6 CHAPTER — DEPRECIATION AND AMORTISATION

Q.1 Jain Bros. acquired a machine on 1st July, 2021 at a cost of ₹ 14,00,000 and spent ₹ 1,00,000 on its installation. The firm writes off depreciation at 10% p.a. every year. The books are closed on 31st December every year.

Required

Show the Machinery Account on diminishing balance method for the year 2021 and 2022.

Ans As per Reducing Balance Method

Machinery Account

Date	Particulars	₹	Date	Particulars	₹
2021			2021		
July 1	To Bank A/c	14,00,000	Dec. 31	By Depreciation A/c (₹ 15,00,000 x 10% x 6/12) for 6 months	75,000
July 1	To Bank A/c -	1,00,000			
			Dec. 31	By Balance c/d	14,25,000
		15,00,000			15,00,000
2022			2022		
Jan. 1	To Balance b/d	14,25,000	Dec. 31	By Depreciation A/c (₹ 14,25,000 x 10%)	1,42,500
			Dec. 31	By Balance c/d	12,82,500
		14,25,000			14,25,000

Q.2 M/s Akash & Co. purchased a machine for ₹ 10,00,000. Estimated useful life and scrap value were 10 years and ₹ 1,20,000 respectively. The machine was put to use on 1.1.2017.

Required

Show Machinery Account and Depreciation Account in their books for 2022 by using sum of years digits method.

Ans

In the books of M/s Raj & Co.

Machinery Account

Date	Particulars	₹	Date	Particulars	₹
2022			2022		
Jan. 1	To Balance b/d (w.n.2)	3,60,000	Dec. 31	By Depreciation A/c (w.n.3)	80,000
			Dec. 31	By Balance c/d	2,80,000
		3,60,000			3,60,000
2023					
Jan.1	To Balance b/d	2,80,000			

Depreciation Account

		₹			₹

2022 Dec. 31	To Machinery A/c	80,000	2022 Dec. 31	By Profit and Loss A/c	80,000
		80,000			80,000

Working Notes:

Total of sum of digit of depreciation for 2017-21

$$= (₹\,10,00,000 - ₹\,1,20,000) \times \frac{10-9+8+7+6}{10\frac{(10+1)}{2}} = ₹\,8,80,000 \times \frac{40}{55} = ₹\,6,40,000$$

Written down value as on 1-1-2022

₹ 10,00,000 – ₹ 6,40,000 = ₹ 3,60,000

Depreciation for 2022

$$(₹\,10,00,000 - ₹\,1,20,000) \times \frac{5}{55} = ₹\,80,000.$$

Q.3 **A machine was purchased for ₹ 30,00,000 having an estimated total working of 24,000 hours. The scrap value is expected to be ₹ 2,00,000 and anticipated pattern of distribution of effective hours is as follows :**

Year

1 – 3 3,000 hours per year

4 - 6 2,600 hours per year

7 - 10 1,800 hours per year

Required

Determine Annual Depreciation under Machine Hour Rate Method.

Ans

Statement of Annual Depreciation under Machine Hours Rate Method

Year	**Annual Depreciation**
1 - 3	$\frac{3,000}{24,000}$ × (₹ 30,00,000 - ₹ 2,00,000) = ₹ 3,50,000
4 - 6	$\frac{2,600}{24,000}$ × (₹ 30,00,000 - ₹ 2,00,000) = ₹ 3,03,333
7 - 10	$\frac{1,800}{24,000}$ × (₹ 30,00,000 - ₹ 2,00,000) = ₹ 2,10,000

Q.4 **A machine is purchased for ₹ 20,00,000. Its estimated useful life is 10 years with a residual value of ₹ 2,00,000. The machine is expected to produce 1.5 lakh units during its life time. Expected distribution pattern of production is as follows:**

Year Production

1-3 20,000 units per year

4-7 15,000 units per year

8-10 10,000 units per year

Required

Determine the value of depreciation for each year using production units method.

Ans Statement showing Depreciation under Production Units Method

Year	Annual Depreciation
1-3	$\frac{20,000}{1,50,000}$ × (₹20,00,000 - ₹2,00,000) = ₹2,40,000
4-7	$\frac{15,000}{1,50,000}$ × (₹20,00,000 - ₹2,00,000) = ₹1,80,000
8-10	$\frac{10,000}{1,50,000}$ × (₹20,00,000 - ₹2,00,000) = ₹1,20,000

Q.5 M/s Surya & Co. took lease of a quarry on 1-1-2019 for ₹ 1,00,00,000. As per technical estimate the total quantity of mineral deposit is 2,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

Year Quantity of Mineral extracted

2019 2,000 tonnes

2020 10,000 tonnes

2021 15,000 tonnes

Required

Show the Quarry Lease Account and Depreciation Account for each year from 2019 to 2021.

Ans Quarry Lease Account

		₹			₹
2019			2019		
Jan.	To Bank A/c	1,00,00,000	Dec. 31	By Depreciation A/c [(2,000/2,00,000)×₹1,00,00,000]	1,00,000
			Dec. 31	By Balance c/d	99,00,000
		1,00,00,000			1,00,00,000
2020			2020		
Jan. 1	To Balance b/d	99,00,000	Dec. 31	By Depreciation A/c	5,00,000
			Dec. 31	By Balance c/d	94,00,000
		99,00,000			99,00,000
2021			2021		
Jan. 1	To Balance b/d	94,00,000	Dec. 31	By Depreciation A/c	7,50,000
			Dec. 31	By Balance c/d	86,50,000
		94,00,000			94,00,000

Depreciation Account

		₹			₹
2019			2019		
Dec. 31	To Quarry lease A/c	1,00,000	Dec. 31	By Profit & Loss A/c	1,00,000

		1,00,000			1,00,000
2020 Dec. 31	To Quarry lease A/c	5,00,000	2020 Dec. 31	By Profit & Loss A/c	5,00,000
		5,00,000			5,00,000
2021 Dec. 31	To Quarry lease A/c	7,50,000	2021 Dec. 31	By Profit & Loss A/c	7,50,000
		7,50,000			7,50,000

Q.6 **A firm purchased on 1st January, 2020 certain machinery for ₹ 5,82,000 and spent ₹ 18,000 on its erection. On July 1, 2020 another machinery for ₹ 2,00,000 was acquired. On 1st July, 2021 the machinery purchased on 1st January, 2020 having become obsolete was auctioned for ₹ 3,86,000 and on the same date fresh machinery was purchased at a cost of ₹ 4,00,000. Depreciation was provided for annually on 31st December at the rate of 10 per cent p.a. on written down value.**

Required

Prepare machinery account.

Ans

Machinery Account

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
2020			2020		
Jan. 1	To Bank A/c	5,82,000	Dec. 31	By Depreciation A/c	70,000
Jan. 1	To Bank A/c – erection charges	18,000		By Balance c/d	7,30,000
July 1	To Bank A/c	2,00,000			
		8,00,000			8,00,000
2021			2021		
Jan. 1	To Balance b/d	7,30,000	July 1	By Depreciation on sold machine	27,000
July 1	To Bank A/c	4,00,000		By Bank A/c	3,86,000
				By Profit and Loss A/c	1,27,000
			Dec. 31	By Depreciation A/c	39,000
				By Balance c/d	5,51,000
		11,30,000			11,30,000

Working Note:

Book Value of Machines

	Machine I ₹	**Machine II ₹**	**Machine III ₹**
Cost	6,00,000	2,00,000	4,00,000
Depreciation for 2020	(60,000)	(10,000)	
Written down value	5,40,000	1,90,000	
Depreciation for 2021	(27,000)	(19,000)	(20,000)
Written down value	5,13,000	1,71,000	3,80,000
Sale Proceeds	(3,86,000)		
Loss on Sale	1,27,000		

Q.7 **On April 1, 2019 Shubra Ltd. purchased a machinery for ₹ 12,00,000. On Oct 1, 2021, a part of the machinery purchased on April 1, 2019 for ₹ 80,000 was sold for ₹ 45,000 and a new machinery at a cost of ₹ 1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the written down value of the machinery.**

Required : Show the necessary ledger accounts for the years ended 31st March, 2020 to 2022 assuming that (a) 'Provision for Depreciation Account' is not maintained (b) Provision for Depreciation Account is maintained.

Ans

(a) When 'Provision for Depreciation Account' is not maintained.

Dr. **Machinery Account** Cr.

Date	Particulars	₹	Date	Particulars	₹
01.04.2019	To Bank A/c	12,00,000	31.03.2020	By Depreciation A/c	1,20,000
				By Balance c/d	10,80,000
		12,00,000			12,00,000
01.04.2020	To Balance b/d	10,80,000	31.03.2021	By Depreciation A/c	1,08,000
				By Balance c/d	9,72,000
		10,80,000			10,80,000
01.04.2021	To Balance b/d	9,72,000	01.10.2021	By bank A/c	45,000
01.10.2021	To Bank A/c	1,58,000		By Profit & Loss A/c	16,560
				By Depreciation A/c	3,240
			31.3.2021	By Depreciation A/c (7,900+ 90,720)	98,620
				By Balance c/d (8,16,480 + 1,50,100)	9,66,580
		11,30,000			11,30,000

(b) **When 'Provision for Depreciation Account' is maintained**

Dr. **Machinery Account (at original cost)** Cr.

