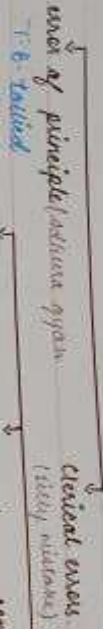


Rectification of error

→ Do correct the error/mistake done while recording/posting

Types of error:



(1) Uses of principle/adjustment

- eg. Purchase note for 9999
- Sold stock of 5000 credited to stock A/c
- Paid salary to Kumar 10000 debited to Kumar A/c

(2) Clerical errors: (wrong entries)

- Types of omission:
 - (a) Complete omission
 - (b) Partial omission
- Uses of commission:

Compensating error: If the effect of error permitted correct out there. May not called compensating error

eg. Salary is total 7500 is entered. Salary is entered by 500

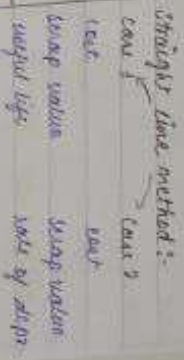
- Rectification can be done at any of the 3 stages:
 - before trial balance
 - After trial balance types great A/c
 - after final A/c or next year
- It is in the absence of any information. Error is considered

Salary	5000 (credit)
Salts	500 (debit)
To Salary	To Salts

Depreciation

→ Allocation of cost to fall in the value of tangible fixed assets.

- formula, written, machine etc.
- fall in the value of tangible asset's investigation
- fall in the value of tangible asset's Depreciation
- Evidence for depreciation:
 - wear and tear
 - with the passage of time
 - Obsolescence (replaced by new)
 - Residual (market value of asset)



* **Cost** / **Residual cost**: per price at all stages exp

* **Scrap value**: It is the estimated amount that will be realized from the sale of asset at the end of its useful life.

* **Useful life**: It is the duration for which we will be possible to use the assets.

CASE 1: $\text{Depreciation} = \frac{\text{Original cost} - \text{Scrap value}}{\text{Useful life}}$

CASE 2: $\text{Depreciation} = \frac{\text{Original cost} - \text{Scrap value}}{\text{Useful life}} \times \text{years}$

→ Provision for depreciation + asset adjustment:

Dr	Particulars	amt	Cr	Particulars	amt
Dr	1st deb	20	Cr	By bal b/d	20
	20	xxx		By 2005	xxx
	20	xxx		By 2011	xxx
	20	xxx		By bal c/d	xxx

Provision for depr. A/c

Date	Particulars	amt	Date	Particulars	amt
003	To machine/ Asset	xxx	1st date	By bal bld	xxx
last date	To bal bld	xxx	last date	By depr. (C.Y.)	xxx

→ PRODUCTION METHOD. (unit base method)

Step 1:- cal. depr. value

$$\text{(original cost - scrap value)}$$

Step 2:- find the total unit that machinery can produce in its entire life.

Step 3:- Depr. for the year.

$$= \frac{\text{depr. value}}{\text{total units produced that year}} \times \text{No. of the units}$$