## Short Answers for NCERT Accountancy Solutions Class 11 Chapter 7

**1. What is Depreciation?**

Any fixed asset that is acquired by a business is subjected to wear & tear and obsolescence over a time. This decrease in monetary value is calculated by a measure in accounting referred to as depreciation.

**2. State briefly the need for providing depreciation.**

Depreciation is needed for following reasons:

1. Determining actual profit or loss: Actual profit and loss can be determined only when all expenditures and losses are added to P & L Account. Assets in business are used to earn revenues; the corresponding cost gets charged as depreciation in P & L Account (Profit & Loss Account).

2. Provide unbiased view of financial statements: Assets will be shown at inflated values when depreciation do not get charged, so it will lead to balance sheet not showing the fair view of the financial statements.

3. Cost of production: Production cost includes the depreciation charged on machinery and plant and other similar assets. When depreciation is not charged production cost will be uneven which will reduce the profit.

4. Distribution of dividend from profit: If no depreciation is charged then overestimation of profit takes place which causes profit to be distributed as dividend. It results in movement of capital away from the business.

5. Funds used for asset replacement: Depreciation charged for assets will help in meeting the expense for replacing the asset in future.

6. Tax consideration: The P & L account will reflect less profit if depreciation is charged, which results in paying less taxes for the business.

**3. What are the causes of depreciation?**

The major causes of depreciation are listed below:

1. Regular use: Regular use of assets leads to decrement that reduces the value of such assets.

2. Expiry with time: Assets whether used or not, will show a decline in their effective life with the passage of time. Rain, wind and other Natural forces bring about deterioration of the asset.

3. Obsolescence: Technological advances will make the current assets obsolete in future

4. Legal rights expiry: An assets value becomes zero after its useful life. This is known as depreciation in accounting terms.

5. Accident: The value of an asset can be permanently reduced due to some accident which can include fire, natural calamity etc.

**4. Explain basic factors affecting the amount of depreciation**

The basic factors affecting the amount of depreciation are as follows:

**1. Cost of asset:** Depreciation of an asset is directly proportional to the cost of asset and cost of a fixed asset is calculated by adding cost of acquisition, installation etc. Hence, cost is an important factor for affecting depreciation.

**2. Estimated useful life:** Every fixed asset has a useful life till which it can be used for a business. After that it will not be of any use to the business. Hence, useful life of an asset is also a factor to determine depreciation.

**3. Estimated scrap value:** Every asset has a scrap value or salvage value. It is also known as net residual value or as the sale value of the asset arrived at the end of its useful life. If the net residual value is more, it will help in reducing the amount of depreciation and vice versa. Thus, net residual value is also one of the factors affecting the amount of depreciation.

**5. Distinguish between straight line method and written down value method of calculating depreciation.**

The points of difference between straight line method and written down value method is as follows:

| Basis of Comparison | Straight Line Method | Written Down Value Method |
|---|---|---|
| How it is calculated | Original asset cost is taken as the basis for calculating Depreciation | Reducing balance is the basis of calculating depreciation. Reducing balance is also known as book value |
| How depreciation is charged | A fixed amount is deducted every year till the useful life of the asset | Depreciation is deducted based on the written down value of an asset every year, till the effective life of an asset. |
| Value of Asset | It reaches zero at the effective life of the asset and is written off | It never becomes zero and hence not completely written off. |
| Asset Suitability | Assets such as buildings and lands which require less repair and have less chances of becoming obsolete are suitable for this method | Assets requiring more repair like, machinery ,plant, car are more suitable |
| Impact of Depreciation and repairs on P & L account | Increases every year | Remains constant every year |

**6. In case of a long-term asset, repair and maintenance expenses are expected to rise in later years than in earlier year. Which method is suitable for charging depreciation if the management does not want to increase burden on profits and loss account on account of depreciation and repair?**

In case of assets that require more repairs in the later part of their life such as car, machinery etc., the most preferred method that can be used by management for maintaining a balance on profit and loss account is the written down method.

In this method, in the initial years, depreciation costs are high and repairs are less, while at the later years the situation is reversed and the repair cost increases with lower depreciation costs. This creates a balance without putting burden on profit.

**7. What are the effects of depreciation on profit and loss account and balance sheet?**

Following effects can be seen in P & L account:

1. Reduces net profit by increasing the debit column of P & L account.

2. Surplus of debit balance occurs over the credit balance due to increase in the total expenses.

Impact on balance sheet:

1. It leads to reduction of book value or original cost of the asset.

2. It leads to decrease in total balance of the asset's column.

**8. Distinguish between provision and reserve**

| Basis of Comparison | Provision | Reserve |
|---|---|---|
| Meaning | Maintained to meet a liability that is known in nature | Created to meet any liability that is unknown in nature |
| Nature | It is charged against profit | Appropriation of profit is reserve |
| Purpose | Formed with a specific liability in mind | Created for fortifying the business |
| How it is created | By debiting P& L account | By debiting the P & L appropriation account. |
| Dividend Payment | Not used for paying dividends | Can be utilized for paying dividends |
| Need of Creation | It needs to be created if business makes no profit at all | It is created if profit is there in business |

**9. Give four examples each of provision and reserves.**

Examples of provision:

1. Provision for taxation
2. Provision for discount on debtors
3. Provision for bad and doubtful debts
4. Provision for depreciation

Examples of reserves:

1. Dividend equalisation reserve
2. Debenture redemption reserve
3. General reserve
4. Capital reserve

**10. Distinguish between revenue reserve and capital reserve.**

| Basis of Comparison | Revenue Reserve | Capital Reserve |
|---|---|---|
| Source of creation | Revenue received from daily operations of a business. | Profits earned from sale of capital assets. |
| For paying Dividend | Yes, can be paid as dividend | No, cannot be paid as dividend |
| Purpose | It helps serving the purpose of solidification of the businesses financial position | Serves the purpose of financing long term project or writing off capital expenses |

**11. Give four examples each of revenue reserve and capital reserves.**

Revenue reserve examples are as follows:

1. General Reserve
2. Retained Earnings
3. Dividend Equalisation Reserve
4. Debenture Redemption Reserve

Capital reserve examples are as follows:

1. Sale of fixed assets
2. Issues of shares at premium
3. Profit or issue of shares
4. Profit on redemption of debentures

**12. Distinguish between general reserve and specific reserve.**

| Basis of Comparison | General Reserve | Specific Reserve |
|---|---|---|
| Meaning | A reserve created without any specific purpose | Reserve created with a specific purpose |
| Uses | Can be utilized on whichever purpose necessary for business | It needs to be used only for the purpose it is created |
| Some examples | Fund reserves, retained earnings | Dividend equalisation reserve, Debenture redemption reserve, etc. |

**13. Explain the concept of secret reserve.**

An amount that leads to undervaluing the assets of an organization or overestimation of liabilities is called as secret reserve. It is formed with the purpose of hiding business profit from competitive organizations or competitors.

## Long Answers for NCERT Accountancy Solutions Class 11 Chapter 7

**1. Explain the concept of depreciation. What is the need for charging depreciation and what are the causes of depreciation?**

Any fixed asset that is acquired by a business is subjected to wear and tear and obsolescence over a time. This decrease in monetary value is calculated by a measure in accounting called as depreciation.

Depreciation is needed for following reasons:

1. Determining actual profit or loss: Actual profit and loss can be determined only when all losses and expenses are added to P & L Account. Assets are used in business to earn revenues, the cost is charged as depreciation in P & L Account (Profit & Loss Account).

2. Provide fair view of financial statements: Assets will be shown at inflated values as charge for depreciation is not added, so it will lead to balance sheet not showing the fair view of the financial statements.

3. Cost of production: Cost of production includes the depreciation charged on plant, machinery and other similar assets. If depreciation is not charged cost of production will be uneven which will reduce the profit.

4. Distribution of dividend from profit: If no depreciation is charged then overestimation of profit takes place which leads to profit being circulated as dividend. It leads to the movement of capital away from the business.

5. Funds used for replacement of assets: Depreciation charged for assets will help in meeting the expense for replacing of asset in future.

6. Tax consideration: The P & L account will reflect less profit if depreciation is charged, which results in paying less taxes for the business.

The major causes of depreciation are listed below:

1. Regular use: Regular use of assets leads to its deterioration that reduces the value of such assets.

1. Expiry with time: Assets whether used or not, will show a decline in their effective life with the passage of time. Rain, wind and other Natural forces bring about deterioration of the asset.
2. Obsolescence: Technological advances will make the current assets obsolete in future

4. Legal rights Expiry: The value of an asset becomes zero after its useful life. This is known as depreciation in accounting terms.

5. Accident: The value of an asset can be permanently reduced due to some accident which can include fire, natural calamity etc.

**2. Discuss in detail the straight-line method and written down value method of depreciation. Distinguish between the two and also give situations where they are useful.**

**Straight Line method**

It is one of the simplest method of calculating depreciation. It is charged on original cost of the asset at a constant rate.

Depreciation is calculated using the formulae:

Annual Depreciation expense = (Asset cost – Residual Value) / Useful life of the asset

**Advantages of Straight-Line Method**

1. Simple calculation required
2. Value of an asset can be made zero after its useful life.

3. Comparing P & L accounts every year is easy as equal amount is charged as depreciation.
4. It is suitable for assets which require less repairs.

**Straight-Line Method limitations**

1. More burden on P & L account as asset becomes older and requires repair and maintenance.
2. An asset can become zero value even when it is in useful condition.

**Straight-Line Method benefits**

1. Useful for assets which require less repairs and maintenance.
2. Useful if an asset is used continuously.

**Written Down Value Method**

Rate of depreciation is calculated on the diminishing value of asset. It is also known as reducing balance method.

Rate of depreciation is calculated using the formulae:

$$R = \left[1 - \sqrt[n]{\frac{s}{c}}\right] \times 100$$

Where,

*R* = depreciation rate

*n* = Assets useful life that can be expected

*s* = scrap value

*c*= cost of an asset

**Written Down Value Method Advantages**

1. Depreciation is charged more in initial years as asset will be more useful during the early years.
2. As assets will be requiring more repair in the later stages. The collective load of depreciation and repairs on profit and loss account will remain equal over the years.
3. Approved for tax calculations

4. Loss arising from obsolescence can be greatly reduced as most of the cost is recovered in the initial years.

**Written Down Value Method Limitations**

1. Determining the rate of depreciation is difficult.
2. The book value never reaches zero in this method as depreciation cannot be fully written off.
3. Business may find it difficult to gather price for replacement of asset as most of the depreciation is charged in the early years and that amount is used in the business.

**Written Down Value Method Uses**

1. Suitable for assets having long useful life.
2. Convenient for assets that requiring greater maintenance costs and repairs in the later years.