Date	Particulars	₹	Date	Particulars	₹
01.04.2019	To Bank A/c	12,00,000	31.03.2020	By Balance c/d	12,00,000
01.04.2020	To Balance b/d	12,00,000	31.03.2021	By Balance c/d	12,00,000
01.04.2021	To Balance b/d	12,00,000	01.10.2021	By Machinery Disposal A/c	80,000
01.10.2021	To Bank A/c	1,58,000	31.03.2022	By Balance c/d	12,78,000
		13,58,000			13,58,000

Dr. **Provision for Depreciation Account** Cr.

Date	Particulars	₹	Date	Particulars	₹
31.03.2020	To Balance c/d	1,20,000	31.03.2020	By Depreciation	1,20,000

				A/c	
31.03.2021	To Balance c/d	2,28,000	1.04.2020	By Balance b/d	1,20,000
			31.03.2021	By Depreciation A/c	1,08,000
		2,28,000			2,28,000
01.10.2021	To Machinery Disposal A/c	18,440	01.04.2021	By Balance b/d	2,28,000
31.03.2022	To Balance c/d	3,11,420	01.10.2021	By Depreciation A/c	3,240
			31.03.2022	By Depreciation A/c	98,620
		3,29,860			3,29,860

Dr. **Machinery Disposal Account** Cr.

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
01.10.2021	To Machinery Disposal A/c	80,000	01.10.2021	By Provision for Depreciation A/c	18,440
				By Bank A/c	45,000
				By Profit and Loss A/c	16,560
		80,000			80,000

Working Notes:

(1) Calculation of Profit/Loss on Sale of Machinery

Particulars	**₹**
A. Original Cost	80,000
B. Less : Depreciation @ 10% WDV p.a. for 2 ½ years	18,440
C. Book Value as on date of Sale (A – B)	61,560
D. Less : Sale proceeds	45,000
E. Loss on Sale (C – D)	16,560

(2) Calculation of Depreciation for Current Year on Machines (other than sold)

Particulars	**₹**
A. On Old Machines of ₹9,07,200 for 1 year (10% WDV)	90,720
B. On New Machine of ₹1,58,000 for ½ year	7,900
	98,620

Q.8 A firm purchased second hand machinery on 1st January, 2019 for ₹ 3,00,000, subsequent to which ₹ 60,000 and ₹ 40,000 were spent on its repairs and installation, respectively. On 1st July, 2020 another machinery was purchased for ₹ 2,60,000. On 1st July, 2021, the first machinery having become outdated was auctioned for ₹ 3,20,000 and on the same date, another machinery was purchased for ₹ 2,50,000.

On 1st July, 2022, the second machinery was also sold off and it fetched ₹ 2,30,000.

Depreciation was provided on machinery @ 10% on the original cost annually on 31st December, under the straight line method.

Required

Prepare the following accounts in the books of the company: (i) Machinery Account for the years ending Dec. 31, 2019 to 2022 and (ii) Machinery Disposal Account.

Ans **Dr.** **Machinery Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.01.2019	To Bank A/c (A) – Cost	3,00,000	31.12.2019	By Depreciation (A)	40,000
	- Repairs	60,000		By Balance c/d (A)	3,60,000
	- Installation	40,000			
		4,00,000			4,00,000
01.01.2020	To Balance b/d	3,60,000	31.12.2020	By Depreciation (A) 40,000 (B) 13,000	53,000
01.07.2020	To Bank A/c (B)	2,60,000		By Balance c/d (A) 3,20,000 (B) 2,47,000	5,67,000
		6,20,000			6,20,000
01.01.2021	To Balance b/d	5,67,000	01.07.2021	By Machinery Disposal A/c (A)	3,00,000
01.07.2021	To Bank A/c (C)	2,50,000		By Depreciation A/c (A) 20,000 (B) 26,000 (C) 12,500	58,500
				By Balance c/d (B) 2,21,000 (C) 2,37,500	4,58,500
		8,17,000			8,17,000
01.01.2022	To Balance b/d	4,58,500	01.07.2022	By Machinery Disposal A/c (B)	2,08,000
				By Depreciation A/c (B) 13,000 (C) 25,000	38,000
				By Balance c/d	2,12,500
		4,58,500			4,58,500

Machinery Disposal Account

Date	Particulars	₹	Date	Particulars	₹
01.07.2021	To Machinery A/c (A)	3,00,000	01.07.2021	By Bank A/c	3,20,000
	To Profit Loss A/c (Profit)	20,000			
		3,20,000			3,20,000
01.07.2022	To Machinery A/c (B)	2,08,000	01.07.2022	By Bank A/c	2,30,000
	To P & L A/c (Profit)	22,000			
		2,30,000			2,30,000

Q.9 **M/s Anshul & Co. commenced business on 1st January 2017, when they purchased plant and equipment for ₹ 7,00,000. They adopted a policy of charging depreciation at 15% per annum on diminishing balance basis and over the years, their purchases of plant have been:**

Date	Amount ₹
1-1-2018	**1,50,000**
1-1-2021	**2,00,000**

On 1-1-2021 it was decided to change the method and rate of depreciation to straight line basis. On this date remaining useful life was assessed as 6 years for all the assets purchased before 1.1.2021 with no scrap value and 10 years for the asset purchased on 1.1.2021.

Required

Calculate the difference in depreciation to be adjusted in the Plant and Equipment Account for the year ending 31st December, 2021.

Ans

Depreciation on written down value basis

		Purchased on Jan. 1, 2017 ₹	Purchased on Jan. 1, 2018 ₹	Total Depreciation ₹
2017	Cost	7,00,000		
	Depreciation	(1,05,000)		1,05,000
	Written Down Value (WDV)	5,95,000		
2018	Cost	-	1,50,000	
	Depreciation	(89,250)	(22,500)	1,11,750
	W.D.V.	5,05,750	1,27,500	
2019				
	Depreciation	(75,863)	(19,125)	94,988
	W.D.V.	4,29,887	1,08,375	
2020				
	Depreciation W.D.V.	(64,483)	(16,256)	80,739
2021	Depreciation			76,253
		3,65,404	92,119	
		(60,900)	(15,353)	
		3,04,504	76,766	

Plant and Equipment Account

		₹			₹
2021 Jan. 1	To Balance b/d	4,57,523	2021 Dec. 31	By Depreciation (60,900+15,353+20,000)	96,253
	To Bank	2,00,000		By Balance c/d	5,61,270
		6,57,523			6,57,523
2022 Jan. 1	To Balance b/d	5,61,270			

Q.10 **A Machine costing ₹ 6,00,000 is depreciated on straight line basis, assuming 10 years working life and Nil residual value, for three years. The estimate of remaining useful life after third year was reassessed at 5 years.**
Required

Calculate depreciation for the fourth year.

Ans Depreciation per year = ₹ 6,00,000 / 10 = ₹ 60,000

Depreciation on SLM charged for three years = ₹ 60,000 x 3 years = ₹ 1,80,000

Book value of the computer at the end of third year = ₹ 6,00,000 – ₹ 1,80,000 = ₹ 4,20,000.

Remaining useful life as per previous estimate = 7 years

Remaining useful life as per revised estimate = 5 years

Depreciation from the fourth year onwards = ₹ 4,20,000 / 5 = ₹ 84,000 per annum

Q.11 **A machine of cost ₹ 12,00,000 is depreciated straight-line assuming 10 year working life and zero residual value for three years. At the end of third year, the machine was revalued upwards by ₹ 60,000 the remaining useful life was reassessed at 9 years.**
Required

Calculate depreciation for the fourth year.

Ans Depreciation per year charged for three years = ₹ 12,00,000 / 10 = ₹ 1,20,000

WDV of the machine at the end of third year = ₹ 12,00,000 – ₹ 1,20,000 × 3 = ₹ 8,40,000.

Depreciable amount after revaluation = ₹ 8,40,000 + ₹ 60,000 = ₹ 9,00,000

Remaining useful life as per previous estimate = 7 years Remaining useful life as per revised estimate = 9 years

Depreciation for the fourth year onwards = ₹ 9,00,000 / 9 = ₹1,00,000.

Q.12 **Kumar R&D Co. registered a patent (the patent meets the criteria of an intangible asset) on 1st July, 2021 developed at a cost of ₹ 28,00,000 and spent ₹ 2,00,000 towards legal fees and registration. The patent is granted for a period of 10 years. The books are closed on 31st December every year.**
Required

Show the Patent Account and Amortisation Account for the year 2021 and 2022.

