# Depreciation

### Question:1

Calculate the Amount of annual Depreciation and Rate of Depreciation under Straight Line Method *SLM* from the following:

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

## Solution:

Amount of Annual Depreciation =  $\frac{1,20,000-72,000}{4} = \text{Rs } 12,000$ Rate of Depreciation =  $\frac{\frac{\text{Amount of Depreciation}}{\text{Cost of Machine}} \times 100$   $=\frac{12,000}{4} \times 100 = 10\%\text{p.a.}$ 

## Question:2

On 1st April, 2016, 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 the first three years. The books are closed on 31st March every year. Solution:

Book of X Ltd.
<b>Machinery Account</b>

Di.	Dortiouloro	15	Amount	Dete	Bortiouloro	16	Amount
Date	Particulars	J.F.	()	Date	Particulars	Ј.Г.	()
2016				2017			
April 01	Bank		4,00,000	Mar.31	Depreciation		40,000
April 01	Bank ErectionExpense		50,000		Balance c/d		4,10,000
			4,50,000				4,50,000
2017				2018			
April 01	Balance b/d		4,10,000	Mar.31	Depreciation		40,000
					Balance c/d		3,70,000
			4,10,000				4,10,000
2018				2019			
April 01	Balance b/d		3,70,000	Mar.31	Depreciation		40,000
			0 70 000		Balance c/d		3,30,000
			3,70,000				3,70,000

Calculation of Depreciation:

4,00,000+50,000-50,000(Scrap Value)

Depreciation p.a. =

10 years

= 40,000 p.a.

## Question:3

On 1st April, 2015, 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 2016 and 1st October, 2018 to the value of 9,500 and 8,400 *Residualvalues* **5**0*and* **4**0*respectively*. Show the Furniture Account for the first four years, if Depreciation is written off according to the Straight Line Method. **Solution:** 

Dr.							Cr.
Data	Porticuloro	16	Amount	Data	Portiouloro	16	Amount
Date	Farticulars	J.F.	()	Date	Faiticulars	J.F.	()
2015				2016			
April 01	Bank <i>F</i> 1		55,000	March 31	Depreciation F1		5,000
				March 31	Balance c/d <i>F</i> 1		50,000
			55,000				55.000
2016			55,000	2017			55,000
April 01	Balance b/d		50,000	March	Depreciation		
April 01	Bank		9,500	51	F1 5,00	0	
	12				F2 90	0	5,900
				March 31	Balance c/d	<u> </u>	0,000
				0.	F1 45.00	0	
					F2 8,60	0	53,600
			59,500				59,500
2017				2018			

#### **Furniture Account**

April 01	Balance b/d			March	Depreciation		
	F1 F2	45,000 8,600	53,600	March	F1 F2 Balance c/d	5,000 900	5,900
				31	F1 F2	40,000 7.700	47.700
2018			53,600	2019		,	53,600
April 01	Balance b/d			March 31	Depreciation		
	F1	40,000			F1	5,000	
Oct 01	F2	7,700	47,700		F2	900	
Oci. 01	F3		8,400		F3	400	6,300
				March 31	Balance c/d		
					F1	35,000	
					F2	6,800	
			56,100		F3	8,000	49,800 56,100

Depreciation on F1 =  $\frac{55,000-5,000(\text{Scrap Value})}{10 \text{ years}} = \text{Rs}5,000 \text{ p.a.}$ Depreciation on F2 =  $\frac{9,500-500(\text{Scrap Value})}{10 \text{ years}} = \text{Rs}900 \text{ p.a.}$ Depreciation on F3 =  $\frac{8,400-400(\text{Scrap Value})}{10 \text{ years}} = \text{Rs}800 \text{ p.a.}$  $\therefore$  Depreciation on F3 (for Six Months) =  $800 \times \frac{6}{12} = \text{Rs}400$ 

## **Question:4**

From the following transactions of a concern, prepare the Machinery Account for the year ended 31st March, 2019:1st April, 2018:Purchased a second-hand machinery for 40,0001st April, 2018:Spent 10,000 on repairs for making it serviceable.30th September, 2018 :Purchased additional new machinery for 20,000.31st December, 2018 :Repairs and renewal of machinery 3,000.31st March, 2019:Depreciate the machinery at 10% p.a.Solution:

