Chapter 11 Depreciation

Question 1.
Calculate the Rate of Depreciation under Straight Line Method (SLM) from the following:
Purchased a second-hand machine for ₹ 96,000, spent ₹ 24,000 on its cartage, repairs and installation, estimated useful life of machine 4 years. Estimated residual value ₹ 72,000.
Solution:

$$\text{Amount of Depreciation} = \frac{\text{Cost of Machine} - \text{Scrap Value of Machine}}{\text{Life in Years}}$$

$$= \frac{1{,}20{,}000 - 72{,}000}{4} = \text{Rs } 12{,}000$$

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

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

Question 2.
On 1st April, 2015, X Ltd. purchased a machine costing ₹ 4,00,000 and spent ₹ 50,000 on its installation. The estimated life of the machinery is 10 years, after which its residual value will be ₹ 50,000 only. Find the amount of annual depreciation according to the Fixed Instalment Method and prepare Machinery Account for t he first three years. The books are closed on 31st March every year.
Solution:

In the Book of X Ltd.
Machinery Account

Dr. **Cr.**

Date	Particulars	J.F	Rs.	Date	Particulars	J.F.	Rs.
2015				2016			
Apr 01	To Bank A/c		4,00,000	Mar 31	By Depreciation A/c		40,000
Apr 01	To Bank A/c		50,000		By Balance c/d		4,10,000
	(Erection Expense)						
			4,50,000				**4,50,000**
2016				2017			
Apr 01	To Balance b/d		4,10,000	Mar 31	By Depreciation A/c		40,000
					By Balance c/d		3,70,000
			4,10,000				**4,10,000**
2017				2018			
Apr 01	To Balance b/d		3,70,000	Mar 31	By Depreciation A/c		40,000
				Mar 31	By Balance c/d		3,30,000
			3,70,000				**3,70,000**

Calculation of Depreciation:

$$\text{Depreciation p. a.} = \frac{4{,}00{,}000 + 50{,}000 - 50{,}000(\text{Scrap Value})}{10 \text{ years}}$$

$$= \text{Rs } 40{,}000 \text{ p. a.}$$

Question 3.
On 1st April, 2014, furniture costing ₹ 55,000 was purchased. It is estimated that its life is 10 years at the end of which it will be sold for ₹ 5,000. Additions are made on 1st April 2015 and 1st October, 2017 to the value of ₹ 9,500 and ₹ 8,400 (Residual values ₹ 500 and ₹ 400 respectively). Show the

Furniture Account for the first four years, if Depreciation is written off according to the Straight Line Method.
Solution:

Furniture Account

Dr. Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Cr. Rs.
2014					2015				
Apr 01	To Bank A/c			55,000	Mar 31	By Depreciation A/c Furniture 1			5000
					Mar 31	By Balance c/d Furniture 1			50,000
				55,000					**55,000**
2015					2016				
Apr 01	To Balance b/d			50,000	Mar 31	By Depreciation A/c			
	Furniture 1					Furniture 1	5,000		
Apr 01	To Bank A/c			9,500		Furniture 2	900		5,900
	Furniture 2								
					Mar 31	By Balance c/d			
						Furniture 1	45,000		
						Furniture 2	8,600		53,600
				59,500					**59,500**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Furniture 1	45,000				Furniture 1	5,000		
	Furniture 2	8,600		53,600		Furniture 2	900		5,900
					Mar 31	By Balance c/d			
						Furniture 1	40,000		
						Furniture 2	7,700		47,700
				53,600					**53,600**
2017					2018				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Furniture 1	40,000				Furniture 1	5,000		
	Furniture 2	7,700		47,700		Furniture 2	900		
						Furniture 3	400		6,300
Oct 01	To Bank A/c			8,400					
					Mar 31	By Balance c/d			
						Furniture 1	35,000		
						Furniture 2	6,800		
						Furniture 3	8,000		49,800
				56,100					**56,100**

Working Notes:

$$\text{Depreciation on F1} = \frac{55,000 - 5,000\,(\text{Scrap Value})}{10\text{ years}} = \text{Rs}\,5,000\text{ p.a.}$$

$$\text{Depreciation on F2} = \frac{9,500 - 500\,(\text{Scrap Value})}{10\text{ years}} = \text{Rs}\,900\text{ p.a.}$$

$$\text{Depreciation on F3} = \frac{8,400 - 400\,(\text{Scrap Value})}{10\text{ years}} = \text{Rs}\,800\text{ p.a.}$$

$$\therefore\ \text{Depreciation on F3 (for Six Months)} = 800 \times \frac{6}{12} = \text{Rs}\,400$$

Question 4.
On 1st April, 2014, A Ltd. purchased a machine for ₹ 2,40,000 and spent ₹ 10,000 on its erection. On 1st October, 2014 an additional machinery costing ₹ 1,00,000 was purchased. On 1st October, 2016, the machine purchased on 1st April, 2014 was sold for ₹ 1,43,000 and on the same date, a new machine was purchased ata cost of ₹ 2,00,000.
Solution:

Machinery Account

Dr.									Cr.
Date	**Particulars**		**J.F**	**Rs.**	**Date**	**Particulars**		**J.F.**	**Rs.**
2014					2015				
Apr 01	To Bank A/c (2,40,000 +10,000) Machinery 1			2,50,000	Mar 31	By Depreciation A/c			
						Machinery 1	12,500		
Oct 01	To Bank A/c Machinery 2			1,00,000		Machinery 2 (for 6 Months)	2,500		15,000
					Mar 31	By Balance c/d			
						Machinery 1	2,37,500		
						Machinery 2	97,500		3,35,000
				3,50,000					**3,50,000**
2015					2016				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery 1	2,37,500				Machinery 1	12,500		
	Machinery 2	97,500		3,35,000		Machinery 2	5,000		17,500
					Mar 31	By Balance c/d			
						Machinery 1	2,25,000		
						Machinery 2	92,500		3,17,500
				3,35,000					**3,35,000**
2016					2016				
Apr 01	To Balance b/d				Oct 01	By Depreciation A/c (for 6 months)			6,250
	Machinery 1	2,25,000			Oct 01	To Bank A/c (Machinery 1 sold)			1,43,000
	Machinery 2	92,500		3,17,500					
					Oct 01	By Profit and loss A/c (loss on sale)			75,750
					2017				
Oct 01	To Bank A/c			2,00,000	Mar 31	By Depreciation A/c			
						Machinery 2	5,000		
						Machinery 3 (for 6 months)	5,000		10,000
					Mar 31	By Balance c/d			
						Machinery 2	87,500		
						Machinery 3	1,95,000		2,82,500
				5,17,500					**5,17,500**
2017					2018				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery 1	87,500				Machinery 2	5,000		
	Machinery 2	1,95,000		2,82,500		Machinery 3	10,000		15,000
					Mar 31	By Balance c/d			
						Machinery 2	82,500		
						Machinery 3	1,85,000		2,67,500
				2,82,500					**2,82,500**

Working Notes:

1. Calculation of Deprecation

Machine 1 $\quad 2{,}50{,}000 \times \frac{5}{100} = \text{Rs}12{,}500 \text{ p.a}$

Machine 2 $\quad 1{,}00{,}000 \times \frac{5}{100} = \text{Rs}5{,}000 \text{ p.a}$

Machine 3 $\quad 2{,}00{,}000 \times \frac{4}{100} = \text{Rs}10{,}000 \text{ p.a}$

2. Calculation of profit or loss on sale of Machine 1

Particulars	Amount (Rs)
Book Value on April 01, 2016	2,25,000
Less: Deprecation for six month	(6,250)
Book Value on Oct. 01, 2016	2,18,750
Less: Sale Proceeds	(1,43,000)
Loss on Sale of Machine	75,750

Question 5.

From the following transactions of a concern, prepare the Machinery Account for the year ended 31st March, 2018:

1st April, 2017 : Purchased a second-hand machinery for ₹ 40,000

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

30th September, 2017 : Purchased additional new machinery for ₹ 20,000.
31st December, 2017 : Repairs and renewals of machinery ₹ 3,000.
31st March, 2018 : Depreciate the machinery at 10% p.a.
Solution:

Machinery Account

Dr. | **Cr.**

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

Note :
Repair and renewal made on December 31, 2017 will not be recorded in Machinery Account because, this repair was after putting the Machinery in to use.