Ans

Useful Life: 10 years from 1 July, 2021 Residual Value: NIL

Value of patent = ₹ 30,00,000 (₹ 28,00,000 cost + ₹ 2,00,000 legal expenses and registration fees)

Therefore, annual depreciation: ₹ 30,00,000 ÷ 10 years = ₹ 3,00,000

Patent Account

		₹			₹
2021			2021		

July 1 July 1	To Bank A/c To Bank A/c - Legal & Reg. Exp.	28,00,000 2,00,000	Dec. 31	By Amortisation A/c: ₹ 3,00,000 x 6/12	1,50,000
			Dec. 31	By Balance c/d	28,50,000
		30,00,000			30,00,000
2022 Jan. 1	To Balance b/d	28,50,000	2022 Dec. 31 Dec. 31	By Amortisation A/c By Balance c/d	3,00,000 25,50,000
		28,50,000			28,50,000

Amortisation Account

		₹			₹
2021 Dec. 31	To Patent A/c	1,50,000	2021 Dec. 31	By Profit & Loss A/c	1,50,000
2022 Dec. 31	To Patent A/c	3,00,000	2022 Dec. 31	By Profit & Loss A/c	3,00,000

Q.13 Prime Streaming Co. acquired the streaming rights of a movie for ₹ 18,00,000 with the contracted duration of the streaming period being 10 years. At the beginning of the fourth year, based on the decline in viewership, Prime Streaming Co. decided to stream the movie only for the next 5 years.

Required

Calculate amortisation for the fourth year.

Ans

Amortisation per year = ₹ 18,00,000 / 10 = ₹ 1,80,000

Amortisation on SLM charged for three years = ₹ 1,80,000 x 3 years = ₹ 5,40,000

Carrying Amount of the Streaming Rights at the end of third year = ₹ 18,00,000 – ₹ 5,40,000 = ₹ 12,60,000.

Q.14 A firm's plant and machinery account at 31st December, 2021 and the corresponding depreciation provision account, broken down by year of purchase are as follows:

Year of Purchase	**Plant and Machinery at cost ₹**	**Depreciation Provision ₹**
2005	**2,00,000**	**2,00,000**
2011	**3,00,000**	**3,00,000**
2012	**10,00,000**	**9,50,000**
2013	**7,00,000**	**5,95,000**
2020	**5,00,000**	**75,000**
2021	**3,00,000**	**15,000**
	30,00,000	**21,35,000**

Depreciation is at the rate of 10% per annum on cost. It is the Company's policy to assume that all purchases, sales or disposal of plant occurred on 30th June in the relevant year for the

purpose of calculating depreciation, irrespective of the precise date on which these events occurred.

During 2022 the following transactions took place:

1. **Purchase of plant and machinery amounted to ₹ 15,00,000**
2. **Plant that had been bought in 2011 for ₹ 170,000 was scrapped.**
3. **Plant that had been bought in 2012 for ₹ 90,000 was sold for ₹ 5,000.**
4. **Plant that had been bought in 2013 for ₹ 2,40,000 was sold for ₹ 15,000.**

You are required to:

Calculate the provision for depreciation of plant and machinery for the year ended 31st December, 2022. In calculating this provision you should bear in mind that it is the company's policy to show any profit or loss on the sale or disposal of plant as a completely separate item in the Profit and Loss Account. You are also required to prepare the following ledger accounts during 2022.

(i) Plant and machinery at cost;

(ii) Depreciation provision;

(iii) Sales or disposal of plant and machinery.

Ans Calculation of provision for depreciation of plant and machinery for the year ended 31st December, 2022.

Plant purchased in:		₹	₹
2005		nil	
2011		nil	
2012			50,000
2013	1/2 year at 10% on ₹2,40,000	12,000	
	1 year at 10% on ₹4,60,000	46,000	58,000
2020	10% on ₹5,00,000		50,000
2021	10% on ₹3,00,000		30,000
2022	1/2 year at 10% on ₹15,00,000		75,000
			2,63,000

Plant and Machinery Account (for 2022) at Cost

	₹		₹
To Balance b/dTo	30,00,000	By Disposals account:	
Bank A/c	15,00,000	Scrapped	1,70,000
		Sold	3,30,000
		By Balance c/d	40,00,000
	45,00,000		45,00,000

Depreciation Provision Account (for 2022)

		₹		₹
To Disposal Account :			By Balance b/d	21,35,000
Scrapped - 2011 assets	1,70,000		By Profit and Loss Account	2,63,000
Sold - 2012 assets	90,000			
Sold - 2013 assets	2,16,000	4,76,000		
To Balance c/d		19,22,000		

		23,98,000		23,98,000

Sale or disposal of Plant and Machinery Account (for 2022)

		₹		₹
To Plant and Machinery :			By Provision for Depreciation	4,76,000
Scrapped		1,70,000	By Cash-Sales Proceeds	20,000
Sold		3,30,000	By Loss on sales	4,000
		5,00,000		5,00,000

Q.15 The Machinery Account of a Factory showed a balance of ₹ 19,00,000 on 1st January, 2022. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method.

On 1st June 2022, a new machinery was acquired at a cost of ₹ 2,80,000 and installation charges incurred in erecting the machine works out to ₹ 8,920 on the same date. On 1st June, 2022 a machine which had cost ₹ 4,37,400 on 1st January 2020 was sold for

₹ 75,000. Another machine which had cost ₹ 4,37,000 on 1st January, 2021 was scrapped on the same date and it realised nothing.

Write a machinery account for the year 2022, allowing the same rate of depreciation as in the past, calculating depreciation to the nearest multiple of a Rupee.

Ans Plant and Machinery Account

		₹			₹
2022			2022		
Jan. 1	To Balance b/d	19,00,000	June 1	By Bank (Sales)	75,000
June. 1	To Bank (2,80,000 + 8,920)	2,88,920		By Depreciation (on sold machine)	14,762
				By Loss on sale	2,64,532
				By Loss on scrapping the machine	3,76,912
				By Depreciation (on scrapped machinery)	16,388
				By Depreciation (Note iii)	1,32,094
				By Balance c/d	13,09,232
		21,88,920			21,88,920

Working Note :

(i)	**Calculation of loss on sale of machine on 1-6-2022**		₹
	Cost on 1-1-2020		4,37,400
	Less : Depreciation @ 10% on ₹ 4,37,400		(43,740)
	W.D.V. on 31-12-2020		3,93,660
	Less : Depreciation @ 10% on ₹ 3,93,660		(39,366)
	W.D.V. on 31-12-2021		3,54,294

	Less : Depreciation @ 10% on ₹ 3,54,294 for 5 months		(14,762)
			3,39,532
	Less : Sale proceeds on 1-6-2022		(75,000)
	Loss		2,64,532
(ii)	**Calculation of loss on scrapped machine**		
			₹
	Cost on 1-1-2021		4,37,000
	Less : Depreciation @ 10% on ₹ 4,37,000		(43,700)
	W.D.V. on 1-1-2022		3,93,300
	Less : Depreciation @ 10% on ₹ 3,93,300 for 5 months		(16,388)
	Loss		3,76,912
(iii)	**Depreciation**		
	Balance of machinery account on 1-1-2022		19,00,000
	Less : W.D.V of machinery sold	3,54,294	
	W.D.V. of machinery scrapped	3,93,300	(7,47,594)
	W.D.V. of other machinery on 1-1-2022		11,52,406
	Depreciation @ 10% on ₹ 11,52,406 for 12 months		1,15,240
	Depreciation @ 10% on ₹ 2,88,920 for 7 months		16,854
			1,32,094

Q.16 **The LG Transport company purchased 10 trucks at ₹ 45,00,000 each on 1st April 2019. On October 1st, 2021, one of the trucks is involved in an accident and is completely destroyed and ₹ 27,00,000 is received from the insurance in full settlement. On the same date another truck is purchased by the company for the sum of ₹ 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.**
Give the motor truck account for two year ending 31 Dec, 2022.

Ans

Date	Particulars	Amount	Date	Particulars	Amount
2021			2021		
Jan-01	To balance b/d	2,92,50,000	Oct-01	By bank A/c	27,00,000
Oct-01	To Profit & Loss A/c		Oct-01	By Depreciation on lost assets	6,75,000
	(Profit on settlement of Truck)	4,50,000	Dec-31	By Depreciation A/c	83,50,000
Oct-01	To Bank A/c	50,00,000	Dec-31	By balance c/d	2,29,75,000
		3,47,00,000			3,47,00,000
2022			2022		
Jan-01	To balance b/d	2,29,75,000	Dec-31	By Depreciation A/c	91,00,000
			Dec-31	By balance c/d	1,38,75,000
		2,29,75,000			2,29,75,000

Working Note:

1. Profit on settlement of truck.

	₹
Original cost as on 1.4.2019	45,00,000
Less: Depreciation for 2019	(6,75,000)

	38,25,000
Less: Depreciation for 2020	(9,00,000)
	29,25,000
Less: Depreciation for 2021 (9 months)	(6,75,000)
	22,50,000
Less: Amount received from Insurance company	(27,00,000)
	4,50,000

Q.17 A Machinery costing ₹ 20,00,000 is depreciated on straight line assuming 10 years working life and nil salvage value for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 80,000. The remaining useful life of the machinery was also reassessed as 8 years at the end of the fourth year. Calculate the depreciation for 5th Year.

