PRACTICAL QUESTIONS

Original Cost Method

Q. 1. On 1st April, 2021, a limited company purchased a Machine for ₹9,80,000 and spent ₹20,000 on its installation. At the date of purchase, it was estimated that the scrap value of the machine would be ₹40,000 at the end of eighth year.

Give Machine Account and Depreciation A/c in the books of the Company for 4 years after providing depreciation by Fixed Instalment Method. The books are closed on 31st March every year.

[**Ans.** Balance of Machinery A/c on 31st March, 2025, ₹5,20,000; Rate of Depreciation 12% p.a.]

Q. 2. Chandra Ltd. purchased a second-hand machine for ₹2,68,000 plus CGST and SGST @ 6% each on 1st July, 2021. They spent ₹32,000 on its overhaul and installation. Depreciation is written off 10% p.a. on the original cost. On 1st February, 2025, the machine was found to be unsuitable and sold for ₹1,85,000. Prepare the Machinery A/c for four years assuming that accounts are closed on 31st March.

[**Ans.** Loss on sale of Machine ₹7,500.]

Note : There will be no effect of CGST and SGST on Machinery A/c.

Q. 3. *A* Ltd. purchased a machine for ₹5,00,000 on 1st April, 2022. Further addition were made on 1st October 2022 and on 1st July 2023 for ₹4,00,000 and ₹3,00,000 respectively. On 1st January, 2025, 1st machine was sold for ₹2,85,000 and new machine was purchased for ₹6,00,000.

Prepare Machine A/c for three years ending 31st March, 2025 if depreciation is to be charged @ 10% p.a. on straight line basis.

[Ans. Loss on sale ₹77,500; Balance of Machine A/c on 31st March, 2025, ₹11,32,500.]

Q. 4. On 1st January, 2020, *A* Ltd. Purchased a machine for ₹2,40,000 and spent ₹10,000 on its erection. On 1st July, 2020 an additional machinery costing ₹1,00,000 was purchased. On 1st July, 2022 the machine purchased on 1st January, 2020 was sold for ₹1,43,000 and on the same date, a new machine was purchased at a cost of ₹2,00,000.

Show the Machinery Account for the first three calendar years after charging depreciation at 10% p.a. by the Straight Line Method.

[Ans. Loss on Sale of Machinery ₹44,500; Balance of Machinery Account ₹2,65,000.]

Hint. **Calendar year indicates that the accounts are closed on 31st December every year.**

Q. 5. Abhinandan Ltd. bought a machinery on 1st August, 2017, costing ₹90,000. It purchased further machinery on 1st December, 2017 costing ₹60,000 and on 1st October, 2018 it bought machine costing ₹40,000.

On 1st April, 2019, one third part of the machinery bought on 1st August 2017 was sold for ₹18,000 as it became obsolete. Show the Machinery Account for three years ended 31st March 2018 to 31st March 2020. Company is charging Depreciation @ 10% p.a. as Per Straight Line Method. *(Delhi 2020)*

[Ans. Loss on Sale of Machinery ₹7,000; Balance of Machinery A/c on 31st March, 2020 ₹1,24,000.]

Q. 6. Bhushan & Company purchased a Machinery on 1st April, 2019, for ₹54,000 and spent ₹6,000 on its installation. On 1st December, 2020, it purchased another machine for ₹30,000.

On 30th June 2021, the first machine purchased on 1st April, 2019, is sold at a loss of ₹10,500 and on the same date it purchased a new machinery for ₹80,000.

On December 1, 2022, the second machine (purchased on December 1, 2020) was also sold off for ₹26,000.

Depreciation was provided on machinery @ 10% p.a. on Original Cost Method annually on 31st March. Give the machinery account for four years. *(ISC 2024)*

[Ans. Sale Value of First Machine ₹36,000; Gain on sale of Second Machine ₹2,000, Balance of Machine A/c on 31st March, 2023, ₹66,000.]