Dr.				-				Cr.
Date	Particulars	J.F.	Amount	Date	Particular		J.F.	Amount
2018				2019				
Apr.01	Bank <i>M</i> 1		50,000	Mar.31	Depreciation			
Sept 30	Bank <i>M</i> 2		20,000		M1	5,000		
					M2 6 <i>months</i>	1,000		6,000
				Mar.31	Balance c/d M1 M2	45,000 19,000		64,000
			70,000		omonuns			70,000

## Note:

Repair and renewal made on December 31, 2018 will not be recorded in Machinery Account because, this repair was made after putting the Machinery into use.

#### Question:5

An asset was purchased for 10,500 on 1st April, 2012. The scrap value was estimated 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, 2019. Calculate the following.

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

ii

The net book value of the asset on 31st March, 2017. *iii* 

The gain or loss on sale of the asset on 31st March, 2019. Solution:

	Asset Account										
Dr.							Cr.				
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount				
2012 April 01	Bank		10,500	2013 Mar.31	Depreciation		1,000				
01			10,500	Mar.31	Balance c/d		9,500 10,500				
2013 April 01	Balance b/d		9,500	2014 Mar.31	Depreciation		1,000				
01			9,500	Mar.31	Balance c/d		8,500 9,500				
2014 April	Balance b/d		8,500	2015 Mar.31	Depreciation		1,000				
01			8,500	Mar.31	Balance c/d		7,500 8,500				
2015 April	Balance b/d		7,500	2016 Mar.31	Depreciation		1,000				
01			7,500	Mar.31	Balance c/d		6,500 7,500				
2016 April	Balance b/d		6,500	2017 Mar.31	Depreciation		1,000				
01			6,500	Mar.31	Balance c/d		5,500 6,500				
2017 April	Balance b/d		5,500	2018 Mar.31	Depreciation		1,000				
01			5,500	Mar.31	Balance c/d		4,500 5,500				
2018 April 01	Balance b/d		4,500	2019 Mar.31	Depreciation		1,000				
				Mar.31 Mar.31	Bank Profit and Loss <i>Loss</i>		600 2,900				
			4,500				4,500				

*i* Depreciation Expense for the year ended March 31, 2013 is Rs 1000

ii The Net Book Value of the asset on March 31, 2017 is Rs 5,500

iii Loss on Sale of the asset on March 31, 2019 is Rs 2,900

## Question:6

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

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

	Machinery Account								
Dr.					-			Cr.	
Date	Particulars	J.F.	Amount	Date	Particula	rs	J.F.	Amount	
2015				2016					
April 01	Bank <i>M</i> 1		2,50,000	March 31	Depreciation				
Oct. 01	Bank <i>M</i> 2		1,00,000		M1	12,500			
					M2	2,500			
					6Months			15,000	
				March 31	Balance c/d M1 M2	2,37,500 97,500		3.35.000	
			3.50.000					3.50.000	
2016				2017					
April 01	Balance b/d M1 2,37,500			March 31	Depreciation M1	12,500			
	M2 <u>97,500</u>		3,35,000		M2	5,000		17,500	
1	1		1	1	1			I I	

2017 April 01	Balance b/d M1	2,25,000	3,35,000	March 31 2018 Oct. 01 Oct. 01	Balance c/d M1 M2 Depreciation <i>for6months</i> Bank M1 sold	2,25,000 92,500	3,17,500 3,35,000 6,250 1,43,000
	M2	92,500	3,17,500	Oct. 01	Profit and Loss lossonsale		75,750
July 01	Bank <i>M</i> 3		2,00,000	2017 March 31	Depreciation		
					M2 M3 for6months	5,000 5,000	10,000
			5 17 500	March 31	M2 M3	87,500 1,95,000	2,82,500
2018 April 01	Balance b/d	07 500	5,17,500	2019 March 31	Depreciation	5 000	5,17,500
	M3	87,500 1,95,000	2,82,500	March 31	M3 Balance c/d M2	5,000 <u>10,000</u> 82,500	15,000
			2,82,500		M3	1,85,000	2,67,500 2,82,500

