ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

DEPRECIATION

Illustration

1. Mehtab purchased a machine on 1st October, 2018 for rupee 5,00,000 plus CGST and SGST @ 6% each. He paid rupee 20,000 for loading/unloading and carriage expenses to bring the machine to factory. He further incurred rupee 25,000 for installing the machine. Determine:

(a) How much amount did Mehtab pay to the vendor of machine?

(b) How much amount will be debited to Machinery Account?

Pass the Journal entries giving effect to the transaction.

2. A firm bought a machinery for rupee 7,40,000 on 1st April, 2018 and rupee 60,000 is spent on its installation. Its useful life is estimated to be of 5 years. Its estimated realisable or scrap value at the end of the period was estimated at rupee 40,000. Find out the amount of annual Depreciation and rate of Depreciation.

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3. Ram Bros. purchased a machine on 1st October, 2016 at a cost of rupee 1,50,000 and spent rupee 10,000 on its installation. The realisable value or scrap vlaue at the end of its estimated useful life of 10 years is estimated at rupee 10,000. The books are colsed on 31st March every year. Show the Machinery Account and Depreciation Account for three years.

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4. R. Kanitkar had purchased a machinery for rupee 1,00,000 on 1st October, 2016. Another machine was purchased for rupee 60,000 plus

IGST @ 12% by cheque on 1st April, 2018. Depreciation is charged @ 10% p.a. by the Straight Line Method. Accounts are closed every year on 31 st March. You are required to pass necessary Journal entries for the years ended 31st March, 2017, 2018, and 2019 and show Machinery Account and Machinery in the Balance Sheet:

(i) When Provision for Depreciation Account is not maintained.

(ii) When Provision for Depreciation Account is maintained.

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5. A company purchased machinery for Rs 2,00,000 on 1st April, 2016. The machinery is depreciated @ 10% p.a. of cost. On 1st October, 2018, the machinery was sold for Rs 1,20,000. Draw the Machinery Account for the years ended 31st March 2017, 2018 and 2019.

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6. Sunrise Ltd. purchased a second-hand machine for Rs 5,50,000 and spent Rs 50,000 on its repairs. Depreciation is to be provided @10% p.a.

following Straight Line Method. The machine is sold for Rs 4,40,000. Accounting year is financial year. Calculate the gain (profit) or loss on sale of the machine in cach of the following altcrnutive cases:

Case 1 : If date of purchase is 1st April, 2015 and date of sale is 31st March, 2018.

Case 2 : If date of purchase is 1st April, 2016 and date of sale is 30th September, 2018.

Case 3 : If date of purchase is 1st July, 2015 and date of sale is 31st March, 2018.

Case 4 : If date of purchase is 1st July, 2016 and date of sale is 30th September, 2018.

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7. Green Ltd. purchased a machinery on 1st August, 2015 for Rs 60,000. On 1st October, 2016, it purchased another machine for Rs 20,000.

On 30th June, 2017, it sold the first 'machine for Rs 38,500 and on the same date purchased a new machinery for Rs 50,000. Depreciation is provided @20 % p.a. on cost each year. Accounts are closed each year on

31st March.

Show the Machinery Account for three years.

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8. Following balances appear in the books of Goyal Brothers:

Date		Particulars	₹
2018			
April	1	Machinery A/c	8,00,000
		Provision for Depreciation A/c	3,20,000

On 1st April, 2018, they decided to sell a machine for Rs 2,00,000 which was purchased on 1st April, 2015 for Rs 3,00,000. Prepare Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2019 assuming that the firm has been charging depreciation @ 10% p.a. on the Straight Line Method.

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9. Following balances appear in the books of Dinesh, as on 1st April, 2018:

$\text{Machinery Account} \qquad \text{Rs } 8,00,000,$

Provision for Depreciation Account Rs 3,10,000.

On 1st July, 2018, a machinery which was purchased on 1st April, 2015 for Rs 1,20,000 was sold for Rs 50,000 plus CGST and SGST @ 6% each and on the same date another machinery was purchased for Rs 32,000 plus CGST and SGST @ 6% each. The firm charges depreciation @ 15% p.a. On Original Cost Method and closes its books on 31st March every year. Prepare Machinery Account and Provision for Depreciation Account for the year 2018-19. Also, pass Journal entry for the sale of machinery.

