

Qno1:

Disposal-Sale**Schedule for Depreciation Charge****Straight Line Method**

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

| Year | Computation | Depreciation Expense | Accumulated Depreciation | Book Value |
|------|---|----------------------|--------------------------|----------------|
| | | | | 250,000 |
| 2001 | $(250000-20000) \times 1/10$ | 23,000 | 23,000 | 227,000 |
| 2002 | $(250000-20000) \times 1/10$ | 23,000 | 46,000 | 204,000 |
| 2003 | $(250000-20000) \times 1/10$ | 23,000 | 69,000 | 181,000 |
| 2004 | $(250000-20000) \times 1/10$ | 23,000 | 92,000 | 158,000 |
| 2005 | $(250000-20000) \times 1/10$ | 23,000 | 115,000 | 135,000 |
| 2006 | $(250000-20000) \times 1/10$ | 23,000 | 138,000 | 112,000 |
| 2007 | $(250000-20000) \times 1/10$ | 23,000 | 161,000 | 89,000 |
| 2008 | $(250000-20000) \times 1/10 = 23,000 \times 6/12$ | 11,500 | 172,500 | 77,500 |

Case no 1:**Computation for Loss or Gain on Sale of Machine**

| | |
|---|-----------|
| Cost of Machine | 250,000 |
| Less: Accumulated Depreciation | (138,000) |
| Book Value | 112,000 |
| Compare: Proceeds from Sale-Selling Price | 120,000 |
| Gain on Disposal | 8,000 |

Case no 2:**Computation for Loss or Gain on Sale of Machine**

| | |
|---|-----------|
| Cost of Machine | 250,000 |
| Less: Accumulated Depreciation | (172,500) |
| Book Value | 77,500 |
| Compare: Proceeds from Sale-Selling Price | 70,000 |
| Loss on Disposal | (7,500) |

Case no 3:**Computation for Loss or Gain on Sale of Machine**

| | |
|---|-----------|
| Cost of Machine | 250,000 |
| Less: Accumulated Depreciation | (115,000) |
| Book Value | 135,000 |
| Compare: Proceeds from Sale-Selling Price | 135,000 |
| Breakeven at Disposal | - |

Chanda Enterprises
General Journal

| Date | | Account Titles and Explanation | Post Ref. | Debit | Credit |
|--------------|----|----------------------------------|-----------|---------|---------|
| | | (Case no 1) | | | |
| 2007 Jan | 1 | Cash | | 120,000 | |
| | | Accumulated Depreciation-Machine | | 138,000 | |
| | | Gain on Disposal | | | 8,000 |
| | | Machine | | | 250,000 |
| | | (To record gain on sale) | | | |
| | | (Case no 2) | | | |
| 2008 June | 30 | Cash | | 70,000 | |
| | | Accumulated Depreciation-Machine | | 172,500 | |
| | | Loss on Disposal | | 7,500 | |
| | | Machine | | | 250,000 |
| | | (Sold machine at loss) | | | |
| | | (Case no 3) | | | |
| 2005 Dec | 28 | Cash | | 135,000 | |
| | | Accumulated Depreciation-Machine | | 115,000 | |
| | | Machine | | | 250,000 |
| | | (Sold machine) | | | |

Qno.4.

Disposal-Exchange**Schedule for Depreciation Charge****Straight Line Method**

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

| Year | Computation | Depreciation Expense | Accumulated Depreciation | Book Value |
|------|--|----------------------|--------------------------|---------------|
| | | | | 150,000 |
| 2001 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 13,000 | 137,000 |
| 2002 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 26,000 | 124,000 |
| 2003 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 39,000 | 111,000 |
| 2004 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 52,000 | 98,000 |
| 2005 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 65,000 | 85,000 |
| 2006 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 78,000 | 72,000 |
| 2007 | $(150000 - 20000) \times 1 / 10$ | 13,000 | 91,000 | 59,000 |
| 2008 | $(150000 - 20000) \times 1 / 10 = 13000 / 2$ | 6,500 | 97,500 | 52,500 |

Case no 1:**Computation for Loss or Gain on Exchange of Machine**

| | |
|--------------------------------|--------------|
| Cost of Machine | 150,000 |
| Less: Accumulated Depreciation | (78,000) |
| Book Value | 72,000 |
| Compare: Trade-in-Allowance | 80,000 |
| Gain on Exchange | <u>8,000</u> |

Computation for Boot-Cash to be Paid

| | |
|-----------------------------|----------------|
| Cost of New Machine | 200,000 |
| Compare: Trade-in-Allowance | 80,000 |
| Cash to be paid | <u>120,000</u> |

