

**Workings:****1. Statement of Depreciation:**

Date	Particulars	Machine – I ₹	Machine – II ₹	Total Depreciation ₹
01.07.2008	Book Value	8,00,000		
30.06.2009	Depreciation @ 20%	1,60,000		1,60,000
01.07.2009	<b>W.D.V.</b>	6,40,000		
01.01.2010	Bank (Purchase)		6,00,000	
30.06.2010	Depreciation @ 20%	1,28,000	60,000	1,88,000
01.07.2010	<b>W.D.V.</b>	5,12,000	5,40,000	
30.06.2011	Depreciation @ 20%	1,02,400	1,08,000	2,10,400
01.07.2011	<b>W.D.V.</b>	4,09,600	4,32,000	
30.06.2012	Depreciation @ 20%	81,920	86,400	1,68,320
01.07.2012	<b>W.D.V.</b>	3,27,680	3,45,600	
		<b>6,73,280</b>		<b>7,26,720</b>

**2. Depreciation Overcharged:**

Now depreciation under Straight Line Method

On ₹ 8,00,000 @ 15% = ₹ 1,20,000 x 4 years (from 01.07.2008 to 30.06.2012)	= ₹ 4,80,000
On ₹ 6,00,000 @ 15% = ₹ 90,000 x 2.5 years (from 01.01.2010 to 30.06.2012)	= ₹ 2,25,000
	<u>₹ 7,05,000</u>

**Depreciation overcharged** = Reducing Balance Basis – Straight Line Basis  
= ₹ (7,26,720 – 7,05,000)  
= ₹ 21,720

**3. Depreciation for the year:**

On ₹ 14,00,000 @ 15% for the year	= ₹ 2,10,000
On ₹ 15,00,000 @ 15% for the 9 months	= ₹ 1,68,750
	<u>₹ 3,78,750</u>

**4.13. APPLICATION OF AS 6- DEPRECIATION ACCOUNTING****“Depreciation Accounting” (AS 6) (Revised)**

The Accounting Standard regarding depreciation was issued at first in 1982. But it was revised in 1994. The revised standard (AS 6) is now mandatorily applicable to all concerns in India for accounting periods commencing on or after 1.4.1995. The important matters to be noted from (AS 6) are :

**What is Depreciation as per AS-6?**

Depreciation is a measure of wearing out, consumption or other loss of value of a **depreciable asset** arising from use and passage of time. Depreciation is nothing but distribution of total cost of assets over its useful life.

**“Depreciable Assets”** are the assets which :-

- are expected to be used for more than one accounting period;
- have limited useful life;
- are held by an enterprise for use in production or supply of goods and services, for rental to others or for administrative purposes but not for sale in the ordinary course of business.