Question 6.
An asset was purchased for ₹ 10,500 on 1st April, 2011. The scrap value was estimated to to be ₹ 500 at the end of asset's 10 years life. Straight Line Method of depreciation was used. The accounting year ends on 31st March every year. The asset was sold for ₹ 600 on 31st March, 2018.
Calculate the following.
(i) The Depreciation expense for the year ended 31st March, 2012.
(ii) The net book value of the asset on 31st March, 2016.
(iii) The grain or loss on sale of the asset on 31st March, 2018.
Solution:

Asset Account

Dr. Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Cr. Rs.
2011				2012			
Apr 01	To Bank A/c		10,500	Mar 31	By Depreciation A/c		1,000
				Mar 31	By Balance c/d		9,500
			10,500				**10,500**
2012				2013			
Apr 01	To Balance b/d		9,500	Mar 31	By Depreciation A/c		1,000
				Mar 31	By Balance c/d		8,500
			9,500				**9,500**
2013				2014			
Apr 01	To Balance b/d		8,500	Mar 31	By Depreciation A/c		1000
				Mar 31	By Balance c/d		7,500
			8,500				**8,500**
2014				2015			
Apr 01	To Balance b/d		7,500	Mar 31	By Depreciation A/c		1000
				Mar 31	By Balance c/d		6,500
			7,500				**7,500**
2015				2016			
Apr 01	To Balance b/d		6,500	Mar 31	By Depreciation A/c		1000
				Mar 31	By Balance c/d		5,500
			6,500				**6,500**
2016				2017			
Apr 01	To Balance b/d		5,500	Mar 31	By Depreciation A/c		1000
				Mar 31	By Balance c/d		4,500
			5,500				**5,500**
2017				2018			
Apr 01	To Balance b/d		4,500	Mar 31	By Depreciation A/c		1000
				Mar 31	By Bank A/c		600
				Mar 31	By Profit and Loss A/c (Loss)		2,900
			4,500				**4,500**

(i) Depreciation Expense for the year ended March 31, 2012 = Rs. 1000
(ii) The Net Book Value of the asset on March 31, 2016 = Rs. 5,500
(iii) Loss on Sale of the asset on March 31, 2018 = Rs. 2,900

Question 7.
A Van was purchased on 1st April, 2015 for ₹ 60,000 and ₹ 5,000 was spent on its repair and registration. On 1st October, 2016 another van was purchased for ₹ 70,000. On 1st April, 2017, the first van purchased on 1st April, 2015 was sold for ₹ 45,000 and a new van costing ₹ 1,70,000 was purchased on the same date. Show the Van Account from 2015-16 to 2017-18 on the basis of Straight Line Method, if the rate of Depreciation charged is 10% p.a. Assume that books are closed on 31st March every year.
Solution:

Van Account

Dr. Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Cr. Rs.
2015					2016				
Apr 01	To Bank A/c				Mar 31	By Depreciation A/c Van I			6,500
	Van I			65,000	Mar 31	By Balance c/d Van I			58,500
				65,000					**65,000**
2016					2017				
Apr 01	To Balance b/d Van I			58,500	Mar 31	By Depreciation A/c			
Oct 01	To Bank A/c					Van I	6,500		
	Van II			70,000		Van II (6 month)	3,500		10,000
					Mar 31	By Balance c/d			
						Van I	52,000		
						Van II	66,500		1,18,500
				1,28,500					**1,28,500**
2017					2017				
Apr 01	To Balance b/d				Apr 01	By Bank A/c Van I			45,000
	Van I	52,000			Apr 01	By Profit and Loss A/c			7,000
	Van II	66,500		1,18,500	2018				
					Mar 31	By Depreciation A/c			
Apr 01	To Bank A/c					Van II	7,000		
	Van III			1,70,000		Van III	17,000		24,000
					Mar 31	By Balance c/d			
						Van II	59,500		
						Van III	1,53,000		2,12,500
				2,88,500					**2,88,500**

Working Notes

1. Calculation of Annual Depreciation

$$\text{Maruti Van (I)} = 65{,}000 \times \frac{10}{100} = \text{Rs } 6{,}500$$

$$\text{Maruti Van (II)} = 70{,}000 \times \frac{10}{100} = \text{Rs } 7{,}000$$

$$\text{Maruti Van (III)} = 1{,}70{,}000 \times \frac{10}{100} = \text{Rs } 17{,}000$$

2. Calculation of profit or loss on sale of Van (I)

Particulars	Amount (Rs)
Book Value on Apr. 01, 2017 *Less*: Sale of Van	52,000 (45,000)
Loss on Sale of Van	7,000

Question 8.
A company whose accounting year is a financial year, purchased on 1st July, 2014 machinery costing ₹ 30,000.
It purchased further machinery on 1st January, 2015 costing ₹ 20,000 and on 1st October, 2015 costing ₹ 10,000.
On 1st April, 2016, one-third of the machinery installed on 1st July, 2014 became obsolete and was sold for ₹ 3,000.
Show how Machinery Account would appear in the books of the company. It being given that machinery was depreciated by Fixed Instalment Method at 10% p.a. What would be the value of Machinery Account on 1st April, 2017?
Solution:

Machinery Account

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
Dr.									**Cr.**
2014					2015				
Apr 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I			30,000		Machinery I (9 months)	2,250		
2015						Machinery II	500		2,750
Jan 1	To Bank A/c				Mar 31	By Balance c/d			
	Machinery II			20,000		Machinery I	27,750		
						Machinery II	19,500		47,250
				50,000					**50,000**
2015					2016				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I	27,750				Machinery I	3,000		
	Machinery II	19,500		47,250		Machinery II	2,000		
						Machinery III	500		5,500
Oct 01	To Bank A/c				Mar 31	By Balance c/d			
	Machinery III			10,000		Machinery I	24,750		
						Machinery II	17,500		
						Machinery III	9,500		51,750
				57,250					**57,250**
2016					2016				
						By Bank A/c Machinery I			
Apr 01	To Balance b/d				Apr 01	(1/3rd portion)			3,000
	Machinery I	24,750			Apr 01	By Profit and Loss A/c			5,250
	Machinery II	17,500			2017				
	Machinery III	9,500		51,750	Mar 31	By Depreciation A/c			
						Machinery I (on 2/3rd portion)	2,000		
						Machinery II	2,000		
						Machinery III	1,000		5,000
					Mar 31	By Balance c/d			
						Machinery I (on 2/3rdportion)	14,500		
						Machinery II	15,500		
						Machinery III	8,500		38,500
				51,750					**51,750**

Working Notes

1. *Calculation of Depreciation*

$$\text{Machine I} = 30,000 \times \frac{10}{100} = \text{Rs}\,3,000 \text{ p.a}$$

$$\text{and Depreciation of } 2/3^{rd} \text{ Portion} = 3,000 \times \frac{2}{3} = \text{Rs}\,2,000$$

$$\text{Machine II} = 20,000 \times \frac{10}{100} = \text{Rs}\,2,000 \text{ p.a}$$

$$\text{Machine III} = 10,000 \times \frac{10}{100} = \text{Rs}\,1,000 \text{ p.a}$$

Calculation of profit or loss on sale of 1/3rd Portion of Machine I

Particulars	Amount (Rs)
Book Value of 1/3rd portion of Machine I on April 01, 2016 (24,750 × 1/3)	8,250
Less: Sale Value	(3,000)
Loss on sale	5,250

Question 9.

On 1st July, 2015, A Co. Ltd. purchases second-hand machinery for ₹ 20,000 and spends ₹ 3,000 on

reconditioning and installing it. On 1st January, 2016, the firm purchases new machinery worth ₹ 12,000. On 30th June, 2017, the machinery purchased on 1st January, 2016, was sold for ₹ 8,000 and on 1st July, 2017, a fresh plant was installed. Payment for this plant was to be made as follows:
1st July, 2017 – ₹ 5,000
30th June, 2018 – ₹ 6,000
30th June, 2019 – ₹ 5,500
Payments in 2018 and 2019 include interest of ₹ 1,000 and ₹ 500 respectively.
The company writes off 10% p.a. on the original cost. The accounts are closed every year on 31st March. Show the Machinery Account for the year ended 31st March, 2018.
Solution:

In the books of A. Co. Ltd
Machinery

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
July 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I (20,000+3,000)			23,000		Machinery I (9 months)	1,725		
2016						Machinery II (3 months)	300		2,025
Jan 01	To Bank A/c				Mar 31	By Balance A/c			
	Machinery II			12,000		Machinery I	21,275		
						Machinery II	11,700		32,975
				35,000					**35,000**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I	21,275				Machinery I	2,300		
	Machinery II	11,700		32,975		Machinery II	1,200		3,500
					Mar 31	By Balance A/c			
						Machinery I	18,975		
						Machinery II	10,500		29,475
				32,975					**32,975**
2017					2017				
Apr 01	To Balance c/d				June 30	By Bank A/c			
	Machinery I	18,975				Machinery II			8,000
	Machinery II	10,500		29,475	June 30	By Depreciation A/c			
						Machinery II (3 months)			300
July 01	To Bank A/c				June 30	By Profit and Loss A/c			2,200
	Machinery III			5,000	2018				
July 01	To Creditors for Machinery A/c			10,000					
	(Machinery III)				Mar 31	By Depreciation A/c			
						Machinery I	2,300		
						Machinery III (on 15,000 for 8 months)	1,125		3,425

					By Balance c/d			
					Machinery I	16,675		
					Machinery III	13,875		30,550
				44,475				**44,475**

Working Notes

1. *Calculation of Depreciation*

$$\text{Machine(I)} = 23,000 \times \frac{10}{100} = \text{Rs}\,2,300 \text{ p.a}$$

$$\text{Machine(II)} = 12,000 \times \frac{10}{100} = \text{Rs}\,1,200 \text{ p.a}$$

$$\text{Machine(III)} = 15,000 \times \frac{10}{100} = \text{Rs}\,1,500 \text{ p.a}$$

2. *Calculation of profit on loss on sale of Machine (II)*

Particulars	Amount (Rs)
Book Value of Machine (II) on April 01, 2017	10,500
Less: Depreciation for 3 Months	(300)
Book Value on June 30	10,200
Less: Sale	(8,000)
Loss on Sale	2,200

