



Solution

JOURNAL ENTRIES

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
01-07-2011	Machinery A/c Dr. To Sundry Creditor's A/c To Bank A/c (Being Machinery purchase for Rs. 2,00,000 and installation charges of Rs. 25,000 paid through cheque)		2,25,000	2,00,000 25,000
31-12-2011	Depreciation A/c Dr. To Machinery A/c (Being depreciation charged on machinery for six months)		20,500	20,500
31-12-2011	Profit and Loss A/c Dr. To Depreciation A/c (Being depreciation charged on machinery transferred to Profit and Loss account)		20,500	20,500
31-12-2012	Depreciation A/c Dr. To Machinery A/c (Being depreciation charged on machinery)		41,000	41,000



Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
31-12-2012	Profit and Loss A/c Dr. To Depreciation A/c (Being depreciation charged on machinery transferred to Profit and Loss account)		41,000	41,000
31-12-2013	Depreciation A/c Dr. To Machinery A/c (Being depreciation charged on machinery)		41,000	41,000
31-12-2013	Profit and Loss A/c Dr. To Depreciation A/c (Being depreciation charged on machinery transferred to Profit and Loss account)		41,000	41,000





MACHIENRY ACCOUNT

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
01-07-2011	To Sundry Creditor's A/c	2,00,000	31-12-2011	By Depreciation A/c	20,500
01-07-2011	To Bank A/c	25,000	31-12-2011	By Balance c/d	2,04,500
		2,25,000			2,25,000
01-01-2012	To Balance b/d	2,04,500	31-10-2012	By Depreciation A/c	41,000
			31-12-2012	By Balance c/d	1,63,500
		2,04,500			2,04,500
01-01-2013	To Balance b/d	1,63,500	31-12-2013	By Depreciation A/c	41,000
			31-12-2013	By Balance c/d	1,22,500
		1,63,500			1,63,500



DEPRECIATION ACCOUNT

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
31-12-2011	To Machinery A/c	20,500	31-12-2011	By Profit & Loss A/c	20,500
		20,500			20,500
31-12-2012	To Machinery A/c	41,000	31-12-2012	By Profit & Loss A/c	41,000
		41,000			41,000
31-12-2013	To Machinery A/c	41,000	31-12-2013	By Profit & Loss A/c	41,000
		41,000			41,000

Working Notes:

Computation of Depreciation to be charged Annually

$$\text{Depreciation} = \left(\frac{\text{Cost of Machine} - \text{Scrap}}{\text{No. of years (Effective Life)}} \right)$$

$$= \frac{2,25,000 - 20,000}{5} = \text{Rs. } 41,000$$