

## Class 11 Accountancy Chapter 11 - Depreciation

TS Grewal Solutions for Class 11 Accountancy Chapter 11 - Depreciation is a concept that students should consider while preparing for their Accountancy exam. Here, are few solutions rendered in a simple and stepwise method.

<b>Board</b>	CBSE
<b>Class</b>	Class 11
<b>Subject</b>	Accountancy
<b>Chapter</b>	Chapter 11
<b>Chapter Name</b>	Depreciation
<b>Number of questions solved</b>	7
<b>Category</b>	TS Grewal

Chapter 11 - Depreciation defines the below-mentioned concepts:

- Straight Line Method
- Double-Declining Balance Method
- Modified Accelerated Cost Recovery System Depreciation Method
- Unit of production method

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### QUESTION 1

Under Straight Line Method calculate the rate of depreciation for the following.

Bought a second- hand machine for ₹96,000 spent 24,000 on its installation, cartage, and repair, estimated useful life of machinery 4years. Estimated residual value ₹72,000.

**Solution.**

$$\text{Amount of Depreciation} = \frac{\text{Cost of a machine} - \text{Scrape value of Machine}}{\text{Life in Years}}$$

$$= \frac{1,20,000 - 7,200}{4} = ₹ 12,000$$

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

$$= \frac{12,000}{1,20,000} \times 100 = 10\% \text{pa.}$$

### Question 2

Company A bought a machine for ₹4,00,000 and spent ₹50,000 on its installation on 1st April 2015. Total of 10 years is the estimated life of the machinery, after which its reselling value will be ₹50,000 only. According to the Fixed installment method and prepare machine account for the first three years to find out the amount of annual depreciation. Every year the books are closed on 31st March.

**Solution.**

In the book of company A Machinery Account							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2015				2016	Bt Depreciation A/c		40,000

April 01	To Bank A/c		4,00,000	March 31	By Balance c/d		4,10,000
April 01	To Bank A/c (Erection Expense)		50,000				
			4,50,000				4,50,000
2016 April 01	To Balance b/d		4,10,000	2017 March 31	By Depreciation A/c By Balance c/d		40,000 3,70,000
			4,10,000				4,10,000
2017 April 01	To Balance b/d		3,70,000	2018 March 31	By Depreciation A/c By Balance c/d		40,000 3,30,000
			3,70,000				3,70,000

Calculation of Depreciation.

$$\text{Depreciation p.a.} = \frac{4,00,000 + 50,000 - 50,000 (\text{scrap value})}{10 \text{ years}} = ₹ 40,000 \text{ p.a.}$$

### Question 3

Prepare a machinery account for the year end 31st March 2018 from the below-mentioned transaction.

1st April 2017- Bought second-hand machinery for 40,000

1st April 2017- Spent ₹10,000 on repairs for making it serviceable

30th September 2017- Bought additional new machinery ₹ 20,000

31st December 2017 - Renewals and repair of machinery ₹3,000

31st March 2018- Depreciate the machinery @ 10%

**Solution.**

Machinery Account							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2017 April 1	To Bank A/c Machinery 1		50,000	2018 March 31	By Depreciation A/c Machinery 1      5,000 Machinery 2      1,000		6,000
Sept 30	To Bank A/c Machinery 2		20,000	March 31	By Balance c/d Machinery 1      45,000 Machinery 2      19,000		64,000
			70,000				70,000

#### Question 4

On 1st April Raul & brothers sold a machine for ₹5,00,000. They purchased the machine 1st April 2013 at the cost of ₹7,50,000. Arrange the machinery account and provision for Depreciation account as on 31st March 2017. Assume that the company was charging depreciation @ 10% on a straight line method. Mentioned below are the balances of Raul & Brothers.

2016 1st April	Machinery A/c Provision for Depreciation A/c	₹ 20,00,000 8,00,000
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#### Solution.

In the book of Raul & Brothers							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2016 April 01	To Balance b/d		20,00,000	2016 April 01	By provision for Depreciation A/c		2,25,000
				April 01	By Bank A/c		5,00,000
				April	By profit & loss		25,000

				01 2017 March 31	A/c(Loss) By Balance c/d		12,50,000
			20,00,000				20,00,000

Provision for Depreciation A/c							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2016 April 01	To Machinery A/c		2,25,000	2016 April 01	By Balance b/d		8,00,000
2017 March 31	To Balance c/d		7,00,000	2017 March 31	By Depreciation A/c		1,25,000
			9,25,000				9,25,000

### Working Note:

Profit & Loss calculation on a sale of machinery.

