,000. On 1st Jan. 2015 a fresh plant was purchased for ₹ 5,00,000. Prepare Plant A/c, Provision for Dep. A/c and Plant Disposal A/c.

Solution:

Plant Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
January 1	Bank A/c		March 31	Balance c/d	
	P1	3,00,000		P1	3,00,000

	P2	12,00,000	15,00,000		P2	12,00,000	15,00,000
			15,00,000				15,00,000
2012				2013			
April 1	Balance b/d			March 31	Balance c/d		
	P1	3,00,000			P1	3,00,000	
	P2	12,00,000	15,00,000		P2	12,00,000	15,00,000
			15,00,000				15,00,000
2013				2014			
April 1	Balance b/d			March 31	Balance c/d		
	P1	3,00,000			P1	3,00,000	
	P2	12,00,000	15,00,000		P2	12,00,000	15,00,000
			15,00,000				15,00,000
2014				2014			
April 1	Balance b/d			October 1	Plant Disposal A/c (P1)		3,00,000
	P1	3,00,000		2015			
	P2	12,00,000	15,00,000	March 31	Balance c/d		
2015					P2	12,00,000	

January 1	Bank A/c (P3)	5,00,000		P3	5,00,000	17,00,000
		20,00,000				20,00,000

Plant Disposal A/c					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2014			2014		
October 1	Plant A/c	3,00,000	October 1	Provision for Depreciation A/c	1,35,840
	Profit and Loss A/c (Profit on Sale of P1)	10,840		Bank A/c (Sale of P1)	1,75,000
		3,10,840			3,10,840

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
March 31	Balance c/d	75,000	March 31	Depreciation A/c	
				P1 (for 3 months)	15,000

				P2 (<i>for 3 months</i>)	60,000
		75,000			
2013			2012		
March31	Balance c/d	3,60,000	April 1	Balance b/d	
			2013		
			March 31	Depreciation A/c	
				P1	57,000
				P2	2,28,000
		3,60,000			
2014			2013		
March31	Balance c/d	5,88,000	April 1	Balance b/d	
			2014		
			March 31	Depreciation A/c	
				P1	45,600
				P2	1,82,400
		5,88,000			
2014			2014		
October	Plant Disposal A/c (P1)	1,35,840	April 1	Balance b/d	

1	(15,000+57,000+45,600+18,240)				
2015			October 1	Depreciation A/c (M1) (for 6 months)	
March 31	Balance c/d	6,41,320	2015		
			March 31	Depreciation A/c	
				21	1,45,920
				P 3 (for 3 months)	25,000
		7,77,160			

Working Notes: Evaluate P1 Profit & Loss on Sale

Particulars	₹
Value of Plant on 1st January, 2012	3,00,000
Less: 3 months depreciation	15,000
Value of Plant on 1st April, 2012	2,85,000
Less: Depreciation	57,000
Value of Plant on 1st April, 2013	2,28,000
Less: Depreciation	45,600
Value of Plant on 1st April, 2014	1,82,400
Less: 3 months depreciation	18,240
Value of Plant on 1st October, 2014	1,64,160

Less: Sale Value	1,75,000
Profit on Sale	10,840

Note: Plant bought on 1st January, 2012 is divided into P1 and P2.

P1: ₹ 3,00,000 (sold for ₹ 1,75,000 on 1st October, 2014)

P2: ₹ 12,00,000

Question 38

The following balances appear in the books of M/s Amrit:

		₹
1st April, 2004	Machinery A/c	60,000
1st April, 2004	Provision for depreciation A/c	36,000

On 1st April, 2004, they decided to dispose off a machinery for ₹ 8,400 which was purchased on 1st April, 2000 for ₹ 16,000.

You are required to prepare Machinery A/c, Provision for Depreciation A/c and Machinery Disposal A/c for 2004-05. Depreciation was charged at 10% p.a on original cost method.