**Difference between Straight Line Method and Written Down Value Method**

| Basis of Comparison | Straight Line Method | Written Down Value Method |
|---|---|---|
| How it is calculated | Actual cost of an asset is taken as the basis for calculating Depreciation | Reducing balance is the basis of calculating depreciation. Reducing balance is also known as book value |
| How depreciation is charged | Fixed amount is charged every year till the effective life of the asset | Depreciation is charged based on the written down value of asset every year, till the effective life of the asset |
| Value of Asset | It becomes zero at the end of effective life of the asset and is written off | It never becomes zero and hence not completely written off. |
| Asset Suitability | Assets such as buildings and lands which require less repair and have less chances of becoming obsolete are suitable for this method | Assets requiring frequent repair like, machinery, plant and car. |
| Impact of Depreciation and repairs on P & L account | Increases every year | Remains constant every year |

**3. Describe in detail two methods of recording depreciation. Also give the necessary journal entries.**

Here are some methods by which depreciation can be recorded:

1. **Depreciation charged to asset account:** In this method, the depreciation is deducted from the depreciable cost of the asset which gets credited to asset account and debited to profit and loss account.

   Journal entries for depreciation are shown below:

Depreciation charged to asset account

Depreciation A/c Dr.

To Assets A/c

(Depreciation charged to Assets Account)

Closing of Depreciation Account

Profit and Loss A/c Dr.

To Depreciation A/c

(Depreciation transferred to P& L Account)

2. **Provision created for depreciation account−** In this method amount of depreciation is debited to depreciation account and credited to provision for depreciation account. The depreciation amount gets transferred to P & L account at the end of the year.

Following journal entries are made:

Charging (crediting) Depreciation to Provision for depreciation account

Depreciation A/c Dr.

To Provision for Depreciation A/c

(Charged Depreciation)

For charging depreciation to P & L account

Profit and Loss A/c Dr.

To Depreciation A/c

(Depreciation charged to Profit and Loss Account)

After sale of asset, the accumulated depreciation gets credited to the Asset account with the following entry:

Provision for Depreciation A/c Dr.

To Asset A/c

(Accumulated depreciation gets debited to Assets Account)

**4. Explain determinants of the amount of depreciation.**

The basic factors affecting the amount of depreciation are as follows:

**1. Cost of asset:** Depreciation of an asset is directly proportional to the cost of asset and cost of a fixed asset is calculated by adding cost of acquisition, installation etc. Hence, cost is an important factor for affecting depreciation.

**2. Estimated useful life:** Every fixed asset has a useful life till which it can be used for a business. After that it will not be of any use to the business. Hence, useful life of an asset is also a factor to determine depreciation.

**3. Estimated scrap value:** Every asset has a scrap value or salvage value. It is also known as net residual value or sale value of the asset at the end of its useful life. If the net residual value is more, it will help in reducing the amount of depreciation and vice versa. Thus, net residual value is also one of the factors affecting the amount of depreciation.

After 10 years, furniture is sold at ₹ 5,000. So, depreciation will be:

$$\text{Depreciation (p.a.)} = \frac{\text{(Original cost – Scrap Value)}}{\text{Estimated Life of Asset (years)}}$$

$$= \frac{(40{,}000 – 5{,}000)}{10}$$

=3,500/annum

**5. Name and explain different types of reserves in details.**

**Reserves:** Reserves are created from the profits of the business. It helps in fortifying the financial position of a business and also help in growth of company.

Reserves are classified into two types:

1. **Revenue Reserve:** Revenue reserve is created from revenue profit. It can be of two types: a) General and b) Specific Purpose

**a. General Reserve:** The purpose for which reserves are created are not specified, such reserves are called as General Reserves. These reserves can be utilized for the growth of business.

**b. Specific Reserve:** A specific reserve is created with the intent of utilizing for a specific purpose in the business.

Following are some examples:

i. Dividend Equalisation Reserve

ii. Debenture Redemption Reserve

2. **Capital Reserve:** Reserve which is created out of capital profit such as sale of some fixed asset is known as capital reserve. Here are some examples of capital reserves:

i. Premium on issue of debentures

ii. Premium on issue of shares

iii. Profit on sale of fixed assets

iv. Profit prior to incorporation

v. Profit on redemption of debentures

**3. Secret Reserves−** An amount that leads to undervaluing the assets of an organization or overestimation of liabilities is called as secret reserve. It is created with the purpose of hiding business profit from competitive organizations or competitors.

**6. What are provisions? How are they created? Give accounting treatment in case of provision for doubtful Debts.**

The actual amount of expenses or losses for the current accounting period cannot be determined with certainty as they have not been incurred yet. Net profit of the business can only be arrived after making a provision for such expenses or losses. A few examples of provisions are mentioned below:

1. Provision for depreciation
2. Provision for taxation
3. Provision for bad and doubtful debts
4. Provision for discount on debtors

Provisions are created by debiting the Profit and Loss Account on estimate basis. It is created on the basis of past experiences. A business may experience common losses, such as depreciation of fixed assets, taxation, etc. every year, which although are known; but, their exact amount in future period is unknown.

Therefore, a business always creates a provision based on certain percentage every year, which is purely based on the intuition and past experiences. These undetermined liabilities in form of provisions are kept aside, which will help future business activities, undisturbed from the future losses.

Accounting treatment for provision for doubtful debts is:

Profit and Loss A/c Dr.

To Provision for Doubtful Debts

(Provision for doubtful debts made)

## Numerical Answers for NCERT Accountancy Solutions Class 11 Chapter 7

**1. On April 01, 2010, Bajrang Marbles purchased a Machine for ₹ 1, 80,000 and spent ₹ 10,000 on its carriage and ₹ 10,000 on its installation. It is estimated that its working life is 10 years and after 10 years its scrap value will be ₹ 20,000.**
**(a) Prepare Machine account and Depreciation account for the first four years by providing depreciation on straight line method. Accounts are closed on March 31st every year.**
**(b) Prepare Machine account, Depreciation account and Provision for depreciation account (or accumulated depreciation account) for the first four years by providing depreciation using straight line method accounts are closed on March 31 every year.**

Machine account and Depreciation account using depreciation on straight line method is as follows:

**Books of Bajrang Marbles**

**(a)**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2011 | | | |
| Apr.01 | Bank | | 2,00,000 | Mar.31 | Depreciation | | 18,000 |
| | | | | | Balance c/d | | 1,82,000 |
| | | | 2,00,000 | | | | 2,00,000 |
| 2011 | | | | 2012 | | | |
| Apr.01 | Balance b/d | | 1,82,000 | Mar.31 | Depreciation | | 18,000 |
| | | | | Mar.31 | Balance c/d | | 1,64,000 |
| | | | 1,82,000 | | | | 1,82,000 |
| 2012 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 1,64,000 | Mar.31 | Depreciation | | 18,000 |
| | | | | Mar.31 | Balance c/d | | 1,46,000 |
| | | | 1,64,000 | | | | 1,64,000 |
| 2013 | | | | 2014 | | | |
| Apr.01 | Balance b/d | | 1,46,000 | Mar.31 | Depreciation | | 18,000 |
| | | | | Mar.31 | Balance c/d | | 1,28,000 |
| | | | 1,46,000 | | | | 1,46,000 |

Hence, the closing balance of machinery account after 4 years is ₹. 1, 28,000.

Working notes: Calculation of annual depreciation

Cost of Asset= 1, 80,000 + 10,000 +10,000= 2, 00,000

$$\text{Depreciation (p.a.)} = \frac{\text{(Original cost – Scrap Value )}}{\text{Estimated Life of Asset (years)}}$$

$$= \frac{(1,80,000 + 10,000 + 10,000 – 20,000)}{10}$$

$$= ₹\ 18,000/\text{annum}$$

The depreciation account is calculated as:

**Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 Mar.31 | Machinery | | 18,000 | 2011 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2012 Mar.31 | Machinery | | 18,000 | 2012 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2013 Mar.31 | Machinery | | 18,000 | 2013 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2014 Mar.31 | Machinery | | 18,000 | 2014 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |

(b**)**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 Apr.01 | Bank | | 2,00,000 | 2011 Mar.31 | Balance c/d | | 2,00,000 |
| | | | 2,00,000 | | | | 2,00,000 |
| 2011 Apr.01 | Balance b/d | | 2,00,000 | 2012 Mar.31 | Balance c/d | | 2,00,000 |
| | | | 2,00,000 | | | | 2,00,000 |
| 2012 Apr.01 | Balance b/d | | 2,00,000 | 2013 Mar.31 | Balance c/d | | 2,00,000 |
| | | | 2,00,000 | | | | 2,00,000 |
| 2013 Apr.01 | Balance b/d | | 2,00,000 | 2014 Mar.31 | Balance c/d | | 2,00,000 |
| | | | 2,00,000 | | | | 2,00,000 |

**Provision for Depreciation Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 Mar.31 | Balance c/d | | 18,000 | 2011 Mar.31 | Depreciation | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| | | | | 2011 Apr.01 | Balance b/d | | 18,000 |
| 2012 Mar.31 | Balance c/d | | 18,000 | 2012 Mar.31 | Depreciation | | 18,000 |
| | | | 36,000 | | | | 36,000 |
| | | | | 2012 Apr.01 | Balance b/d | | 36,000 |
| 2013 Mar.31 | Balance c/d | | 54,000 | 2013 Mar.31 | Depreciation | | 18,000 |
| | | | 54,000 | | | | 54,000 |
| | | | | 2003 Apr.01 | Balance b/d | | 54,000 |
| 2014 Mar.31 | Balance c/d | | 72,000 | 2014 Mar.31 | Depreciation | | 18,000 |
| | | | 72,000 | | | | 72,000 |

Hence, the provision for Depreciation account at the end of 4th Year is ₹.72, 000

**Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 Mar.31 | Provision for Depreciation | | 18,000 | 2011 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2012 Mar.31 | Provision for Depreciation | | 18,000 | 2012 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2013 Mar.31 | Provision for Depreciation | | 18,000 | 2013 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |
| 2014 Mar.31 | Provision for Depreciation | | 18,000 | 2014 Mar.31 | Profit and Loss | | 18,000 |
| | | | 18,000 | | | | 18,000 |

**2. On July 01, 2010, Ashok Ltd. Purchased a Machine for ₹ 1, 08,000 and spent ₹ 12,000 on its installation. At the time of purchase it was estimated that the effective commercial life of the machine will be 12 years and after 12 years its salvage value will be ₹ 12,000.**
**Prepare machine account and depreciation Account in the books of Ashok Ltd. For first three years, if depreciation is written off according to straight line method. The account are closed on December 31st, every year.**

The machine account and depreciation account are as follows:

Cost of Machine = ₹. (1, 08,000 + 12,000)
= ₹ 1, 20,000

**Books of Ashok Ltd.**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2010 | | | |
| Jul.01 | Bank | | 1,20,000 | Dec.31 | Depreciation | | 4,500 |
| | | | | Dec.31 | Balance c/d | | 1,15,500 |
| | | | 1,20,000 | | | | 1,20,000 |
| 2011 | | | | 2011 | | | |
| Jan.01 | Balance b/d | | 1,15,500 | Dec.31 | Depreciation | | 9,000 |
| | | | | Dec.31 | Balance c/d | | 1,06,500 |
| | | | 1,15,000 | | | | 1,15,500 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 1,06,500 | Dec.31 | Depreciation | | 9,000 |
| | | | | Dec.31 | Balance c/d | | 97,500 |
| | | | 1,06,500 | | | | 1,06,500 |
| 2013 | | | | | | | |
| Jan.01 | Balance b/d | | 97,500 | | | | |

Hence, the closing balance after three years is ₹ 97,500.