Particulars	₹
The original cost of Machinery	7,50,000
Less: Accumulate Depreciation machinery sold for 3 years till March (7,50,000 x 3 x 10%)	(2,25,000)
Book Value of Machinery sold	5,25,000
Less: Sale value	(5,00,000)
Loss on Sale	25,000

### Question 5

A printing machine was purchased from abroad for ₹10,000, forwarding and shipping charges ₹2,000, installation expense ₹1,000, import duty ₹7,000. Calculate depreciation for the first three years (separately) at the diminishing balance method of 10%.

**Solution:**

Printing Machine Account							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
1st Year Jan 01	To Bank A/c		20,000	1st Year Dec 31 Dec 31	By Depreciation A/c By Balance c/d		2,000 18,000
			20,000				20,000
2nd Year Jan 01	To Balance b/d		18,000	2nd Year Dec 31 Dec 31	By Depreciation A/c By Balance c/d		1,800 16,200
			18,000				18,000
3rd Year Jan 01	To Balance b/d		16,200	3rd Year Dec 31 Dec 31	By Depreciation A/c By Balance c/d		1,620 14,580
			16,200				16,200

Goods cost= 10,000+2,000+7,000+1,000= ₹20,000

**Question 6**

Babita bought a machine for ₹6,000 on 1st April 2016. She also bought another machine for ₹5,000. He purchased the machine bought on 1st April for ₹4,000 on 1st October 2017. Under the diminishing balance method, the depreciation was decided @ 10% p.a. Show the machinery account for the year 2017 and 2018 assuming the accounts were closed on the year end 31st March.

**Solution.**

Printing Machine Account							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2016 April 01	To Bank A/c Machinery 1		6,000	2017 Mar 31	By Depreciation A/c Machinery 1		600

Oct 01	To Bank A/c Machinery 2	5,000		Machinery 2 (6months) 250 By Balance c/d Machinery 1 Machinery 2	850 5,400 4,750
		11,000			11,000
2017 April 01	To Balance b/d Machinery 1 Machinery 2	5,400 4,750	2017 Oct 01 Oct 01 Oct 01	By Depreciation A/c Machinery 1 (6months) By Bank A/c By Profit & Loss A/c	270 4,000 1,130
			2018 March 31 March 31	By Depreciation A/c Machinery 2 By Balance c/d Machinery 2	475 4,275
		10,150			10,150

### Working Note.

Profit & Loss calculation on a sale of machinery.

Particulars	₹
Book value of Machinery 1st April 2017	5,400
Less: Depreciation A/c (6months)	(270)
Book Value of Machinery 1st Oct 2017	5,130
Less: Sale	(4,000)
Loss on sale on Machinery	1,130

### Question 7

Komal traders bought second-hand machinery for ₹23,000 on 1st April 2015 and spent ₹2,000 on repairs. On diminishing balance method, it was decided to depreciate the machinery @ 20% on 31st March every year.

Prepare machinery account from every year on 31st March from the year 2016 to 2018. Show the profit & loss as the machine was sold for ₹10,800 on 31st March 2018.

**Solution.**

Printing Machine Account							
Date	Particulars	J.F	₹	Date	Particulars	J.F	₹
2015 Apr 01	To Bank A/c (23,000+2,000)		25,000	2016 Mar 31	By Depreciation A/c (25,000x20%)		5,000
				Mar 31	By Balance c/d		20,000
			25,000				25,000
2016 Apr 01	To Balance b/d		20,000	2017 Mar 31	By Depreciation A/c (20,000x20%)		4,000
				Mar 31	By Balance c/d		16,000
			20,000				20,000
2017 Apr 01	To Balance b/d		16,000	2018 Mar 31	By Depreciation A/c (16,000x20%)		3,200
				Mar 31	By Balance c/d		10,800
				Mar 31	By Profit & Loss A/c		2,000
			16,000				16,000