Hint :

			₹
Balance of 1st Machinery on 1st April, 2021		=	48,000
Less :	Depreciation upto 30th June, 2021 (for 3 months)	=	1,500
	Book value of Machine *on date of sale*		46,500
Less :	Loss on Sale		10,500
	Sale Price		36,000

Q. 7. On 1st October, 2016, Raj & Co. purchased machinery worth ₹40,000. On 1st October, 2018, it buys additional machinery worth ₹10,000. On 30th September, 2019, half of the machinery purchased on 1st Oct., 2016, is sold for ₹8,200. The company writes off 10 per cent p.a. on the original cost. The accounts are closed every year on 31st March.

Show the Machinery Account for four years.

[Ans. Loss on sale ₹5,800. Balance of Machinery A/c on 31st March, 2020, ₹21,500.]

Q. 8. On 1st April, 2020, Plant and Machinery was purchased for ₹1,20,000. New machinery was purchased on 1st Oct., 2020, for ₹50,000 and on 1st July, 2021, for ₹25,000. Expenses on Repairs and Renewals incurred on 1st April, 2022 were ₹5,000.

On 1st January, 2023, a machinery of the original value of ₹20,000 which was included in the machinery purchased on 1st April, 2020, was sold for ₹6,000. Prepare Plant & Machinery A/c for three years after providing depreciation at 10% p.a. on Straight Line Method. Accounts are closed on 31st March every year.

[Ans. Loss on sale of machinery ₹8,500; Balance of Machinery A/c on 31st March, 2023, ₹1,28,125.]

Hint : Expenses on Repairs and Renewals will be ignored since they are not incurred at the time of purchase of machinery but are incurred later on. Hence, they are of revenue nature and not of capital nature.

Q. 9. From the following transactions of a concern, prepare Machinery Account for the year ending 31st March, 2023 :—

2022

April	1 :	Purchased a second-hand machinery for ₹40,000.
April	1 :	Spent ₹10,000 on repairs for making it serviceable.
Sept.	30 :	Purchased additional new machinery for ₹20,000.
Dec.	31 :	Repairs and renewals of machinery ₹2,000.

2023

March	31 :	Depreciate the machinery at 10% p.a.

[Ans. Balance of Machinery on 31-3-2023, ₹64,000.]

Hint :— Repair charges of ₹2,000 have been incurred on Dec., 31 whereas the machinery has been purchased on Sept. 30. As such, it is an expenditure of revenue nature and hence will not be recorded in Machinery A/c.

Diminishing Balance Method

Q. 10. A plant is purchased for ₹2,70,000 on 1st April, 2021. Installation charges paid on the plant is ₹30,000. It is estimated that the residual value of this plant at the end of its working life of 10 years will be ₹71,230. Depreciation is to be provided at 10% p.a. on diminishing balance method.

You are required to show the Plant Account for 4 years, assuming that the books are closed on 31st March every year.

[Ans. Balance of Plant A/c on 31st March, 2025, ₹1,96,830.]

Hint :— Residual value is ignored, when depreciation is calculated under the Diminishing Balance Method.

Q. 11. A Company purchased a second-hand machine on 1st April, 2022, for ₹30,000 and immediately spent ₹4,000 on its repair and ₹1,000 on its installation. On Oct. 1, 2024, the machine was sold for ₹22,500 and ₹500 were paid to commission agent for sale of machine.

Prepare Machine Account after charging depreciation @ 10% p.a. by diminishing balance method, assuming that the books are closed on 31st March every year. IGST was charged @12% on purchase and sale of machine.

[**Ans.** Loss on sale of machine ₹4,932.]

Note : There will be no effect of IGST on Machine A/c.

Q. 12. A firm purchased on 1st April, 2021, a second-hand Machinery for ₹3,20,000 and spent ₹40,000 on its installation. However, it started functioning on 1st June, 2021. On 1st Oct. in the same year another Machinery costing ₹2,00,000 was purchased.

On 1st Oct., 2023, the Machinery bought on 1st April, 2021 was sold off for ₹1,20,000 and on the same date a fresh Machine was purchased for ₹6,40,000. Depreciation is provided annually on 31st March, @ 10% p.a. on the Written Down Value Method. Show the Machine A/c from 1st April, 2021 to 31st March, 2025.