## 1. Calculation of Deprecation

Machine 1  $2,50,000 \times \frac{5}{100} = \text{Rs}12,500 \text{ p.a}$ Machine 2  $1,00,000 \times \frac{5}{100} = \text{Rs}5,000 \text{ p.a}$ Machine 3  $2,00,000 \times \frac{4}{100} = \text{Rs}10,000 \text{ p.a}$ 

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

Particulars	Amount ()
Book Value on April 01, 2017	2,25,000
Less: Deprecation for six month	6,250
Book Value on Oct. 01, 2017	2,18,750
Less: Sale Proceeds	1,43,000
Loss on Sale of Machine	75,750

## Question:7

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

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2016				2017			
April 01	Bank /		65,000	March 31	Depreciation		6,500
				March 31	Balance c/d I		58,500
			65,000				65,000
2017				2018			
April 01	Balance b/d /		58,500	March 31	Depreciation		
Oct. 01	Bank //		70,000		/ 6,500	)	
					II (for 6 3,500 month)	)	10,000
				March 31	Balance c/d / 52,000	)	

					11	66,500	1,18,500
			1,28,500				1,28,500
2018				2019			
April 01	Balance b/d			April 01	Bank I		45,000
	1	52,000		April 01	Profit and Loss Sale)	(Loss on	7,000
				2018	,		
	11	66,500	1,18,500	March 31	Depreciation		
April 01	Bank		1.70.000		11	7.000	
	<i>III</i>					,	
					<i>III</i>	17,000	24.000
				March 31	Balance c/d		,
					//	59.500	
						1,53,000	2.12.500
			2,88,500				2,88,500
				1			

1. Calculation of Annual Depreciation

Maruti Van (I) =  $65,000 \times \frac{10}{100} = \text{Rs} \, 6,500$ Maruti Van (II) =  $70,000 \times \frac{10}{100} = \text{Rs} \, 7,000$ Maruti Van (III) =  $1,70,000 \times \frac{10}{100} = \text{Rs} \, 17,000$ 

2. Calculation of profit or loss on sale of Van

Particulars	Amount
Book Value on Apr. 01, 2018	52,000
Less: Sale of Van	45,000
Loss on Sale of Van	7,000

#### Question:8

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

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

# Solution:

Dr.	Machinery A/c						
Date	Particulars	Amount	Date	Particulars	Amount		
2015 April 01	To Cash/Bank A/c 60, 000 × 5	3,00,000	2016 March 31 March 31	By Depreciation A/c 3, 00, 000 × 10/100 By balance c/d	30,000 2,70,000		
2016	To belonce h/d	3,00,000	2017 Marah 21	By Depresistion 4/2 2,00,000 10/100	3,00,000		
April 01	To balance b/d	2,70,000	March 31	By balance c/d	2,40,000		
2017		2,70,000	2017		2,70,000		
April 01	To balance b/d	2,40,000	April 01 April 01 2018	By Bank A/c <i>WN</i> 1 By Profit & Loss A/c <i>Lossonsale</i>	40,000 8,000		
			March 31	By Depreciation A/c 2, 40,000 × 10/100 Onremainingmachinery	24,000		
			March 31	By balance c/d	1,68,000		
2018		2,40,000	2018		2,40,000		
April 01 Oct.01	To balance c/d To Cash/Bank A/c	1,68,000 1,00,000	July 1 July 1	By Depreciation A/c 6,000 × 3/12 By Bank A/c <i>WN</i> 2	1,500 28,000		
			July 1 2019	By Profit & Loss A/c LossonSale	12,500		
			March 31	By Depreciation A/c (On remaining Machinery)	23,000		
				[(1,80,000 × 10/100) +			

		March 31	1,00,000 × 10/100 × 6/12 ] By balance c/d	2,03,000	
	2,68,000			2,68,000	