Question 10.
On 1st April, 2015, Shivam Enterprise purchased a second-hand machinery for ₹ 52,000 and spent ₹ 2,000 on cartage, ₹ 3,000 on unloading, ₹ 2,000 on installation and ₹ 1,000 as brokerage of the middle man. It was estimated that the machinery will have a scrap value of ₹ 6,000 at the end of its useful life, which is 10 years. On 31st December 2015, repairs and renewals amounted to ₹ 2,500 were paid. On 1st October, 2017, this machine was sold for ₹ 30,600 and an amount of ₹ 600 was paid as commission to an agent. Calculate the amount of annual depreciation and rate of depreciation. Also prepare the Machinery Account for first 3 years, assuming that firm follows financial year for accounting.
Solution:

$$\text{Amount of Depreciation} = \frac{\text{Cost of Machine} - \text{Scrap Value of Machine}}{\text{Life in Years}}$$

$$= \frac{60,000 \text{ (Note)} - 6,000}{10} = \text{Rs } 5,400$$

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

$$= \frac{5,400}{60,000} \times 100 = 9\% \text{ p.a.}$$

Books of Shivam Enterprise

Machinery Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2015				2016			
Apr 01	To Bank A/c		60,000	Mar 31	By Depreciation A/c		5,400
				Mar 31	By Balance c/d		54,600
			60,000				**60,000**
2016				2017			
Apr 01	To Balance b/d		54,600	Mar 31	By Depreciation A/c		5,400
				Mar 31	By Balance c/d		49,200
			54,600				**54,600**
2017				2017			
Apr 01	To Balance b/d		49,200	Oct 1	By Depreciation A/c (6 months)		2,700
				Oct 1	By Bank A/c		30,000
				Oct 1	By Profit and Loss A/c		16,500
			49,200				**49,200**

Working Notes: *Calculation of Profit or Loss on Sale*

Particulars	Amount
Value of Machine as on Apr. 01, 2017	49,200
Less: Depreciation for 6 months	2,700
Value of M1 as on Oct. 01, 2017	46,500
Less: Sale Value	30,000
Loss on Sale	**16,500**

Note:

1. All the expenses incurred up to the date at which machine is put in use will be added to cost of machine.
2. The amount spent on repairs is a recurring nature expenses. So, it will not be added to Machine A/c.
3. Cost of Machine = 52,000 + 2,000 + 3,000 + 2,000 + 1,000 = Rs 60,000

Question 11.
Modern Ltd. purchased a machinery on 1st August, 2015 for ₹ 60,000. On 1st October, 2016, it purchased another machine for ₹ 20,000 plus CGST and SGST @ 6% each. On 30th June, 2017, it sold the first machine purchased in 2015 for ₹ 38,500 charging IGST @ 12%. Depreciation is provided @ 20% p.a. on the original cost each year. Accounts are closed on 31st March every year. Prepare the Machinery A/c for three years.
Solution:

In the book of Modern Ltd.

Machinery Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
Aug 01	To Bank A/c			60,000	Mar 31	By Depreciation A/c			8,000
	Machinery 1					Machinery 1 (8 months)			
					Mar 31	Balance c/d			52,000
				60,000					**60,000**
2016					2017				
Apr 01	To Balance b/d			52,000	Mar 31	By Depreciation A/c			
Oct 1	To Bank A/c			20,000		Machinery 1	12,000		
	Machinery 2					Machinery 2 (6 Months)	2,000		14,000
					Mar 31	By Balance c/d			
						Machinery 1	40,000		
						Machinery 2	18,000		58,000
				72,000					**72,000**
2017					2017				
						By Depreciation A/c Machinery 1			
Apr 01	To Balance b/d				June 30	(3 months)			3000
	Machinery 1	40,000			June 30	By Bank A/c Machinery 1			38,500
	Machinery 2	18,000		58,000	2018				
					Mar 31	By Depreciation A/c			4,000
June 30	To Profit and Loss A/c (profit)			1,500		Machinery 2			
					Mar 31	By Balance c/d			14,000
				59,500					**59,500**

Input CGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2017			
Oct 01	To Purchases A/c		1,200	Mar 31	By Balance c/d		1,200
			1,200				**1,200**

Input SGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2017			
Oct 01	To Purchases A/c		1,200	Mar 31	By Balance c/d		1,200
			1,200				**1,200**

Output IGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		4,620	Jun 30	To sales A/c		4,620
			4,620				**4,620**

Working Notes

1. *Calculation of Annual Depreciation*

$$\text{Machine } 1 = 60,000 \times \frac{20}{100} = \text{Rs } 12,000$$

$$\text{Machine } 2 = 20,000 \times \frac{20}{100} = \text{Rs } 4,000$$

Particulars	Amount (Rs)
Value on Apr 01, 2017	40,000
Depreciation for 3 Months	(3,000)
Value on June 30, 2017	37,000
Less: Sales Value of Machine	(38,500)
Profit on sale of Machine 1	1,500

Question 12.

On 1st July, 2015, Sohan Lal & Sons purchased a plant costing ₹ 60,000. Additonal plant was purchased on 1st January, 2016 for ₹ 40,000 and on 1st October, 2016, for ₹ 20,000, paying CGST and SGST @ 6% each. On 1st April, 2017, one-third of the plant purchased on 1st July, 2015, was found to have become obsolete and was sold for ₹ 6,000, charging CGST and SGST @ 6% each. Prepare the Plant Account for the first three years in the books of Sohan Lal & Sons. Depreciation is charged @ 10% p.a. on Straight Line Method. Accounts are closed on 31st March each year.

Solution:

In the book of Sohan Lal and Sons

Plant Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
July 01	To Bank A/c			60,000	Mar 31	By Depreciation A/c			
	Plant I					Plant I (9 months)			4,500
2016						Plant II (3 months)			1,000
Jan 01	To Bank A/c			40,000	Mar 31	By Balance c/d			
	Plant II					Plant I	55,500		
						Plant II	39,000		94,500
				1,00,000					**1,00,000**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Plant I	55,500				Plant I	6,000		
	Plant II	39,000		94,500		Plant II	4,000		
Oct 01	To Bank A/c					Plant III (6 months)	1,000		11,000
	Plant III			20,000	Mar 31	By Balance c/d			
						Plant I	49,500		
						Plant II	35,000		
						Plant III	19,000		1,03,500
				1,14,500					**1,14,500**
2017					2017				
Apr 01	To Balance b/d				Apr 01	By Bank A/c			6,000
	Plant I	49,500			Apr 01	By Profit and Loss A/c			10,500
	Plant II	35,000			2018				
	Plant III	19,000		1,03,500	Mar 31	By Depreciation A/c			
						Plant I	4,000		
						Plant II	4,000		
						Plant III	2,000		10,000

				Mar 31	By Balance c/d			
					Plant I	29,000		
					Plant II	31,000		
					Plant III	17,000		77,000
			1,03,500					**1,03,500**

Input CGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2017			
Oct 01	To Purchases A/c		1,200	Mar 31	By Balance c/d		1,200
			1,200				**1,200**

Input SGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2017			
Oct 01	To Purchases A/c		1,200	Mar 31	By Balance c/d		1,200
			1,200				**1,200**

Output CGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		360	Apr 01	To Sales A/c		360
			360				**360**

Output SGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		360	Apr 01	To Sales A/c		360
			360				**360**

Working Notes

1. Calculation of Depreciation

$$\text{Plant I} = 60,000 \times \frac{10}{100} = \text{Rs}\,6,000 \text{ p.a.}$$

$$\text{Plant II} = 40,000 \times \frac{10}{100} = \text{Rs}\,4,000 \text{ p.a.}$$

$$\text{Plant III} = 20,000 \times \frac{10}{100} = \text{Rs}\,2,000 \text{ p.a.}$$

2. Calculation of profit or loss on Sale of Plant I

Particulars	Amount (Rs)
1/3rd of Book Value of Plant I as on April 01, 2017(49,500 × 1/3)	16,500
Less: Sale of Plant	(6,000)
Loss on Sale of Plant	10,500

Question 13.

A firm purchased a second-hand machine on 1st April, 2015 and paid ₹ 1,40,000 for it. It spent on its overhauling and installation ₹ 20,000. On 1st October, 2015, another machine costing ₹ 80,000 was purchased. On 1st October, 2017, the machine purchased on 1st April, 2015 was disposed off for ₹

1,04,000, charging CGST and SGST @ 6% each and a new machine costing ₹ 2,00,000 was installed, paying CGST and SGST @ 6% each. Depreciation was provided @ 10% p.a. by the Straight Line Method. Give the Machinery Account and Depreciation Account for 3 years. Firm's books are closed on 31st March every year.

Solution:

Machinery Account

Dr. Cr.

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
Apr 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I			1,60,000		Machinery I	16,000		
Oct 01	To Bank A/c					Machinery II	4,000		20,000
	Machinery II			80,000					
					Mar 31	By Balance c/d	1,44,000		
						Machinery I	76,000		2,20,000
						Machinery II			
				2,40,000					**2,40,000**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I	1,44,000				Machinery I	16,000		
	Machinery II	76,000		2,20,000		Machinery II	8,000		24,000
					Mar 31	By Balance c/d			
						Machinery I	1,28,000		
						Machinery II	68,000		1,96,000
				2,20,000					**2,20,000**
2017					2017				
Apr 01	To Balance b/d				Oct 1	By Depreciation A/c			8,000
						Machinery I (6 Months)			
	Machinery I	1,28,000			Oct 1	By Bank A/c			1,04,000
	Machinery II	68,000		1,96,000	Oct 1	By Profit and Loss A/c			16,000
Oct 01	To Bank A/c				2018				
	Machinery III			2,00,000	Mar 31	By Depreciation A/c			
						Machinery II	8,000		
						Machinery III(6 Months)	10,000		18,000
					Mar 31	By Balance c/d			
						Machinery II	60,000		
						Machinery III	1,90,000		2,50,000
				3,96,000					**3,96,000**