[**Ans.** Loss on sale of Machinery ₹1,62,150; Balance of Machinery A/c on 31st March, 2020, ₹6,85,710.]

Hint : In 2021-22 Depreciation will be calculated from the date of functioning of Machinery.

Q. 13. Urja industries Ltd. purchased on 1st January, 2016, a machinery for ₹1,60,000. On 1st April, 2017, it purchased additional machinery costing ₹96,000. On 1st September, 2018 the machinery purchased on 1st January, 2016 was sold for ₹84,000 and on same date fresh machinery was purchased at cost of ₹1,50,000. Depreciation is provided at 10% p.a. on diminishing balance method every year. Accounts are closed each year on 31st December. Show machinery account for 3 years. *(K.V.S. 2020)*

[**Ans.** Loss on Sale of Machinery ₹36,960; Balance of Machinery A/c on 31st December 2018 ₹2,24,920.]

Q. 14. A Company purchased a machinery for ₹50,000 on 1st Oct., 2016. Another machinery costing ₹10,000 was purchased on 1st Dec., 2017. On 31st March, 2019, the machinery purchased in 2016 was sold at a loss of ₹5,000. The Company charges depreciation at the rate of 15% p.a. on Diminishing Balance Method. Accounts are closed on 31st March every year.

Prepare Machinery account for 3 years.

[**Ans.** Sale price of Machinery ₹28,415; Balance of Machinery A/c on 31st March, 2019 ₹8,075.]

Q. 15. Ashoka Ltd. bought a machine on 1st April, 2020 for ₹2,40,000 and spent ₹4,000 on its carriage and ₹6,000 towards installation cost. On 1st July, 2021 it purchased a second hand machinery for ₹75,000 and spent ₹25,000 on its overhauling. On 1st January, 2023 it decided to sell the machinery bought on 1st April, 2020 at a loss of ₹20,000. It bought another machine on the same date for ₹40,000. Company decided to charge depreciation @ 15% p.a. on written down value method. Prepare machinery account for 3 years. Books are closed each year on 31st March.

[**Ans.** Sale price of Machine ₹1,40,305; Balance of Machine A/c on 31st March, 2023 ₹1,13,938]

Q. 16. A limited company purchased on 01-01-2022 a plant for ₹38,000 and spent ₹2,000 for carriage and brokerage. On 01-04-2023 it purchased additional plant costing ₹20,000. On 01-08-2024 the plant purchased on 01-01-2022 was sold for ₹25,000. On the same date, the plant purchased on 01-04-2023 was sold at a profit of ₹2,800. Depreciation is provided @10% per annum on diminishing balance method every year.

Accounts are closed on 31st December every year. Show the plant A/c for 3 years.

[**Ans.** Loss on Sale of Plant ₹5,510; Sale of IInd Plant ₹20,220.]

Q. 17. On April 01, 2019 Jain & Sons purchased a second hand plant costing ₹2,00,000 and spent ₹10,000 on its overhauling. It also spent ₹5,000 on transportation and installation of the plant. It was decided to provide for depreciation @ 20% on written down value.

The plant was destroyed by fire on Oct. 31, 2022 and an insurance claim of ₹50,000 was admitted by the insurance company. Prepare plant account assuming that the company closes its books on March 31, every year.

[**Ans.** Loss by Fire ₹47,237.]

Q. 18. The Sameer Transport Company purchased 10 Trucks at ₹90,000 each on 1st April 2019. On 1st October 2021 one of the Trucks was involved in an accident and is completely destroyed. ₹56,200 was received from the Insurance company in full settlement. On the same date another truck was purchased by the company for the sum of ₹1,00,000. The company writes off 20% per annum on the Diminishing Balance Method. The company maintains the calendar year as its financial year. Show the Truck Account for four years ending 31st December, 2022. *(ISC 2024)*

[**Ans.** Gain on one Truck ₹4,180; Balance of Trucks A/c on 31st Dec., 2022 ₹4,28,512.]