Working notes: Calculation of annual depreciation

$$\text{Depreciation (p.a.)} = \frac{\text{(Original cost – Scrap Value )}}{\text{Estimated Life of Asset (years)}}$$

$$\text{Depreciation} = \frac{(1,08,000 + 12,000 - 12,000)}{12}$$

$$= ₹\ 9,000$$

**Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2010 | | | |
| Dec.31 | Machinery | | 4,500 | Dec.31 | Profit and Loss | | 4,500 |
| | | | 4,500 | | | | 4,500 |
| 2011 | | | | 2011 | | | |
| Dec.31 | Machinery | | 9,000 | Dec.31 | Profit and Loss | | 9,000 |
| | | | 9,000 | | | | 9,000 |
| 2012 | | | | 2012 | | | |
| Dec.31 | Machinery | | 9,000 | Dec.31 | Profit and Loss | | 9,000 |
| | | | 9,000 | | | | 9,000 |

**3. Reliance Ltd. purchased a second hand machine for ₹ 56,000 on October 01, 2011 and spent ₹ 28,000 on its overhaul and installation before putting it to operation. It is expected that the machine can be sold for ₹ 6,000 at the end of its useful life of 15 years. Moreover an estimated cost of ₹ 1,000 is expected to be incurred to recover the salvage value of ₹ 6,000. Prepare machine account and Provision for depreciation account for the first three years charging depreciation by fixed Instalment Method. Accounts are closed on March 31, every year.**

Machine account and provision for depreciation account are as follows:

**Books of Reliance Ltd.**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Oct.01 | Bank | | 84,000 | | | | |
| | | | | Dec.31 | Balance c/d | | 84,000 |
| | | | 84,000 | | | | 84,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 84,000 | | | | |
| | | | | Dec.31 | Balance c/d | | 84,000 |
| | | | 84,000 | | | | 84,000 |
| 2013 | | | | 2013 | | | |
| Jan.01 | Balance b/d | | 84,000 | | | | |
| | | | | Dec.31 | Balance c/d | | 84,000 |
| | | | 84,000 | | | | 84,000 |

**Provision for Depreciation Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| | | | | 2011 Dec.31 | Depreciation | | 1,316 |
| 2011 Dec.31 | Balance c/d | | 1,316 | | | | |
| | | | 1,316 | | | | 1,316 |
| | | | | 2012 Jan.01 | Balance b/d | | 1,316 |
| | | | | Dec.31 | Depreciation | | 5,267 |
| 2012 Dec.31 | Balance c/d | | 6,583 | | | | |
| | | | 6,583 | | | | 6,583 |
| | | | | 2013 Jan.01 | Balance b/d | | 6,583 |
| | | | | Dec.31 | Depreciation | | 5,267 |
| 2013 Dec.31 | Balance c/d | | 11,850 | | | | |
| | | | 11,850 | | | | 11,850 |
| | | | | 2014 Jan.01 | Balance b/d | | 11,850 |

As per the solution the balance of provision for depreciation account is ₹. 11,850

**Working Note:**

**Calculation of annual depreciation**

$$\text{Depreciation (p.a.)} = \frac{\text{(Original cost – Scrap Value )}}{\text{Estimated Life of Asset (years)}}$$

$$\text{Depreciation (p.a.)} = \frac{(56{,}000 + 28{,}000 – 6{,}000 + 1{,}000)}{15 \text{ years}}$$

$= ₹\ 5{,}267$

**4. Berlia Ltd. Purchased a second hand machine for ₹ 56,000 on July 01, 2015 and spent ₹ 24,000 on its repair and installation and ₹ 5,000 for its carriage. On September 01, 2016, it purchased another machine for ₹ 2, 50,000 and spent ₹ 10,000 on its installation.**
**(a) Depreciation is provided on machinery @10% p.a on original cost method annually on December 31. Prepare machinery account and depreciation account from the year 2015 to 2018.**
**(b) Prepare machinery account and depreciation account from the year 2015 to 2018, if depreciation is provided on machinery @10% p.a. on written down value method annually on December 31.**

The machinery account and depreciation account are as follows:

**Books of Berlia Ltd.**

**(a)**

**Machinery Account (Using Original Cost Method)**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Jul.01 | Bank (i) | | 85,000 | Dec.31 | Depreciation | | 4,250 |
| | (5,600 + 24,000 + 5,000) | | | Dec.31 | Balance c/d | | 80,750 |
| | | | 85,000 | | | | 85,000 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d (i) | | 80,750 | Dec.31 | Depreciation | | |
| Sep.01 | Bank (ii) | | 2,60,000 | | (i) 8,500, (ii) 8,667 | | 17,167 |
| | (2,50,000 + 10,000) | | | Dec.31 | Balance c/d | | 3,23,583 |
| | | | | | (i) 72,250, (ii) 2,51,333 | | |
| | | | 3,40,750 | | | | 3,40,750 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | 3,23,583 | Dec.31 | Depreciation | | |
| | (i) 72,250, (ii) 2,51,333 | | | | (i) 8,500, (ii) 26,000 | | 34,500 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 63,750, (ii) 2,25,333 | | 2,89,083 |
| | | | 3,23,583 | | | | 3,23,583 |
| 2018 | Balance b/d | | | 2018 | | | |
| Jan.01 | (i) 63,750, (ii) 2,25,333 | | 2,89,083 | Dec.31 | Depreciation | | |
| | | | | | (i) 8,500, (ii) 26,000 | | 34,500 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 55,250, (ii) 1,99,333 | | 2,54,583 |
| | | | 2,89,083 | | | | 2,89,083 |

Hence, balance on machine account as on 1st Jan 2019 is ₹. 2, 54,583

**Depreciation Account**

**Dr.** | **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Dec.31 | Machinery | | 4,250 | Dec.31 | Profit and Loss | | 4,250 |
| | | | 4,250 | | | | 4,250 |
| 2016 | | | | 2016 | | | |
| Dec.31 | Machinery | | | Dec.31 | Profit and Loss | | 17,167 |
| | (i) 8,500 (ii) 8,667 | | 17,167 | | | | |
| | | | 17,167 | | | | 17,167 |
| 2017 | | | | 2017 | | | |
| Dec.31 | Machinery | | | Dec.31 | Profit and Loss | | 34,500 |
| | (i) 8,500 (ii) 26,000 | | 34,500 | | | | |
| | | | 34,500 | | | | 34,500 |
| 2018 | | | | 2018 | | | |
| Dec.31 | Machinery | | 34,500 | Dec.31 | Profit and Loss | | 34,500 |
| | (i) 8,500 (ii) 26,000 | | 34,500 | | | | 34,500 |

**Working notes: Calculation of depreciation per annum**

(i) Depreciation on Machinery Purchased on July 01, 2015

$$= (56,000 + 24,000 + 5,000) \times \frac{10}{100}$$

= ₹ 8,500 pa

(ii) Depreciation on Machinery purchased on September 01, 2016.

$$= (2,50,000 + 10,000) \times \frac{10}{100}$$

= ₹ 26,000 pa

**(b)**

**Machinery Account (Written Down Value method)**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Jul.01 | Bank (i) | | 85,000 | Dec.31 | Depreciation | | 4,250 |
| | (5,600 + 24,000 + 5,000) | | | Dec.31 | Balance c/d | | 80,750 |
| | | | 85,000 | | | | 85,000 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d (i) | | 80,750 | Dec.31 | Depreciation | | |
| Sep.01 | Bank (ii) | | 2,60,000 | | (i) 8,075, (ii) 8,667 | | 16,742 |
| | (2,50,000 + 10,000) | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 72,675, (ii) 2,51,333 | | 3,24,008 |
| | | | 3,40,750 | | | | 3,40,750 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | 3,24,008 | Dec.31 | Depreciation | | |
| | (i) 72,675, (ii) 2,51,333 | | | | (i) 7,268, (ii) 25,133 | | 32,401 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 65,407, (ii) 2,26,200 | | 2,91,607 |
| | | | 3,24,008 | | | | 3,24,008 |
| 2018 | Balance b/d | | | 2018 | | | |
| Jan.01 | (i) 65,407, (ii) 2,26,200 | | 2,91,607 | Dec.31 | Depreciation | | |
| | | | | | (i) 6,540, (ii) 22,620 | | 29,160 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 58,867, (ii) 2,03,580 | | 2,62,447 |
| | | | 2,91,607 | | | | 2,91,607 |

Hence, balance on machine account as on 1st Jan 2019 is ₹ 2, 62,447

**Depreciation Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Dec.31 | Machinery | | 4,250 | Dec.31 | Profit and Loss | | 4,250 |
| | | | 4,250 | | | | 4,250 |
| 2016 | | | | 2016 | | | |
| Dec.31 | Machinery | | | Dec.31 | Profit and Loss | | 16,742 |
| | (i) 8,075, (ii) 8,667 | | 16,742 | | | | |
| | | | 16,742 | | | | 16,742 |
| 2017 | | | | 2017 | | | |
| Dec.31 | Machinery | | | Dec.31 | Profit and Loss | | 32,401 |
| | (i) 7,268, (ii) 25,133 | | 32,401 | | | | |
| | | | 32,401 | | | | 32,401 |
| 2018 | | | | 2018 | | | |
| Dec.31 | Machinery | | | Dec.31 | Profit and Loss | | 29,160 |
| | (i) 6,540, (ii) 22,620 | | 29,160 | | | | |
| | | | 29,160 | | | | 29,160 |

**5. Ganga Ltd. purchased a machinery on January 01, 2014 for ₹ 5, 50,000 and spent ₹ 50,000 on its installation. On September 01, 2014 it purchased another machine for ₹ 3, 70,000. On May 01, 2016 it purchased another machine for ₹ 8, 40,000 (including installation expenses).**
**Depreciation was provided on machinery @10% p.a. on original cost method annually on December 31.**
**Prepare:**
**(a) Machinery account and depreciation account for the years 2014, 2015, 2016 and 2017.**
**(b) If depreciation is accumulated in provision for Depreciation account then prepare machine account and provision for depreciation account for the years 2014, 2015, 2016 and 2017.**

The machinery account and depreciation account are as follows:

**(a)**

**Books of Ganga Ltd.**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| | | | | Dec.31 | Depreciation | | |
| Jan.01 | Bank (i) | | 6,00,000 | | (i) 60,000 (ii) 12,333 | | 72,333 |
| | (5,50,000 + 50,000) | | | Dec.31 | Balance c/d | | |
| Sep.01 | Bank (ii) | | 3,70,000 | | (i) 5,40,000, (ii) 3,57,667 | | 8,97,667 |
| | | | 9,70,000 | | | | 9,70,000 |
| 2015 | | | | 2015 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Depreciation | | |
| | (i) 5,40,000, (ii) 3,57,667 | | 8,97,667 | | (i) 60,000, (ii) 37,000, | | |
| May.01 | Bank (iii) | | 8,40,000 | | (iii) 56,000 | | 1,53,000 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 4,80,000 (ii) 3,20,667, | | |
| | | | | | (iii) 7,84,000 | | 15,84,667 |
| | | | 17,37,667 | | | | 17,37,667 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Depreciation | | |
| | (i) 4,80,000, (ii) 3,20,667 | | | | (i) 60,000, (ii) 37,000, | | |
| | (iii) 7,84,000 | | 15,84,667 | Dec.31 | (iii) 84,000 | | 1,81,000 |
| | | | | | Balance c/d | | |
| | | | | | (i) 4,20,000, (ii) 2,83,667, | | |
| | | | | | (iii) 7,00,000 | | 14,03,667 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 15,84,667 | | | | 15,84,667 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Depreciation | | |
| | (i) 4,20,000, (ii) 2,83,667, | | | | (i) 60,000, (ii) 37,000, | | |
| | (iii) 7,00,000 | | 14,03,667 | | (iii) 84,000 | | 1,81,000 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 3,60,000, (ii) 2,46,667, | | |
| | | | | | (iii) 6,16,000 | | 12,22,667 |
| | | | 14,03,667 | | | | 14,03,667 |

The balance of machine account is ₹.12, 22,667.

**Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| Dec.31 | Machinery | | 72,333 | Dec.31 | Profit and Loss | | 72,333 |
| | | | 72,333 | | | | 72,333 |
| 2015 | | | | 2015 | | | |
| Dec.31 | Machinery | | 1,53,000 | Dec.31 | Profit and Loss | | 1,53,000 |
| | | | 1,53,000 | | | | 1,53,000 |
| 2016 | | | | 2016 | | | |
| Dec.31 | Machinery | | 1,81,000 | Dec.31 | Profit and Loss | | 1,81,000 |
| | | | 1,81,000 | | | | 1,81,000 |
| 2017 | | | | 2017 | | | |
| Dec.31 | Machinery | | 1,81,000 | Dec.31 | Profit and Loss | | 1,81,000 |
| | | | 1,81,000 | | | | 1,81,000 |

**(b)**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| Jan.01 | Bank (i) | | 6,00,000 | | | | |
| | (5,50,000 + 50,000) | | | Dec.31 | Balance c/d | | |
| Sep.01 | Bank (ii) | | 3,70,000 | | | | 9,70,000 |
| | | | 9,70,000 | | | | 9,70,000 |
| 2015 | | | | 2015 | | | |
| Jan.01 | Balance b/d | | | | | | |
| | (i) 6,00,000 (ii) 3,70,000 | | 9,70,000 | | | | |
| May.01 | Bank (iii) | | 8,40,000 | Dec.31 | Balance c/d | | 18,10,000 |
| | | | 18,10,000 | | | | 18,10,000 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Balance c/d | | 18,10,000 |
| | (i) 6,00,000 (ii) 3,70,000 | | | | | | |
| | (iii) 8,40,000 | | 18,10,000 | | | | |
| | | | 18,10,000 | | | | 18,10,000 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Balance c/d | | 18,10,000 |
| | (i) 6,00,000 (ii) 3,70,000 | | | | | | |
| | (iii) 8,40,000 | | 18,10,000 | | | | |
| | | | 18,10,000 | | | | 18,10,000 |

**Provision for Depreciation Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| Dec.31 | Balance c/d | | 72,333 | Dec.31 | Depreciation | | 72,333 |
| | | | 72,333 | | | | 72,333 |
| | | | | 2015 | | | |
| 2015 | | | | Jan.01 | Balance b/d | | 72,333 |
| Dec.31 | Balance c/d | | 2,25,333 | Dec.31 | Depreciation | | 1,53,000 |
| | | | 2,25,333 | | | | 2,25,333 |
| | | | | 2016 | | | |
| 2016 | | | | Jan.01 | Balance b/d | | 2,25,333 |
| Dec.31 | Balance c/d | | 4,06,333 | Dec.31 | Depreciation | | 1,81,000 |
| | | | 4,06,333 | | | | 4,06,333 |
| | | | | 2017 | | | |
| 2017 | | | | Jan.01 | Balance b/d | | 4,06,333 |
| Dec.31 | Balance c/d | | 5,87,333 | Dec.31 | Depreciation | | 1,81,000 |
| | | | 5,87,333 | | | | 5,87,333 |

The provision for depreciation account has a balance of ₹. 5, 87,333

**6. Azad Ltd. purchased furniture on October 01, 2014 for ₹ 4, 50,000. On March 01, 2015 it purchased another furniture for ₹ 3, 00,000. On July 01, 2016 it sold off the first furniture purchased in 2014 for ₹ 2, 25,000. Depreciation is provided at 15% p.a. on written down value method each year. Accounts are closed each year on March 31. Prepare furniture account, and accumulated depreciation account for the years ended on March 31, 2015, March 31, 2016 and March 31, 2017. Also give the above two accounts if furniture disposal account is opened.**

The furniture account and accumulated depreciation account are as follows:

**Books of Azad Ltd.**

**Furniture Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2015 | | | |
| Oct.01 | Bank (i) | | 4,50,000 | | | | |
| 2015 | | | | Mar.31 | Balance c/d | | 7,50,000 |
| Mar.01 | Bank (ii) | | 3,00,000 | | | | |
| | | | 7,50,000 | | | | 7,50,000 |
| 2015 | | | | 2016 | | | |
| Apr.01 | Balance b/d | | | | | | |
| | (i) 4,50,000, (ii) 3,00,000 | | 7,50,000 | Mar.31 | Balance c/d | | 7,50,000 |
| | | | 7,50,000 | | | | 7,50,000 |
| 2016 | | | | 2016 | | | |
| Apr.01 | Balance b/d | | 7,50,000 | July 01 | Furniture Disposal | | 4,50,000 |
| | (i) 4,50,000, (ii) 3,50,000 | | | 2005 | | | |
| | | | | Mar.31 | Balance c/d | | 3,00,000 |
| | | | 7,50,000 | | | | 7,50,000 |

**Accumulated Depreciation Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Mar.31 | Balance c/d | | 37,500 | Mar.31 | Depreciation | | |
| | | | | | (i) 33,750, (ii) 3,750 | | 37,500 |
| | | | 37,500 | | | | 37,500 |
| 2016 | | | | 2015 | | | |
| Mar.31 | Balance c/d | | 1,44,376 | Apr.01 | Balance b/d | | 37,500 |
| | | | | 2016 | | | |
| | | | | Mar.31 | Depreciation | | |
| | | | | | (i) 62,438, (ii) 44,378 | | 1,06,876 |
| | | | 1,44,376 | | | | 1,44,376 |
| 2016 | | | | 2016 | | | |
| July.01 | Furniture Disposal | | 1,09,456 | Apr.01 | Balance b/d | | 1,44,376 |
| 2017 | | | | July.01 | Depreciation (i) | | 13,268 |
| Mar.31 | Balance c/d | | 85,960 | 2017 | | | |
| | | | | Mar.31 | Depreciation (ii) | | 37,772 |
| | | | 1,95,416 | | | | 1,95,416 |

Hence, the balance of provision of depreciation account is ₹. 85,960.

**Furniture Disposal Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2016 | | | | 2016 | | | |
| Jul.01 | Furniture | | 4,50,000 | Jul.01 | Accumulated Dep. | | 1,09,456 |
| | | | | Jul.01 | Bank | | 2,25,000 |
| | | | | Jul.01 | Profit and Loss (Loss) | | 1,15,544 |
| | | | 4,50,000 | | | | 4,50,000 |

**Working Note:**

Furniture (i)

| Years | Opening Balance | | Depreciation | | | Closing Balance |
|---|---|---|---|---|---|---|
| 2014 – 2015 | 4,50,000 | – | 33,750 | | = | 4,16,250 |
| 2015 – 2016 | 4,16,250 | – | 62,438 | | = | 3,53,812 |
| 2016 | 3,53,812 | – | 13,268 | (3 months) | = | 3,40,544 |
| | | | 1,09,456 | | | |

| | |
|---|---|
| Balance on July 01, 2016 | 3,40,544 |
| *Less*: Sale on July 01, 2016 | (2,25,000) |
| Loss on sale of furniture | 1,15,544 |

So, we see that Loss on sale of furniture is ₹ 1, 15,544.

**7. M/s Lokesh Fabrics purchased a Textile Machine on April 01, 2011 for ₹ 1, 00,000. On July 01, 2012 another machine costing ₹ 2, 50,000 was purchased. The machine purchased on April 01, 2011 was sold for ₹ 25,000 on October 01, 2015. The company charges depreciation @15% p.a. on straight line method. Prepare machinery account and machinery disposal account for the year ended March 31, 2016.**

Machinery account and Machinery disposal account are prepared below:

**Books of M/s. Lokesh Fabrics**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2012 | | | |
| Apr.01 | Bank (i) | | 1,00,000 | Mar.31 | Depreciation | | 15,000 |
| | | | | Mar.31 | Balance c/d | | 85,000 |
| | | | 1,00,000 | | | | 1,00,000 |
| 2012 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 85,000 | Mar.31 | Depreciation | | |
| July.01 | Bank (ii) | | 2,50,000 | | (i) 15,000 + 28,125 | | 43,125 |
| | | | | Mar.31 | Balance c/d | | |
| | | | | | (i) 70,000, (ii) 2,21,875 | | 2,91,875 |
| | | | 3,35,000 | | | | 3,35,000 |
| 2013 | | | | 2014 | | | |
| Apr.01 | Balance b/d | | | Mar.31 | Depreciation | | |
| | (i) 70,000, (ii) 2,21,875 | | 2,91,875 | | (i) 15,000, (ii) 37,500 | | 52,500 |
| | | | | Mar.31 | Balance c/d | | |
| | | | | | (i) 55,000, (ii) 1,84,375 | | 2,39,375 |
| | | | 2,91,875 | | | | 2,91,875 |
| 2014 | | | | 2015 | | | |
| Apr.01 | Balance b/d | | | Mar.31 | Depreciation | | |
| | (i) 5,500, (ii) 1,84,375 | | 2,39,375 | | (i) 15,000, (ii) 37,500 | | 52,500 |
| | | | | Mar.31 | Balance c/d | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | (i) 40,000, (ii) 1,46,875 | | 1,86,875 |
| | | | 2,39,375 | | | | 2,39,375 |
| 2015 | | | | 2015 | | | |
| Apr.01 | Balance b/d | | | Oct.01 | Depreciation | | 7,500 |
| | (i) 40,000, (ii) 1,46,875 | | 1,86,875 | Oct.01 | Machinery Disposal | | 32,500 |
| | | | | 2016 | | | |
| | | | | Mar.31 | Depreciation (ii) | | 37,500 |
| | | | | Mar.31 | Balance c/d | | 1,09,375 |
| | | | 1,86,875 | | | | 1,86,875 |

Hence, the balance of machine account is ₹.1, 09,375

**Machinery Disposal Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Oct.01 | Machinery | | 32,500 | Oct.01 | Bank | | 25,000 |
| | | | | Oct.01 | Profit and Loss | | 7,500 |
| | | | 32,500 | | | | 32,500 |

Here we see that Loss on sale of machine account is ₹. 7,500.