Depreciation Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Dare	Particulars	J.F.	Rs.
2016				2016			
Mar 31	To Machinery A/c		20,000	Mar 31	By Profit and Loss A/c		20,000
			20,000				**20,000**
2017				2017			
Mar 31	To Machinery A/c		24,000	Mar 31	By Profit and Loss A/c		24,000
			24,000				**24,000**
2017							
Oct 01	To Machinery A/c		8,000				
2018				2018			
Mar 31	To Machinery A/c		18,000	Mar 31	By Profit and Loss A/c		26,000
			26,000				**26,000**

Input CGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2018			
Oct 01	To Purchases A/c		12,000	Mar 31	By Balance c/d		12,000
			12,000				**12,000**

Input SGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017 Oct 01	To Purchases A/c		12,000	2018 Mar 31	By Balance c/d		12,000
			12,000				**12,000**

Output CGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Mar 31	By Balance c/d		6,240	2017 Oct 01	To Sales A/c		6,240
			6,240				**6,240**

Output SGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Mar 31	By Balance c/d		6,240	2017 Oct 01	To Sales A/c		6,240
			6,240				**6,240**

Working Notes

1. *Calculation of Depreciation*

$$\text{Machine (I)} = 1,60,000 \times \frac{10}{100} = \text{Rs}\,16,000 \text{ p.a.}$$

$$\text{Machine (II)} = 80,000 \times \frac{10}{100} = \text{Rs}\,8,000 \text{ p.a.}$$

$$\text{Machine (III)} = 2,00,000 \times \frac{10}{100} = \text{Rs}\,20,000 \text{ p.a.}$$

On Machine III (*for* 6 *months*) = Rs 10,000

2. *Calculation of profit on loss on sale of Machine (I)*

Particulars	Amount (Rs)
Book Value on April 01, 2017 *Less*: Depreciation for 6 Months	1,28,000 (8,000)
Book Value on Oct 01, 2017 *Less*: Sale Value	1,20,000 (1,04,000)
Loss on Sale	16,000

Question 14.

Following balances appear in the books of Rama Bros:

		₹
1st April, 2015	Machinery A/c	80,000
	Provision for Depreciation Ac	36,000

On 1st April, 2015, they decided to sell a machine for ₹ 8,700. This machine was purchased for ₹ 16,000 in April, 2011. Prepare the Provision for Depreciation Account and Machinery Account on 31st March, 2016, assuming the firm has been charging Depreciation at 10% p.a. on Straight Line Method.

Solution:

In the books of Rama Bros.

Machinery Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2015				2015			
Apr 01	To Balance b/d*		80,000	Apr 01	By Provision for Depreciation A/c		6,400
				Apr 01	By Bank A/c		8,700
				Apr 01	By Profit and Loss A/c		900
				2016			
				Mar 31	By Balance c/d		64,000
			80,000				**80,000**

*Machinery Cost = 64,000 + 16,000 = 80,000

Provision for Depreciation Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2015				2015			
Apr 01	To Machinery A/c (Accumulate dep. for Machinery sold)		6,400	Apr 01	By Balance b/d		36,000
				2016			
Mar 31	To Balance c/d		36,000	Mar 31	By Depreciation A/c		6,400
			42,400				**42,400**

Working Notes

1. Calculation of Book Value of Machine Sold on April 01, 2014

Particulars	Rs.
Machine purchased in 2011	16,000
Less : Accumulate Deprecation for 4 years till Mar 31, 2014 (1,600 × 4)	(6,400)
Book Value on April 01, 2015	9,600

2. Calculation of profit or Loss on sale Machinery

Particulars	Rs.
Book Value on April 01, 2015	9,600
Less : Sale Value	(8,700)
Loss on Sale o Machine	**900**

Question 15.

Following balances appear in the books of Priyank Brothers:

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

On 1st April, 2016, they decide to sell a machine for ₹ 5,00,000. This machine was purchased for ₹ 7,50,000 on 1st April, 2013. Prepare the Machinery Account and Provisin for Depreciation Account for the year ended 31st March, 2017 assuming that the firm has been charging Depreciation @ 10% p.a. on the Straight Line Method.

Solution:

In the book of Priyank Brothers
Machinery Accounts

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2016			
Apr 01	To Balance b/d		20,00,000	Apr 01	By Provision for Depreciation A/c		2,25,000
				Apr 01	By Bank A/c		5,00,000
				Apr 01	By Profit and Loss A/c (Loss)		25,000
				2017			
				Mar 31	By Balance c/d		12,50,000
			20,00,000				**20,00,000**

Provision for Depreciation A/c Account

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2016			
Apr 01	To Machinery A/c		2,25,000	Apr 01	By Balance b/d		8,00,000
2017				2017			
Mar 31	To Balance c/d		7,00,000	Mar 31	By Depreciation A/c		1,25,000
			9,25,,000				**9,25,000**

Working Note:
Calculation of profit on loss on sale of Machinery

Particulars	Rs.
Original Cost of machinery	7,50,000
Less: Accumulate Deprecation machinery sold for 3 years till Mar	
(7,50,000 × 3×10%)	(2,25,000)
Book Value of Machinery sold	5,25,000
Less: Sale Value	(5,00,000)
Loss on Sale	**25,000**

Question 16.
Following balances appear in the books of X Ltd. as on 1st April, 2017:
Machinery A/c – ₹ 5,00,000
Provision for Depreciation A/c – ₹ 2,25,000
The machinery is depreciated @ 10% p.a. on the Fixed Instalment Method. The accounting year being April-March. On 1st October, 2017, a machinery which was purchased on 1st July, 2014 for ₹ 1,00,000 was sold for ₹ 42,000 plus CGST and SGST @ 6% each and on the same date a new machine was purchased for ₹ 2,00,000 paying IGST @ 12%. Prepare Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2018.
Solution:

Machinery Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2017				2017			
Apr 01	To Balance b/d*		5,00,000	Oct 01	By Provision for Depreciation A/c		32,500
Oct 01	To Bank A/c		2,00,000	Oct 01	By Bank A/c		42,000
				Oct 01	By Profit and Loss A/c		25,500
				2018			
				Mar 31	By Balance c/d		6,00,000
			7,00,000				**7,00,000**

*Machinery Cost = 4,00,000 + 1,00,000 = 5,00,000

Provision for Depreciation A/c Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2017				2017			
Oct 01	To Machinery A/c		32,500	Apr 01	By Balance b/d		2,25,000
2018				2018			
Mar 31	To Balance c/d		2,47,500	Mar 31	By Depreciation A/c		55,000
			2,80,000				**2,80,000**

Input IGST A/c

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2017				2018			
Oct 01	To Purchases A/c		24,000	Mar 31	By Balance c/d		24,000
			24,000				**24,000**

Output CGST A/c

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2018				2017			
Mar 31	By Balance c/d		1,440	Oct 01	To Sales A/c		1,440
			1,440				**1,440**

Output SGST A/c

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2018				2017			
Mar 31	By Balance c/d		1,440	Oct 01	To Sales A/c		1,440
			1,440				**1,440**

Working Notes:

1. Calculation of loss on sale of Machinery

Particulars	Rs.
Original cost of Machine sold	1,00,000
Less : Accumulate Deprecation on Machine sold, from July 2014 to Oct 01, 2017 (1,00,000 × 10% ×3.25 years)	(32,500)
Book Value of Machine Sold	67,500
Less : Sale Value	(42,000)
Loss on Sale of Machine	**25,500**

2. Calculation By Depreciation charged during the year

Particulars	Rs.
On 4,00,000 @ 10% (4,00,000 × 10%)	40,000
On 2,00,000 @ 10% for 6 months (2,00,000 × 10% ×6/12)	10,000
On 1,00,000 @ 10% for 6 months (1,00,000 ×10%×6/12)	5,000
Total	**55,000**

Question 17.

A Limited has the following balances on 1st April, 2017:

Machinery A/c – ₹ 2,00,000
Provision for Depreciation A/c – ₹ 90,000
The company charged depreciation @ 10% p.a. on Straight Line Method. Accounts are closed on 31st March every year. On 1st October, 2017, a part of machinery purchased on 1st July, 2014 for ₹ 40,000 was sold for ₹ 18,400, charging CGST and SGST @ 6% each and on the same date a new plant was purchased for ₹ 1,00,000 plus IGST @ 12%.
Prepare Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2018.
Solution:

In the books of A Limited

Machinery Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017-18				2017-18			
Apr 01	To Balance b/d		2,00,000	Oct 01	By Provision for Depreciation A/c		13,000
Oct 31	To Bank A/c		1,00,000	Oct 01	By Bank A/c		18,400
				Oct 01	By Profit and Loss A/c		8,600
				Mar 31	By Balance c/d		2,60,000
			3,00,000				**3,00,000**

*Machinery Cost = 1,60,000 + 40,000 = 2,00,000

Provision for Depreciation A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017-18				2017-18			
Oct 01	To Machinery A/c		13,000	Apr 01	By Balance b/d		90,000
Mar 31	To Balance c/d		1,00,000	Mar 31	By Deprecation A/c		23,000
			1,13,000				**1,13,000**

Input IGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2018			
Oct 01	To Purchases A/c		12,000	Mar 31	By Balance c/d		12,000
			12,000				**12,000**

Output CGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		1,104	Oct 01	To Sales A/c		1,104
			1,104				**1,104**

Output SGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		1,104	Oct 01	To Sales A/c		1,104
			1,104				**1,104**

Working Notes

1. Calculation of Profit or Loss on Machinery Sold

Particulars	**Rs.**
Original Cost of Machine on July 01,2014	40,000
Less: Accumulated Depreciation on Machine Sold, form July 01, 2014 to Oct 01, 2017 (40,000 × 10% × 3.25 years)	(13,000)
Book Value of Machine on Oct 01, 2017	27,000
Less: Sale of Machine	(18,400)
Loss on Sale of Machine	**8,600**

2. Calculation of Depreciation A/c Charged During the year

Particulars	**Rs.**
On 1,60,000 @ 10% (1, 60,000 ×10%)	16,000
On 1,00,000 @ 10% for 6 months (1,00,000 ×10%×6/12)	5,000
On 40,000 @ 10% for 6 months (1,00,000 × 10% ×6/12)	2,000
Total	**23,000**

Question 18.