Q. 19. Raja Textiles Co. which closes its books on 31st March, purchased a machine on 1-4-2016 for ₹50,000. On 1-10-2017, it purchased an additional machine for ₹30,000. Estimated scrap value were ₹1,500 and ₹1,000 respectively.

The part of the machine which was purchased on 1-4-2016 costing ₹10,000 was sold for ₹3,600 on 30th Sept., 2019. Prepare the Machine Account for four years, if the depreciation is provided at the rate of 10% p.a. on Diminishing Balance Method.

[**Ans.** Loss on sale of Machinery ₹3,325; Balance of Machinery A/c on 31st March, 2020, ₹49,329.]

Hint : 'Scrap Value' is ignored while calculating depreciation under Diminishing Balance Method.

Q. 20. A Company, which closes its books on 31st March every year, purchased on 1st July, 2017, machinery costing ₹30,000. It purchased further machinery on 1st

January, 2018, costing ₹20,000 and on 1st October, 2018, costing ₹10,000. On 1st April, 2019, one-third of the machinery installed on 1st July, 2017, became obsolete and was sold for ₹3,000.

Show how the machinery account would appear in the books of the Company, it being given that machinery was depreciated by Diminishing Balance Method at 10% per annum. What would be the balance of Machinery Account on 1st April, 2020?

[**Ans.** Loss on sale of Machinery ₹5,325; Balance on 1st April, 2020, ₹39,330. Dep. for 2017-18 ₹2,750; for 2018-19 ₹5,225 and for 2019-20 ₹4,370.]

Provision for Depreciation Account

Q. 21. On July 1, 2022 Pushpak Ltd. purchased a machinery for ₹5,70,000 and paid ₹30,000 for its overhauling and installation. Depreciation is provided @ 20% p.a. on Original Cost Method and the books are closed on 31st March every year. The machine was sold on 31st January 2025 for a sum of ₹1,60,000. You are required to show the Machinery Account and Provision for Depreciation Account for three years.

[**Ans.** Loss on sale of Machinery ₹1,30,000.]

Q. 22. On 1st April 2021, a Company purchased 6 machines for ₹50,000 each Depreciation at the rate of 10% p.a. is charged on Straight Line Method. The accounting year of the Company ends on 31st March and the depreciation is credited to a separate 'Provision for Depreciation Account'.

On 1st October, 2023, one machine was sold for ₹30,000 and on 1st April, 2024 a second machine was sold for ₹24,000.

You are required to prepare Machinery Account and Provision for Depreciation Account for four years ending 31st March, 2025.

[**Ans.** Balance of Machinery A/c on 31st March, 2025 ₹2,00,000; Balance of Provision for Depreciation A/c on 31st March, 2025 ₹80,000; Loss on sale of first Machine ₹7,500; Loss on sale of second Machine ₹11,000.]

Q. 23. On 1st July 2021, ABC Ltd. purchases 4 machines for ₹80,000 each. The accounting year of the company ends on 31st March every year. Depreciation is provided at the rate of 15% p.a. on original cost.

On 1st April, 2023 one machine was sold for ₹50,000 and on 1st January, 2025 a second machine was sold for ₹40,000. Another machine with a higher capacity which cost ₹2,00,000 was purchased on 1st January, 2025.

You are required to show : (*i*) Machinery Account, (*ii*) Depreciation Account, and (*iii*) Provision for Depreciation Account for four years ending 31st March, 2025.

[**Ans.** Balance of Machinery A/c on 31st March, 2025 ₹3,60,000; Balance of Provision for Depreciation A/c on 31st March, 2025 ₹97,500; Loss on sale of first Machine ₹9,000; Gain on sale of second Machine ₹2,000.]

Q. 24. *X* Ltd. which closes its books of account every year on 31st March, purchased on 1st October, 2019 machinery costing ₹4,40,000. It purchased further machinery on 1st April, 2020 costing ₹5,20,000. On 30th June, 2021, the first machine was sold for ₹2,50,000 and on the same date a fresh machine was installed at a cost of ₹3,00,000. On 1st July 2022, the second machine purchased on 1st April 2020 was also sold for ₹3,25,000.