**8. The following balances appear in the books of Crystal Ltd, on Jan 01, 2015**

| | ₹ |
|---|---|
| **Machinery account on** | **15, 00,000** |
| **Provision for depreciation account** | **5, 50,000** |

**On April 01, 2015 a machinery which was purchased on January 01, 2012 for ₹ 2, 00,000 was sold for ₹ 75,000. A new machine was purchased on July 01, 2015 for ₹ 6, 00,000. Depreciation is provided on machinery at 20% p.a. on Straight line method and books are closed on December 31 every year. Prepare the machinery account and provision for depreciation account for the year ending December 31, 2015.**

Machinery account and provision for depreciation account is created below:

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Jan.01 | Balance b/d | | 15,00,000 | Apr.01 | Machinery Disposal | | 2,00,000 |
| | (13,00,000 + 2,00,000) | | | | | | |
| Jul.01 | Bank | | 6,00,000 | Dec.31 | Balance c/d | | 19,00,000 |
| | | | 21,00,000 | | | | 21,00,000 |

Hence, balance of machinery account is ₹, 19, 00,000.

**Provision for Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Apr.01 | Machinery Disposal | | 1,30,000 | Jan.01 | Balance b/d | | 5,50,000 |
| Apr.01 | Balance c/d | | 7,50,000 | Apr.01 | Depreciation | | 10,000 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (i) 2,60,000, (ii) 60,000 | | 3,20,000 |
| | | | 8,80,000 | | | | 8,80,000 |

**Working Note for the solution:**

Machine Sold on July 01, 2015

| (i) | Years | Opening Balance | | Depreciation | | Closing Balance |
|---|---|---|---|---|---|---|
| | 2012 | 2,00,000 | – | 40,000 | = | 1,60,000 |
| | 2013 | 1,60,000 | – | 40,000 | = | 1,20,000 |
| | 2014 | 1,20,000 | – | 40,000 | = | 80,000 |
| | 2015 | 80,000 | – | 10,000 | = | 70,000 |
| | | Accumulated Depreciation | = | 1,30,000 | | |

| | | |
|---|---|---|
| Value on April 01, 2015 | = | (70,000) |
| *Less*: Sale | = | 75,000 |
| Profit on sale of Machinery | | 5,000 |

From the above we see that profit on sale of machinery is ₹.5000.

**Machinery Disposal Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| Apr.01 | Machinery | | 2,00,000 | Apr.01 | Provision for Depreciation | | 1,30,000 |
| Apr.01 | Profit and Loss (Profit) | | 5,000 | Apr.01 | Bank | | 75,000 |
| | | | 2,05,000 | | | | 2,05,000 |

**9. M/s. Excel Computers has a debit balance of ₹ 50,000 (original cost ₹ 1, 20,000) in computers account on April 01, 2010. On July 01, 2010 it purchased another computer costing ₹ 2, 50,000. One more computer was purchased on January 01, 2011 for ₹ 30,000. On April 01, 2014 the computer which has purchased on July 01, 2010 became obsolete and was sold for ₹ 20,000. A new version of the IBM computer was purchased on August 01, 2014 for ₹ 80,000. Show Computers account in the books of Excel Computers for the years ended on March 31 2011, 2012, 2013, 2014 and 2015. The computer is depreciated @10 p.a. on straight line method basis.**

The computer account is created below:

**Books of M/s Excel Computers**

**Computer Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2011 | | | |
| Apr.01 | Balance b/d (i) | | 50,000 | Mar.31 | Depreciation | | |
| Jul.01 | Bank (ii) | | 2,50,000 | | (i) 12,000, (ii) 18,750, | | |
| 2011 | | | | | (iii) 750 | | 31,500 |
| Jan.01 | Bank (iii) | | 30,000 | Mar.31 | Balance c/d | | |
| | | | | | (i) 38,000, (ii) 2,31,250, | | |
| | | | | | (iii) 29,250 | | 2,98,500 |
| | | | 3,30,000 | | | | 3,30,000 |
| 2011 | | | | 2012 | | | |
| Apr.01 | Balance b/d | | | Mar.31 | Depreciation | | |
| | (i) 38,000, (ii) 2,31,250, | | | | (i) 12,000 (ii) 25,000, | | |
| | (iii) 29,250 | | 2,98,500 | | (iii) 3,000 | | 40,000 |
| | | | | Mar.31 | Balance c/d | | |
| | | | | | (i) 26,000 (ii) 2,06,250, | | |
| | | | | | (iii) 26,250 | | 2,58,500 |
| | | | 2,98,500 | | | | 2,98,500 |
| 2012 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | | Mar.31 | Depreciation | | |
| | (i) 26,000 (ii) 2,06,250, | | | | (i) 12,000, (ii) 25,000, | | 40,000 |
| | (iii) 26,250 | | 2,58,500 | Mar.31 | (iii) 3,000 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Balance c/d | | |
| | | | | | (i) 14,000, (ii) 1,81,250, | | |
| | | | | | (iii) 23,250 | | 2,18,500 |
| | | | 2,58,500 | | | | 2,58,500 |
| 2013 | | | | 2014 | | | |
| Apr.01 | Balance b/d | | | Mar.31 | Depreciation | | |
| | (i) 14,000, (ii) 1,81,250, | | | | (i) 12,000, (ii) 25,000, | | 40,000 |
| | (iii) 23,250 | | 2,18,500 | | (iii) 3,000 | | |
| | | | | Mar.31 | Balance c/d | | |
| | | | | | (i) 2,000, (ii) 1,56,250, | | |
| | | | | | (iii) 20,250 | | 1,78,500 |
| | | | 2,18,500 | | | | 2,18,500 |
| 2014 | | | | 2014 | | | |
| Apr.01 | Balance c/d | | | Apr.01 | Bank (ii) | | 20,000 |
| | (i) 2,000, (ii) 1,56,250, | | | Apr.01 | Profit and Loss (Loss) | | 1,36,250 |
| | (iii) 20,250 | | 1,78,500 | 2015 | | | |
| Aug.01 | Bank (iv) | | 80,000 | Mar.31 | Depreciation | | 10,333 |
| | | | | | (i) 2,000, (iii) 3,000, (iv) 5,333 | | |
| | | | | Mar.31 | Balance c/d | | |
| | | | | | (iii) 17,250, (iv) 74,667 | | 91,917 |
| | | | 2,58,500 | | | | 2,58,500 |

Here the closing balance is ₹. 91,917

**10. Carriage Transport Company purchased 5 trucks at the cost of ₹ 2, 00,000 each on April 01, 2011. The company writes off depreciation @ 20% p.a. on original cost and closes its books on December 31, every year. On October 01, 2013, one of the trucks is involved in an accident and is completely destroyed. Insurance company has agreed to pay ₹ 70,000 in full settlement of the claim. On the same date the company purchased a second hand truck for ₹ 1, 00,000 and spent ₹ 20,000 on its overhauling. Prepare truck account and provision for depreciation account for the three years ended on December 31, 2013. Also give truck account if truck disposal account is prepared.**

Truck account and provision for depreciation account is prepared as follows:

**Books of Carriage Transport Company**

**Truck Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Apr.01 | Bank | | 10,00,000 | Dec.31 | Balance c/d | | 10,00,000 |
| | | | 10,00,000 | | | | 10,00,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 10,00,000 | Dec.31 | Balance c/d | | 10,00,000 |
| | | | 10,00,000 | | | | 10,00,000 |
| 2013 | | | | 2013 | | | |
| Jan.01 | Balance b/d | | 10,00,000 | Oct.01 | Truck Disposal | | 2,00,000 |
| Oct.01 | Bank | | 1,20,000 | Dec.31 | Balance c/d | | 9,20,000 |
| | | | 11,20,000 | | | | 11,20,000 |

Hence, the balance of truck account is ₹. 9, 20,000.

**Provision for Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Dec.31 | Balance c/d | | 1,50,000 | Dec.31 | Depreciation | | 1,50,000 |
| | | | 1,50,000 | | | | 1,50,000 |
| 2012 | | | | 2012 | | | |
| Dec.31 | Balance c/d | | 3,50,000 | Jan.01 | Balance c/d | | 1,50,000 |
| | | | | Dec.31 | Depreciation | | 2,00,000 |
| | | | 3,50,000 | | | | 3,50,000 |
| 2013 | | | | 2013 | | | |
| Oct.01 | Truck Disposal | | 1,00,000 | Jan.01 | Balance b/d | | 3,50,000 |
| Oct.01 | Balance c/d | | 4,46,000 | Oct.01 | Depreciation (9 Months) | | 30,000 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (1,60,000 + 6,000) | | 1,66,000 |
| | | | 5,46,000 | | | | 5,46,000 |

**Working Note for the solution:**

| | Opening Balance | | Depreciation | | Closing Balance |
|---|---|---|---|---|---|
| Apr.01, 2011 | 2,00,000 | – | 30,000 | = | 1,70,000 |
| Jan.01, 2012 | 1,70,000 | – | 40,000 | = | 1,30,000 |
| Jan.01, 2013 | 1,30,000 | – | 30,000 | = | 1,00,000 |
| | Accumulated Depreciation | = | 1,00,000 | | |

| | | |
|---|---|---|
| Value on Oct.01, 2013 | = | 1,00,000 |
| Less: Insurance Claim | = | 70,000 |
| Loss on Accident | | 30,000 |

Hence, a total loss of ₹.30, 000 due to the accident is observed and the balance of provision for depreciation account is ₹. 4, 46,000.