1) Calculation of Sale proceeds from Machine	<u>y sold on 1<sup>st</sup> April, 2017</u>
Book Value of the Machine as on 1st April, 2017	= TotalopeningbalanceofMachineryonthisdate/5
	= 2,40,000/5
	= 48,000
Loss on Sale of Machinery	= 8,000
Sale proceeds from the Machinery	<ul> <li>Book Value of the Machine as on 1<sup>st</sup> April, 2017 – Loss on</li> </ul>
	Sale
	=
	48,000-8,000 = 40,000
2) Calculation of Sale proceeds from Machine	<u>y sold on 1<sup>st</sup> July 2018</u>
Book Value of the Machine as on 1 <sup>st</sup> July, 2018	= (TotalopeningbalanceofMachineryonthisdate/4)- Depreciation
	=
	(1,68,000/4)-1,500
	= 40,500
Loss on Sale of Machinery	= 12,500
Sale proceeds from the Machinery	<ul> <li>Book Value of the Machine as on 1<sup>st</sup> July, 2018 – Loss on</li> </ul>
	Sale
	=
	40,500-12,500 = 28,000

## Question:9

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

It purchased further 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.

Show how Machinery Account would appear in the books of the company. It being given that machinery was depreciated by Fixed Instalment Method at 10% p.a. What would be the value of Machinery Account on 1st April, 2018?

#### Solution:

# **Machinery Account**

Dr.									<u>C</u> r.
Date	Particulars		J.F.	Amount	Date	Particulars	i	J.F.	Amount
2015					2016				
July	Bank			30,000	March	Depreciation			
0015	1				31				
2015	Develo			00.000		L (far Q rearth a)	0.050		
01	Darik 11			20,000		T (IOF 9 MONUNS)	2,250		
01	"					1	500		2.750
					March	Balanced c/d			,
					31				
							27,750		47.050
				50,000		11	19,500		47,250
2016				00,000	2017				00,000
April	Balance b/d				March	Depreciation			
Ó1					31				
		27,750		47.050			3,000		
	11	19,500		47,250		11	2,000		
_							500		5,500
Oct.	Bank			10,000	March	Balance c/d			
01	m				31	1	24 750		
							17.500		
						III	9,500		51,750
				57,250					57,250
2017					2017				0.000
April	Balance b/d				April 01	Bank I(1/3 <sup>rd</sup> portion)			3,000
01	T	24,750			April 01	Profit and Loss			5,250
					0010	LossonSaleofl			
		17 500			2018 Marah	Dennesistian			
		17,500			Warch 31	Depreciation			
	III	9,500		51,750		I (on 2/3 <sup>rd</sup> portion)	2,000		

		March	II III Balance c/d	2,000 1,000	5,000
	51,750		I (on 2/3 <sup>rd</sup> portion) II III	14,500 15,500 8,500	38,500 51,750

1. Calculation of Depreciation

Machine I =  $30,000 \times \frac{10}{100}$  = Rs 3,000 p.a and Depreciation of  $2/3^{rd}$  Portion =  $3,000 \times \frac{2}{3}$  = Rs 2,000 Machine II =  $20,000 \times \frac{10}{100}$  = Rs 2,000 p.a Machine III =  $10,000 \times \frac{10}{100}$  = Rs 1,000 p.a

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

Particulars	Amount
Book Value of 1/3rd portion of Machine I on April 01, 2017 24, 750 × 1/3	8,250
Less: Sale Value	3,000
Loss on sale	5,250

#### Question:10

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.

Payments 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:

#### Books of A. Co. Ltd Machinery

Dr.					-			Cr.
Date	Particulars	J.F.	Amount ()	Date	Particulars		J.F.	Amount ()
2015				2016				
July 01	Bank /		23,000	Mar.31	Depreciation			
2016	20,000 + 3,000				l for9months	1,725		
Jan.01	Bank II		12,000		II for3months	300		2,025
				Mar.31	Balance c/d	21,275		32 975
			35.000			11,700		35.000
2016 April 01	Balance b/d			2017 Mar.31	Depreciation			
	21    11	,275 ,700	32,975		' 	2,300 1,200		3,500
				Mar.31	Balance c/d	18,975		