Ans Depreciation per year for first 4 years = ₹ 20,00,000 / 10 = ₹ 2,00,000

Thus, WDV of the Machinery at end of the 4th year = ₹ 20,00,000 – (₹ 2,00,000 x 4) = ₹ 12,00,000

Revalued Amount i.e. New Depreciable Amount shall be = ₹ 12,00,000 + ₹ 80,000 = ₹ 12,80,000

Original remining useful life is (10-4) = 6 Years whereas it is reassessed as 8 Years. Hence, depreciation for 5th Year = ₹ 12,80,000 / 8 = ₹ 1,60,000

Q.18 Amazing group had Property, Plant & Equipment (PP&E) with a book value of ₹ 35,00,000 on 31st December, 2022. The balance in Revaluation Surplus on that date was ₹ 3,00,000. As part of their practice of revaluing the assets on yearly basis, another revaluation was carried out on 31st December, 2022. Evaluate the impact of Revaluation if the Fair Value as a result of Revaluation done on 31st December, 2022 was

(a) ₹ 37,00,000

(b) ₹ 33,00,000 and

(c) ₹ 31,00,000. Also, give the journal entries.

Ans (a) Fair Value: ₹ 37,00,000

Since this is an upward revaluation and the group had a balance in revaluation surplus (i.e. there was an upward movement earlier), hence this will result in an additional credit of ₹ 2,00,000 to Revaluation Surplus and hence the total Revaluation Surplus balance (part of other comprehensive income in Equity) shall increase to ₹ 5,00,000. The Accounting journal entry shall be:

Property, Plant & Equipment A/c	Dr	2,00,000
To Revaluation Surplus A/c		2,00,000

(b) Fair Value : ₹ 33,00,000

Since this is a downward revaluation and the group had a balance in revaluation surplus (i.e. there was an upward movement earlier), hence this will result in a reduction or a debit to Revaluation Surplus to the extent of balance therein and any excess shall be debited to Profit & Loss A/c. In this case, there is a reduction in fair value of ₹ 2,00,000 (35,00,000 – 33,00,000) and hence the entire amount shall be debited to Revaluation Surplus. Hence, the total Revaluation Surplus balance (part of other comprehensive income in Equity) shall decrease to ₹ 1,00,000. The Accounting journal entry shall be:

Revaluation Surplus A/c Dr 2,00,000

To Property, Plant & Equipment A/c 2,00,000

(c) Fair Value : ₹ 31,00,000

Since this is also a downward revaluation and the group had a balance in revaluation surplus (i.e. there was an upward movement earlier), hence this will result in a reduction or a debit to Revaluation Surplus to the extent of balance therein and any excess shall be debited to Profit & Loss A/c. In this case, there is a reduction in fair value of ₹ 4,00,000 (35,00,000 – 31,00,000) and hence the Revaluation Surplus A/c shall be debited by ₹ 3,00,000 and the balance

₹ 1,00,000 shall be debited to Profit & Loss A/c. Hence, the total Revaluation Surplus balance (part of other comprehensive income in Equity) shall become Nil. The Accounting journal entry shall be:

Revaluation Surplus A/c Dr 3,00,000

Profit & Loss A/c Dr 1,00,000

To Property, Plant & Equipment A/c 4,00,000

Q.19 On April 1, 2019 a firm purchased a machinery for ₹ 2,00,000. On 1st October in the same accounting year, additional machinery costing ₹ 1,00,000 was purchased. On 1st October, 2020, the machinery purchased on 1st April 2019, having become obsolete was sold off for ₹ 90,000. On October 1, 2021, new machinery was purchased for ₹ 2,50,000 while the machinery purchased on 1st October 2019 was sold for ₹ 85,000 on the same day. The firm provides depreciation on its machinery @ 10% per annum on original cost on 31st March every year. Show Machinery Account, Provision for Depreciation Account and Depreciation Account for the period of three accounting years ending March 31, 2022.

Ans **Dr.** **Machinery Account** **Cr.**

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
01.04.2019 01.10.2019	To Bank A/c To Bank A/c	2,00,000 1,00,000	31.03.2020	By Balance c/d	3,00,000
		3,00,000			3,00,000
01.04.2020	To Balance b/d	3,00,000	01.10.2020	By Bank A/c	90,000
				By Provision for Depreciation A/c	30,000
				By Profit and Loss A/c	80,000
			31.3.2021	By Balance c/d	1,00,000
		3,00,000			3,00,000
01.04.2021	To Balance b/d	1,00,000	01.10.2021	By Bank A/c	85,000
01.10.2021	To Bank A/c	2,50,000		By Provision for Depreciation A/c	20,000
	To Profit and Loss A/c	5,000	31.3.2022	By Balance c/d	2,50,000
		3,55,000			3,55,000

Depreciation Account

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**

31.03.2020	To provision for Depreciation A/c	25,000	31.03.2020	By Profit and Loss A/c	25,000
		25,000			25,000
01.10.2020	To Provision for Depreciation A/c	10,000	31.03.2021	By Profit and Loss A/c	20,000
31.03.2021	To Provision for Depreciation A/c	10,000			
		20,000			20,000
01.10.2021	To Provision for Depreciation A/c	5,000	31.03.2022	By Profit and Loss A/c	17,500
31.03.2022	To Provision for Depreciation A/c	12,500			
		17,500			17,500

Dr. **Provision for Depreciation Account** ***Cr.***

Date	Particulars	₹	Date	Particulars	₹
31.03.2020	To Balance c/d	25,000	31.03.2020	By Depreciation A/c(₹ 20,000 + ₹5,000)	25,000
		25,000			25,000
01.12.2020	To Machinery A/c (₹20,000 + ₹10,000)	30,000	01.04.2020	By Balance b/d	25,000
31.03.2021	To Balance c/d	15,000	01.10.2020	By Depreciation A/c	10,000
			31.03.2021	By Depreciation A/c	10,000
01.10.2021	To Machinery A/c (₹ 5,000 + ₹ 10,000+ ₹ 5,000)		01.04.2021	By Balance b/d	
31.03.2022	To Balance c/d		01.10.2021	By Depreciation A/c	
			31.03.2022	By Depreciation A/c	
		45,000			45,000
		20,000			15,000
		12,500			5,000
					12,500
		32,500			32,500

Q.20 Prepare a Triple Cash Book form the following transactions of G. Enterprises for the month of Jan 2023.

Date	Particulars	Amount ₹
01.01.2023	**Cash in hand**	**14,500**
	Cash in Bank	**1,95,000**
03.01.2023	**Received from K**	
	- Cash	**7,300**
	- Cheque	**15,000**
	Discount allowed to him	**400**
06.01.2023	**Goods sold for cash**	**9,100**
07.01.2013	**Withdrew from bank by self cheque**	**3,000**

12.01.2023	**Issued a cheque to B**	**10,590**
	Discount received	**410**
14.01.2023	**Received a cheque form R (in full settlement of her account ₹ 6,500) by cheque**	**6,350**
17.01.2023	**Withdrew form bank for personal use**	**15,000**
18.01.2023	**Paid electricity bill by cheque**	**5,000**
20.01.2023	**Cash purchases of stationary**	**1,200**
31.01.2023	**Deposit the entire cash in bank in excess of ₹ 10,000**	

Ans

Machinery Account

		₹			₹
2021			2021		
Jan. 1	To Bank A/c	2,00,000	Dec. 31	By Depreciation A/c	43,250
Jan. 1	To Bank A/c – Repairs	50,000	Dec. 31	By Balance c/d	5,71,750
June 30	To Bank A/c	3,50,000			
June 30	To Bank A/c- Installation	15,000			
		6,15,000			6,15,000
2022			2022		
Jan. 1	To Balance b/d	5,71,750	June 30	By Depreciation on sold machine	11,250
			June 30	By Bank A/c	1,55,000
			June 30	By Profit and Loss A/c	58,750
			Dec. 31	By Depreciation A/c	34,675
				By Balance c/d	3,12,075
		5,71,750			5,71,750

Working Note:

Book Value of Machines

	Machine I ₹	Machine II ₹
Cost	2,50,000	3,65,000
Depreciation for 2021	(25,000)	(18,250)
Written down value	2,25,000	3,46,750
Depreciation for 2022	(11,250)	(34,675)
Written down value	2,13,750	3,12,075
Sale Proceeds	(1,55,000)	
Loss on Sale	58,750	

Q.21 The following balances appear in the books of Dheeraj Enterprises:

	₹

Machinery account as on 01.04.2021	**12,00,000**
Provision for depreciation account as on 01.04.2021	**4,65,000**

On 1st October, 2021 the Machinery which was purchased on 1st April, 2018 for ₹ 2,00,000 was sold for ₹ 1,10,000 and on the same date another Machinery was purchased for ₹ 4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year. Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31st March, 2022.

