

**CLASS XII**  
**DEPRECIATION**  
**WORKSHEET 1**

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- 1 On 1.1.2010 an asset was purchased for ₹ 35000. The estimated life of the asset is 5 years after which its breakup value will be ₹ 5000 only. Prepare the asset account for the first three years, by straight line method assuming that the books are closed on 31st December.
  - 2 Good Manufacturer Ltd. acquired a machine on 1st July 2011, at a cost of ₹ 25000 and spent ₹1000 on its installation. The firm writes off depreciation at 10% of the original cost every year. Show the machinery account for three years. The books are closed on 31st December.
  - 3 A firm purchased machinery at a cost of ₹ 46000 on 1st October, 2011 and incurred ₹4000 as expenses on its purchase and installation. The rate of depreciation under straight line method is 10% p.a. The firm closes its books on 31st December, each year. On 1st July, 2012, another machine worth ₹ 20000 was purchased. Prepare Machinery account for 2011, 2012 and 2013.
  - 4 A limited company purchased on 1st January 2010 a small plant for ₹10000. On 1st July, in the same year additional plant was purchased costing ₹5000. On 1st July, 2011, the plant purchased on 1st January 2010 having become obsolete is sold off for ₹4000. On 1st July 2012, a fresh plant was purchased for ₹12000 and the plant purchased on 1st July, 2011 was sold for ₹4200. Depreciation is provided at 10% p.a. on SLM every year. Show Machinery Account for 3 years.
  - 5 On 1.4.2011, XYZ Ltd. purchased a second hand machine for ₹ 80000 and spent ₹ 20000 on its cartage, repairs and installation. The residual value at the end of its expected useful life of 4 years is estimated at ₹40000. On 30th Sept. 2012, repairs and renewals amounted to ₹2000. On 30th Sept. 2013, this machine is sold for ₹50000. Depreciation is to be provided according to straight line method. Prepare Machinery account for first three years assuming that the accounts are closed on 31st March each year.
  - 6 X Ltd. purchased second hand machinery on 1.1. 2010 for ₹40000. On 1st July 2002, it purchased another machine for ₹10000 and on July 1, 2012 sold off the first machine purchased in 2001 for ₹28000; on the same date it purchased a machinery for ₹25000. On 1st July 2013, the second machinery purchased for ₹10000 was also sold off for ₹2000. Depreciation was provided on the Machinery at a rate of 10% on the original cost annually on 31st December. Prepare Machinery account commencing from January 1st, 2010.
  - 7 On 1st January 2011, X Ltd. purchased a machinery for ₹ 60000. On 1st July, 2011 an additional machinery costing ₹ 20000 was purchased. On 1st July, 2003, the machine purchased on 1.1.2011 was sold for ₹28600 and on the same date, a new machine was purchased at a cost of ₹40000. Show the Machinery account for the first four years according to Diminishing Balance method, rate of depreciation 10% p.a.
  - 8 On 1.1.2008, Kiran purchased 5 machines for ₹15000 each. They sold on 1.1.2009 one machine for ₹12500. They decided to write off depreciation @10% on the straight line method. Prepare
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Machine account, provision for depreciation account and machine disposal account for two years assuming that accounts are closed on 31st December every year.

- 9 Sam Ltd. purchased on 1.4.2004 a small plant for ₹100000. On 1st October, 2004 an additional plant was purchased costing ₹50000. On 1st October, 2005 the plant purchased on 1.4.2004, having become obsolete, was sold for ₹40000. Depreciation is provided @ 10% per annum on the original cost on 31st March every year. Show Plant account, Plant disposal account and Provision for depreciation account for the years 2004-05 and 2005-06.
  - 10 On 1.4.2003, Manish Ltd purchased a machinery for ₹1200000. On 1st October 2005, a part of the machinery purchased on April 1, 2003 for ₹80000 was sold for ₹45000 and new machinery at cost of ₹158000 was purchased and installed on the same date. The company has decided to provide 10% p.a. as depreciation. Show the necessary ledger accounts assuming that the accounting year ends on 31st March if: a) Depreciation is provided under SLM and is credited to asset account b) Depreciation is provided under WDV and is credited to asset account c) Depreciation is provided under SLM and is credited to provision for depreciation account d) Depreciation is provided under WDV and is credited to provision for depreciation account
  - 11 On 1.1.2010, Darshan Ltd. purchased from Rohan Ltd. a plant costing ₹400000 on installment basis payable as follows: On 1.1.2010 100000 On 1.7.2010 100000 On 1.1.2011 100000 On 1.1.2012 100000 The company spent ₹10000 on transportation and installation of the plant. It was decided to provide for depreciation on the straight line method. Useful life of the plant was estimated at 5 years. It was also estimated that at the end of the useful life, realizable value of the plant would be ₹12000 (gross) and dismantling cost of plant, to be paid by company was estimated at ₹2000. The plant was destroyed by fire on 31st December 2013 and an insurance claim of ₹50000 was admitted by the insurance company. Prepare Plant account, Accumulated depreciation account and Plant disposal account assuming that the company closes its book on 31st every year.
  - 12 You are given the following balances as on 1.4.2005 Machinery account ₹50,000 and Provision for depreciation account ₹11600 Depreciation is charged on machinery @ 20% p.a. by WDV Method. A piece of machinery purchased on 1.4.2003 for ₹10000 was sold on 1st October, 2005 for ₹6000. Prepare Machinery account, Provision for Depreciation Account and Machinery Disposal account for the year ended 31.3.2006
  - 13 What is depreciation? What are its causes?
  - 14 Distinguish between provision and reserve.
  - 15 Distinguish between straight line method and diminishing balance method of calculating depreciation.
  - 16 State briefly the need for providing depreciation.
  - 17 Explain the following terms: a) Depletion b) Obsolescence c) Amortisation
  - 18 Distinguish between Revenue reserve and Capital reserve. Give examples for both.
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