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10. On 1st April, 2016 a firm purchased machinery for Rs 3,00,000. On 1st October, 2016, additional machinery costing Rs 1,50,000 was purchased on 1st October, 2017, the machinery purchased on 1st April, 2016 having become obsolete, was sold for Rs 1,35,000. On 1st October, 2018, new machinery was purchased for Rs 3,75,000 while the machinery purchased on 1st October, 2016 was sold for Rs 1,27,500 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 31st March, 2019.

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11. A machine is purchased for Rs 1,60,000 and it is estimated that after its estimated useful life of 4 years its scrap value would be Rs 10,000. It is decided to depreciate the machine by the Diminishing Balance Method. Find out the per cent rate of Depreciation per annum.

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12. A machine was purchased on 1st April, 2016 for Rs 2,50,000. On 1st October, 2016, another machine was purchased for Rs 1,50,000. Estimated scrap value was Rs 10,000 and Rs 5,000 respectively. Depreciation is to be provided @ 10% p.a. on the machines under the Reducing Balance System.

(i) Show Machinery Account for the years ended 31st March, 2017 and

2018.

(ii) Show how Machinery Account will appear in the Balance Sheet as at 31st March, 2018.

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13. A firm purchased an old truck for Rs 2,00,000 on 1st April, 2016. It charged depreciation @ 20% per annum following Written Down Value Method. The truck was sold on 1st October, 2017 for Rs 1,60,000. Prepare Truck Account for the years ending 31st March, 2017 and 2018.

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14. On 1st October, 2015, Ram & Bros. purchased a second-hand machine for Rs 1,80,000 and spent Rs 20,000 on its repair and installation. On 30th September, 2018, the machinery was sold for Rs 1,40,000 and an amount of Rs 4,000 was paid as dismantling charges. The books are closed on 31st March every year and depreciation is charged @ 10% p.a. on the written down value. Show Machinery Account from the date purchase of machinery till the date of sale of machinery.

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15. Semeer & Bros. purchased a machinery for Rs 80,000 on 1st July, 2015 and decided to depreciate it @ 10% annually on the Diminishing Balance Method. On 1st October, 2017, a part of the machinery valued in the books of firm at Rs 16,000 on 1st July, 2015 was sold for Rs 10,000. Show Machinery Account in the books of the firm for the years ended 31st March, 2016, 2017 and 2018.

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16. Dowra Bros. purchased on 1st April, 2015 a second-hand machinery for Rs 36,000 and spent Rs 4,000 on its installation.

On 1st October in the same year, another machinery costing Rs 20,000 was purchased. On 1st October, 2017, machinery bought on 1st April , 2015 was sold off for Rs 12,000 and a fresh machine was purchased for Rs

64,000 on the same date. Depreciation is provided annually on 31st March @ 10% p.a. on the Written Down Value Method. Show Machinery Account for 3 years ending 31st March, 2018.

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17. In Anil's Ledger, book value of a machine as on 1st April, 2018 is Rs 2,80,000. Depreciation is charged @ 15% p.a. by Written Down Value Method. The machine is under in an annual repairs and maintenance contract with Mahesh, who charges Rs 5,000 per quarter. A new machine was bought and the cheque issued for Rs 3,90,000 and the cash paid Rs 10,000 to Brahm for its immediate installation and subsequent use on 1st July, 2018. The annual maintenance contract of the new machine bought was to be signed after the one year gurantee period was over. Show the Machinery Account, as it would appear in the Ledger for the year ended 31st March, 2019.

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18. A Company had bought machinery for Rs 2,00,000 including a boiler for Rs 20,000. The Machinery Account had been credited for Depreciation on the Reducing Instalment System for the past four years at the rate 10%. During the fifth year, i.e., the present year, the boiler became usefless on account of damage to some of its vital parts and the damaged boiler is sold for Rs 4,000. Write up the Machinery Account.