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

Solution:

Furniture Account
(Original Cost Method)

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
I Year				I year			
Jan 01	To Bank A/c		4,000	Dec 31	By Depreciation A/c		200
				Dec 31	By Balance c/d		3,800
			4,000				**4,000**
II year				II Year			
Jan 01	To Balance b/d		3,800	Dec 31	By Depreciation A/c		200
				Dec 31	By Balance c/d		3,600
			3,800				**3,800**
III year				III Year			
Jan 01	To Balance b/d		3,600	Dec 31	By Depreciation A/c		200
				Dec 31	By Balance c/d		3,400
			3,600				**3,600**
IV Year				IV Year			
Jan 01	To Balance b/d		3,400	Dec 31	By Depreciation A/c		200
				Dec 31	By Balance c/d		3,200
			3,400				**3,400**

Furniture Account
(Diminishing Balance Method)

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
I Year				I year			
Jan 01	To Bank A/c		4,000	Dec 31	By Depreciation A/c		200
				Dec 31	By Balance c/d		3,800
			4,000				**4,000**
II year				II Year			
Jan 01	To Balance b/d		3,800	Dec 31	By Depreciation A/c		190
				Dec 31	By Balance c/d		3,610
			3,800				**3,800**
II year				III Year			
Jan 01	To Balance b/d		3,610	Dec 31	By Depreciation A/c		181
				Dec 31	By Balance c/d		3,429
			3,610				**3,610**
IV year				IV Year			
Jan 01	To Balance b/d		3,429	Dec. 31	By Depreciation A/c		171
				Dec. 31	By Balance c/d		3,258
			3,429				**3,429**

Question 19.

A boiler was purchased from abroad for ₹ 10,000; shipping and forwarding charges ₹ 2,000, Import duty ₹ 7,000 and expenses of installation amounted to ₹ 1,000.

Calculate the depreciation for the first three years (separately for each year) @ 10% on Diminishing Balance Method.

Solution:

Boiler Account

Dr. | Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
I Year				I year			
Jan 01	To Bank A/c *		20,000	Dec 31	By Depreciation A/c		2,000
				Dec 31	By Balance c/d		18,000
			20,000				**20,000**
II year				II Year			
Jan 01	To Balance b/d		18,000	Dec 31	By Depreciation A/c		1,800
				Dec 31	By Balance c/d		16,200
			18,000				**18,000**
II year				III Year			
Jan 01	To Balance b/d		16,200	Dec 31	By Depreciation A/c		1,620
				Dec 31	By Balance c/d		14,580
			16,200				**16,200**

Goods Cost = 10,000 + 2,000 + 7,000 + 1,000 = Rs.20,000

Question 20.

Babu purchased on 1st April, 2016, a machine for ₹ 6,000. On 1st October, 2016, he also purchased another machine for ₹ 5,000. On 1st October, 2017, he sold the machine purchased on 1st April, 2016 for ₹ 4,000.

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

Assuming the accounts were closed on 31st March every year, show the Machinery Account for the years ended 31st March, 2017 and 2018.

Solution:

In the book of Babu

Machinery Account

Dr. | **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars		J.F.	Rs.
2016				2017				
Apr 01	To Bank A/c Machinery I		6,000	Mar 31	By Depreciation A/c			
Oct 01	To Bank A/c Machinery II		5,000		Machinery I	600		
					Machinery II (6 months)	250		850
					By Balance c/d			
					Machinery I			5,400
					Machinery II			4,750
			11,000					**11,000**
2017				2017				
				Oct 01	By Depreciation A/c			
Apr 01	To Balance b/d				Machinery I (6 months)			270
	Machinery I		5,400	Oct 01	By Bank A/c			4,000
	Machinery II		4,750	Oct 01	By Profit and Loss A/c			1,130
				2018				
				Mar 31	By Depreciation A/c			
					Machinery II			475
				Mar 31	By Balance c/d Machinery II			4,275
			10,150					**10,150**

Working Note

1. Calculation of profit and loss on sale of machine:

Particulars	Rs.
Book Value of Machinery April 01, 2017	5,400
Less: Depreciation A/c (6 Months)	(270)
Book Value of Machinery on Oct 01, 2017	5,130
Less: Sale	(4,000)
Loss on Sale of Machinery	1,130

Question 21.
Kaushal Traders purchased a second-hand machinery on 1st April, 2015 for ₹ 23,000 and spent ₹ 2,000 on its repair. It was decided to depreciate the machinery @ 20% every year on 31st March at Diminishing Balance Method.
Prepare the Machinery Account from years ended 31st March, 2016 to 2018 and show Profit or Loss as it was sold on 31st March, 2018 for ₹ 10,800.
Solution:

In the books of Kaushal Traders

Machinery Account

Dr. **Cr.**

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

Working Note:

1. Calculation of profit or loss on sale of machinery.

Particulars	Rs.
Book Value of Machinery Apr. 01, 2017	16,000
Less: Depreciation for 2017 (16,000 × 20%)	(3,200)
Book Value of Machinery on Mar. 31, 2018	12,800
Less: Sale value	(10,800)
Loss on Sale of Machinery	**2,000**

Question 22.
X bought a machine for ₹ 25,000 on which he spent ₹ 5,000 for carriage and freight. ₹ 1,000 for brokerage of the middleman, ₹ 3,500 for installation and ₹ 500 for an iron pad. The machine is depreciated @ 10% every year on Written Down Value basis. After three years, the machine was sold to Y for ₹ 30,500 and ₹ 500 was paid as commission to the broker through whom the sale was effected. Find out the profit and loss on sale of machine.
Solution:

In the books of X

Machinery Account

Dr. Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Cr. Rs.
I Year				I Year			
Jan 01	To Bank A/c *		35,000	Dec 31	By Depreciation A/c		3,500
				Dec 31	By Balance c/d		31,500
			35,000				**35,000**
II Year				II Year			
Jan 01	To Balance b/d		31,500	Dec 31	By Depreciation A/c		3,150
				Dec 31	By Balance c/d		28,350
			31,500				**31,500**
III Year				III Year			
Jan 01	To Balance b/d		28,350	Dec 31	By Depreciation A/c		2,835
				Dec 31	By Balance c/d		25,515
			28,350				**28,350**
IV Year				IV Year			
Jan 01	To Balance b/d		25,515	Jan 01	By Bank A/c (30,500 - 500 brokerage)		30,000
Dec 31	To Profit and Loss A/c (Profit)		4,485				
			30,000				**30,000**

Cost of machinery = 25,000 + 5,000 + 1,000 + 3,500, + 500 = Rs.35,000

Question 23.

A company purchased a machinery for ₹ 50,000 on 1st October, 2015. Another machinery costing ₹10,000 was purchased on 1st December, 2016. On 31st March, 2018, the machinery purchased in 2015 was sold at a loss of ₹ 5,000. The company charges depreciation @ 15% p.a. on Diminishing Balance Method. Accounts are closed on 31st March every year. Prepare the Machinery Account for 3 years.

Solution:

Machinery Account

Dr. Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Cr. Rs.
2015					2016				
Oct 01	To Bank A/c			50,000	Mar 31	By Depreciation A/c (6 Months)			3,750
	Machinery I				Mar 31	By Balance c/d			46,250
				50,000					**50,000**
2016					2017				
1 April	To Balance b/d			46,250	Mar 31	By Depreciation A/c			
	Machinery I					Machinery I	6,938		
						Machinery II	500		7,438
Dec 01	To Bank A/c			10,000	Mar 31	By Balance c/d			
	Machinery II					Machinery I	39,312		
						Machinery II	9,500		48,812
				56,250					**56,250**
2017					2018				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I	39,312				Machinery I	5,897		
	Machinery II	9,500		48,812		Machinery II	1,425		7,322
					Mar 31	By Bank A/c Machinery I			28,415
					Mar 31	By Profit and Loss A/c			5,000
					Mar 31	By Balance c/d Machinery II			8,075
				48,812					**48,812**

Working Note

1. Calculation of profit or loss on sale of machinery:

Particulars	Rs.
Book Value of Machinery I on April 01, 2017	39,312
Less: Depreciation (39,312 × 15%)	(5,897)
Book Value of Machine Machinery I on March 31, 2018	33,415
Less: Sale Value	(28,415)
Loss on Sale of Machine Machinery I	**5,000**

Question 24.
On 1st April, 2015, a machinery was purchased for ₹ 20,000. On 1st October, 2016 another machine was purchased for ₹ 10,000 and on 1st April, 2017, one more machine was purchased for ₹ 5,000. The firm depreciates its machinery @ 10% p.a. on the Diminishing Balance Method.
What is the amount of Depreciation for the years ended 31st March, 2016; 2017 and 2018? What will be the balance in Machinery Account as on 31st March, 2018?
Solution:
I. Calculation of Depreciation from April 01, 2015 to March 31, 2018
Depreciation Rate : 10% p.a. on Diminishing Balance Method