Ans **Dr.** **Machinery Account (at original Cost)** **Cr**

Date	Particulars	₹	Date	Particulars	₹
01.04.2021	To Balance b/d	12,00,000	01.10.2021	By Disposed Machinery A/c	2,00,000
01.10.2021	To Bank A/c	4,80,000	31.03.2022	By Balance c/d	14,80,000
		16,80,000			16,80,000

Dr. **Provision for Depreciation Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.10.2021	To Disposed Machinery A/c	61,490	01.04.2021	By Balance b/d	4,65,000
31.03.2022	To Balance c/d	4,93,720	1.10.2021	By Depreciation	7,290
			31.03.2022	By Depreciation A/c	82,920
		5,55,210			5,55,210

Dr. **Disposed Machinery Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.10.2021	To Machinery A/c	2,00,000	01.10.2021	By Provision for Depreciation A/c	61,490
				By Bank A/c	1,10,000
				By Profit and Loss A/c	28,510
		2,00,000			2,00,000

Working Notes:

1. Calculation of Profit/Loss on Sale of Machinery

Particulars	₹
A. Original Cost	2,00,000
B. Less: Depreciation @ 10% WDV p.a. for 3½	

	years Year Cost/WDV Depreciation@10% 1 2,00,000 20,000 2. 1,80,000 18,000 3 1,62,000 16,200 4 1,45,800 7,290 (6 Months)	61,490
C.	Book Value as on date of Sale (A – B)	1,38,510
D.	Less: Sale proceeds	1,10,000
E.	Loss on Sale (C – D)	28,510

2. **WDV of Remaining Machine**

Cost of Machinery on 01.04.2021		12,00,000
Less: Cost of machinery sold		2,00,000
		10,00,000
Less: Depreciation		
Provision for depreciation	4,65,000	
Less: Depn. on machinery sold	54,200	4,10,800
WDV of remaining machine		5,89,200

3. **Calculation of Depreciation for Current Year on Machines**

Particulars	₹
A. On WDV of Old Machines of ₹ 5,89,200 for 1 year (10% WDV)	58,920
B. On New Machine of ₹ 4,80,000 for ½ year	24,000
	82,920
C. Depreciation on machinery sold (Rs.1,45,800@10% for 6 months	7,290
	90,210

Q.22 A purchased a machinery for ₹ 1,30,000 on 1st April, 2019 and paid ₹ 20,000 for freight & installation charges. On 1st October, 2021 another machine was purchased for 50,000 and sold old machinery for ₹ 1,00,000. The machine purchased on 1st October, 2021 was installed on 1st January, 2022.

Under existing practice, the company is charging depreciation @ 20% p.a. on the original cost. However, from 1st April, 2021 it decided to adopt WDV method and charge depreciation @15% p.a. You are required to prepare Machinery Account from 1st April, 2019 to 31st March, 2022.

Ans In the books of Machinery A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount(₹)
01.04.2019	To Bank	1,50,000	31.03.2020	By Depreciation	30,000
	(1,30,000+20,000)	1,50,000	31.03.2020	By Balance c/d	1,20,000

					1,50,000
01.04.2020	To Balance b/d	1,20,000	31.03.2021	By Depreciation	30,000
			31.03.2021	By Balance c/d	90,000
		1,20,000			1,20,000
01.04.2021	To Balance b/d	90,000	01.10.2021	By Bank A/c	1,00,000
01.10.2021	To Bank	50,000	01.10.2021	By Depreciation	6,750
01.10.2021	To Profit on Sale	16,750	31.03.2022	By Depreciation	1,875
			31.03.2022	By Balance c/d	48,125
		1,56,750			1,56,750

Alternative: Calculation of Book Value of Machines

	Machine 1 (in ₹)	Machine 2 (in ₹)
Date of Purchase	01.04.2019	01.10.2021
Original Cost	1,50,000	
Depreciation for (2019-20) (SLM)	(30,000)	
WDV on 31.03.2020	1,20,000	
Depreciation for (2020-21) (SLM)	(30,000)	
WDV on 31.03.2021	90,000	
Depreciation for (2021-22) (WDV)	(6,750)	
WDV (original cost of Machine 2) on 1.10.2021	83,250	50,000
Sale Proceeds	(1,00,000)	
Profit on Sale	16,750	
Depreciation for 2021-22 (WDV @ 15%) (3 months)	-	(1,875)
WDV on 31.03.2022	-	48,125

Q.23 **The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April,2020. The Books of Accounts Depreciation is written off of the Factory are closed on 31st March every year and @ 10% per annum under the Diminishing Balance Method. On 1st September,2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2020 a machine which had cost ₹ 21,87,000 on 1st April,2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1st April,2019 was scrapped on 1st September,2020 and it realized nothing.**

Prepare Machinery Account for the year ended 31st March,2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

Ans **Plant and Machinery Account for the year ended 31st March,2021**

		₹			₹
01-04-20	To Balance b/d	95,00,000	01-09-20	By Bank (Sales)	3,75,000
01-09-20	To Bank (14,00,000 +	14,44,600		By Depreciation (on sold machine)	73,811

	44,600)			By Loss on sale	13,22,659
				By Loss on Scrapping the machine	18,84,562
				By Depreciation (on Scrapped machinery)	81,938
				By Depreciation (Note iii)	6,60,471
				By Balance c/d	65,46,159
		109,44,600			109,44,600

Working Note:

(i)	Calculation of loss on sale of machine on 01-09-2020		₹
	Cost on 1-4-2018		21,87,000
	Less: Depreciation @ 10% on ₹ 21,87,000		(2,18,700)
	W.D.V. on 31-03-2019		19,68,300
	Less: Depreciation @ 10% on ₹ 19,68,300		(1,96,830)
	W.D.V. on 31-03-2020		17,71,470
	Less: Depreciation @ 10% on ₹ 17,71,470 for 5 months		(73,811)
			16,97,659
	Less: Sale proceeds on 01-09-2020		(3,75,000)
	Loss		13,22,659
(ii)	Calculation of loss on scrapped machine		
	Cost on 1-4-2019		21,85,000
	Less: Depreciation @ 10% on ₹ 21,85,000		(2,18,500)
	W.D.V. on 31-3-2020		19,66,500
	Less: Depreciation @ 10% on ₹19,66,500 for 5 months		(81,938)
	Loss		18,84,562
(iii)	Depreciation		
	Balance of machinery account on 1-4-2020		95,00,000
	Less: W.D.V of machinery sold	17,71,470	
	W.D.V. of machinery scrapped	19,66,500	(37,37,970)
	Balance of other machinery after sale and scrap on 1-4-2020		57,62,030
	Depreciation @ 10% on ₹ 57,62,030 for 12 months		5,76,203
	Depreciation @ 10% on ₹ 14,44,600 for 7 months		84,268
			6,60,471

Note: The figures are rounded off to nearest rupee.

Q.24 On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹ 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹ 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. On 1st July, 2020 another Bus was purchased by the company for₹ 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31 st March, 2021 and gain or loss on the destroyed Bus.

Ans **Calculation of Gain/Loss on Bus damaged by Fire**

Particulars	₹
Original cost as on 1.1.2019	8,00,000
Less: Depreciation for 2018-19 (3 months)	(40,000)
WDV as on 31st March,2019	7,60,000
Less: Depreciation for 2019-20	(1,52,000)
WDV as on 31st March,2020	6,08,000
Less: Depreciation for 2020-21 (3 months)	(30,400)
WDV as on 1st July,2020	5,77,600
Less: Amount received from Insurance company	(6,00,000)
Gain on Bus damaged by Fire	22,400

Calculation of depreciation for the year ended 31st March,2021

	Machine I damaged on 1st July,2020 (8,00,000) .₹	**Machine II Purchased on 1st July,2020 (10,00,000) ₹**
Book value as on 1st April,2020 Purchased on 1st July,2020	6,08,000	10,00,000
Depreciation @20% Machines	30,400 (for 3 months)	1,50,000 (for 9 months)

Total depreciation ₹ 1,80,400

Q.25 The balance of Machinery Account of a firm on 1st April, 2020 was ₹ 28,54;000. Out of this, a plant having book value of ₹ 2,16,090 as on 1st April, 2020 was sold on 1st July, 2020 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹ 5,60,000. Depreciation is written off@ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021.

Ans Calculation of depreciation for the year ended 31.3.21

	Machine I (28,54,000 - 2,16,000) ₹	Machine II Purchased on 1st July ₹	Machine III Purchased on 1st Nov ₹	Depreciation on sold machine IV ₹
Book value as on 1st April, 2020	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation @15%	3,95,700 (for full year)	54,000 (for 9	35,000 (for 5	8,100 (for 3

		months)	months)	months)

Total depreciation (I + II + III + IV) ₹ 4,92,800

Q.26 M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.
Give the motor truck account for two years ending 31st December, 2020.