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19. On 1st January, 2017, the Jaipur Golden Transport Compnay purchased a truck for Rs 8,00,000. On 1st July, 2018, this truck was involved in an accident and was destroyed and Rs 6,00,000 were received by cheque from the Insurance Company in full settlement on 1st October, 2018. On 1st July, 2018, another truck was purchased by the company for Rs 10,00,000 plus CGST and SGST @ 6% each.

The company charges depreciation @ 20% p.a. following Written Down Value Method. Prepare Truck Account and Depreciation Account for 2017 to 2019 when books are closed on 31st March every year.

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20. On 1st April, 2015, machinery was purchased for Rs 80,000. On 1st April, 2016 new machinery costing Rs 40,000 was purchased. On 30th June, 2017, machinery purchased on 1st April, 2015 was sold for Rs 65,000 and on 30th September, 2017 machinery purchased on 1st April, 2016 was sold for Rs 26,750. On 1st October, 2017 another machinery for Rs 50,000 was acquired. On 1st October, 2018 new machinery costing Rs 40,000 was purchased. Depreciation was charged @ 10% p.a. on the Diminishing Balance Method. Prepare Machinery Account for your years ending on 31st March, 2019.

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21. On 1st April, 2016, Green Ltd. Purchased machinery for Rs 1,20,000 and on 30th September, 2017, it acquired additional machinery at a cost of Rs 20,000. On 30th June, 2018, one of the original machines which had cost Rs 5,000 was found to have become obsolete and was sold as scrap for Rs 500. It was replaced on that date by a new machine costing Rs 8,000.

Depreciation is to be provided @ 15% p.a. on the Written Down Value. Accounts are closed on 31st March every year. Show Machinery Account for the first three years.

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22. From the following information of M/s Gold Star, prepare Machinery Account for the three years ending on 31st March, 2019:

Date	Particulars
1st April, 2016	Purchased a second hand machinery I for ₹ 4,00,000
1st April, 2016	Spent ₹ 1,00,000 on its repairs to make it serviceable
1st Oct., 2016	Purchased a new machinery II for ₹ 10,00,000
1st April, 2017	Spent ₹ 10,000 on repair of new machinery II
30th Sept., 2018	Sale of machinery I for ₹ 2,25,000
30th Sept., 2018	Purchased a new machinery III for ₹ 15,00,000

Method of Depreciation is Written Down Value Method and Rate of Depreciation is 20% p.a.

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23. On 1st April, 2016, a firm purchased a machinery for Rs 12,00,000. On 1st October, 2018, a part of the machinery purchased on 1st April, 2016 for

Rs 80,000 was sold for Rs 45,000 and a new machinery at a cost Rs 1,58,000 was purchased and installed on the same date. The Company has adopted the method of providing depreciation @ 10% p.a. on the diminishing balance of the machinery.

Show the necessary Ledger accounts assuming that:

(i) 'Provision for Depreciation Account' is not maintained,

(ii) 'Provision for Depreciation Account' is maintained.

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24. Devinder had among other assets, machinery at a gross value of Rs 5,00,000 on which accumulated depreciation amounted to Rs 2,00,000. A machine purchased for Rs 2,00,000 having accumulated depreciation amounted to Rs 80,000 was sold during the year for Rs 1,35,000. You are required to determine the profit or loss on the machine sold sold by preparing the Asset Disposal Account.

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25. You are given following balances as on 1st April, 2005:

Machinery A/C	Rs 5,00,000
Provision for Depreciation A/C	Rs 1,16,000

Depreciation is charged on machinery at 20% p.a. by the Diminishing Balance Method. A piece of machinery purchased on 1st April, 2003 for Rs 1,00,000 was sold on 1st October, 2005 for Rs 60,000. Prepare the Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2006. Also, prepare the Machinery Disposal Account.

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26. ABC Ltd. Purchased a plant on 1st April, 2017 for Rs 1,00,000. On 1st October, 2017, an additional plant was purchased costing Rs 50,000 plus CGST and SGST @ 6% each. On 1st October, 2018 the plant purchased on 1st April, 2017, having become obsolete, was sold for Rs 40,000, charging CGST and SGST @ 6% each. Depreciation is provided @ 10% p.a. on cost on 31st March every year. Show the Machinery, Machinery Disposal and Provision for Depreciation Accounts for the years ended 31st March, 2018 and 2019. Also show CGST and SGST Accounts for the two years.

