National Institute of Open Schooling (NIOS)
Secondary
Worksheet-12
L-12 DEPRECIATION

1. Your friend purchased machinery. Explain to him the concept of depreciation with the help of an example.

2. Depreciation is the gradual and permanent decrease in the value of an asset due to defluxion of time, wear and tear, obsolescence or any other reason. In the light of the statement, explain the main causes of depreciation.

3. Sharma limited purchased a machine on April 1, 2009 for Rs. 2, 00,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was Rs.20, 000. Find the amount of depreciation to be charged to the Profit and Loss Account every year. Calculate the rate on which depreciation is to be charged every year.

4. Do you think it is necessary to charge depreciation on assets? Also, state the objectives of charging depreciation of assets.

5. Mr Deepak purchased furniture for Rs.50, 000.He wants to charge depreciation on it. But he does not know the method of charging depreciation. Explain to him the various methods of depreciation that he can adopt for charging depreciation on furniture.

6. Bansal enterprises purchased machinery for Rs. 50,000 on April 1, 2015. The Machinery is depreciated at 10% per annum on the straight line method. On November 1, 2018, the machinery was sold for Rs. 15,000. Give the Machinery Account if books are closed on March 31 every year.

7. According to you, what are the factors that affect the amount of depreciation of an asset?

8. On April 1, 2016 Ria Limited purchased machinery for Rs.1, 30,000 and spent Rs.20, 000 on its repairs and installation. On September 30, 2019, the machinery was sold for Rs 50,000. Prepare Machinery Account for the year 2016 to 2019, if depreciation is charged @ 10% p. a. by Diminishing Balance Method.

9. Your friend is a bit confused between the Straight Line and Diminishing Balance method of depreciation. Explain to him the difference between the two.

10. On 1st January, 2007 a Company purchased a plant for Rs.80, 000. On 1st July in the same year, it purchased an additional plant worth Rs.18, 000 and spent Rs. 2,000 on its erection. On 1st July, 2008, the plant purchased on 1st Jan., 2007 having become obsolete, was sold off for Rs. 32,500. On 1st October, 2009, a fresh plant was purchased for Rs 30,000 and on the same date, the plant purchased on 1st July, 2007 was sold at Rs 6,000. Depreciation is provided at 10% per annum on original cost on 31st December every year. Show the plant account for 2007 to 2009.