Ans

Truck A/c

Date	**Particulars**	**Amount**	**Date**	**Particulars**	**Amount**
2019			**2019**		
Jan-01	To balance b/d	35,000,000	Oct-01	By bank A/c	35,00,000
Oct-01	To Profit & Loss A/c Profit on settlement of Truck (W.Note 1)	7,50,000	Oct-01	By Depreciation on lost assets	7,50,000

Date	**Particulars**	**Amount**	**Date**	**Particulars**	**Amount**
Oct-01	To Bank A/c	60,00,000	Dec-31	By Depreciation A/c (W Note 3)	93,00,000
			Dec-31	By balance c/d	2,82,00,000
		4,17,50,000			4,17,50,000
2020			2020		
Jan-01	To balance b/d	2,82,00,000	Dec-31	By Depreciation A/c (W Note 3)	1,02,00,000
			Dec-31	By balance c/d	1,80,00,000
		2,82,00,000			2,82,00,000

Working Note:

1. Profit on settlement of truck

Original cost as on 1.7.2017	50,00,000
Less: Depreciation for 2017 (6 months)	5,00,000
	45,00,000
Less: Depreciation for 2017	10,00,000
	35,00,000
Less: Depreciation for 2019 (9 months)	7,50,000

	27,50,000
Less: Amount received from Insurance company	35,00,000
Profit on settlement of truck	7,50,000

2. Calculation of WDV of 10 trucks as on 01.01.2018

	Amount
WDV of 1 truck as on 31.12.2017 (Refer W.N 1) WDV of 10 trucks as on 01.01.2018	35,00,000 3,50,00,000

3. Calculation for Depreciation for 2018 and 2019

	Amount
Depreciation for 2018 On 9 trucks (₹ 50,00,000 x 9 x 20%) On new truck (₹ 60,00,000 x 1 x 20% x 3/12) Depreciation for 2019	 90,00,000 3,00,000 93,00,000
On 9 tucks (₹ 50,00,000 x 9 x 20%)	
On new truck (Rs 60,00,000 x 1 x 20%)	90,00,000
	12,00,000
	1,02,00,000

Q.27 X purchased a machinery on 1st January 2017 for ₹ 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017 another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p .a. on written down value. Prepare Machinery account for the years 2017 and 2018.

Ans **Machinery Account**

Dr. **2017**		**₹**	**2017**		**Cr.** **₹**
Jan. 1	To Bank A/c	4,80,000	Dec. 31	By Depreciation A/c	60,000
Jan. 1	To Bank A/c – erection charges	20,000		By Balance c/d	6,40,000
July 1	To Bank A/c	2,00,000			
		7,00,000			7,00,000
2018			2018		
Jan. 1	To Balance b/d	6,40,000	July 1	By Depreciation on sold machine	22,500
July 1	To Bank A/c	5,00,000		By Bank A/c	2,90,000
				By Profit and Loss A/c	1,37,500
			Dec. 31	By Depreciation A/c	44,000
				By Balance c/d	6,46,000

		11,40,000			11,40,000

Note:

Book Value of Machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost	5,00,000	2,00,000	5,00,000
Depreciation for 2017	50,000	10,000	
Written down value	4,50,000	1,90,000	
Depreciation for 2018	22,500	19,000	25,000
Written down value	4,27,500	1,71,000	4,75,000
Sale Proceeds	2,90,000		
Loss on Sale	1,37,500		

Q.28 A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2015.

Ans In the books of Firm

Machinery Account

		₹			₹
1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
		40,000			40,000
1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
1.7.2016	To Bank A/c	10,000	31.12.2016	By Balance c/d	39,850
				(₹ 30,600 + ₹ 9,250)	
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2017	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d	30,987
				(₹ 7,862 + ₹ 23,125)	
		64,850			64,850

1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
			1.7.2018	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2018	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
			31.12.2018	By Balance c/d	19,656
		30,987			30,987

Working Note:
Book Value of machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	4,000		
Written down value as on 31.12.2015	36,000		
Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	5,400	750	
Written down value as on 31.12.2016	30,600	9,250	
Depreciation for 6 months (2017)	2,295		
Written down value as on 1.7.2017	28,305		
Sale proceeds	28,000		
Loss on sale	305		
Purchase 1.7.2017			25,000
Depreciation for 2017 (6 months)		1,388	1,875
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		590	
Written down value as on 1.7.2018		7,272	
Sale proceeds		2,000	
Loss on sale		**5,272**	
Depreciation for 2018			3,469
Written down value as on 31.12.2018			**19,656**

Q.29 A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year.

Ans Calculation of depreciation for 5th year

(a) Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000
(b) WDV of the machine at the end of fourth year = ₹ 10,00,000 – ₹ 1,00,000 × 4 = ₹ 6,00,000.
(c) Depreciable amount after revaluation = ₹ 6,00,000 + ₹ 40,000 = ₹ 6,40,000
(d) Remaining useful life as per previous estimate = 6 years
(e) Remaining useful life as per revised estimate = 8 years
(f) Depreciation for the fifth year and onwards = ₹ 6,40,000 / 8 = ₹ 80,000.

Q.30 A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2019 and spent ₹ 3,000 on its overhauling. On 1st July 2020, another machine was purchased for ₹ 10,000. On 1st July 2021, the machinery which was purchased on 1st January 2019, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2022, the machine which was purchased on 1st July, 2020 was sold for ₹ 2,000.
Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2020 and the rate was increased to 15% per annum. The books are closed on 31st December every year.
Prepare Machinery account for four years from 1st January, 2019.

Ans In the books of Firm
Machinery Account

		₹			₹
1.1.2019	To Bank A/c	37,000	31.12.2019	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2019	By Balance c/d	36,000
		40,000			40,000
1.1.2020	To Balance b/d	36,000	31.12.2020	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
1.7.2020	To Bank A/c	10,000	31.12.2020	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
		46,000			46,000
1.1.2021	To Balance b/d	39,850	1.7.2021	By Bank A/c(sale)	28,000
1.7.2021	To Bank A/c	25,000	1.7.2021	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2021	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		64,850			64,850
1.1.2022	To Balance b/d	30,987	1.7.2022	By Bank A/c (sale)	2,000
			1.7.2022	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2022	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
			31.12.2022	By Balance c/d	19,656
		30,987			30,987

Working Note:

Book Value of machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost of all machinery	40,000	10,000	25,000
(Machinery cost for 2019)	4,000		
Depreciation for 2019			
Written down value as on 31.12.2019	36,000		
Purchase 1.7.2020 (6 months)		10,000	
Depreciation for 2020	5,400	750	
Written down value as on 31.12.2020	30,600	9,250	
Depreciation for 6 months (2021)	2,295		
Written down value as on 1.7.2021	28,305		
Sale proceeds	28,000		
Loss on sale	305		
Purchase 1.7.2021			25,000
Depreciation for 2021 (6 months)		1,388	1,875
Written down value as on 31.12.2021		7,862	23,125
Depreciation for 6 months in 2022		590	
Written down value as on 1.7.2022		7,272	
Sale proceeds		2,000	
Loss on sale		5,272	
Depreciation for 2022			3,469
Written down value as on 31.12.2022			19,656

Q.31 A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year.

Ans In the books of Firm

Calculation of depreciation for 5th year

(a) Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000

(b) WDV of the machine at the end of fourth year = ₹ 10,00,000 – (₹ 1,00,000 × 4) = ₹ 6,00,000.

(c) Depreciable amount after revaluation = ₹ 6,00,000 + ₹ 40,000 = ₹ 6,40,000

(d) Remaining useful life as per previous estimate = 6 years

(e) Remaining useful life as per revised estimate = 8 years

(f) Depreciation for the fifth year and onwards = ₹ 6,40,000 / 8 = ₹ 80,000.

Q.32 A Firm purchased an old Machinery for ₹ 37,000 on 1st January,2019 and spent ₹ 3,000 on its overhauling. On 1st July 2020, another machine was purchased for ₹ 10,000. On 1st July 2021, the machinery which was purchased on 1st January 2019, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July,2022, the machine which was purchased on 1st July,2020 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January,2020 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January,2019.

