

Handout: Question no 4:				
Required no 1:				
Computation for Total Cost				
List Price				300,000
Less: Trade Discount ($300000 \times 10 / 100$)				<u>30,000</u>
Invoice Price				270,000
Less: Cash Discount ($270000 \times 2 / 100$)				<u>5,400</u>
Net Invoice				264,600
Add: Capital Expenditures:				
Installation		1,000		
Foundation		840		
Transportation		<u>5,560</u>		
Total Capital Expenditures				<u>7,400</u>
Total Cost				<u><u>272,000</u></u>

Schedule for Depreciation Charge

Straight Line Method

$$\text{Depreciation} = (\text{Total Cost} - \text{Salvage Value}) \times 1/\text{Life}$$

Year	Computation	Depreciation Expense	Accumulated Depreciation	Book Value
				272,000
2007	$(272000 - 2000) \times 1/5$	54,000	54,000	218,000
2008	$(272000 - 2000) \times 1/5$	54,000	108,000	164,000
2009	$(272000 - 2000) \times 1/5$	54,000	162,000	110,000
2010	$(272000 - 2000) \times 1/5$	54,000	216,000	56,000
2011	$(272000 - 2000) \times 1/5$	54,000	270,000	2,000

Salman & Co

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2007				
Jan	1 Machine		270,000	
	 Accounts Payable			270,000
	(Purchased machine on credit)			
	3 Accounts Payable		270,000	
	 Cash			264600
	 Discount			5400
	(Made payment and availed discount)			
	3 Discount		5,400	
	 Machine			5,400
	(To close discount account)			
	3 Machine		7,400	
	 Cash			7,400
	(Paid capital expenditures)			

	3	Repair Expense		1,000	
		Cash			1,000
		(Paid repair expense)			
		(Adjustment)			
Dec	31	Depreciation Expense		54,000	
		Accumulated Depreciation- Machine			54,000
		(To record estimated depreciation)			
		(Closing)			
	31	Income Summary		55,000	
		Repair Expense			1000
		Depreciation Expense			54,000
		(To close repair and depreciation expense)			
		(Adjustment)			
2008 Dec	31	Depreciation Expense		54,000	
		Accumulated Depreciation- Machine			54,000
		(To record estimated depreciation)			
		(Closing)			
	31	Income Summary		54,000	
		Depreciation Expense			54,000
		(To close depreciation expense)			

		(Adjustment)			
2009 Dec	31	Depreciation Expense		54,000	
		Accumulated Depreciation- Machine			54,000
		(To record estimated depreciation)			
		(Closing)			
	31	Income Summary		54,000	
		Depreciation Expense			54,000
		(To close depreciation expense)			
		(Adjustment)			
2010 Dec	31	Depreciation Expense		54,000	
		Accumulated Depreciation- Machine			54,000
		(To record estimated depreciation)			
		(Closing)			
	31	Income Summary		54,000	
		Depreciation Expense			54,000
		(To close depreciation expense)			
		(Adjustment)			
2011 Dec	31	Depreciation Expense		54,000	
		Accumulated Depreciation- Machine			54,000
		(To record estimated depreciation)			
		(Closing)			
	31	Income Summary		54,000	
		Depreciation Expense			54,000
		(To close depreciation expense)			

Salman & Co General Ledger Machine					
2007 Jan 1	Accounts Payable	270,000	2007 Jan 3	Discount	5,400
3	Cash	7,400			
			Dec 31	Balance c/f	272,000
		277,400			277,400
2008 Jan 1	Balance b/f	272,000			
			2008 Dec 31	Balance c/f	272,000
		272,000			272,000
2009 Jan 1	Balance b/f	272,000			
			2009 Dec 31	Balance c/f	272,000
		272,000			272,000
2010 Jan 1	Balance b/f	272,000			

Depreciation Expense					
2007 Dec 31	Adj	54,000	2007 Dec 31	Closing	54,000
		54,000			54,000
2008 Dec 31	Adj	54,000	2008 Dec 31	Closing	54,000
		54,000			54,000
2009 Dec 31	Adj	54,000	2009 Dec 31	Closing	54,000
		54,000			54,000

Accumulated Depreciation-Machine					
			2007 Dec 31	Adj	54,000
2007 Dec 31	Balance c/f	54,000			
		54,000			54,000
			2008 Jan 1	Balance b/f	54,000
			Dec 31	Adj	54,000
2008 Dec 31	Balance c/f	108,000			
		108,000			108,000
			2009 Jan 1	Balance b/f	108,000
			Dec 31	Adj	54,000
2009 Dec 31	Balance c/f	162,000			
		162,000			162,000
			2010 Jan 1	Balance b/f	162,000
			Dec 31	Adj	54,000
2010 Dec 31	Balance c/f	216,000			
		216,000			216,000
			2011 Jan 1	Balance b/f	216,000
			Dec 31	Adj	54,000
2011 Dec 31	Balance c/f	270,000			
		270,000			270,000
			2012 Jan 1	Balance b/f	270,000

Salman & Co							
Balance Sheet-Partial							
As on Dec 31, 2010							
A S S E T S				E Q U I T I E S			
Non-Current Assets							
Machine			272,000				
Less:Accumulated Depreciation			(216,000)				
Book Value			<u>56,000</u>				