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Higher Order Thinking Skills Hots Questions

1. Is Depreciation the result of flucrtuations in the value of fixed assets?

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2. Do you agree that Depreciation is a permanent, continuing and gradual reduction in the book value of fixed asset?

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3. Land is a-depreciable asset. Comment.

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4. If Depreciation reduces, profits and Value of fixed assets and thus, the capital of the owner, why do businesses charge Depreciation?

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5. M/s Business Services has not used its CNC Bending Machine No. 10 during the year. Hence, the accountant has not provided Depreciation on it. Do you consider it to be correct? Give your reasons.

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6. Depreciation is a cash expenditure like other normal expenses. Comment.

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7. Depreciation cannot be provided in case of loss in a financial year. Comment.

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8. Which method of Depreciation assumes that an asset should be depreciated more in the earlier years and less in the later years of use?

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9. Depreciation for the second year @ 10% on Rs 15,000 purchase price will be - on the Fixed Instalment, whereas it will be - on the Diminishing Balance System.

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10. Given the same rate per cent, assets depreciate faster by the - as compared to the -.

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11. What is the importance of the words 'Per Annum' for charging depreciation on fixed assets?

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Very Short Answer Type Questions

1. Define Depreciation.

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2. What is Accumulated Depreciation?

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3. What is book value or written down value of a fixed asset?

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4. What is the residual or scrap value of the asset?

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5. Give any two causes of Depreciation.

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6. What are the objectives of providing Depreciation? (Any two)

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7. What are the factors involved in providing Depreciation?

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8. What is 'Depreciable Cost'?

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9. Give two methods of providing Depreciation.

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10. Under which method of depreciation asset is depreciated more in the initial years as compared to the later years of its life?

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11. What is meant by Straight Line Method of providing Depreciation?

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12. What is meant by Written Down Value Method of providing Depreciation?

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13. What are the merits of Straight Line Method? (Any two)

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14. What are the demerits of Straight Line Method? (Any two)

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15. What are the merits of Written Down Value Method? (Any two)

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16. What are the demerits of Written Down Value Method? (Any two)

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17. Give the formula to calculate the Annual Depreciation as per 'Straight Line Method'.

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18. What is the difference between Straight Line Method and Diminishing Balance Method of charging Depreciation? (Any two)

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19. What is meant by Asset Disposal Account ?

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20. What is the impact of GST Paid at the time of purchase of machinery on depreciation ?

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21. What is the impact of GST Collected at the time of sale of asset on profit or loss?

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Short Answer Type Questions

1. Ram & Co. purchased a machinery for Rs 21,000 on 1st April, 2019. The estimated life of the machinery is 10 years, after which its residual value will be Rs 1,000 only. Find the amount of Annual Depreciation according to the Fixed Instalment Method. Ignore GST.

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2. On 1st April, 2015, Grand Ltd. purchased a machinery for Rs 3,00,000 and incurred Rs 21,000 towards freight and insurance, Rs 3,000 towards carriage inwards and Rs 6,000 towards installation charges. It has estimated that the machinery will have a scrap value of Rs 30 000 at the end of the useful life which is four years. What will be the annual depreciation and the value of machinery after four years according to the Straight Line Method? Ignore GST.

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3. Good Manufacturers Ltd. Purchased on 1st October, 2016 a machinery costing Rs 25,000. A sum of Rs 1,000 was spent upon its installation. Depreciation is charged @ 10% p.a. on the Diminishing Balance Method. The company colses its books every on 31st March (Ignore GST). What will be the amount of Depreciation for the year ended 31st March 2017, 31st March 2018 and 31st March, 2019?

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Straight Line Method

1. Calculate the Amount of annual Depreciation and Rate of Depreciation under Straight Line Method (SLM) from the following:

Purchased a second-hand machine for Rs 96,000, spent Rs 24,000 on its cartage, repairs and installation, estimated useful life or machine 4 years. Estimated residual value Rs 72,000.