**Truck Disposal Account**

| Dr. Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Cr. Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2013 | | | | 2013 | | | |
| Oct.01 | Truck | | 2,00,000 | Oct.01 | Provision for Depreciation | | 1,00,000 |
| | | | | Oct.01 | Insurance Co. (Insurance Claim) | | 70,000 |
| | | | | Oct.01 | Profit and Loss (Loss) | | 30,000 |
| | | | 2,00,000 | | | | 2,00,000 |

**11. Saraswati Ltd. purchased a machinery costing ₹ 10, 00,000 on January 01, 2011. A new machinery was purchased on 01 May, 2012 for ₹ 15, 00,000 and another on July 01, 2014 for ₹ 12, 00,000. A part of the machinery which originally cost ₹ 2, 00,000 in 2011 was sold for ₹ 75,000 on October 31, 2014. Show the machinery account, provision for depreciation account and machinery disposal account from 2011 to 2015 if depreciation is provided at 10% p.a. on original cost and account are closed on December 31, every year.**

Machinery account, provision for depreciation account and machinery disposal account is displayed below:

**Books of Saraswati Ltd.**

**Machinery Account**

| Dr. Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Cr. Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Jan.01 | Bank (i) (8,00,000 + 2,00,000) | | 10,00,000 | Dec.31 | Balance c/d | | 10,00,000 |
| | | | 10,00,000 | | | | 10,00,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 10,00,000 | Dec.31 | Balance c/d | | 25,00,000 |
| May.01 | Bank (ii) | | 15,00,000 | | | | |
| | | | 25,00,000 | | | | 25,00,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2013 | | | | 2013 | | | |
| Jan.01 | Balance b/d | | 25,00,000 | Dec.31 | Balance c/d | | 25,00,000 |
| | | | 25,00,000 | | | | 25,00,000 |
| 2014 | | | | 2014 | | | |
| Jan.01 | Balance b/d | | 25,00,000 | Oct.31 | Machinery Disposal | | 2,00,000 |
| Jul.01 | Bank (ii) | | 12,00,000 | Dec.31 | Balance c/d | | |
| | | | | | (i) 8,00,000 (ii) 15,00,000 | | |
| | | | | | (iii) 12,00,000 | | 35,00,000 |
| | | | 37,00,000 | | | | 37,00,000 |
| 2015 | | | | 2015 | | | |
| Jan.01 | Balance c/d | | 35,00,000 | Dec.31 | Balance c/d | | 35,00,000 |
| | | | 35,00,000 | | | | 35,00,000 |

**Provision for Depreciation Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Dec.31 | Balance c/d | | 1,00,000 | | | | |
| | | | | Dec.31 | Depreciation (i) | | 1,00,000 |
| | | | 1,00,000 | | | | 1,00,000 |
| 2012 | | | | 2012 | | | |
| Dec.31 | Balance c/d | | 3,00,000 | Jan.01 | Balance c/d | | 1,00,000 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (i) 1,00,000 (ii) 1,00,000 | | 2,00,000 |
| | | | | | (8 months) | | |
| | | | 3,00,000 | | | | 3,00,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2013 | | | | 2013 | | | |
| Dec.31 | Balance b/d | | 5,50,000 | Jan.01 | Balance c/d | | 3,00,000 |
| | | | | Dec.31 | Depreciation | | 2,50,000 |
| | | | 5,50,000 | | (i) 1,00,000 (ii) 1,50,000, | | 5,50,000 |
| 2014 | | | | 2014 | | | |
| Oct.31 | Machinery Disposal | | 76,667 | Jan.01 | Balance b/d | | 5,50,000 |
| Dec.31 | Balance c/d | | 7,80,000 | Oct.31 | Depreciation | | 16,667 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (i) 80,000, (ii) 1,50,000, | | |
| | | | | | (iii) 60,000 | | 2,90,000 |
| | | | 8,56,667 | | | | 8,56,667 |
| 2015 | | | | 2015 | | | |
| Dec.31 | Balance c/d | | 11,30,000 | Jan.01 | Balance c/d | | 7,80,000 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (i) 80,000, (ii) 1,50,000, | | |
| | | | | | (iii) 1,20,000 | | 3,50,000 |
| | | | 11,30,000 | | | | 11,30,000 |

**Machinery Disposal Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| Oct.31 | Machinery | | 2,00,000 | Oct.31 | Depreciation | | 76,667 |
| | | | | Oct.31 | Bank | | 75,000 |
| | | | | Oct.31 | Profit and Loss (Loss) | | 48,333 |
| | | | 2,00,000 | | | | 2,00,000 |

**Working Note for solution:**

| | Opening Balance | | Depreciation | | Closing Balance |
|---|---|---|---|---|---|
| 2011 | 2,00,000 | – | 20,000 | = | 1,80,000 |
| 2012 | 1,80,000 | – | 20,000 | = | 1,60,000 |
| 2013 | 1,60,000 | – | 20,000 | = | 1,40,000 |
| 2014 | 1,40,000 | – | 16,667 | = | 1,23,333 |
| | Accumulated Depreciation | | 76,667 | | |

| | |
|---|---|
| Value on Oct. 01, 2014 | 1,23,333 |
| Sale on Oct. 01, 2014 | – 75,000 |
| Loss on sale | ₹ 48,333 |

Hence, we see that a loss of ₹. 48,333 is observed in sale of machine.

**12. On July 01, 2011 Ashwani purchased a machine for ₹ 2, 00,000 on credit. Installation expenses ₹ 25,000 are paid by cheque. The estimated life is 5 years and its scrap value after 5 years will be ₹ 20,000. Depreciation is to be charged on straight line basis. Show the journal entry for the year 2011 and prepare necessary ledger accounts for first three years.**

The journal entry is prepared as follows:

**Books of Ashwani**

**Journal**

| Date | Particulars | L.F. | Debit Amount ₹ | Credit Amount ₹ |
|---|---|---|---|---|
| 2011 | | | | |
| Jul.01 | Machinery A/c Dr. | | 2,25,000 | |
| | To Creditors for Machinery A/c | | | 2,00,000 |
| | To Bank A/c | | | 25,000 |
| | (Machinery bought on credit and ₹ 25,000 paid for installation through cheque) | | | |

| | | | | |
|---|---|---|---|---|
| 2011 Dec.31 | Depreciation A/c Dr. | | 20,500 | |
| | To Machinery A/c | | | 20,500 |
| | (Depreciation charged on Machinery) | | | |
| 2011 Dec.31 | Profit and Loss A/c Dr. | | 20,500 | |
| | To Depreciation A/c | | | 20,500 |
| | (Depreciation transferred to Profit and Loss Account) | | | |
| 2012 Dec.31 | Depreciation A/c Dr. | | 41,000 | |
| | To Machinery A/c | | | 41,000 |
| | (Depreciation charged on Machinery) | | | |
| 2012 Dec.31 | Profit and Loss A/c Dr. | | 41,000 | |
| | To Depreciation A/c | | | 41,000 |
| | (Depreciation transferred to Profit and Loss Account) | | | |
| 2013 Dec.31 | Depreciation A/c Dr. | | 41,000 | |
| | To Machinery A/c | | | 41,000 |
| | (Depreciation charged on Machinery) | | | |
| 2013 Dec.31 | Profit and Loss A/c Dr. | | 41,000 | |
| | To Depreciation A/c | | | 41,000 |
| | (Depreciation transferred to Profit and Loss Account) | | | |

**Ledger**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Jul.01 | Creditors for Machinery | | 2,00,000 | Dec.31 | Depreciation | | 20,500 |
| Jul.01 | Bank | | 25,000 | Dec.31 | Balance c/d | | 2,04,500 |
| | | | 2,25,000 | | | | 2,25,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 2,04,500 | Dec.31 | Depreciation | | 41,000 |
| | | | | Dec.31 | Balance c/d | | 1,63,500 |
| | | | 2,04,500 | | | | 2,04,500 |
| 2013 | | | | 2013 | | | |
| Jan.01 | Balance c/d | | 1,63,500 | Dec.31 | Depreciation | | 41,000 |
| | | | | Dec.31 | Balance c/d | | 1,22,500 |
| | | | 1,63,500 | | | | 1,63,500 |

Hence, balance of machine account is ₹. 1, 22,500.

**Working Note for solution:**

Calculation of annual depreciation is done below

$$\text{Depreciation (p.a.)} = \frac{(2,00,000 + 25,000 - 20,000)}{5}$$

$$= ₹\ 41,000/\text{annum}$$

**13. On October 01, 2010, a Truck was purchased for ₹ 8, 00,000 by Laxmi Transport Ltd. Depreciation was provided at 15% p.a. on the diminishing balance basis on this truck. On December 31, 2013 this Truck was sold for ₹ 5, 00,000. Accounts are closed on 31st March every year. Prepare a Truck Account for the four years.**

The truck account is prepared below:

**Books of Laxmi Transport Ltd.**

**Truck Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2011 | | | |
| Oct.01 | Bank | | 8,00,000 | Mar.31 | Depreciation (6 months) | | 60,000 |
| | | | | Mar.31 | Balance c/d | | 7,40,000 |
| | | | 8,00,000 | | | | 8,00,000 |
| 2011 | | | | 2012 | | | |
| Apr.01 | Balance b/d | | 7,40,000 | Mar.31 | Depreciation | | 1,11,000 |
| | | | | Mar.31 | Balance c/d | | 6,29,000 |
| | | | 7,40,000 | | | | 7,40,000 |
| 2012 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 6,29,000 | Mar.31 | Depreciation | | 94,350 |
| | | | | Mar.31 | Balance c/d | | 5,34,650 |
| | | | 6,29,000 | | | | 6,29,000 |
| 2013 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 5,34,650 | Dec.31 | Depreciation (9 months) | | 60,148 |
| Dec.31 | Profit and Loss (Profit) | | 25,498 | Dec.31 | Bank | | 5,00,000 |
| | | | 5,60,148 | | | | 5,60,148 |

**Working Note for solution:**

For 2010-2011

8, 00,000 x $\frac{6}{12}$ x $\frac{15}{100}$ = 60,000

For 2011- 2012

8, 00,000 - 60,000= 7, 40,000

7, 40,000 x $\frac{15}{100}$ = 1, 11,000

For 2012-2013

7, 40,000- 1, 11,000 = 6, 29,000

6, 29,000 x $\frac{15}{100}$ = 94,350

For 2013- 2014

6, 29,000 – 94,350 = 5, 34,650

5, 34,650 x $\frac{15}{100}$ x $\frac{9}{12}$ = 60,148

Book Value = 5, 34,650 – 60,148
= 4, 74,502

Profit on sale of truck = Sale Price – Book Value
= 5, 00,000 – 4, 74,502 = 25,498

**14. Kapil Ltd. purchased a machinery on July 01, 2011 for ₹ 3, 50,000. It purchased two additional machines, on April 01, 2012 costing ₹ 1, 50,000 and on October 01, 2012 costing ₹ 1, 00,000. Depreciation is provided @10% p.a. on straight line basis. On January 01, 2013, first machinery become useless due to technical changes. This machinery was sold for ₹ 1, 00,000, prepare machinery account for 4 years on the basis of calendar year.**