The company writes off depreciation at 10% p.a. on the Straight Line Method each year. Show the Machinery A/c, Depreciation A/c and Provision for Depreciation A/c for all the four years.

[**Ans.** Balance of Machinery A/c on 31st March, 2023 ₹3,00,000; Balance of Provision for Depreciation A/c on 31st March 2023 ₹52,500. Loss on sale of first Machine ₹1,13,000; Loss on sale of second machine ₹78,000.]

Q. 25. A company purchased second-hand machinery on 1st May, 2019 for ₹5,85,000 and immediately spent ₹15,000 on its erection. On 1st October, 2020, it purchased another machine for ₹4,00,000. On 31st July, 2021, it sold off the first machine for ₹2,50,000 and bought another for ₹4,20,000. On 1st November, 2022, the second machine was also sold off for ₹3,00,000. Depreciation was provided on the machinery @ 15% p.a. on Equal Instalment Method.

Show the Machinery Account, Depreciation Account and Provision for Depreciation Account assuming that the books are closed on 31st March every year.

[**Ans.** Balance of Machinery A/c on 31st March, 2023 ₹4,20,000; Balance of Provision for Depreciation A/c on 31st March, 2023 ₹1,05,000; Loss on sale of first machine ₹1,47,500; Gain on sale of second machine ₹25,000.]

Q. 26. *X* Ltd. purchased a plant on 1st July, 2020 costing ₹5,00,000. It purchased another plant on 1st September, 2020 costing ₹3,00,000. On 31st December, 2022, the plant purchased on 1st July, 2020 got out of order and was sold for ₹2,15,000. Another plant was purchased to replace the same for ₹6,00,000. Depreciation is to be provided at 20% p.a. according to Written Down Value Method. The accounts are closed every year on 31st March.

Show the Plant Account and Provision for Depreciation Account.

[**Ans.** Balance of Plant A/c on 31st March, 2023 ₹9,00,000; Balance of Provision for Depreciation A/c on 31st March, 2023 ₹1,60,400; Loss on sale of plant ₹74,000.]

Q. 27. *A* Limited purchased a machine on 1st July 2022 for ₹3,00,000 and on 1st January 2024 bought another machinery for ₹2,00,000. On 1st August 2024 machine bought in 2022 was sold for ₹1,60,000. Another machine was bought for ₹1,50,000 on 1st October 2024.

It was decided to provide depreciation @ 10% p.a. on written down value method assuming books are closed on 31st March each year. Prepare Machinery Account and Provision for depreciation account for 3 years.

[**Ans.** Balance of Machinery A/c on 31st March 2025 ₹3,50,000; Balance of Provision for Depreciation A/c on 31st March 2025 ₹32,000; Loss on sale of Machine ₹81,425.]

Q. 28. On 1st August, 2020, Hindustan Toys Ltd. purchased a plant for ₹12,00,000. The firm writes off depreciation at 10% p.a. on the diminishing balance and the books are closed on 31st March each year. On 1st July, 2022, a part of this plant of which the original cost was ₹1,80,000 was sold for ₹1,00,000 and on the same date a new plant was purchased for ₹4,00,000. Show the Plant Account and Provision for Depreciation Account for three years ending 31st March, 2023.

[**Ans.** Balance of Plant A/c on 31st March, 2023 ₹14,20,000; Balance of Provision for Depreciation A/c on 31st March, 2023 ₹2,78,880; Loss on sale of Plant ₹47,420.]

Q. 29. On 1st April 2020, Banglore Silk Ltd. purchased a machinery for ₹20,00,000. It provides depreciation at 10% p.a. on the Written Down Value Method and closes its books on 31st March every year. On 1st July 2022, a part of the machinery purchased on 1st April 2020 for ₹4,00,000 was sold for ₹3,20,000. On 1st November 2022, a new machinery was purchased for ₹4,80,000. You are required to prepare Machinery Account, Depreciation Account and Provision for Depreciation Account for three years ending 31st March 2023.