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2. On 1st April, 2016, X Ltd. Purchased a machine costing Rs 4,00,000 and spent Rs 50,000 on its installation. The estimated life of the machinery is 10 years, after which its residual value will be Rs 50,000 only. Find the amount of annual depreciation according to the Fixed Instalment Method and prepare Machinery Account for the first three years. The books are closed on 31st March every year.

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3. On 1st April, 2015, furniture costing Rs 55,000 was purchased. It is estimated that its life is 10 years at the end of which it will be sold for Rs 5,000. Additions are made on 1st April, 2016 and 1st October, 2018 to the value of Rs 9,500 and Rs 8,400 (Residual values Rs 500 and Rs 400 respectively). Show the Furniture Account for the first four years, if Depreciation is written off according to the Straight Line Method.

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4. From the following transactions of a concern, prepare the Machinery Account for the year ended 31st March, 2019:

1st April, 2018	:Purchased a second-hand machinery for Rs 40,000
1st April, 2018	:Spent Rs 10,000 on repairs for making it serviceab
30th September, 2018	:Purchased additional new machinery for Rs 20,00
31st December, 2018	:Repairs and renewal of machinery Rs 3,000.
31st March, 2019	:Depreciate the machinery at 10% p.a

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5. An asset was purchased for Rs 10,500 on 1st April, 2012. The scrap value was estimated to be Rs 500 at the end of asset's 10 years' life. Straight Line Method of depreciation was used. The accounting year ends on 31st March every year. The asset was sold for Rs 600 on 31st March, 2019. Calculate the following:

(i) The Depreciation expense for the year ended 31st March, 2013.

(ii) The net book value of the asset on 31st March, 2017.

(iii) The gain or loss on sale of the asset on 31st March, 2019.

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6. On 1st April, 2015, A Ltd. Purchased a machine for Rs 2,40,000 and spent Rs 10,000 on its erection. On 1st October, 2015, an additional machinery costing Rs 1,00,000 was purchased. On 1st October, 2017, the machine purchased on 1st April, 2015was sold for Rs 1,43,000 and on the same date, a new machine was purchased at a cost of Rs 2,00,000.

Show the Machinery Account for the first four financial years after charging Depreciation at 5% p.a. by the Straight Line Method.

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7. A Van was purchased on 1st April, 2016 for Rs 60,000 and Rs 5,000 was spent on its repair and registration. On 1st October, 2017 another van was purchased for Rs 70,000. On 1st April, 2018, the first van purchased on 1st April, 2016 was sold for Rs 45,000 and a new van costing Rs 1,70,000 was purchased on the same date. Show the Van Account from 2016-17 to 2018-19 on the basis of Straight Line Method, if the rate of Depreciation charged is 10% p.a. Assume that books are closed on 31st March every year.

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8. On 1st April, 2015, Star Ltd. purchased 5 machines for Rs 60,000 each. On 1st April, 2017, one of the machine was sold at a loss of Rs 8,000. On 1st July, 2018, second machine was sold at a loss of Rs 12,500. A new machine was purchased. for Rs 1,00,000 on 1st October, 2018.

Prepare Machinery Account for 4 years, assuming accounts are closed on 31st March each year and depreciation is charged @ 10% per annum as per Straight Line Method.

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9. A company whose accounting year is a financial year, purchased on 1st July 2015 Machinery costing Rs 30,000.

If purchased further machinery on 1st January, 2016 costing Rs 20,000 and on 1st October, 2016 costing Rs 10,000.

On 1st April, 2017, one-third of the machinery installed on 1st July, 2015 became obsolete and was sold for Rs 3,000. Show how Machinery Account would appear in the books of the company. It being given that machinery was depreciated by Fixed Instalment Method at 10% p.a. What would be the value of Machinery Account on 1st April, 2018?