Ans **In the books of Firm**

Machinery Account

		₹			₹
1.1.2019	To Bank A/c	37,000	31.12.2019	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2019	By Balance c/d	36,000
		40,000			40,000
1.1.2020	To Balance b/d	36,000	31.12.2020	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
1.7.2020	To Bank A/c	10,000	31.12.2020	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
		46,000			46,000
1.1.2021	To Balance b/d	39,850	1.7.2021	By Bank A/c(sale)	28,000
1.7.2021	To Bank A/c	25,000	1.7.2021	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2021	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		64,850			64,850
1.1.2022	To Balance b/d	30,987	1.7.2022	By Bank A/c (sale)	2,000
			1.7.2022	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2022	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
			31.12.2022	By Balance c/d	19,656
		30,987			30,987

Working Note:

Book Value of machines

	Machine	Machine	Machine

	I ₹	II ₹	III ₹
Cost of all machinery	40,000	10,000	25,000
(Machinery cost for 2019)			
Depreciation for 2019	4,000		
Written down value as on 31.12.2019	36,000		
Purchase 1.7.2020 (6 months)		10,000	
Depreciation for 2020	5,400	750	
Written down value as on 31.12.2020	30,600	9,250	
Depreciation for 6 months (2021)	2,295		
Written down value as on 1.7.2021	28,305		
Sale proceeds	28,000		
Loss on sale	305		
Purchase 1.7.2021			25,000
Depreciation for 2021 (6 months)		1,388	1,875
Written down value as on 31.12.2021		7,862	23,125
Depreciation for 6 months in 2022		590	
Written down value as on 1.7.2022		7,272	
Sale proceeds		2,000	
Loss on sale		5,272	
Depreciation for 2022			3,469
Written down value as on 31.12.2022			19,656

Q.33 M/s. Seven Seas purchased a second-hand machine on 1st April, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st Oct, 2017. On 1st Oct, 2019, the machine installed on 1st April, 2017 was sold for ₹ 1,00,000. Another machine for ₹30,000 was purchased and was installed on 31st December, 2019. Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from 1st April,2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2021.

Ans Machinery Account in the books of M/s. Seven Seas

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1.4.2017	To Bank A/c	1,60,000	31.03.2018	By Depreciation A/c	24,000
	To Bank A/c	40,000		(₹ 20,000 + ₹ 4,000)	
	(Erection charges)		31.03.2018	By Balance c/d	2,56,000
1.10.2017	To Bank A/c	80,000		(₹ 1,80,000 + ₹76,000)	
		2,80,000			2,80,000
1.4.2018	To Balance b/d	2,56,000	31.03.2019	By Depreciation A/c	28,000
				(₹ 20,000 + ₹ 8,000)	
			31.03.2019	By Balance c/d	2,28,000
				(₹ 1,60,000 +₹ 68,000)	
		2,56,000			2,56,000
1.4.2019	To Balance b/d	2,28,000	1.10.2019	By Bank A/c	1,00,000
31.12.2019	To Bank A/c	30,000	1.10.2019	By Profit and Loss A/c	50,000

				(Loss on Sale – W.N. 1)	
			31.03.2020	By Depreciation A/c (₹ 10,000 + ₹ 8,000 + ₹ 750)	18,750
			31.03.2020	By Balance c/d (₹ 60,000 + ₹ 29,250)	89,250
		2,58,000			2,58,000
1.4.2020	To Balance b/d	89,250	31.3.2021	By Depreciation A/c (₹ 9,000 + ₹ 4,387.5)	13,387.5
			31.3.2021	By Balance c/d (₹ 51,000 + ₹ 24,862.5)	75,862.5
		89,250			89,250

Working Notes:

Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	2,00,000	80,000	30,000
Depreciation for 2017-18	20,000	4,000	
Written down value as on 31.03.2018	1,80,000	76,000	
Depreciation for 2018-19	20,000	8,000	
Written down value as on 31.03.2019	1,60,000	68,000	
Depreciation for 2019-20 (Mach I- 6 months)	10,000	8,000	750
Written down value as on 01.10.2019	1,50,000		
Written down value as on 31.03.2020		60,000	29,250
Sale proceeds	1,00,000		
Loss on sale	50,000		

Q.34 The M/s Nishant Transport purchased 10 Buses at ₹ 15,00,000 each on 1st April 2017. On October 1st, 2019, one of the Buses is involved in an accident and is completely destroyed and ₹ 7,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 18,00,000. The company write off 10% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the buses account for two year ending 31 Dec, 2020.

Ans **Buses A/c**

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	1,23,75,000	Oct-01	By bank A/c	7,00,000
Oct-01	To Bank A/c	18,00,000	Oct-01	By Depreciation on lost assets	1,12,500
			Oct-01	By Profit & Loss A/c (Loss on settlement of Bus)	4,25,000
			Dec-31	By Depreciation A/c	13,95,000

			Dec-31	By balance c/d	1,15,42,500
		1,41,75,000			1,41,75,000
2020			2020		
Jan-01	To balance b/d	1,15,42,500	Dec-31	By Depreciation A/c	15,30,000
			Dec-31	By balance c/d	1,00,12,500
		1,15,42,500			1,15,42,500

Working Note:

1. To find out loss/Profit on settlement of Bus ₹

Original cost as on 1.4.2017	15,00,000
Less: Depreciation for 2017	1,12,500
	13,87,500
Less: Depreciation for 2018	1,50,000
	12,37,500
Less: Depreciation for 2019 (9 months)	1,12,500
	11,25,000
Less: Amount received from Insurance company	7,00,000
Loss on Settlement of Bus	4,25,000

Q.35 M/s Roxy purchased a brand new machinery on 1st January 2017 for ₹ 3,20,000 and also incurred ₹ 80,000 on its installation. Another machinery was purchased on 1st July 2017 for ₹ 1,60,000. On 1st July 2019, the machinery purchased on 1st January 2017 was sold for ₹ 2,50,000. Another machinery was purchased and installed on 30th September 2019 for ₹ 60,000.
Under existing practice, the company provides for depreciation @10% p.a. on Original cost. However, from the year 2020 it decided to adapt WDV method and charge the depreciation @ 15% p.a. You are required to show the Machinery Account for the years 2019 and 2020 considering the books of accounts are closed on 31st December each year.

Ans In the books of M/s Roxy
Machinery A/c

Date	Account	(in ₹)	Date	Account	(in ₹)
01.01.2019	To Balance b/d	4,56,000	01.07.2019	By Bank A/c	2,50,000
				By P&L A/c – Loss on Sale	50,000
30.09.2019	To Bank A/c	60,000	31.12.2019	By Depreciation	37,500
				By Balance c/d	1,78,500
		5,16,000			5,16,000
01.01.2020	To Balance b/d	1,78,500	31.12.2020		26,775
			31.12.2020		1,51,725
		1,78,500		By	1,78,500

				Depreciation By Balance c/d	

Working Note: Calculation of Book Value of Machines under SLM

	Machine 1	Machine 2	Machine 3
	(in ₹)	(in ₹)	(in ₹)
Date of Purchase	01.01.2017	01.07.2017	30.09.2019
Original Cost	4,00,000	1,60,000	60,000
Depreciation for 2017 (SLM)	(40,000)	(8,000)	
WDV on 31.12.2017	3,60,000	1,52,000	
Depreciation for 2018 (SLM)	(40,000)	(16,000)	
WDV on 31.12.2018	3,20,000	1,36,000	
Depreciation for 2019 (SLM)	(20,000)	(16,000)	(1,500)
WDV on 31.12.2019 (30th June for Machine1)	3,00,000	1,20,000	58,500
Sale Proceeds	(2,50,000)		
Loss on Sale	50,000		
Depreciation for 2020 (WDV @ 15%)	-	(18,000)	(8,775)
WDV on 31.12.2020	-	**1,02,000**	**49,725**

Q.36 **M/s. Green Channel purchased a second-hand machine on 1st January, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st July, 2017.**

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

Ans **Machinery Account in the books of M/s. Green Channel Co.**

		₹			₹
1.1.2017	To Bank A/c To Bank A/c (Erection charges)	1,60,000 40,000	31.12.2017	By Depreciation A/c (₹ 20,000 + ₹ 4,000)	24,000
1.7.2017	To Bank A/c	80,000	31.12.2017	By Balance c/d (₹ 1,80,000 + ₹ 76,000)	2,56,000
		2,80,000			2,80,000
1.1.2018	To Balance b/d	2,56,000	31.12.2018	By Depreciation A/c (₹ 20,000 + ₹ 8,000)	28,000
			31.12.2018	By Balance c/d (₹ 1,60,000 + ₹ 68,000)	2,28,000
		2,56,000			2,56,000
1.1.2019	To Balance b/d	2,28,000	1.7.2019	By Bank A/c	1,00,000
30.9.2019	To Bank A/c	30,000		By Profit and Loss A/c (Loss on Sale – W.N.	50,000

			31.12.2019	1) By Depreciation A/c (₹ 10,000 + ₹ 8,000 + ₹ 750) By Balance c/d (₹ 60,000 + ₹ 29,250)	18,750 89,250
		2,58,000			2,58,000
1.1.2020	To Balance b/d	89,250	31.12.2020	By Depreciation A/c (₹ 9,000 + ₹ 4,387.5) By Balance c/d (₹ 51,000 + ₹ 24,862.5)	13,387.5 75,862.5
		89,250			89,250

Working Notes:

Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	2,00,000	80,000	30,000
Depreciation for 2017	20,000	4,000	
Written down value as on 31.12.2017	1,80,000	76,000	
Depreciation for 2018	20,000	8,000	
Written down value as on 31.12.2018	1,60,000	68,000	
Depreciation for 2018	10,000	8,000	750
Written down value as on 31.12.2019	1,50,000	60,000	29,250
Sale proceeds	1,00,000		
Loss on sale	50,000		

Q.37 A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year.