Case no 2:**Computation for Loss or Gain on Exchange of Machine**

| | |
|--------------------------------|-----------------|
| Cost of Machine | 150,000 |
| Less: Accumulated Depreciation | (97,500) |
| Book Value | 52,500 |
| Compare: Trade-in-Allowance | 40,000 |
| Loss on Exchange | <u>(12,500)</u> |

Computation for Boot-Cash to be Paid

| | |
|-----------------------------|----------------|
| Cost of New Machine | 180,000 |
| Compare: Trade-in-Allowance | 40,000 |
| Cash to be paid | <u>140,000</u> |

| | | | |
|--|--|--|----------|
| Case no 3: | | | |
| Computation for Loss or Gain on Exchange of Machine | | | |
| Cost of Machine | | | 150,000 |
| Less: Accumulated Depreciation | | | (65,000) |
| Book Value | | | 85,000 |
| Compare: Trade-in-Allowance | | | 85,000 |
| Breakeven on Exchange | | | - |
| Computation for Boot-Cash to be Paid | | | |
| Cost of New Machine | | | 300,000 |
| Compare: Trade-in-Allowance | | | 85,000 |
| Cash to be paid | | | 215,000 |

Zindagi Enterprises General Journal

| Date | Account Titles and Explanation | Post Ref. | Debit | Credit |
|-----------------|----------------------------------|-----------|---------|---------|
| | (Case no 1) | | | |
| 2007 Jan 1 | Machine-New | | 200,000 | |
| | Accumulated Depreciation-Machine | | 78,000 | |
| | Gain on Exchange | | | 8,000 |
| | Machine-Old | | | 150,000 |
| | Cash | | | 120,000 |
| | (To record gain on exchange) | | | |
| | (Case no 2) | | | |
| 2008 June 30 | Machine-New | | 180,000 | |
| | Accumulated Depreciation-Machine | | 97,500 | |
| | Loss on Exchange | | 12,500 | |
| | Machine-Old | | | 150,000 |
| | Cash | | | 140,000 |
| | (To record loss on exchange) | | | |

| | | | | | |
|-------------|-----------|---|--|----------------|----------------|
| | | (Case no 3) | | | |
| 2005 | | | | | |
| Dec | 28 | Machine-New | | 300,000 | |
| | | Accumulated Depreciation-Machine | | 65,000 | |
| | | Machine-Old | | | 150,000 |
| | | Cash | | | 215,000 |
| | | (Exchanged machine) | | | |

Disposal: Discard

Salim & Co purchased a furniture for Rs.50,000 on Jan1, 2015 with useful life of 5 years and no salvage value.
Prepare journal entry for its discard .Use Straight line method.

Case no.1: It is discarded after being fully depreciated with no proceeds.

Case no.2: It is discarded on Aug 1, 2019 by selling it at Rs.5,000

Case no 3. It is discarded on Aug 1, 2019 by selling it at Rs.1,000.

Case no 1:

Schedule for Depreciation Charge
Straight Line Method
Depreciation =(Total Cost - Scrap Value) x 1/Life

| Year | Computation | Depreciation Expense | Accumulated Depreciation | Book Value |
|------|--------------------|----------------------|--------------------------|---------------|
| | | | | 50,000 |
| 2015 | (50,000 - 0) x 1/5 | 10,000 | 10,000 | 40,000 |
| 2016 | (50,000 - 0) x 1/5 | 10,000 | 20,000 | 30,000 |
| 2017 | (50,000 - 0) x 1/5 | 10,000 | 30,000 | 20,000 |
| 2018 | (50,000 - 0) x 1/5 | 10,000 | 40,000 | 10,000 |
| 2019 | (50,000 - 0) x 1/5 | 10,000 | 50,000 | - |

Case no 2 & 3:

**Schedule for Depreciation Charge
Straight Line Method**

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

| Year | Computation | Depreciation Expense | Accumulated Depreciation | Book Value |
|------|--|----------------------|--------------------------|---------------|
| | | | | 50,000 |
| 2015 | $(50,000 - 0) \times 1/5$ | 10,000 | 10,000 | 40,000 |
| 2016 | $(50,000 - 0) \times 1/5$ | 10,000 | 20,000 | 30,000 |
| 2017 | $(50,000 - 0) \times 1/5$ | 10,000 | 30,000 | 20,000 |
| 2018 | $(50,000 - 0) \times 1/5$ | 10,000 | 40,000 | 10,000 |
| 2019 | $(50,000 - 0) \times 1/5 = 10,000 \times 7/12$ | 5,833 | 45,833 | 4,167 |

Case no 2:

Computation for Gain or Loss on Discard

| | |
|--------------------------------|------------|
| Cost of Machine | 50,000 |
| Less: Accumulated Depreciation | (45,833) |
| Book Value | 4,167 |
| Compare: Proceeds from Sale | 5,000 |
| Gain on Discard | <u>833</u> |

Case no 3:

Computation for Gain or Loss on Discard

| | |
|--------------------------------|----------------|
| Cost of Machine | 50,000 |
| Less: Accumulated Depreciation | (45,833) |
| Book Value | 4,167 |
| Compare: Proceeds from Sale | 1,000 |
| Loss on Discard | <u>(3,167)</u> |

General Journal

| Date | Account Titles and Explanation | Post Ref. | Debit | Credit |
|--------------------|------------------------------------|-----------|--------|--------|
| (Case no 1) | | | | |
| 2019 Dec 31 | Accumulated Depreciation-Furniture | | 50,000 | |
| | Furniture | | | 50,000 |
| | (Discarded furniture) | | | |
| (Case no 2) | | | | |
| 2019 Aug 1 | Cash | | 5,000 | |
| | Accumulated Depreciation-Furniture | | 45,833 | |
| | Gain on Discard | | | 833 |
| | Furniture | | | 50,000 |
| | (Discarded furniture at gain) | | | |
| (Case no 3) | | | | |
| 2019 Aug 1 | Cash | | 1,000 | |
| | Accumulated Depreciation-Furniture | | 45,833 | |
| | Loss on Disacr | | 3,167 | |
| | Furniture | | | 50,000 |
| | (Discarded furniture at loss) | | | |

Disposal: Retirement

Salim & Co purchased a furniture for Rs.50,000 with useful life of 5 years and no salvage value.

Prepare journal entry for its retirement at 4th year. Use fixed installment method.

Case no 1: It is retired without any proceeds.

Case no.2: It is retired by selling it at Rs.1,000.

Case no 3. It is retired by selling it at Rs.11,000

Schedule for Depreciation Charge**Straight Line Method**

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

| Year | Computation | Depreciation Expense | Accumulated Depreciation | Book Value |
|------|---------------------------|----------------------|--------------------------|---------------|
| | | | | 50,000 |
| 2015 | $(50,000 - 0) \times 1/5$ | 10,000 | 10,000 | 40,000 |
| 2016 | $(50,000 - 0) \times 1/5$ | 10,000 | 20,000 | 30,000 |
| 2017 | $(50,000 - 0) \times 1/5$ | 10,000 | 30,000 | 20,000 |
| 2018 | $(50,000 - 0) \times 1/5$ | 10,000 | 40,000 | 10,000 |

Case no 1:**Computation for Loss on Retirement**

| | |
|--------------------------------|---------------|
| Cost of Furniture | 50,000 |
| Less: Accumualted Depreciation | (40,000) |
| Loss on Retirement | <u>10,000</u> |

Case no 2:**Computation for Loss on Retirement**

| | |
|--------------------------------|----------------|
| Cost of Furniture | 50,000 |
| Less: Accumualted Depreciation | (40,000) |
| Book Value | 10,000 |
| Compare: Proceeds from Sale | <u>1,000</u> |
| Loss on Retirement | <u>(9,000)</u> |

Case no 3:**Computation for Loss on Retirement**

| | |
|--------------------------------|---------------|
| Cost of Furniture | 50,000 |
| Less: Accumualted Depreciation | (40,000) |
| Book Value | 10,000 |
| Compare: Proceeds from Sale | <u>11,000</u> |
| Gain on Retirement | <u>1,000</u> |

General Journal

| Date | | Account Titles and Explanation | Post Ref. | Debit | Credit |
|------|----|---|-----------|--------|--------|
| | | (Case no 1) | | | |
| 2018 | | | | | |
| Dec | 31 | Accumulated Depreciation-Furniture | | 40,000 | |
| | | Loss on Retirement | | 10,000 | |
| | | Furniture | | | 50,000 |
| | | (Retired furniture at loss) | | | |
| | | (Case no 2) | | | |
| 2018 | | | | | |
| Dec | 31 | Cash | | 1,000 | |
| | | Accumulated Depreciation-Furniture | | 40,000 | |
| | | Loss on Retirement | | 9,000 | |
| | | Furniture | | | 50,000 |
| | | (To record retirement of furniture at loss) | | | |
| | | (Case no 3) | | | |
| 2018 | | | | | |
| Dec | 31 | Cash | | 11,000 | |
| | | Accumulated Depreciation-Furniture | | 40,000 | |
| | | Gain on Retirement | | | 1,000 |
| | | Furniture | | | 50,000 |
| | | (Retired furniture at gain) | | | |