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10. On 1st July, 2015, A Co. Ltd. Purchases second-hand machinery for Rs 20,000 and spends Rs 3,000 or reconditioning and installing it. On 1st January, 2016, the firm purchases new machinery worth Rs 12,000. On 30th June, 2017, the machinery purchased on 1st January, 2016, was sold for Rs 8,000 and on 1st July, 2017, a fresh plant was installed. Payments for this plant was to be made as follows:

1st July, 2017	Rs 5,000
30t June, 2018	Rs 6,000
30th June, 2019	RS 5,500

Payments in 2018 and 2019 include interset of Rs 1,000 and Rs 500 respectively. The Company writes off 10% p.a. on the original cost. The accounts are closed every year on 31st March, Show the Machinery Account for the year ended 31st March, 2018.

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11. On 1st April, 2016, Shivam Enterprise purchased a second-hand machinery for Rs 52,000 and spent Rs 2,000 on cartage, Rs 3,000 on unloading, Rs 2,000 on installation and Rs 1,000 as brokerage of the middle man. It was estimated that the machinery will have a scrap value of Rs 6,000 at the end of its useful life, which is 10 years. On 31st December 2016, repairs and renewals amounted to Rs 2,500 were paid. On 1st October, 2018, this machine was sold for Rs 30,600 and an amount of Rs 600 was paid as commission to an agent. Calculate the amount of annual depreciation and rate of depreciation. Also prepare the Machinery Account for first 3 years, assuming that firm follows financial year for accounting.

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12. Modern Ltd. Purchased a machinery on 1st August, 2016 for Rs 60,000. On 1st October, 2017, it purchased another machine for Rs 20,000 plus CGST and SGST @ 6% each. On 30th June, 2018, it sold the first machine purchased in 2016 for Rs 38,500 charging IGST @ 12%. Depreciation is provided @ 20% p.a. on the original cost each year. Account are closed on 31st March every year. Prepare the Machinery Account for these years.

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13. On 1st July, 2016, Sohan Lal & Sons purchased a plant costing Rs 60,000. Additional plant was purchased on 1st January, 2017 for Rs 40,000 and on 1st October, 2017, for Rs 20,000, plus CGST and SGST @ 6% each. On 1st April, 2018, one-third of the plant purchased on 1st July, 2016, was found to have become obsolete and was sold for Rs 6,000, charging CGST and SGST @ 6% each. Prepare the Plant Account for the first three years in the books of Sohan Lal & Sons. Depreciation is charged @ 10% p.a. on Straight Line Method. Accounts are closed on 31st March each year.

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14.

Following balances appear in the books of Rama Bros		₹
1st April, 2016	Machinery A/c	80,
	Provision for Depreciation A/c	36,

On 1st April, 2016, they decided to sell a machine for Rs 8,700. This machine was purchased for RS 16,000 in April, 2012. Prepare the Provision for Depreciation Account and Machinery Account on 31st March, 2017, assuming the firm has been charging Depreciation at 10% p.a. on Straight Line Method.

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15.

Following balances appear in the books of Pyriyank Brothers:

1st April, 2017	Machinery A/c	
	Provision for Depreciation A/c	

On 1st April, 2017, they decide to sell a machine for Rs 5,00,000. This machine was purchased for Rs 7,50,000 on 1st April, 2014. Prepare the Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2018 assuming that the firm has been charging Depreciation @ 10% p.a. on the Straight Line Method.

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16.

Following balances appear in the books of X Ltd. as on 1st April, 2018:
Machinery A/c
Provision for Depreciation A/c

The machinery is depreciated @ 10% p.a. on the Fixed Instalment Method. The accounting year being April-March. On 1st October, 2018, a machinery which was purchased on 1st July, 2015 for Rs 1,00,000 was sold for Rs 42,000 plus CGST and SGST @ 6% each and on the same date a new machine was purchased for Rs 2,00,000 paying IGST@ 12%. Prepare Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2019.

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17. A boiler was purchased from abroad for Rs 10,000. Shipping and forwarding charges Rs 2,000, Import duty Rs 7,000 and expenses of installation amounted to Rs 1,000. Calculate the Depreciation for the first three years (separately for each year) @ 10% p.a. On Diminishing Balance Method.

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18. The original cost of furniture amounted to Rs 4,000 and it is decided to write off 5% on the original cost as Depreciation at the end of each year. Show the Ledger Account as it will appear during the first four years. Show also how the same account will appear if it was decided to write off 5% p.a. on the diminishing balance of the asset each year.