The machinery account is created below:

**Books of Kapil Ltd.**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Jul.01 | Bank (i) | | 3,50,000 | Dec.31 | Depreciation (6 months) | | 17,500 |
| | | | | Dec.31 | Balance c/d | | 3,32,500 |
| | | | 3,50,000 | | | | 3,50,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance c/d | | 3,32,500 | Dec.31 | Depreciation | | |
| Apr.01 | Bank (ii) | | 1,50,000 | | (i) 35,000 (ii) 11,250 (9 months), | | |
| Oct.01 | Bank (iii) | | 1,00,000 | | (iii) 2,500 (3 months) | | 48,750 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 2,97,500, (ii) 1,38,750, | | |
| | | | | | (iii) 97,500 | | 5,33,750 |
| | | | 5,82,500 | | | | 5,82,500 |
| 2013 | | | | 2013 | | | |
| Jan.01 | (i) 2,97,500, (ii) 1,38,750, | | | Jan.01 | Bank (i) | | 1,00,000 |
| | (iii) 97,500 | | 5,33,750 | Jan.01 | Profit and Loss (Loss) | | 1,97,500 |
| | | | | Dec.31 | Depreciation | | |
| | | | | | (ii) 15,000 (iii) 10,000 | | 25,000 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (ii) 1,23,750, (iii) 87,500 | | 2,11,250 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 5,33,750 | | | | 4,33,750 |
| 2014 | | | | 2014 | | | |
| Jan.01 | Balance c/d | | 2,11,250 | Dec.31 | Depreciation | | |
| | (ii) 1,23,750, (iii) 87,500 | | | Dec.31 | (ii) 15,000, (iii) 10,000 | | 25,000 |
| | | | | | Balance c/d | | |
| | | | | | (ii) 1,08,750, (iii) 77,500 | | 1,86,250 |
| | | | 2,11,250 | | | | 2,11,250 |
| 2015 | | | | | | | |
| Jan.01 | Balance b/d | | 1,86,250 | | | | |

Hence, balance of machine account is ₹. 1, 86,250 and loss on sale of machine is ₹. 1, 97,500

**15. On January 01, 2011, Satkar Transport Ltd, purchased 3 buses for ₹ 10, 00,000 each. On July 01, 2013, one bus was involved in an accident and was completely destroyed and ₹ 7, 00,000 were received from the Insurance Company in full settlement. Depreciation is written off @15% p.a. on diminishing balance method. Prepare bus account from 2011 to 2014. Books are closed on December 31 every year.**

The bus account is prepared below:

**Books of Satkar Transport Ltd.**

**Bus Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Jan.01 | Bank | | 30,00,000 | Dec.31 | Depreciation | | 4,50,000 |
| | | | | Dec.31 | Balance c/d | | 25,50,000 |
| | | | 30,00,000 | | | | 30,00,000 |
| 2012 | | | | 2012 | | | |
| Jan.01 | Balance b/d | | 25,50,000 | Dec.31 | Depreciation | | 3,82,500 |
| | | | | Dec.31 | Balance c/d | | 21,67,500 |
| | | | 25,50,000 | | | | 25,50,000 |
| 2013 | | | | 2013 | | | |
| Jan.01 | Balance b/d | | 21,67,500 | July.01 | Depreciation (6 months) | | 54,187 |
| July.01 | Profit and Loss (Profit) | | 31,687 | July.01 | Insurance Co. (Insurance claim) | | 7,00,000 |
| | | | | Dec.31 | Depreciation | | 2,16,750 |
| | | | | Dec.31 | Balance c/d | | 12,28,250 |
| | | | 21,99,187 | | | | 21,99,187 |
| 2014 | | | | 2014 | | | |
| Jan.01 | Balance c/d | | 12,28,250 | Dec.31 | Depreciation | | 1,84,237 |
| | | | | Dec.31 | Balance c/d | | 10,44,013 |
| | | | 12,28,250 | | | | 12,28,250 |

Hence, the bus account balance is ₹. 10, 44,013.

**16. On October 01, 2011 Juneja Transport Company purchased 2 Trucks for ₹ 10, 00,000 each. On July 01, 2013, One Truck was involved in an accident and was completely destroyed and ₹ 6, 00,000 were received from the insurance company in full settlement. On December 31, 2013 another truck was involved in an accident and destroyed partially, which was not insured. It was sold off for ₹ 1, 50,000. On January 31, 2014 Company purchased a fresh truck for ₹ 12, 00,000. Depreciation is to be provided at 10% p.a. on the written down value every year. The books are closed every year on March 31. Give the truck account from 2011 to 2014.**

The truck account is prepared below:

**Books of Juneja Transport Company**

**Truck Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2012 | | | |
| Oct.01 | Bank | | 20,00,000 | Mar.31 | Depreciation | | 1,00,000 |
| | | | | Mar.31 | Balance c/d | | 19,00,000 |
| | | | 20,00,000 | | | | 20,00,000 |
| 2012 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 19,00,000 | Mar.31 | Depreciation | | 1,90,000 |
| | | | | Mar.31 | Balance c/d | | 17,10,000 |
| | | | 19,00,000 | | | | 19,00,000 |
| 2013 | | | | 2013 | | | |
| Apr.01 | Balance b/d | | 17,10,000 | Jul.01 | Depreciation (3 Month on one Truck) | | 21,375 |
| | | | | Jul.01 | Bank (Insurance Claim) | | 6,00,000 |
| 2014 | | | | Jul.01 | Profit and Loss (loss) | | 2,33,625 |
| Jan.31 | Bank | | 12,00,000 | | | | |
| | | | | Dec.31 | Depreciation (9 Month on II Truck) | | 64,125 |
| | | | | Dec.31 | Bank | | 1,50,000 |
| | | | | Dec.31 | Profit and Loss (Loss) | | 6,40,875 |
| | | | | 2014 | | | |
| | | | | Mar.31 | Depreciation (2 Months) | | 20,000 |
| | | | | Mar.31 | Balance c/d | | 11,80,000 |
| | | | 29,10,000 | | | | 29,10,000 |

Working Note:

**For 1st Truck**

| | Opening Balance | – | Depreciation | = | Closing Balance |
|---|---|---|---|---|---|
| Oct.01, 2011 | 10,00,000 | – | 50,000 (6 Months) | = | 9,50,000 |
| Apr.01, 2012 | 9,50,000 | – | 95,000 | = | 8,55,000 |
| Apr.01, 2013 | 8,55,000 | – | 21,375 (3 Months) | = | 8,33,625 |

| | | |
|---|---|---|
| Value on July 01, 2013 | = | 8,33,625 |
| Insurance Claim | = | – 6,00,000 |
| Loss on 1st Truck | = | ₹ 2,33,625 |

**For 2nd Truck**

| | Opening Balance | – | Depreciation | = | Closing Balance |
|---|---|---|---|---|---|
| Oct.01, 2012 | 10,00,000 | – | 50,000 (6 Months) | = | 9,50,000 |
| Apr.01, 2012 | 9,50,000 | – | 95,000 | = | 8,55,000 |
| Apr.01, 2013 | 8,55,000 | – | 64,125 (9 Months) | = | 7,90,875 |

| | | |
|---|---|---|
| Value on Dec.31, 2013 | = | 7,90,875 |
| Sale of Truck | = | – 1,50,000 |
| Loss on 2nd Truck | = | ₹ 6,40,875 |

Hence, the loss on truck 1 and truck 2 are ₹ 2, 33,625 and ₹ 6, 40,875 respectively.

**17. A Noida based Construction Company owns 5 cranes and the value of this asset in its books on April 01, 2017 is ₹ 40,00,000. On October 01, 2017 it sold one of its cranes whose value was ₹ 5, 00,000 on April 01, 2017 at a 10% profit. On the same day it purchased 2 cranes for ₹ 4, 50,000 each. Prepare cranes account. It closes the books on December 31 and provides for depreciation on 10% written down value.**

The cranes account is created below:

**Cranes Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| Apr.01 | Machinery (35,00,000 + 5,00,000) | | 40,00,000 | Oct.01 | Depreciation | | 25,000 |
| Oct.01 | Profit and Loss (Profit) | | 47,500 | Oct.01 | Bank | | 5,22,500 |
| Oct.01 | Bank | | 9,00,000 | Dec.31 | Depreciation<br>$35,00,000 \times \frac{10}{100} \times \frac{9}{12} = 2,62,500$<br>$9,00,000 \times \frac{10}{100} \times \frac{6}{12} = 22,500$ | | 2,85,000 |
| | | | | Dec.31 | Balance c/d | | 41,15,000 |
| | | | 49,47,500 | | | | 49,47,500 |

**Working Note:**

Original cost of Crane 1 = 5, 00,000
Accumulated Depreciation = Depreciation in 2011 – 2012
= 25,000
Book Value as on Oct 01, 2011
= Original Cost – Depreciation till Oct 01, 2011
= 5, 00,000 – 25,000
= 4, 75,000
Selling Price
= Book Value + 10% of Book Value
= 4, 75,000 + 10% of 4, 75,000
= 4, 75,000 + 47,500
= 5, 22,500

Profit on crane 1

= Sale Price – Book Value
= 5, 22,500 – 4, 75,000
= 47,500

**18. Shri Krishnan Manufacturing Company purchased 10 machines for ₹ 75,000 each on July 01, 2014. On October 01, 2016, one of the machines got destroyed by fire and an insurance claim of ₹ 45,000 was admitted by the company. On the same date another machine is purchased by the company for ₹ 1, 25,000. The company writes off 15% p.a. depreciation on written down value basis. The company maintains the calendar year as its financial year. Prepare the machinery account from 2014 to 2017.**

The machinery account is prepared below:

**Books of Shri Krishna Manufacturing Company**

**Machinery Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2014 | | | | 2014 | | | |
| Jul.01 | Bank | | 7,50,000 | Dec.31 | Depreciation | | 56,250 |
| | | | | Dec.31 | Balance c/d | | 6,93,750 |
| | | | 7,50,000 | | | | 7,50,000 |
| 2015 | | | | 2015 | | | |
| Jan.01 | Balance b/d | | 6,93,750 | Dec.31 | Depreciation | | 1,04,063 |
| | | | | Dec.31 | Balance c/d | | 5,89,687 |
| | | | 6,93,750 | | | | 6,93,750 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d | | 5,89,687 | Oct.01 | Depreciation (9 months for one machine) | | 6,634 |
| Oct.01 | Bank | | 1,25,000 | Oct.01 | Insurance Co. | | 45,000 |
| | | | | Oct.01 | Profit and Loss (Loss) | | 7,335 |
| | | | | Dec.31 | Depreciation (i) 79,608, (ii) 4,688 | | 84,296 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 4,51,110, (ii) 1,20,312 | | 5,71,422 |
| | | | 7,14,687 | | | | 7,14,687 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | | Dec.31 | Depreciation | | |
| | (i) 4,51,110, (ii) 1,20,312 | | 5,71,422 | | (i) 67,667, (ii) 18,047 | | 85,714 |
| | | | | Dec.31 | Balance c/d | | |
| | | | | | (i) 3,83,443, (ii) 1,02,265 | | 4,85,708 |
| | | | 5,71,422 | | | | 5,71,422 |