					11	10,500	29,475
			32,975				32,975
2017				2017			
April 01	Balance b/d			June 30	Bank		8.000
					11		
	1	18,975		June 30	Depreciation		300
					<i>II</i> .		
					for3months		
	II	10,500		June 30	Profit and Loss		2,200
			29,475		Loss		
July 01	Bank		5,000	2018			
	<i>III</i>						
July 01	Creditors for plant		10,000	Mar.31	Depreciation		
	111						
						2,300	
						1,125	
					on15,000for8months		3,425
					Balance c/d	10.075	
						16,675	00.550
			 		- 111	13,875	30,550
			44,475				44,475

1. Calculation of Depreciation

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

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

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

2. Calculation of profit on loss on sale of Machine

11

Particulars	Amount <i>Rs</i>
Book Value of Machine	10,500
<i>ll</i> on April 01, 2017	
Less: Depreciation for 3 Months	300
Book Value on June 30	10,200
<i>Less</i> : Sale	8,000
Loss on Sale	2,200

#### Question:11

On 1st April, 2016, 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 2016, repairs and renewals amounted to 2,500 were paid. On 1st October, 2018, 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.

Amount of Depreciation = 
$$\frac{\frac{\text{Cost of Machine} - \text{Scrap Value of Machine}}{\text{Life in Years}}$$
$$= \frac{\frac{60,000 \text{ (Note)} - 6,000}{10}}{\text{Cost of Nachine}} = 5,400$$
Rate of Depreciation = 
$$\frac{\frac{\text{Amount of Depreciation}}{\text{Cost of Machine}} \times 100$$
$$= \frac{5,400}{60,000} \times 100 = 9\% \text{ p.a.}$$

Dr.					Cr.
Date	Particulars	Amount ()	Date	Particulars	Amount ()
2016			2017		
Apr. 01	Bank A/c	60,000	Mar. 31	Depreciation A/c	5,400
			Mar. 31	Balance c/d	54,600
		60,000			60,000
2017			2018		
Apr. 01	Balance b/d	54,600	Mar. 31	Depreciation A/c	5,400

#### **Machinery Account**

			Mar. 31	Balance c/d	49,200
		54,600			54,600
2018			2019		
Apr. 01	Balance b/d	49,200	Oct. 01	Depreciation A/c (for 6 months)	2,700
				Bank A/c ( <i>Sale</i> )	30,000
				Profit and Loss A/c ( <i>Loss on Sale</i> )	16,500
		49,200			49,200

Working Notes: Calculation of Profit or Loss on Sale					
Particulars	Amount				
Value of Machine as on Apr. 01, 2018	49,200				
Less: Depreciation for 6 months	2,700				
Value of M1 as on Oct. 01, 2018	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:12

Modern Ltd. purchased a machinery on 1st August, 2016 for 60,000. On 1st October, 2017, it purchased another machine for 20,000 *plus* CGST and SGST @ 6% each. On 30th June, 2018, it sold the first machine purchased in 2016 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 Account for three years. Solution:

Books of Modern Ltd. Machinery Account

Dr.							Cr.	
Date	Particulars	J.F.	Amount	Date	Particulars		J.F.	Amount
2016			()	2017				()
2010	Donk		60.000	2017 Marah 01	Depresiation			
Aug.01			60,000	March 31	Depreciation			
					M1			8 000
					for8months			0,000
				March 31	Balance c/d			52,000
			60,000					60,000
2017				2018				
April 01	Balance b/d		52,000	March 31	Depreciation			
Oct. 01	Bank		20,000		M1	12,000		
	M2							
					M2	2,000		
					6months			14,000
				March 31	Balance c/d	40.000		
					M1 M2	40,000		58 000
			72 000		1012	10,000		72 000
2018			72,000	2019				72,000
April 01	Balance b/d			June 30	Depreciation			3.000
, .p e .	Dalanoo bra				M1			0,000
					for3months			
	M1 40,0	000		June 30	Bank			38,500
					<i>M</i> 1			
	M2 18,0	000	58.000	2018				
June	Profit and Loss (pro	fit)	1,500	Mar.31	Depreciation			4,000
30					M2			
				Mar.31	Balance c/d			14,000
			59,500					59,500