[**Ans.** Balance of Machinery A/c on 31st March 2023 ₹20,80,000; Balance of Provision for Depreciation A/c on 31st March 2023 ₹4,53,600; Gain on sale of Machinery ₹4,100.]

Q. 30. Binny Textiles Ltd. which depreciates its machinery at 20% p.a. on diminishing balance method, purchased a machine for ₹6,00,000 on 1st October, 2020. It closes its books on 31st March every year. On 1st January, 2022, it purchased another machine for ₹1,50,000. On 1st December, 2022, one-third of the machinery purchased on 1st October, 2020 was sold for ₹80,000.

You are required to prepare Machinery A/c and Provision for Depreciation A/c for the relevant years.

[**Ans.** Balance of Machinery A/c on 31st March, 2023 ₹5,50,000; Balance of Provision for Depreciation A/c on 31st March, 2023 ₹2,05,600; Loss on sale of Machinery ₹44,800.]

Q. 31. The following balances appear in the books of Crystal Ltd. on Jan. 1, 2023:

	₹
Machinery account	15,00,000
Provision for depreciation account	5,50,000

On April 01, 2023 a machinery which was purchased on January 01, 2020 for ₹2,00,000 was sold for ₹75,000.

A new machine was purchased on July 01, 2023 for ₹6,00,000. Depreciation is provided on machinery at 20% p.a. on Straight line method and books are closed on December 31 every year.

Prepare the machinery account and provision for Depreciation A/c for the year ending December 31,2023.

(KVS 2024)

[**Ans.** Gain on Sale of Machinery ₹5,000; Balance in Machinery A/c ₹19,00,000; Balance in Provision for Depreciation A/c ₹7,50,000.]

Hint : Accumulated Depreciation on Machinery sold = ₹40,000 + ₹40,000 + ₹40,000 + ₹10,000 = ₹1,30,000.

Q. 32. Following balances appeared in the books of Saurabh on 1st April, 2017:

	₹
Plant and Machinery	10,00,000
Provision for Depreciation	3,50,000

On 1st July 2017, he sold a part of machinery for ₹1,25,000 which was purchased on 1st October 2015 for ₹1,60,000. On the same date, he purchased a new machinery for ₹3,00,000. Prepare Plant & machinery account and provision for depreciation account from 1.4.2017 to 31.3.2019, if depreciation is charged on 10% p.a. by straight line method. *(KVS 2020)*

[**Ans.** Balance of Machinery A/c on 31st March, 2019 ₹11,40,000; Balance of Provision for Depreciation A/c on 31st March, 2019 ₹5,46,500; Loss on Sale of Machinery ₹7,000.]

Q. 33. The following balances appear in the books of *Y* Ltd.:

	₹
Machinery A/c as on 1-4-2022	8,00,000
Provision for Depreciation A/c as on 1-4-2022	3,10,000

On 1-7-2022, a machinery which was purchased on 1-4-2019 for ₹1,20,000 was sold for ₹50,000 and on the same date another machinery was purchased for ₹3,20,000.

The firm has been charging depreciation at 15% p.a. on Original Cost Method and closes its books on 31st March every year. Prepare the Machinery A/c and Provision for Depreciation A/c for the year ending 31st March 2023.

[**Ans.** Balance of Machinery A/c on 31st March 2023 ₹10,00,000; Balance of Provision for Depreciation A/c on 31st March 2023 ₹3,94,000; Loss on sale of Machinery ₹11,500.]

Q. 34. Books of Mumbai Chemicals Ltd. showed the following balances on 1st April, 2019 :

Machinery A/c	₹10,00,000
Provision for Depreciation A/c	₹ 4,05,000

On 1st April, 2019, a machine which had a cost of ₹2,00,000 on 1st October, 2016 was sold for ₹80,000. The firm writes off depreciation @ 10% p.a. under the Reducing Balance Method and its accounts are made up on 31st March each year. You are required to prepare the Machinery A/c and Provision for Depreciation A/c for the year ending 31st March, 2020.