Ans In the books of Firm

Calculation of depreciation for 5th year

(a) Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000
(b) WDV of the machine at the end of fourth year = ₹ 10,00,000 - (₹ 1,00,000 × 4) = ₹ 6,00,000.
(c) Depreciable amount after revaluation = ₹ 6,00,000 + ₹ 40,000 = ₹ 6,40,000.
(d) Remaining useful life as per previous estimate = 6 years
(e) Remaining useful life as per revised estimate = 8 years
(f) Depreciation for the fifth year and onwards = ₹ 6,40,000 / 8 = ₹ 80,000.

Q.38 M/s. Green Channel purchased a second-hand machine on 1st January, 2015 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st July, 2015.

On 1st July, 2017, the machine installed on 1st January, 2015 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2017.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2018 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2015 to 2018.

Ans **Machinery Account in the books of M/s. Green Channel Co**.

		₹			₹
1.1.2015	To Bank A/c	1,60,000	31.12.2015	By Depreciation A/c (₹ 20,000 + ₹ 4,000)	24,000
	To Bank A/c (Erection charges)	40,000	31.12.2015	By Balance c/d (₹ 1,80,000 + ₹ 76,000)	2,56,000
1.7.2015	To Bank A/c	80,000			
		2,80,000			2,80,000
1.1.2016	To Balance b/d	2,56,000	31.12.2016	By Depreciation A/c (₹ 20,000 + ₹ 8,000)	28,000
			31.12.2016	By Balance c/d (₹ 1,60,000 + ₹ 68,000)	2,28,000
		2,56,000			2,56,000
1.1.2017	To Balance b/d	2,28,000	1.7.2017	By Bank A/c	1,00,000
30.9.2017	To Bank A/c	30,000		By Profit and Loss A/c (Loss on Sale – W.N. 1)	50,000
			31.12.2017	By Depreciation A/c (₹ 10,000 + ₹ 8,000 + ₹ 750)	18,750
				By Balance c/d (₹ 60,000 + ₹ 29,250)	89,250
		2,58,000			2,58,000
1.1.2018	To Balance b/d	89,250	31.12.2018	By Depreciation A/c (₹ 9,000 + ₹ 4,387.5)	13,387.5
				By Balance c/d (₹ 51,000 + ₹ 24,862.5)	75,862.5
		89,250			89,250

Working Notes:

Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	2,00,000	80,000	30,000
Depreciation for 2015	20,000	4,000	
Written down value as on 31.12.2015	1,80,000	76,000	
Depreciation for 2016	20,000	8,000	
Written down value as on 31.12.2016	1,60,000	68,000	
Depreciation for 2017	10,000	8,000	750
Written down value as on 31.12.2017	1,50,000	60,000	29,250
Sale proceeds	1,00,000		
Loss on sale	50,000		

Q.39 A lease is purchased on 1st April, 2014 for 4 years at a cost of ₹ 2,00,000. It is proposed to depreciate the lease by the annuity method charging 5 percent interest. A reference to the annuity table shows that to depreciate ₹ 1 by annuity method over 4 years charging 5% interest, one must write off a sum of ₹ 0.282012 [To write off ₹ 2,00,000 one has to write off every year ₹ 5,6402.40 i.e. 0.282012 × 2,00,000].

You are required to show the Lease Account for four years (2014-15 to 2017-18) and also the relevant entries posted to the profit and loss account.

Ans Lease Account

Dr. 2014-15		₹	2014-15		Cr. ₹
April. 1	To Bank A/c	2,00,000.00	Mar. 31	By Depreciation A/c	56,402.40
Mar. 31	To Interest A/c (5% on ₹ 2,00,000)	10,000.00		By Balance c/d	1,53,597.60
		2,10,000.00			2,10,000.00
2015-16 April. 1	To Balance b/d	1,53,597.60	2015-16 Mar.31	By Depreciation A/c	56,402.40
Mar. 31	To Interest A/c (5% on ₹ 1,53,597.60)	7,679.88		By Balance c/d	1,04,875.08
		1,61,277.48			1,61,277.48
2016-17 April 1	To Balance b/d	1,04,875.08	2016-17 Mar 31	By Depreciation A/c	56,402.40
Mar. 31	To Interest A/c	5,243.75	Mar 31	By Balance c/d	53,716.43
		1,10,118.83			1,10,118.83
2017-18 April. 1	To Balance b/d	53,716.43	2017-18 Mar. 31	By Depreciation A/c	56,402.25
Mar. 31	To Interest A/c	2,685.82			
		56,402.25			56,402.25

Profit and Loss Account

2014-15		₹	2014-15		₹
Mar. 31	To Depreciation A/c	56,402.40	Mar. 31	By Interest A/c	10,000.00
2015-16 Mar. 31	To Depreciation A/c	56,402.40	2015-16 Mar. 31	By Interest A/c	7.679.88
2016-17 Mar. 31	To Depreciation A/c	56,402.40	2016-17 Mar. 31	By Interest A/c	5,243.75
2017-18 Mar. 31	To Depreciation A/c	56,402.25	2017-18 Mar. 31	By Interest A/c	2,685.82

Q.40 M/s. Green Channel purchased a second-hand machine on 1st January, 2015 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st July, 2015.

On 1st July, 2017, the machine installed on 1st January, 2015 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2017.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2018 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2015 to 2018.

Ans In the books of M/s. Green Channel Co.

		₹			₹
1.1.2015	To Bank A/c	1,60,000	31.12.2015	By Depreciation A/c (₹ 20,000 + ₹ 4,000)	24,000
	To Bank A/c (Erection charges)	40,000	31.12.2015	By Balance c/d (₹ 1,80,000 + ₹ 76,000)	2,56,000
1.7.2015	To Bank A/c	80,000			
		2,80,000			2,80,000
1.1.2016	To Balance b/d	2,56,000	31.12.2016	By Depreciation A/c (₹ 20,000 + ₹ 8,000)	28,000
			31.12.2016	By Balance c/d (₹ 1,60,000 + ₹ 68,000)	2,28,000
		2,56,000			2,56,000
1.1.2017	To Balance b/d	2,28,000	1.7.2017	By Bank A/c	1,00,000
30.9.2017	To Bank A/c	30,000		By Profit and Loss A/c (Loss on Sale – W.N. 1)	50,000
			31.12.2017	By Depreciation A/c (₹ 10,000 + ₹ 8,000 + ₹ 750)	18,750
				By Balance c/d (₹ 60,000 + ₹ 29,250)	89,250
		2,58,000			2,58,000
1.1.2018	To Balance b/d	89,250	31.12.2018	By Depreciation A/c (₹ 9,000 + ₹ 4,387.5)	13,387.5
				By Balance c/d (₹ 51,000 + ₹ 24,862.5)	75,862.5
		89,250			89,250

Working Notes:

Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	2,00,000	80,000	30,000
Depreciation for 2015	20,000	4,000	
Written down value as on 31.12.2015	1,80,000	76,000	
Depreciation for 2016	20,000	8,000	
Written down value as on 31.12.2016	1,60,000	68,000	

Depreciation for 2017	10,000	8,000	750
Written down value as on 31.12.2017	1,50,000	60,000	29,250
Sale proceeds	1,00,000		
Loss on sale	50,000		

Q.41 The M/s LG Transport purchased 10 trucks at ₹ 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and ₹ 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the motor truck account for two year ending 31 Dec, 2017.
Bill of exchange

Ans

Motor Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
2016			**2016**		
Jan-01	To balance b/d	2,92,50,000	Oct-01	By bank A/c	27,00,000
Oct-01	To Profit & Loss A/c (Profit on settlement of Truck)	4,50,000	Oct-01	By Depreciation on lost assets	6,75,000
Oct-01	To Bank A/c	50,00,000	Dec-31	By Depreciation A/c	83,50,000
			Dec-31	By balance c/d	2,29,75,000
		3,47,00,000			**3,47,00,000**
2017			**2017**		
Jan-01	To balance b/d	2,29,75,000	Dec-31	By Depreciation A/c	91,00,000
			Dec-31	By balance c/d	1,38,75,000
		2,29,75,000			**2,29,75,000**

Working Note:

To find out loss on Profit on settlement of truck

	₹
Original cost as on 1.4.2014	45,00,000
Less: Depreciation for 2014	6,75,000
	38,25,000
Less: Depreciation for 2015	9,00,000
	29,25,000
Less: Depreciation for 2016 (9 months)	6,75,000
	22,50,000
Less: Amount received from Insurance company	27,00,000
	4,50,000