## Working Notes

1. Calculation of Annual Depreciation

Machine 
$$1 = 60,000 \times \frac{20}{100} = \text{Rs} \ 12,000$$
  
Machine  $2 = 20,000 \times \frac{20}{100} = \text{Rs} \ 4,000$ 

Particulars	Amount
Value on Apr 01, 2018	40,000
Depreciation for 3 Months	3,000
Value on June 30, 2018	37,000
Less: Sales Value of	38,500
Machine	
Profit on sale of Machine 1	1,500

Journal								
Date	Particulars	L.F.	Debit Amount	Credit Amount				
2017 Oct 01	Machinery A/c Input CGST A/c Input SGST A/c To Bank A/c <i>MachinerypurchasedwithCGSTandSGST</i> @6	Dr. Dr. Dr.		20,000 1,200 1,200	22,400			
2018 Jun 30	Bank A/c To Machinery A/c To Output IGST A/c <i>Machinerypurchasedon1stAug</i> ,2015 <i>soldwithIGST@</i> 12	Dr.		43,120	38,500 4,620			

#### Question:13

On 1st July, 2016, Sohan Lal & Sons purchased a plant costing 60,000. Additonal plant was purchased on 1st January, 2017 for 40,000 and on 1st October, 2017, for 20,000, plus CGST and SGST @ 6% each. On 1st April, 2018, one-third of the plant purchased on 1st July, 2016, was found to have become obsolete and was sold for 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:

#### Books of Sohan Lal & Sons Plant Account

			Amount				Amount
Date	Particulars	J.F.	()	Date	Particulars	J.F.	()
2016				2017			
July 01	Bank		60,000	March	Depreciation		
	1			31	16 m 0 m m m H m		
2016					/ for 9 months 4,500		5 500
Jan. 01	Bank		40.000	March	Balance c/d		5,500
	II			31			
					<i>I</i> 55,500		
			1 00 000		<i>II</i> <u>39,000</u>		94,500
2017			1,00,000	2018			1,00,000
April 01	Balance b/d			March	Depreciation		
				31			
	<i>I</i> 55,500				<i>I</i> 6,000		
Oct 01	<i>II</i> <u>39,000</u>		94,500		/// 4,000		
001.01			20,000				11.000
				March	Balance c/d		,
				31	/ /0.500		
					<i>I</i> 49,500		
					<i>III</i> 19.000		1.03.500
			1,14,500				1,14,500
2018				2018			
April 01	Balance b/d			April 01	Bank		6,000
	1 49,500			April 01	loss		10,500
					16,500-6,000		
				2019			
	<i>II</i> 35,000			March	Depreciation		
				31			
	<i>III</i> 19,000		1,03,500		<i>I</i> 4,000		
							10.000
				March	Balance c/d		10,000
				31			
					/ 29,000		

1			11	31.000		
		1,03,500	III	17,000	-	77,000 1,03,500

1. Calculation of Depreciation

Plant I = 60,000 × 
$$\frac{10}{100}$$
 = Rs 6,000 p.a.  
Plant II = 40,000 ×  $\frac{10}{100}$  = Rs 4,000 p.a.  
Plant III = 20,000 ×  $\frac{10}{100}$  = Rs 2,000 p.a.

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

Particulars	Amount
1/3 <sup>rd</sup> of Book Value of Plant I as on April 01, 2018 49. 500 × 1/3	16,500
Less: Sale of Plant	6,000
Loss on Sale of Plant	10,500

3. Journal entries for purchase and sale with GST

Journal							
Date	Particulars		L.F.	Debit Amount	Credit Amount		
2017 Oct 01	Machinery A/c Input CGST A/c Input SGST A/c To Bank A/c <i>MachinerypurchasedwithCGSTandSGST</i> @6	Dr. Dr. Dr.		20,000 1,200 1,200	22,400		
2018 Apr 1	Bank A/c To Machinery A/c To Output CGST A/c To Output SGST A/c <i>Machinerypurchasedon1 stJuly</i> , 2015 <i>soldwithCGSTandSGST</i> @6	Dr.		6,720	6,000 360 360		