CLASS –XI

ASSIGNMENT- 13

SUBJECT – ACCOUNTANCY

TOPIC – DEPRECIATION, PROVISIONS AND RESERVES

Q1) Define Depreciation.

Q2) Briefly explain the need for providing depreciation.

Q3) Explain the factors determining the amount of depreciation.

Q4) Distinguish between:

a) Depreciation and obsolescence
b) Depreciation and depletion
c) Provision and Reserve
d) Revenue reserve and Capital Reserve
e) Straight Line Method and Written Down Value method
f) General reserve and Specific reserve

Q5) How does the matching principle apply to depreciation?

Q6) What is a secret reserve? How is it created?

Q7) Explain the accounting treatment of Reserves and Surpluses.

Q8) State any two merits and demerits of SLM and WDV method of depreciation.

Q9) A transport company purchases 5 trucks at Rs. 2,00,000 each on 1st April, 2001. The company writes off depreciation @ 20% p.a. on original cost and observes calendar year as its accounting year. On 1st October, 2003, one of the trucks is involved in an accident and is completely destroyed. Insurance company pays Rs. 90,000 in full settlement of the claim. On the same day, the company purchases a used truck for Rs. 1,00,000 and spends Rs. 20,000 on its overhauling. Prepare Truck Account for the three years ending on 31st December, 2003.

Q10) X ltd. has imported a machinery on 1 July, 2009 for Rs. 1,28,000, paid customs duty and freight Rs. 64,000 and incurred installation charges Rs. 48,000. Another local machinery costing Rs. 80,000 was purchased on January1, 2010. On July 1, 2011, a portion of the imported machinery (value 1/3) got out of order and was sold for Rs. 27,840. Another machinery was purchased to replace the same for Rs. 40,000. Depreciation is to be calculated at 20%p.a. Show the machinery A/c for 2009, 2010 and 2011, if depreciation is provided according to :

a) Straight Line method

b) Written Down value method

Q11) On 1st January, 2001, a limited company purchased machinery for Rs. 12,000 and on 30th June, 2002 acquire additional machinery at a cost of Rs. 2,000. On 31st March, 2003, one of the original machines which had cost of Rs. 500 was found to have become obsolete and was sold as scrap for Rs. 50. It was replaced on that date by a new machine costing Rs. 800. Depreciation is to be provided @ 15% p.a. on the written down value method.