

Answer on Question #62547 - Economics - Accounting

On 01-01-2000 a firm purchases machinery amounting to Rs. 500,000 on 1-07-2002 it buys additional machine worth Rs. 100,000 and spends Rs. 10,000 on its erection. The accounts are closed each year on 31st December. The firm charges annual depreciation @ 10%.

Required:

Machinery Account for 5 years under

(i) Straight line Method (ii) Reducing balance method.

Solution

(i) Straight line Method

Machinery Account

Data	Particulars	Rs	Data	Particulars	Rs
2000			2000		
Jan. 1	To Bank	500,000	Dec. 31	By Depreciation A/c	50,000
			Dec. 31	By balance c/d	450,000
		500,000			500,000
2001			2001		
Jan. 1	To balance c/d	450,000	Dec. 31	By Depreciation A/c	50,000
			Dec. 31	By balance c/d	400,000
		450,000			450,000
2002			2002		
Jan. 1	To balance c/d	400,000	Dec. 31	By Depreciation A/c	
July 1	To Bank A/c	100,000		(50,000 + 5,500 (@ 10% for 6 months))	55,500
July 1	To Instal. Cost	10,000	Dec. 31	By balance c/d	454,500
		510,000			510,000
2003			2003		
Jan. 1	To balance c/d	454,500	Dec. 31	By Depreciation A/c	
			Dec. 31	(50,000 + 11,000)	61,000
		454,500		By balance c/d	393,500
					454,500
2004			2004		
Jan. 1	To balance c/d	393,500	Dec. 31	By Depreciation A/c	61,000
			Dec. 31	By balance c/d	332,500
		393,500			393,500

(ii) Reducing balance method

Machinery Account

Data	Particulars	Rs	Data	Particulars	Rs
2000			2000		
Jan. 1	To Bank	500,000	Dec. 31	By Depreciation A/c	50,000
			Dec. 31	By balance c/d	450,000
		500,000			500,000
2001			2001		
Jan. 1	To balance c/d	450,000	Dec. 31	By Depreciation A/c	45,000

			Dec. 31	By balance c/d	405,000
		450,000			450,000
2002			2002		
Jan. 1	To balance c/d	405,000	Dec. 31	By Depreciation A/c	
Juiy 1	To Bank A/c	100,000		(40,500 + 5,500 (@ 10%	
Juiy 1	To Instal. Cost	10,000		for 6 months))	46,000
			Dec. 31	By balance c/d	469,000
		515,000			515,000
2003			2003		
Jan. 1	To balance c/d	469,000	Dec. 31	By Depreciation A/c	46,900
			Dec. 31	By balance c/d	422,100
		469,000			469,000
2004			2004		
Jan. 1	To balance c/d	422,100	Dec. 31	By Depreciation A/c	42,210
			Dec. 31	By balance c/d	379,890
		422,100			422,100