Year	Machinery	Date of Purchase	Value	No. of Months	Amt. of Dep.	Total Dep.
2015-16	Machinery 1	April 01,2015	20,000	12	2,000	2,000
2016-17	Machinery 1	April 01, 2015	18,000 (20,000 - 2,000)	12	1,800	
	Machinery 2	Oct. 01,2016	10,000	6	500	2,300
2017-18	Machinery 1	April 01, 2015	16,200 (18,000 -1,800)	12	1,620	
	Machinery 2	Oct. 01, 2016	9,500 (10,000 - 500)	12	950	
	Machinery 3	Apr. 01 2017	5,000	12	500	3,070

II. Balance in Machinery Account as on March 31, 2018 will be Rs.27,630
Working Notes: Preparation of Machinery Account

Machinery Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
Apr 01	To Bank A/c			20,000	Mar 31	By Depreciation A/c			2,000
	Machinery 1					Machinery 1			
					Mar 31	By Balance c/d			18,000
						Machinery 1			
				20,000					**20,000**
2016					2017				
Apr 01	To Bank A/c b/d			18,000	Mar 31	By Depreciation A/c			
	Machinery 1					Machinery 1	1,800		
						$\left(10,000\times\frac{10}{100}\times\frac{6}{12}\right)$			
Oct 01	To Bank A/c Machinery 2			10,000		Machinery 2	500		2300
						By Balance c/d			
						Machinery 1	16,200		
						Machinery 2	9,500		25,700
				28,000					**28,000**
2017					2018				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery 1	16,200				Machinery 1	1,620		
	Machinery 2	9,500		25,700		Machinery 2	950		
Apr 01	To Bank A/c Machinery 3			5,000		Machinery 3	500		3,070
					Mar 31	By Balance c/d			
						Machinery 1	14,580		
						Machinery 2	8,550		
						Machinery 3	4,500		27,630
				30,700					**30,700**

Question 25.
A Machinery was purchased for ₹ 1,80,000 on 1st July, 2015. Depreciation was charged annually @ 10% on Diminishing Balance Method. 1/4th of this Machinery was sold on 1st October, 2017 for 36,000. Prepare Machinery A/c from the year ended 31st March, 2016 to 2018, if the books are closed on 31st March every year.
Solution:

Machinery Account

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
July 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I (3/4)	1,35,000				Machinery I (3/4) for(9 months)	10,125		
	Machinery I (1/4)	45,000		1,80,000		Machinery I (1/4) for(9 months)	3,375		13,500
					Mar 31	By Balance c/d			
						Machinery I (3/4)	1,24,875		
						Machinery I (1/4)	41,625		1,66,500
				1,80,000					**1,80,000**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I (3/4)	1,24,875				Machinery I (3/4)	12,488		
	Machinery I (1/4)	41,625		1,66,500		Machinery I (1/4)	4,162		16,650
					Mar 31	By Balance c/d			
						Machinery I (3/4)	1,12,387		
						Machinery I (1/4)	37,463		1,49,850
				1,66,500					**1,66,500**
2017					2018				
Apr 01	To Balance b/d				Oct 01	By Depreciation A/c I (1/4)			1,873
	Machinery I (3/4)	1,12,387			Oct 01	To Bank A/c I (1/4)			36,000
	Machinery I (1/4)	37,463		1,49,850	Mar 31	By Depreciation A/c I (3/4)			11,238
Oct 01	To Profit and Loss A/c			410	Mar 31	By Balance c/d I (3/4)			1,01,149
				1,50,260					**1,50,260**

Working Note:

1. Calculation of Profit or Loss on Sale of Machine I (1/4)

Particulars	Rs.
Book Value of Machinery I (1/4) on Apr. 01, 2017	37,463
Less: Depreciation A/c (for 6 months)	(1,873)
Book Value of Machine Machinery I (1/4) on Oct. 01, 2017	35,590
Less: Sale Value	(36,000)
Loss on Sale of Machinery I (1/4)	**410**

Question 26.

M/s. P & Q purchased machinery for ₹ 40,000 on 1st October, 2015. Depreciation is provided @ 10% p.a. on the Diminishing Balance. On 31st January, 2018, one-fourth of the machinery was found unsuitable and disposed off for ₹ 5,600. On the same date new machinery at a cost of ₹ 15,000 was purchased. Write up the Machinery account for the years ended 31st March, 2016, 2017 and 2018. Accounts are closed on 31st March each year.

Solution:

Machinery Account

Dr. Cr.

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
Oct 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I (3/4)	30,000				Machinery I (3/4) (for 6months)	1,500		
	Machinery I(1/4)	10,000		40,000		Machinery I (1/4) (for 6 months)	500		2,000
					Mar 31	By Balance c/d			
						Machinery I (3/4)	28,500		
						Machinery I (1/4)	9,500		38,000
				40,000					**40,000**
2016					2017				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I (3/4)	28,500				Machinery I (3/4)	2,850		
	Machinery I(1/4)	9,500		38,000		Machinery I (1/4)	9,50		3,800
					Mar 31	By Balance c/d			
						Machinery I (3/4)	25,650		
						Machinery I (1/4)	8,550		34,200
				38,000					**38,000**
2017					2018				
Apr 01	To Balance b/d				Jan 31	By Depreciation A/c			
						Machinery I (1/4) (for 10 Months)			713
	Machinery I (3/4)	25,650			Jan 31	By Bank A/c Machinery I (1/4)			5,600
	Machinery I(1/4)	8,550		34,200		By Profit and Loss A/c (Loss)			2,237
					Mar 31	By Depreciation A/c			
Jan 31	To Bank A/c			15,000		Machinery I (3/4)	2,565		
						Machinery II (for 2 months)	250		2,815
					Mar 31	By Balance c/d			
						Machinery I (3/4)	23,085		
						Machinery II	14,750		37,835
				49,200					**49,200**

Working Note:

1. Calculation of Profit or Loss on Sale of Machine Machinery I (1/4) :

Particulars	Rs.
Book Value of Machine Machinery I (1/4) on April 01, 2017	8,550
Less: Depreciation A/c (10 Months)	(713)
Book Value of Machine Machinery I (1/4) on Jan 31, 2018	7,837
Less: Sale Value	(5,600)
Loss on Sale of Machine Machinery I (1/4)	2,237

Question 27.

A company purchased on 1st July, 2015 machinery costing ₹ 30,000. It further purchased machinery on 1st January, 2016 costing ₹ 20,000 and on 1st October, 2016 costing ₹ 10,000. On 1st April, 2017, one-third of the machinery installed on 1st July, 2015 became obsolete and was sold for ₹ 3,000. The company follows financial year as accounting year.

Show how the machinery Account would appear in the books of company if depreciation is charged @ 10% p.a. on Written Down Value Method.

Solution:

Machinery Account

Dr.									Cr.
Date	**Particulars**		**J.F.**	**Rs.**	**Date**	**Particulars**		**J.F.**	**Rs.**
2015					2016				
July 01	To Bank A/c Machinery I(2/3)	20,000			Mar 31	By Depreciation A/c			
July 01	To Bank A/c Machinery I(1/3)	10,000		30,000		Machinery I (2/3)(9 months)	1,500		
2012						Machinery I(1/3) (9 months)	750		
Jan 01	To Bank A/c Machinery II			20,000		Machinery II (3 months)	500		2,750
					Mar 31	By Balance c/d			
						Machinery I (2/3)	18,500		
						Machinery I (1/3)	9,250		
						Machinery II	19,500		47,250
				50,000					**50,000**
2016					2017				
Apr 01	To Balance b/d								
	Machinery I(2/3)	18,500							
	Machinery I(1/3)	9,250							
	Machinery II	19,500		47,250	Mar 31	By Depreciation A/c			
Oct 01	To Bank A/c Machinery III			10,000		Machinery I(2/3)	1,850		
						Machinery I(1/3)	925		
						Machinery II	1,950		
						Machinery III	500		5,225
					Mar 31	By Balance c/d			
						Machinery I (2/3)	16,650		
						Machinery I(1/3)	8,325		
						Machinery II	17,550		
						Machinery III	9,500		52,025
				57,250					**57,250**
2016					2017				
Apr 01	To Balance b/d				Apr 01	By Bank A/c Machinery I (1/3)			3,000
	Machinery I(2/3)	16,650			Apr 0 1	By Profit and Loss A/c			5,325
	Machinery I(1/3)	8,325			2018				
	Machinery II	17,550			Mar 31	By Depreciation A/c			
	Machinery III	9,500		52,025		Machinery I(2/3)	1,665		
						Machinery II	1,755		
						Machinery III	950		4,370
					Mar 31	By Balance c/d			
						Machinery I(2/3)	14,985		
						Machinery II	15,795		
					Mar 31	Machinery III	8,550		39,330
				52,025					**52,025**

Working Note:

Calculation of Profit or Loss on Sale of Plant I (1/3)

Particulars	**Rs.**
Book Value of Plant I(1/3) as on Apr 01,2017	8,325
Less: Sale Value	(3,000)
Loss on Sale	**5,325**

Question 28.

On 1st October, 2010, Meenal Sharma bought a machine for ₹ 25,000 on which he spent ₹ 5,000 for carriage and freight; ₹ 1,000 for brokerage of the middle-man, ₹ 4,000 for installation. The machine is depreciated @ 10% p.a. on written down value basis. On 31st March, 2013 the machine was sold to Deepa for ₹ 30,500 and ₹ 500 was paid as commission to broker through whom the sales was effected. Find out the profit or loss on sale of machine if accounts are closed on 31st March, every year.

