

### Depreciation Problem 1.

Special Points : (a) Depreciation under Fixed Instalment Method; (b) Assets purchased on different dates, (C) Sale of Asset, (d) Loss on Sale

B. Co. Purchased machinery as follows :

Date of Purchase Cost of Machine (Rs.)

1.4.2006 → 60,000  
1.10.2006 → 40,000  
1.7.2007 → 20,000

On 1.1.2008 one-third of the machinery which was purchased on 1.4.2006 became obsolete and was sold for Rs. 6,000. The machinery was to be depreciated by Fixed Instalment Method at 10% p a.

Show how the Machinery Account would appear in the ledger of the Company for the years 2006. 2007 and 2008. Assume that the accounting year of the Company ends on 31st December every year.

(Ans: Loss on sale Rs. 10,500; Annual Depreciation 2006 Rs. 5,500; 2007 Rs. 11,000; 2008 Rs. 10,000. Balance at Machinery Account on 31. 12.2008 Rs. 77,000)

## Answer 1

**You have to calculate depreciation, loss on sale of machinery first before making machinery account. See, how to?**

### a) Calculation of Depreciation for 2006

- i) 10% on 60000 for 9 months =  $60000 \times \frac{9}{12} \times \frac{10}{100} = 4500$
- ii) 10% on 40000 for 3 months =  $40000 \times \frac{3}{12} \times \frac{10}{100} = 1000$

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Total Depreciation of 2006 = 5500  
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### b) Calculation of Depreciation for 2007

- i) 10% on 100000 for one year =  $100000 \times 10\% = 10000$
- ii) 10% on 20000 for 6 months =  $20000 \times \frac{6}{12} \times 10\% = 1000$

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Total Depreciation for 2007 = 11000  
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### c) Calculation of Depreciation for 2008

- i) 10% on ( 60000 -  $60000 \times \frac{1}{3}$ ) for one year = 4000
- ii) 10% on other machinery ( 40000 + 20000) for one year = 6000

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Total Depreciation for 2008 = 10000  
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#### d) Calculation of Loss on Sale of Machinery

Cost of Machinery on 1-4-2006 = 60000 X 1/3 = 20000  
 Less Depreciation 10 % for 2006 = 20000 X 9/12 X 10% = (-) 1500  
 Less Depreciation 10% for 2007 = 20000 X 10% = (-) 2000

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 Cost of Machinery on 1-4-2008 = 16500  
 Less Sale Value on 1-4-2008 = 6000

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 Loss on Sale of Machinery = 10500  
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Now, it is easy to make machinery account. It is real account and all purchasing of [assets](#) will debit and sale will credit in this account and balance will show in the asset side of balance sheet.

#### Machinery Account

Date (Dr. )		Amount	Date (Cr.)		Amount
1-4-2006	Bank a/c- purchase	60000	31-12- 2006	Depreciation a/c	5500
1-10-2006	Bank a/c- purchase	40000	31-12- 2006	Balance c/d	94500
		<b>100000</b>			<b>100000</b>
1-1-2007	Balance b/d	94500	31-12- 2007	Depreciation a/c	11000
1-7-2007	Bank a/c- purchase	20000	31-12- 2007	Balance c/d	103500
		<b>114500</b>			<b>114500</b>
1-1-2008	Balance b/d	103500	1-1-2008	Bank a/c- Sale	6000

			1-1-2008	Profit and loss account -loss	10500
			31-12-2008	Depreciation a/c	10000
			31-12-2008	Balance c/d	77000
		<b>103500</b>			<b>103500</b>

Please wait for the answer of other depreciation problems. Soon, I will be update.

### Depreciation Problem 2.

Special Points : (a) Use of Provision for Depreciation Account, (b) Journal Entries, (c) Sale and Profit on sale.

After Rs. 5,000 was provided for depreciation in the current year. the accumulated provision for depreciation went up to Re. 50,000. The Machine concerned whose original cost had been Rs. 55,000 was then sold as scrap for Rs. 20,000 (cash) and replaced thereafter by a new machine costing Rs. 75,000. Give Journal entries to record the above transactions.  
(Ans.: Profit on sale of scrap Rs.15000]

### Depreciation Problem 3.

Special Points (a) Depreciation under diminishing balance method, (b) Purchase of Assets on different dates, (c) Sale and profit or loss on sale.

Q Ltd, purchased on 1st January, 2008 a machine for Rs. 10,000. On 1.7.08 it again purchased another machine for Rs. 5,000. On 1.7.09 the machine purchased on 1.1.2008 was sold for Rs. 4,000. On 1.7.2010 a new machine was purchased for Rs. 12,000. On the same date the machine purchased on 1.7.2008 was sold for Rs. 4,200. Depreciation was provided at 10% p.a. on the written down value every year. Show the Machinery Account  
(Ans.: Loss on sale in 2009= Rs.. 4,550 Profit on sale in 2010 = Rs. 139)