Answer:

Machinery Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2004			2004		
April 1	Balance b/d	60,000	April 1	Machinery Disposal A/c	16,000
			2005		
			March 31	Balance c/d	44,000

		60,000			60,000

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2004			2004		
April 1	Machinery Disposal A/c (1,600 × 4)	6,400	April 1	Balance b/d	36,000
2005			2005		
March 31	Balance c/d	34,000	March 31	Depreciation A/c (WN2)	4,400
		40,400			40,400

Machinery Disposal Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2004			2004		
April 1	Machinery A/c	16,000	April 1	Provision for Depreciation A/c	6,400

			April 1	Bank A/c (Sale)	8,400
			April 1	Profit and Loss A/c (Loss on Sale)	1,200
		16,000			16,000

Working Notes 1: Evaluate Profit & Loss on Sale

Particulars	₹
Value of Furniture on 1st April, 2004	16,000
Less: 4 years depreciation @ 10% p.a.	6,400
Value of Furniture on 1st April, 2004	9,600
Less: Sale Value	8,400
Loss on Sale	1,200

Working Notes 2: Evaluate depreciation on remaining value of Machinery

Depreciation on remaining machine on 31st March, 2005 = $44,000 \times 10/100 = ₹4,400$

Question 39

On 1.10.2008, X Ltd. purchased a machinery for ₹ 2,50,000. A part of machinery which was purchased for ₹ 20,000 on 1.10.2008 became obsolete and was disposed off on 1.1.2011 (having a book value of ₹ 17,100 on 1.4.2010) for ₹ 2,000.

Depreciation is charged @10% annually on written down value. Prepare machinery disposal account and also show your workings. The books being closed on 31st March of every year.

Solution:

Machinery Disposal Account					
Dr.			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount

		₹			₹
2011			2011		
January1	Machinery A/c	15,817	January1	Provision for Depreciation A/c (1,000 + 1,900 + 1,283)	4,183
			January1	Bank A/c (<i>Sale</i>)	2,000
				Profit and Loss A/c (<i>Loss on Sale</i>)	13,817
		15,817			15,817

Working Note: Evaluate Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st October, 2008	20,000
<i>Less:</i> 6 months depreciation	1,000
Value of Machinery on 1st April, 2009	19,000
<i>Less:</i> Depreciation	1,900
Value of Machinery on 1st April, 2010	17,100
<i>Less:</i> 9 months depreciation	1,283
Value of Machinery on 1st January, 2011	15,817
<i>Less:</i> Sale Value	2,000
Loss on Sale	13,817

Question 40

A limited company purchased on 01-01-2009 a plant for ₹ 38,000 and spent ₹ 2,000 for carriage and brokerage. On 01-04-2010 it purchased additional plant costing ₹ 20,000. On 01-08-2011 the plant purchased on 01-04-2009 was sold for ₹ 25,000. On the same date, the plant purchased on 01-04-2010 was sold at a profit of ₹ 2,800. Depreciation is provided @10% per annum on diminishing balance method every year. Accounts are closed on 31st December every year. Show the plant A/c for 3 years.

Solution:

Plant Account						
Dr.			Cr.			
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2009			2009			
January 1	Bank A/c (P1) (38,000 + 2,000)	40,000	December 31	Depreciation A/c	4,000	
				Balance c/d	36,000	
		40,000			40,000	
2010			2010			
January 1	Balance b/d	36,000	December 31	Depreciation A/c		
April 1	Bank A/c (P2)	20,000		P1	3,600	
				P2 (for 9 months)	1,500	5,100
			December 31	Balance c/d		
				P1	32,400	
				P2	18,500	50,900

			56,000			56,000
2011				2011		
January 1	Balance b/d			August 1	Depreciation A/c (P1)	1,890
	P1	32,400			Bank A/c (<i>Sale of P1</i>)	25,000
	P2	18,500	50,900		Profit and Loss A/c (<i>Loss on Sale of P1</i>)	5,510
August 1	Profit and Loss A/c (<i>Profit on Sale of P2</i>)		2,800	August 1	Depreciation A/c (P2)	1,080
					Bank A/c (<i>Sale of P2</i>)	20,220
			53,700			53,700