Solution:

Machinery Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2010				2011			
Oct 01	To Bank A/c*		35,000	Mar 31	By Depreciation A/c (6 months)		1,750
				Mar 31	By Balance c/d		33,250
			35,000				**35,000**
2011				2012			
Apr 01	To Balance b/d		33,250	Mar 31	By Depreciation A/c		3,325
				Mar 31	By Balance c/d		29,925
			33,250				**33,250**
2012				2013			
Apr 01	To Balance b/d		29,925	Mar 01	By Depreciation A/c		2,993
2013				Mar 31	By Bank A/c (30,500 - 500)		30,000
31 Mar	Profit and Loss A/c		3,068				
			32,993				**32,993**

Machinery Cost = 25,000 + 5,000 + 1,000+4,000 = Rs.35,000

Working Note:

Calculation of Profit or Loss on Sale of Machinery

Particulars	Rs.
Book Value of Machinery on Apr 01, 2012	29,925
Less: Depreciation for the year	(2,993)
Book Value of Machinery on Mar 01, 2013	26,932
Less: Sale Value (30,500 - 500)	(30,000)
Profit on Sale	**3,068**

Question 29.

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

On 1st April, 2016, if purchased another machine for ₹ 2,40,000. On 1st October, 2017, the machine purchased on 1st July, 2015 was sold for ₹ 1,45,000. On 1st January, 2018, another machine was purchased for ₹ 4,00,000 plus IGST @ 12%.

Prepare the Machinery Account for the years ended 31st March, 2016 to 2018 after charging Depreciation @ 10% p.a. by Diminishing Balance Method.

Accounts are closed on 31st March every year.

Solution:

Machinery Account

Dr.									Cr.
Date	**Particulars**		**J.F.**	**Rs.**	**Date**	**Particulars**		**J.F.**	**Rs.**
2015-16					2015-16				
						By Depreciation A/c (9 months)			
July 01	To Balance b/d *				Mar. 31	Machinery I			15,000
	Machinery I			2,00,000	Mar. 31	By Balance c/d			1,85,000
				2,00,000					**2,00,000**
2016-17					2016-17				
Apr 01	To Balance b/d Machinery I			1,85,000	Mar 31	By Depreciation A/c			
Apr 01	To Bank A/c Machinery II			2,40,000		Machinery I	18,500		
						Machinery II	24,000		42,500
					Mar 31	By Balance c/d			
						Machinery I	1,66,500		
						Machinery II	2,16,000		3,82,500
				4,25,000					**4,25,000**
2017-18					2017-18				
						By Depreciation A/c			
Apr 01	To Balance b/d				Oct 01	Machinery I (6 months)			8,325
	Machinery I	1,66,500			Oct 1	By Bank A/c			
	Machinery II	2,16,000		3,82,500		Machinery I			1,45,000
					Oct 1	By Profit and Loss A/c			13,175
Jan 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery III			4,00,000		Machinery II	21,600		
						Machinery III (3 months)	10,000		31,600
					Mar 31	By Balance c/d			
						Machinery II	1,94,400		
						Machinery III	3,90,000		5,84,400
				7,82,500					**7,82,500**

*Machinery I cost = 1,80,000+ 20,000 = 2,00,000

Input IGST A/c

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
2017				2018			
Oct 01	To Purchases A/c		48,000	Mar 31	By Balance c/d		48,000
			48,000				**48,000**

Working note:

1. Calculation of Profit or Loss on Sale of Machinery I

Particulars	Rs.
Book Value of Machinery I on April 01,	1,66,500
Less: Depreciation (6 months)	(8,325)
Book Value of Machinery I on Oct 01,	1,58,175
Less: Sale Value	(1,45,000)
Loss on Sale of Machinery I	**13,175**

Question 30.

A firm purchased on 1st April, 2015 certain machinery for ₹ 5,82,000 and spent ₹ 18,000 on its installation. On 1st October, 2015, additional machinery costing ₹ 2,00,000 was purchased. On 1st October, 2017, the machinery purchased on 1st April, 2015 was auctioned for ₹ 2,86,000 plus CGST and SGST @ 6% each and a new machinery for ₹ 4,00,000, plus IGST @ 12% was purchased on the same date. Depreciation was provided annually on 31st March at the rate of 10% p.a. on the Written Down Value Method. Prepare the Machinery Account for the three years ended 31st March, 2018.

Solution:

Machinery Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2015-16				2015-16			
Apr 01	To Bank A/c Machinery I 6,00,000			Mar 31	By Depreciation A/c		
Oct 01	To Bank A/c Machinery II 2,00,000		8,00,000		Machinery I 60,000		
					Machinery II (6 months) 10,000		70,000
				Mar 31	By Balance c/d		
					Machinery I 5,40,000		
					Machinery II 1,90,000		7,30,000
			8,00,000				**8,00,000**
2016-17				2016-17			
Apr 01	To Balance b/d			Mar 31	By Depreciation A/c		
	Machinery I 5,40,000				Machinery I 54,000		
	Machinery II 1,90,000		7,30,000		Machinery II 19,000		73,000
				Mar 31	By Balance c/d		
					Machinery I 4,86,000		
					Machinery II 1,71,000		6,57,000
			7,30,000				**7,30,000**
2017-18				2017-18			
Apr 01	To Balance b/d			Oct 01	By Depreciation A/c Machinery I		24,300
	Machinery I 4,86,000			Oct 01	To Bank A/c Machinery I		2,86,000
	Machinery II 1,71,000		6,57,000	Oct 01	By Profit and Loss A/c		1,75,700
Oct 01	To Bank A/c		4,00,000	Mar 31	By Depreciation A/c		
	Machinery III				Machinery II 17,100		
					Machinery III 20,000		37,100
				Mar 31	By Balance c/d		
					Machinery II 1,53,900		
					Machinery III 3,80,000		5,33,900
			10,57,000				**10,57,000**

Input IGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2018			
Oct 01	To Purchases A/c		48,000	Mar 31	By Balance c/d		48,000
			48,000				**48,000**

Output CGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		17,160	Oct 01	To Sales A/c		17,160
			17,160				**17,160**

Output SGST A/c

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		17,160	Oct 01	To Sales A/c		17,160
			17,160				**17,160**

Working Note:

1. Calculation of Profit or Loss on sale of Machine I

Particulars	Rs.
Book Value of Machinery I (on April 01, 2017)	4,86,000
Less: Depreciation A/c (6 months)	(24,300)
Book Value of Machine Machinery I on Oct 01, 2017	4,61,700
Less: Sale Value	(2,86,000)
Loss on Sale Machinery I	**1,75,700**

Question 31.
Shakti Cements purchased on 1st April, 2015 a plant for ₹ 80,000. On 1st July, 2016, it purchased additional plant costing ₹ 48,000. On 1st December, 2017, the plant purchased on 1st April, 2015 was sold for ₹ 42,000 plus IGST @ 12% and on the same date a fresh plant was purchased for ₹ 75,000 plus CGST and SGST @ 6% each. Depreciation is provided at 10% p.a. on the Diminishing Balance Method. Accounts are closed on 31st March each year. Show the plant Account for 3 years (along with working notes).
Solution:

In the book of Shakti Cements

Plant Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.e	Date	Particulars		J.F.	Rs.
2015					2016				
Apr 01	To Bank A/c Plant I			80,000	Mar 31	By Depreciation A/c Plant I			8,000
					Mar 31	By Balance c/d			72,000
				80,000					**80,000**
2016					2017				
Apr 01	To Balance b/d Plant I			72,000	Mar 31	By Depreciation A/c			
July 01	To Bank A/c Plant II			48,000		Plant I	7,200		
						Plant II (9 months)	3,600		10,800
					Mar 31	By Balance c/d			
						Plant I	64,800		
						Plant II	44,400		1,09,200
				1,20,000					**1,20,000**
2017					2017				
Apr 01	To Balance b/d				Dec 01	By Depreciation A/c			
Apr 01	Plant I	64,800				Plant I (8 months)			4,320
	Plant II	44,400		1,09,200	Dec 1	By Bank A/c			42,000
					Dec 1	By Profit and Loss A/c (Loss)			18,480
					2018				
Dec 01	To Bank A/c Plant III			75,000	Mar 31	By Depreciation A/c			
						Plant II	4,440		
						Plant III(4 months)	2,500		6,940
					Mar 31	By Balance c/d			
						Plant II	39,960		
						Plant III	72,500		1,12,460
				1,84,200					**1,84,200**

Input CGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2018			
Dec 01	To Purchases A/c		4,500	Mar 31	By Balance c/d		4,500
			4,500				**4,500**

Input SGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2018			
Dec 01	To Purchases A/c		4,500	Mar 31	By Balance c/d		4,500
			4,500				**4,500**

Output IGST A/c

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018				2017			
Mar 31	By Balance c/d		5,040	Dec 01	To Sales A/c		17,160
			5,040				**17,160**

Working Note

Calculation of Profit or Loss on Sale of Plant I:

Particulars	Rs.
Book Value of Plant I on Apr 01, 2017	64,800
Less: Depreciation (8 months)	(4,320)
Book Value of Plant I on Dec 01, 2017	60,480
Less: Sale Value	(42,000)
Loss on Sale	**18,480**

Question 32.

