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Test Paper : Foundation Accounting
Test – 5 (ch-5) – 2026


Q-3 M/s Prakash & Sons took lease of a quarry on 1-4-2020 for Rs.1,50,00,000. As per technical estimate, the total quantity of mineral deposit is 3,00,000 tonnes. Depreciation is charged on the basis of the depletion method. The extraction pattern is as follows:

Year	Quantity of Mineral Extracted
2020-21	3,000 tonnes
2021-22	18,000 tonnes
2022-23	24,000 tonnes

Required: Show the Quarry Lease Account and Depreciation Account for each year from 2020-21 to 2022-23.

(7 marks)

Q-4 On 31st December, 2011 two machines which were purchased on 01.10.2008 costing Rs.50,000 and Rs.20,000 respectively had to be discarded and replaced by two new machines costing Rs.50,000 and Rs.25,000 respectively.

One of the discarded machine was sold for Rs.20,000 and other for Rs.10,000. The balance of Machinery Account on April 1, 2011 was Rs.3,00,000 against which the depreciation provision stood at Rs.1,50,000. Depreciation was provided @ 10% on Reducing Balance Method. Prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account.

(10 marks)

Q-5 M/s Rajveer Industries purchased a machine for 30,00,000. Its estimated useful life is 12 years with a residual value of 3,00,000. The machine is expected to produce 1.8 lakh units during its life time. Expected distribution pattern of production is as follows:

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Machinery A/c					
Date	Particulars	₹	Date	Particulars	₹
1 April 2011	To balance b/d	300,000	31 March	By Machinery Disposal A/c	70,000
	To Bank A/c (New Machinery)	75,000		By balance c/d	305,000

Provision for Depreciation A/c			
Particulars	₹	Particulars	₹
To Machinery Disposal A/c	20,175	By balance b/d	150,000
To balance c/d	145,354	By Depreciation	4040
		By Depreciation A/c Remaining	
		9614 + 1875	11,489
	<u>165,529</u>		<u>165,529</u>

Machinery Disposal A/c

Particulars	₹	Particulars	₹
To Machinery A/c	70,000	By Provision for Dep.	20,125
		By Bank	30,000
		By Profit & Loss A/c	19,875
	<u>70,000</u>		<u>70,000</u>

Working Note:

Depreciation on Machine 1

$$\begin{aligned} \text{Original Cost} &= 50,000 \\ \text{Less Depreciation} &= \frac{50,000 \times 10\% \times 6}{12} = 2,500 \\ 50,000 - 2,500 &= 47,500 - 4,750 - 4,275 \\ &= 38,475 \end{aligned}$$

Machine - 2

$$20,000 - 1,000 - 1,900 - 1,710 = 15,390$$

Total Accumulated Depreciation on Discarded Machine to date of Sale

$$3,500 + 6,650 + 5,985 + 4,040 = 20,175$$

(B) Depreciation on Remaining Machinery

Total Cost 1 April 2011 = ₹ 3,00,000
Provision for Depreciation = (1,50,000)

Total WDV of all machines = 1,50,000

WDV of discarded Machines on 1 April 2011
= ₹ 53,865

WDV of Remaining Machines on 1 April 2011

₹ 1,50,000 - ₹ 53,865 = ₹ 96,135

Depreciation on Remaining Machinery for 1 year

₹ 96,135 × 10% = ₹ 9,614

Depreciation on New Machinery

₹ 75,000 × 10 × $\frac{3}{12}$ = ₹ 1,875

Total Depreciation charged to P&L A/c

₹ 4,040 + ₹ 9,614 + ₹ 1,875 = ₹ 15,529