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19. Babu purchased on 1st April, 2017, a machine for Rs 6,000. On 1st October, 2017, he also purchased another machine for Rs 5,000. On 1st October, 2018, he sold the machine purchased on 1st April, 2017 for Rs 4,000.

It was decided that Depreciation @ 10% p.a. was to be written off every year under Diminishing Balance Method.

Assuming the accounts were closed on 31st March every year, show the Machinery Account for the years ended 31st March, 2018 and 2019.

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20. X bought a machine for Rs 25,000 on which he spent Rs 5,000 for carriage and freight, Rs 1,000 for brokerage of the middleman, Rs 3,500 for installation and Rs 500 for an iron pad. The machine is depreciated @ 10% p.a. on Written Down Value basis. After three years, the machine was sold to Y for Rs 30,500 and Rs 500 was paid as commission to the broker through whom the sale was effected. Find out the profit and. loss on sale of machine.

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21. A company purchased a machinery for Rs 50,000 on 1st October, 2016. Another machinery costing Rs 10,000 was purchased on 1st December, 2017. On 31st March, 2019, the machinery purchased in 2016 was sold at a loss of Rs 5,000. The company charges depereciation @ 15% p.a. on

Diminishing Balance Method. Accounts are closed on 31st March every year. Prepare the Machinery Account for 3 years.

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22. On 1st April, 2016, a machinery was purchased for Rs 20,000. On 1st October, 2017 another machine was purchased for Rs 10,000 and on 1st April, 2018, one more machine was purchased for Rs 5,000. The firm depreciates its machinery @ 10% p.a. on the Diminishing Balance Method. What is the amount of Depreciation for the years ended 31st March, 2017, 2018 and 2019? What will be the balance in Machinery Account as on 31st March, 2019?

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23. M/s. P & Q purchased machinery for Rs 40,000 on 1st October, 2016. Depreciation is provided @ 10% p.a. on the Diminishing Balance. On 31st January, 2019, one-fourth of the machinery was found unsuitable and disposed off for Rs 5,600. On the same date new machinery at a cost of Rs

15,000 was purchased. Write up the Machinery Account for the years ended 31st March, 2017, 2018 and 2019. Accounts are closed on 31st March each year.

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24. On 1st October, 2015, Meenal Sharma bought a machine for Rs 25,000 on which he spent Rs 5,000 for carriage and freight, Rs 1,000 for brokerage of the middle-man Rs 4,000 for installation. The machine is depreciated @ 10% p.a. on written down value basis. On 31st March, 2018 the machine was sold to Deepa for Rs 30,500 and Rs 500 was paid as commission to broker through whom the sales was effected. Find out the profit or loss on sale of machine if accounts are closed on 31st March, every year.

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25. A company purchased on 1st July, 2015 machinery costing Rs 30,000. It further purchased machinery on 1st January, 2016 costing Rs 20,000 and on. 1st October, 2016 costing Rs 10,000. On 1st April, 2017, one-third of the machinery installed on 1st July, 2015 became obsolete and was sold for Rs 3,000. The company follows financial year as accounting year. Show how the Machinery Account would appear in the books of company if depreciation is charged @ 10% p.a. on Written Down Value Method.

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26. Astha Engineering Works purchased a machine on 1st July, 2015 for Rs 1,80,000 and spent Rs 20,000 on its installation.

On 1st April, 2016, it purchased another machine for Rs 2,40,000. On 1st October, 2017, the machine purchased on 1st July, 2015 was sold for Rs 1,45,000 plus CGST and SGST @ 6% each. On 1st January, 2018, another machine was purchased for 4,00,000 plus IGST @ 12%. Prepare the Machinery Account for the years ended 31st March, 2016 to 2018 after charging Depreciation @ 10% p.a. by Diminishing Balance Method. Accounts are closed on 31st March every year.

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27. Following balances appear in the books of M/s Amrit as on 1st April, 2018:

2018		₹
1st April	Machinery A/c	60,000
	Provision for Depreciation A/c	36,000

On 1st April, 2018, they decided to dispose off a machinery for Rs 8,400 which was purchased on 1st April, 2014 for Rs 16,000.

