



Sadiq Public School

Do the right, fear no man

Subject: Accounting

Class: C2

Day: Saturday (16-11-2024)

Double entry for Depreciation

Inquiry:

In this section we will learn how to record the double entry of disposal of non-current assets? Why we follow the double entry in the depreciation calculations and recording in the books of accounts?

Information:

The disposal of a non-current asset:

- On the sale of a non-current asset, in this example a computer, the following entries are needed:
 - (A) Transfer the cost price of the asset sold to an assets disposal account (in this case a computer disposals account):
 - Debit computer disposals account
 - Credit computer account
 - (B) Transfer the depreciation already charged to the assets disposal account:
 - Debit accumulated provision for depreciation: computer
 - Credit computer disposals account
 - (C) For the amount received on disposal:
 - