

Q.1. Jain Bros. acquired a machine on 1st July 2015 at a cost of Rs. 14,00,000 and spent Rs. 1,00,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. Show the Machinery Account and Depreciation Account for the year 2015 and 2016.

Q.2. Jain Bros. acquired a machine on 1st July 2015 at a cost of Rs. 14,00,000 and spent Rs. 1,00,000 on its installation. The firm writes off depreciation at 10% p.a. every year. The books are closed on 31st December every year. Show machinery Account on diminishing balance method for the year 2015 and 2016.

Q.3. M/s Akash purchased a machine for Rs. 10,00,000. Estimated useful life and scrap value were 10 years and Rs. 1,20,000 respectively. The machine was put to use on 1.1.2010. Show machinery account and depreciation account in their books for 2015 by using sum of year's digit method.

Q.4. A Lease is purchased on 1st April 2012 for 4 years at cost of Rs. 2,00,000. It is proposed to depreciate the lease by the annuity method charging 5% interest. A reference to the annuity table shows that to depreciate Rs. 1 by annuity method over 4 years charging 5% interest, one must write off a sum of Rs. 0.282012 [To write off Rs. 2,00,000 one has to write off every year. 56,402.40 i.e. 0.282012 x 2,00,000]

Q.5. A machine was purchased for Rs. 30,00,000 having an estimated total working of Rs. 24,000 hours. The scrap value is expected to be Rs. 2,00,000 and anticipated pattern of distribution of effective hours is as follows.

Year

1-3 3,000 hours per year

4-6 2,600 hours per year

7-10 1,800 hours per year

Determine Annual Depreciation under Machine Hour Rate Method.

Q.6. A machine is purchased for Rs. 20,00,000. Its estimated useful life is 10 years with a residual value of Rs. 2,00,000. The Machine is expected to produce 1.5 lakh units during its life time. Expected distribution pattern of production is as follows:

Year

Production

1-3 20,000 units per year

4-7 15,000 units per year

8-10 10,000 units per year

Determine the value of depreciation for each year using production units method.

Q.7. M/s Surya took lease of a quarry on 1-1-2013 for Rs. 1,00,00,000. As per technical estimated the total quantity of mineral deposit is 2,00,000 tones. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

Year Quantity of mineral extracted

2013 2,000 tones

2014 10,000 tones

2015 15,000 tones

Show the Quarry lease account and depreciation Account for each year from 2013 to 2015.

Q.8. A firm purchase on 1st January 2015 certain machinery for Rs. 5,82,000 and spend rs. 18,000 on its erection. On July 1, 2015 another machinery for Rs. 2,00,000 was acquired. On 1st July 2016 the

machinery purchased on 1st January 2015 having become obsolete was auctioned for Rs. 3,86,000 and on the same date fresh machinery was purchased at a cost of Rs. 4,00,000. Depreciation was provided for annually on 31st December at the rate of 10% p.a. on written down value. Prepare machinery account.

Q.9. M/s Anshul commenced business on 1st January 2011, when they purchased plant and equipment for Rs. 7,00,000. They adopted a policy of charging depreciation at 15% p.a. on diminishing balance basic and over the years, their purchases of plant have been:

Date	Amount
1-1-2012	Rs. 1,50,000
1-1-2015	Rs. 2,00,000

On 1-1-2015 it was decided to change the method and rate of depreciation to straight line basis. On this date remaining useful life was assessed as 6 years for all the assets purchased before 1-1-2015 and 10 years for the asset purchased on 1-1-2015 with no scrap value.

Calculate the difference in depreciation to be adjusted in the Plant and Equipment Account for the year ending 31st December 2015.

Q.10. A Machine costing Rs. 6,00,000 is depreciated on straight line basis, assuming 10 years working life and nil residual value, for three years. The estimated of remaining useful life after third year was reassessed at 5 years. Calculate depreciation for the fourth year.