You are required to prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account for the year ended 31st March, 2019. Depreciation was charged at 10% p.a. on Cost following Straight Line Method.

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28. On 1st October, 2011, X Ltd. Purchased a machinery for Rs 2,50,000. A part of machinery which was purchased for Rs 20,000 on 1st October, 2011 became obsolete and was disposed off on 1st January, 2014 (having a book value Rs 17,000 on 1st April, 2013) for Rs 2,000. Depreciation is charged @ 10% annually on written down value. Prepare Machinery

Disposal Account and also show you workings. The books being closed on 31st March of every year.

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29. Sharma & Co. whose books are closed on 31st March, purchased a machinery for Rs 1,50,000 on 1st April, 2016, Additional machinery was acquired for Rs 50,000 on 1st October, 2016 was sold for Rs 40,000 on 30th September, 2018.

Prepare the Machinery Account and Accumulated Depreciation Account for all the years up to the year ended 31st March, 2019. Depreciation is charged @ 10% p.a. on Straight Line Method. Also, show the Machinery Disposal Account.

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Evaluation Questions Questions With Missing Values

1. In the following Machinery Account, determine the missing values, if depreciation is to be charged @ 10% p.a. as per Straight Line Method:

Date	Particulars	₹	Date	Particulars	₹
2016			2017		
Oct. 1	To Bank A/c	1,40,000	March 31	By Depreciation A/c	...
Oct. 1	To Bank A/c —Installation Expenses	10,000	March 31	By Balance *c/d*	...
		1,50,000			1,50,000
2017			2018		
April 1	To Balance *b/d*	...	March 31	By Depreciation A/c	...
			March 31	By Balance *c/d*	...
		1,42,500			1,42,500
2018			2019		
April 1	To Balance *b/d*	...	March 31	By Depreciation A/c	...
			March 31	By Balance *c/d*	...
		1,27,500			1,27,500

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2. In the following Machinery Account, determine the missing values, if depreciation is to be charged @ 10% p.a. on the Original Cost. On 1st

October, 2018, the machinery was sold for Rs 1,20,000.

Date	Particulars	₹	Date	Particulars	₹
2016			2017		
April 1	To Bank A/c	2,00,000	March 31	By Depreciation A/c	...(1)...
			March 31	By Balance c/d	...(2)...
		2,00,000			2,00,000
2017			2018		
April 1	To Balance b/d	...(3)...	March 31	By Depreciation A/c	...(4)...
			March 31	By Balance c/d	...(5)...
		1,80,000			1,80,000
2018			2018		
April 1	To Balance b/d	...(6)...	Oct. 1	By Bank A/c	...(7)...
			Oct. 1	By Depreciation A/c	...(8)...
			Oct. 1	By Loss on Sale of Machinery A/c (Profit and Loss A/c)	...(9)...
		...(10)...			...(11)...

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3. In the following Machinery Account. Determine the missing values, if depreciation is to be charged @ 10% p.a. as per Diminishing Balance Method. On 1st October, 2018, a part of the machinery valued in the books of the firm at Rs 16,000 on 1st July, 2016 was sold for Rs 10,000.

Date	Particulars	₹	Date	Particulars	₹
2016 July 1	To Bank A/c	80,000	2017 March 31	By Depreciation A/c	...(1)...
			March 31	By Balance c/d	...(2)...
		...(3)...			...(4)...
2017 April 1	To Balance b/d	...(5)...	2018 March 31	By Depreciation A/c	...(6)...
			March 31	By Balance c/d	...(7)...
		...(8)...			...(9)...
2018 April 1	To Balance b/d	...(10)...	2018 Oct. 1	By Bank A/c—Sale	...(11)...
			Oct. 1	By Depreciation A/c	...(12)...
			Oct. 1	By Loss on Sale of Machinery A/c (Profit and Loss A/c)	...(13)...
			2019 March 31	By Depreciation A/c	...(14)...
			March 31	By Balance c/d	...(15)...
		66,600			66,600

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