Following balances appear in the books of M/s. Amrit as on 1st April, 2017:

2017 1st April
Machinery A/c – ₹ 60,000
Provision for Depreciation A/c – ₹ 36,000
On 1st April, 2017, they decided to dispose off a machinery for ₹ 8,400 which was purchased on 1st April, 2013 for ₹ 16,000.
You are required to prepare the Machinery A/c, Provision for Depreciation A/c and Machinery Disposal A/c for the year ended 31st March, 2018. Depreciation was charged at 10% on Cost following SLM.
Solution:

Books of M/s. Amrit
Machinery Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2017			
Apr 01	To Balance b/d		60,000	Apr 01	By Machinery Disposal A/c		16,000
				2018			
				Mar 31	By Balance c/d		44,000
			60,000				**60,000**

*Machinery Cost = 44,000 + 16,000 = Rs.60,000

Provision for Depreciation Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2017			
Apr 01	To Machinery Disposal A/c (4 years)		6,400	Apr 01	By Balance b/d		36,000
2018				2018			
Mar 13	To Balance c/d		34,000	Mar 31	By Depreciation A/c (Machine costing Rs.44,000)		4,400
			40,400				**40,400**

Machinery Disposal Account

Dr. Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2017			
Apr 01	To Machinery A/c		16,000	Apr 01	By Provision for Depreciation A/c		6,400
				2018			
				Mar 31	By Bank A/c		8,400
					By Profit and Loss A/c		1,200
			16,000				**16,000**

Working Note:

Calculation of profit and Loss on Machinery Sold:

Particulars	**Rs.**
Original Cost of Machine on Apr 01, 2013	16,000
Less: Accumulated Depreciation on Machine Sold (1,600 × 4)	(6,400)
Book Value of Machine I on April 01, 2017	9,600
Less: Sale Value	(8,400)
Loss on Sale	**1,200**

Question 33.
On 1st October, 2011, X Ltd. purchased a machinery for ₹ 2,50,000. A part of machinery which was purchased for ₹ 20,000 on 1st October, 2011 became obsolete and was disposed off on 1st January, 2014 (having a book value ₹ 17,100 on 1st April, 2013) for ₹ 2,000. Depreciation is charged @ 10% annually on written down value. Prepare machinery disposal account and also show your workings. The books being closed on 31st March of every year.

Solution:

Machinery Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2011					2012				
Oct 01	To Bank A/c				Mar 31	By Depreciation A/c			
	Machinery I (part 1)	2,30,000				Machinery I (part 1) (6 months)	11,500		
	Machinery I (part 2)	20,000		2,50,000		Machinery I (part 2) (6 months)	1,000		12,500
					Mar 31	By Balance c/d			
						Machinery I (part 1)	2,18,500		
						Machinery I (part 2)	19,000		2,37,500
				2,50,000					**2,50,000**
2012					2013				
Apr 01	To Balance b/d				Mar 31	By Depreciation A/c			
	Machinery I (part 1)	2,18,500				Machinery I (part 1)	21,850		
	Machinery I (part 2)	19,000		2,37,500		Machinery I (part 2)	1,900		23,750
					Mar 31	By Balance c/d			
						Machinery I (part 1)	1,96,650		
						Machinery I (part 2)	17,100		2,13,750
				2,37,500					**2,37,500**
2013					2014				
Apr 01	To Balance b/d				Jan 01	By Depreciation A/c			
	Machinery I (part 1)	1,96,650				Machinery I (part 2) (9 months)			1,283
	Machinery I (part 2)	17,100		2,13,750	Jan 01	By Bank A/c Machinery I (part 2)			2,000
					Jan 01	By Profit and Loss A/c (Loss)			13,817
					Mar 31	By Depreciation A/c			
						Machinery I (part 1)			19,665
					Mar 31	By Balance c/d			1,76,985
				2,13,750					**2,13,750**

Question 34.
Sharma & Co. whose books are closed on 31st March, purchased a machinery for ₹ 1,50,000 on 1st April, 2015, Additional machinery was acquired for ₹ 50,000 on 1st October, 2015. Certain machinery which was purchased for ₹ 50,000 on 1st October, 2015 was sold for ₹ 40,000 on 30th September, 2017.
Prepare the Machinery Account and Accumulated Depreciation Account for all the years up to the year ended 31st March, 2018. Depreciation is charged @ 10% p.a. on Straight Line Method. Also, show the Machinery Disposal Account.
Solution:

In the books of Sharma andCo.

Machinery Account

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2015				2016			
Apr 01	To Bank A/c Machinery I		1,50,000	Mar 31	By Balance c/d		2,00,000
Oct 01	To Bank A/c Machinery II		50,000				
			2,00,000				**2,00,000**
2017				2017			
					By Machinery Disposal		
Apr 01	To Balance b/d		2,00,000	Sep 30	Machinery II		50,000
				2018			
				Mar 31	By Balance c/d		1,50,000
			2,00,000				**2,00,000**

Accumulate Deprecation Account

Dr. **Cr.**

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2016					2016				
Mar 31	To Balance c/d				Mar 31	By Depreciation A/c			
	Machinery I	15,000				Machinery I	15,000		
	Machinery II	2,500		17,500		Machinery II (for 6 months)	2,500		17,500
				17,500					**17,500**
2017					2016				
Mar 31	To Balance c/d				Mar 31	By Balance b/d			
	Machinery I	30,000				Machinery I	15,000		
	Machinery II	7,500		37,500		Machinery II	2,500		17,500
					2017				
					Mar 31	By Depreciation A/c			
						Machinery I	15,000		
						Machinery II	5,000		20,000
				37,500					**37,500**
2017					2017				
Sep 30	To Machinery disposal A/c			10,000	Apr 01	By Balance b/d			
2018						Machinery I	30,000		
Mar 31	To Balance c/d			45,000		Machinery II	7,500		37,500
					Sep 30	By Depreciation A/c			
						Machinery II			2,500
					2018				
					Mar 31	By Deprecation A/c			
						Machinery I			15,000
				55,000					**55,000**

Machinery Disposal Account

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2017			
Sep 30	To Machinery A/c		50,000	Sep 30	By Accumulated Depreciation A/c		10,000
				Sep 30	By Bank A/c		40,000
			50,000				**50,000**

Calculation of profit and Loss on Machinery II:

Particulars	Rs.
Original Cost of Machine on Oct 01, 2015	50,000
Less: Accumulated Depreciation	(10,000)
Book Value on Sept. 30 ,2017	40,000
Less: Sale Value	(40,000)
No Profit and Loss	**NIL**

Question 35.

On 1st April, 2015, Amit Kumar purchased five machines for ₹ 60,000 each. Depreciation @ 10% p.a. on initial cost has been charged from the Profit and Loss Account and credited to Provision for Depreciation Account.

On 1st April, 2016, one machine was sold for ₹ 50,000 and on 1st April, 2017 another machine was sold for ₹ 50,000. An improved model costing ₹ 1,00,000 was purchased on 1st October, 2016. IGST was paid @ 12%. Amit Kumar closes his books on 31st March each year.

You are required to show:

(i) Machinery Account:

(ii) Machinery Disposal Account and

(iii) Provision for Depreciation Account for the period of three accounting years ended 31st March, 2018.

Solution:

In the books of Amit Kumar

Machinery Account

Dr. Cr.

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2015					2016				
Apr 01	To Bank A/c				Mar 31	By Balance c/d			3,00,000
	M 1 to M5(5 Machines @ Rs.60,000 each)			3,00,000					
				3,00,000					**3,00,000**
2016					2016				
Apr 01	To Balance b/d			3,00,000	Apr 01	By Machinery Disposal A/c (M 1)			60,000
Oct 01	To Bank A/c (M 6)			1,00,000	2017				
					Mar 31	By Balance c/d			
						M2 to M5	2,40,000		
						M6	1,00,000		3,40,000
				4,00,000					**4,00,000**
2017					2017				
Apr 01	To Balance b/d				Apr	By Machinery Disposal A/c (M 2)			60,000
	M2 - M5	2,40,000			2018				
	M6	1,00,000		3,40,000	Mar 31	By Balance c/d			
						M3 to M5	1,80,000		
						M 6	1,00,000		2,80,000
				3,40,000					**3,40,000**

Provision for Depreciation Account

Dr. Cr.

Date	Particulars		J.F.	Rs.	Date	Particulars		J.F.	Rs.
2016					2016				
Mar 31	To Balance c/d			30,000	Mar 31	By Depreciation A/c			30,000
				30,000					**30,000**
2016					2016				
Apr 01	To Machinery Disposal A/c (M1) (Accumulated Depreciation on Machinery Costing Rs.60,000)			6,000	Apr 01	By Balance b/d			30,000
					2017				
2017	To Balance c/d				Mar 31	By Depreciation A/c			
	M2 to M5	48,000				M2 to M5	24,000		
	M6	5,000		53,000		M6 (6 months)	5,000		29,000
				59,000					**59,000**
2017					2017				
Apr 01	To Machinery Disposal A/c (M 2) (Accumulated Depreciation on Machinery Costing Rs.60,000)			12,000	Apr 01	By Balance b/d			
						M3 to M5	48,000		
						M6	5,000		53,000
2018					2018				
Mar 31	To Balance c/d				Mar 31	By Depreciation A/c			
	M3to M5	54,000				M3 to M5	18,000		
	M6	15,000		69,000		M6	10,000		28,000
				81,000					**81,000**

Machinery Disposal Account (M1)

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2016				2016			
Apr 01	To Machinery A/c		60,000	Apr 01	By Provision for Depreciation A/c		6,000
				Apr 01	By Bank A/c		50,000
				Apr 01	By Profit and Loss A/c(Loss) (Balancing Figure)		4,000
			60,000				**60,000**

Machinery Disposal Account (M2)

Dr. **Cr.**

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2017				2017			
Apr 01	To Machinery A/c		60,000	Apr 01	By Provision for Depreciation A/c		12,000
Apr 01	To Profit and Loss A/c(Profit) (Balancing Figure)		2,000	Apr 01	By Bank A/c		50,000
			62,000				**62,000**