Working Notes 1: Evaluate P1 Profit & Loss on Sale

Particulars	₹
Value of Plant on 1st April, 2011	32,400
<i>Less: 7 months depreciation</i>	1,890
Value of Plant on 1st August, 2011	30,510
<i>Less: Sale Value</i>	25,000
Loss on Sale	5,510

Working Note 2: Evaluate P2 Sale Price

Particulars	₹
Value of Plant on 1st April, 2011	18,500

					M2	34,000	68,000
			80,000				80,000
2009				2010			
April 1	Balance b/d			March 31	Depreciation A/c		
	M1	34,000			M1	5,100	
	M2	34,000	68,000		M2	5,100	
July 1	Bank A/c (M3)	30,000			M3 (for 9 months)	3,375	
October 1	Bank A/c (M4)	20,000			M4 (for 6 months)	1,500	15,075
				March 31	Balance c/d		
					M1	28,900	
					M2	28,900	
					M3	26,625	
					M4	18,500	1,02,925
			1,18,000				1,18,000
2010				2010			
April 1	Balance b/d			April 1	Bank A/c (Sale of M1)		21,000
	M1	28,900			Profit and Loss A/c (Loss on Sale of M1)		7,900

	M2	28,900		2011			
	M3	26,625		March 31	Depreciation A/c		
	M4	18,500	1,02,925		M2	4,335	
					M3	3,994	
					M4	2,775	11,104
				March 31	Balance c/d		
					M2	24,565	
					M3	22,631	
					M4	15,725	62,921
			1,02,925				1,02,925

Working Notes: Evaluate M1 Profit & Loss on Sale

Particulars	₹
Value of Machinery on 1st April, 2010	28,900
Less: Sale Value	21,000
Loss on Sale	7,900

Question 42

A Limited purchased a machine on 1st July 2011 for ₹ 3,00,000 and on 1st January 2013 bought another machinery for ₹ 2,00,000. On 1st August 2013 machine bought in 2011 was sold for ₹ 1,60,000. Another machine was bought for ₹ 1,50,000 on 1st October 2013. It was decided to provide depreciation @ 10% p.a. on written down value method assuming books are closed on 31st March each year. Prepare Machinery Account and Provision for depreciation account for 3 years.

Solution:

Machinery Account						
Dr.				Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹	
2011			2012			
July 1	Bank A/c (M1)	3,00,000	March 31	Balance c/d	3,00,000	
		3,00,000			3,00,000	
2012			2013			
April 1	Balance b/d	3,00,000	March 31	Balance c/d		
2013				M1	3,00,000	
January 1	Bank A/c (M2)	2,00,000		M2	2,00,000	
		5,00,000			5,00,000	
2013			2013			
Apr. 01	Balance b/d	5,00,000	August 1	Provision for Depreciation A/c (on M1 for 4 months)	58,575	
	M1	3,00,000		Bank A/c (Sale of M1)	1,60,000	
	M2	2,00,000		Profit and Loss A/c (Loss on Sale)	81,425	

			2014			
October 1	Bank A/c (M3)	1,50,000	March 31	Balance c/d		
				M2	2,00,000	
				M3	1,50,000	3,50,000
		6,50,000				6,50,000

Working Notes: Evaluate Profit or Loss on Sale

Particulars	₹
Value of M1 as on 1st July, 2011	3,00,000
Less: Depreciation	58,575
Value of M1 as on 1st August, 2013	2,41,425
Less: Sale Value	1,60,000
Loss on Sale	81,425

Provision for Depreciation Account					
Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012			2012		
March 31	Balance c/d	22,500	March 31	Depreciation A/c	22,500
		22,500			22,500

2013			2012		
March 31	Balance c/d		April 1	Balance b/d	22,500
	M1	50,250	2013		
	M2	5,000	March 31	Depreciation A/c	
				M1	27,750
				M2	5,000
		55,250			32,750
					55,250
2013			2013		
August 1	Machinery A/c	58,575	April 1	Balance b/d	
2014				M1	50,250
March 31	Balance c/d			M2	5,000
	M2	24,500	August 1	Depreciation A/c (M1)	8,325
	M3	7,500	2014		
		32,000	March 31	Depreciation A/c	
				M2	19,500
				M3	7,500
		90,575			90,575