[**Ans.** Balance of Machinery A/c on 31st March, 2020 ₹8,00,000. Balance of Provision for Depreciation A/c on 31st March, 2020 ₹4,03,010; Loss on sale of Machinery ₹73,900.]

Asset Disposal Account

Q. 35. On 1st July, 2017, *X* Ltd. purchased a machinery for ₹15,00,000. Depreciation is provided @ 20% p.a. on the original cost of the machinery and books are closed on 31st March each year. On 31st May, 2019, a part of this machine purchased on 1st July 2017 for ₹3,60,000 was sold for ₹2,40,000 and on the same date new machinery was purchased for ₹4,20,000. You are required to prepare (*a*) Machinery Account, (*b*) Provision for Depreciation Account, and (*c*) Machinery Disposal Account.

[**Ans.** Balance of Machinery A/c on 31st March, 2020 ₹15,60,000; Balance of Provision for Dep. A/c on 31st March, 2020 ₹6,97,000; Gain on sale of Machinery ₹18,000.]

Q. 36. On 1st September 2021, Gopal Ltd. purchased a plant for ₹10,20,000. On 1st July 2022 another plant was purchased for ₹6,00,000. The firm writes off depreciation @ 10% p.a. on original cost and its accounts are closed every year on 31st March. On 1st October 2024, a part of the second plant purchased on 1st July 2022 for ₹1,80,000 was sold for ₹1,10,000. On 1st December 2024, another plant was purchased for ₹3,00,000.

Prepare Plant Account, Provision for Depreciation Account and Plant Disposal Account.

[Ans. Balance of Plant A/c on 31st March 2025 ₹17,40,000; Balance of Provision for Depreciation A/c on 31st March 2025 ₹4,91,000; Loss on sale of Plant ₹29,500.]

Q. 37. On 1st June, 2017, Kedarnath Ltd. purchased a machinery for ₹27,00,000. Depreciation is provided @ 10% p.a. on diminishing balance method and the books are closed on 31st March each year. On 1st October, 2019, a part of the machinery purchased on 1st June, 2017 for ₹6,00,000 was sold for ₹3,50,000 and on the same date another machinery was purchased for ₹8,00,000. You are required to show (*i*) Machinery A/c, (*ii*) Provision for Dep. A/c, and (*iii*) Machinery Disposal A/c.

[Ans. Balance of Machinery A/c on 31st March, 2020 ₹29,00,000; Balance of Provision for Dep. A/c on 31st March, 2020 ₹5,80,750; Loss on sale of Machinery ₹1,20,250.]

Q. 38. On 1st Jan. 2017, Panjim Dryfruits Ltd. bought a plant for ₹15,00,000. The company writes off depreciation @ 20% p.a. on Written Down Value Method and closes its books on 31st March every year. On 1st Oct. 2019, a part of the plant purchased on 1st Jan. 2017 for ₹3,00,000 was sold for ₹1,75,000. On 1st Jan. 2020 a fresh plant was purchased for ₹5,00,000. Prepare Plant A/c, Provision for Dep. A/c and Plant Disposal A/c.

[Ans. Balance of Plant A/c on 31st March 2020 ₹17,00,000; Balance of Provision for Dep. A/c on 31st March 2020 ₹6,41,320; Gain on sale of plant ₹10,840.]

Q. 39. The following balances appear in the books of M/s Amrit :

		₹
1st April, 2022	Machinery A/c	60,000
,,	Provision for depreciation A/c	36,000

On 1st April, 2022, they decided to dispose off a machinery for ₹8,400 which was purchased on 1st April, 2018 for ₹16,000.

You are required to prepare Machinery A/c, Provision for Depreciation A/c and Machinery Disposal A/c for 2022-23. Depreciation was charged at 10% p.a. on original cost method.

[Ans. Loss on sale ₹1,200; Balance of Machinery A/c ₹44,000; Balance of Provision for Depreciation A/c ₹34,000.]

HIGHER ORDER THINKING SKILLS (HOTS) QUESTIONS

1. Why depreciation is not charged on Land?
2. Reliance Co. did not use a particular machine during the current year. Should depreciation be charged on this machine also?