**Working Note:**

**Machine Costing ₹ 75,000 sold on Oct.01, 2016**

| | Opening Balance | – | Depreciation | = | Closing Balance |
|---|---|---|---|---|---|
| Jul.01, 2014 | 75,000 | – | 5,625 (6 months) | = | 69,375 |
| Jan.01, 2015 | 69,375 | – | 10,406 | = | 58,969 |
| Jan.01, 2016 | 58,969 | – | 6,634 (9 months) | = | 52,335 |

| | |
|---|---|
| Value on Oct.01, 2016 | 52,335 |
| Insurance Claim | – 45,000 |
| Loss | ₹ 7,335 |

Hence we see that loss on vehicle claim was ₹. 7,335 and the balance is ₹, 4, 85,708

**19. On January 01, 2014, a Limited Company purchased machinery for ₹ 20, 00,000. Depreciation is provided @15% p.a. on diminishing balance method. On March 01, 2016, one fourth of machinery was damaged by fire and ₹ 40,000 were received from the insurance company in full settlement. On September 01, 2016 another machinery was purchased by the company for ₹ 15, 00,000.**
**Write up the machinery account from 2016 to 2017. Books are closed on December 31, every year.**

The machinery account is prepared as follows:

**Machinery Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d (i) (10,83,750 + 3,61,250) | | 14,45,000 | Mar.01 | Depreciation (1/4 Machine for 2 Months) | | 9,031 |
| Sep.01 | Bank (ii) | | 15,00,000 | Mar.01 | Bank | | 40,000 |
| | | | | Mar.01 | Profit and Loss | | 3,12,219 |
| | | | | Dec.31 | Depreciation (i) (i) 1,62,563 (3/4th of machine), (ii) 75,000 | | 2,37,563 |
| | | | | Dec.31 | Balance c/d (i) 9,21,187, (ii) 14,25,000 | | 23,46,187 |
| | | | 29,45,000 | | | | 29,45,000 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d (i) 9,21,187, (ii) 14,25,000 | | 23,46,187 | Dec.31 | Depreciation (i) 1,38,177, (ii) 2,13,750 | | 3,51,927 |
| | | | | Dec.31 | Balance c/d (i) 7,83,009, (ii) 12,11,250 | | 19,94,260 |
| | | | 23,46,187 | | | | 23,46,187 |

**Working Note:**

**Machine (i)**

| Years | January 01 | | Depreciation (15% p.a.) | = | Closing Balance |
|---|---|---|---|---|---|
| 2014 | 20,00,000 | – | 3,00,000 | = | 17,00,000 |
| 2015 | 17,00,000 | – | 2,55,000 | = | 14,45,000 |
| 2016 | 14,45,000 | | | | |

**1/4th of Machine that was damaged (i)**

| Years | Opening Balance | | Depreciation (15% p.a.) | = | Closing Balance |
|---|---|---|---|---|---|
| 2014 | 5,00,000 | – | 75,000 | = | 4,25,000 |
| 2015 | 4,25,000 | – | 63,750 | = | 3,61,250 |
| 2016 | 3,61,250 | – | 9,031 (2 months) | = | 3,52,219 |

| | | |
|---|---|---|
| Value on 1 Mar. 2016 | = | 3,52,219 |
| Insurance Claim | = | 40,000 |
| Loss | | ₹ 3,12,219 |

Hence, the loss on one-fourth of 1st machine is ₹, 3, 12,219 and the balance for machine account is ₹.19, 94,260.

**20. A Plant was purchased on 1st July, 2015 at a cost of ₹ 3, 00,000 and ₹ 50,000 were spent on its installation. The depreciation is written off at 15% p.a. on the straight line method. The plant was sold for ₹ 1, 50,000 on October 01, 2017 and on the same date a new Plant was installed at the cost of ₹ 4, 00,000 including purchasing value. The accounts are closed on December 31 every year.**
**Show the machinery account and provision for depreciation account for 3 years**

Machinery account and provision for depreciation account is shown below:

**Plant Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2015 | | | | 2015 | | | |
| July.01 | Bank | | 3,50,000 | Dec.31 | Balance c/d | | 3,50,000 |
| | | | 3,50,000 | | | | 3,50,000 |
| 2016 | | | | 2016 | | | |
| Jan.01 | Balance b/d | | 3,50,000 | | | | |
| | | | | Dec.31 | Balance c/d | | 3,50,000 |
| | | | 3,50,000 | | | | 3,50,000 |
| 2017 | | | | 2017 | | | |
| Jan.01 | Balance b/d | | 3,50,000 | Oct.01 | Provision for Depreciation | | 1,18,125 |
| Oct.01 | Bank | | 4,00,000 | Oct.01 | Bank | | 1,50,000 |
| | | | | Oct.01 | Profit and Loss | | 81,875 |
| | | | | Dec.31 | Balance c/d | | 4,00,000 |
| | | | 7,50,000 | | | | 7,50,000 |

**Provision for Depreciation Account**

| Dr. | | | | | | | Cr. |
|---|---|---|---|---|---|---|---|
| **Date** | **Particulars** | **J.F.** | **Amount ₹** | **Date** | **Particulars** | **J.F.** | **Amount ₹** |
| 2015 | | | | 2015 | | | |
| Dec.31 | Balance c/d | | 26,250 | Dec.31 | Depreciation | | 26,250 |
| | | | 26,250 | | | | 26,250 |
| 2016 | | | | 2016 | | | |
| Dec.31 | Balance b/d | | 78,750 | Jan.01 | Balance c/d | | 26,250 |
| | | | | Dec.31 | Depreciation | | 52,500 |
| | | | 78,750 | | | | 78,750 |
| 2017 | | | | 2017 | | | |
| Oct.01 | Plant | | 1,18,125 | Jan.01 | Balance b/d | | 78,750 |
| Dec.31 | Balance c/d | | 15,000 | Oct.01 | Depreciation (i) (9 months) | | 39,375 |
| | | | | Dec.31 | Depreciation (ii) (3 months) | | 15,000 |
| | | | 1,33,125 | | | | 1,33,125 |

Hence, the loss on sale of plant is ₹ 81,875 and the balance of machine account is ₹. 4, 00,000.

**21.** **An extract of Trial balance from the books of Tahiliani and Sons Enterprises on March 31, 2017 is given below:**

| Name of the Account | Debit Amount ₹ | Credit Amount ₹ |
|---|---|---|
| Sundry debtors | 50,000 | |
| Bad debts | 6,000 | |
| Provision for doubtful debts | | 4,000 |

**Additional Information:**

- **Bad Debts proved bad; however, not recorded amounted to ₹ 2,000.**
- **Provision is to be maintained at 8% of debtors**

**Give necessary accounting entries for writing off the bad debts and creating the provision for doubtful debts account. Also, show the necessary accounts.**

The solution is given below:

| Date | Particulars | L.F. | Debit Amount ₹ | Credit Amount ₹ |
|---|---|---|---|---|
| | Bad Debt A/c Dr. | | 2,000 | |
| | To Debtors A/c | | | 2,000 |
| | (Further bad debt charged from Debtors Account) | | | |
| | Provision for Doubtful Debt A/c Dr. | | 8,000 | |
| | To Bad Debt A/c | | | 8,000 |
| | (Amount of bad debt transferred to Provision for Doubtful Debt Account) | | | |
| | Profit and Loss A/c Dr. | | 7,840 | |
| | To Provision for Doubtful Debt A/c | | | 7,840 |
| | (Amount of Provision for Doubtful Debt transferred to Profit and Loss Account) | | | |

**Bad Debt Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| Mar.31 | Balance b/d | | 6,000 | Mar.31 | Provision for Doubtful | | |
| Mar.31 | Debtors | | 2,000 | | Debt | | 8,000 |
| | | | 8,000 | | | | 8,000 |

**Debtors Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| Mar.31 | Balance b/d | | 50,000 | Mar.31 | Bad Debt | | 2,000 |
| | | | | Mar.31 | Balance c/d | | 48,000 |
| | | | 50,000 | | | | 50,000 |

**Provision for Doubtful Debts Account**

Dr. Cr.

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| 31 Mar. | Bad Debt (6,000 + 2,000) | | 8,000 | Apr.01 | Balance b/d | | 4,000 |
| 31 Mar. | Balance c/d (8% of 50,000-2,000) | | 3,840 | Mar.31 | Profit and Loss | | 7,840 |
| | | | 11,840 | | | | 11,840 |

Hence, the new provision for bad debts is ₹, 3,840 and profit and loss account balance is ₹.7840.

**22. The following information is extracted from the Trial Balance of M/s Nisha Traders on 31 March 2017.**

| | |
|---|---|
| **Sundry Debtors** | **80,500** |
| **Bad Debts** | **1,000** |
| **Provision for Bad Debts** | **5,000** |

**Additional Information**
**Bad Debts ₹ 500**
**Provision is to be maintained at 2% of Debtors**
**Prepare bad debts account, Provision for bad debts account and profit and loss account.**

The bad debts account, Provision for bad debts account and profit and loss account are shown below:

**Bad Debt Account**

**Dr.** **Cr.**

| **Date** | **Particulars** | **J.F.** | **Amount ₹** | **Date** | **Particulars** | **J.F.** | **Amount ₹** |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| Mar.31 | Balance b/d | | 1,000 | Mar.31 | Provision for Bad Debts | | 1,500 |
| Mar.31 | Debtors | | 500 | | | | |
| | | | 1,500 | | | | 1,500 |

**Provision for Bad debt Account**

**Dr.** **Cr.**

| **Date** | **Particulars** | **J.F.** | **Amount ₹** | **Date** | **Particulars** | **J.F.** | **Amount ₹** |
|---|---|---|---|---|---|---|---|
| 2017 | | | | 2017 | | | |
| Mar.31 | Bad Debt | | 1,500 | Mar.31 | Balance b/d | | 5,000 |
| Mar.31 | Profit and Loss | | 1,900 | | | | |
| Mar.31 | Balance c/d (2% of 80,500-500) | | 1,600 | | | | |
| | | | 5,000 | | | | 5,000 |

**Profit and Loss Account**

**Dr.** **Cr.**

| Date | Particulars | J.F. | Amount ₹ | Date | Particulars | J.F. | Amount ₹ |
|---|---|---|---|---|---|---|---|
| | | | | 2017 Mar.31 | Provision for Bad Debts | | 1,900 |

Hence, the new provision is ₹. 1600 and the profit and loss account shows as a credit of ₹.1900.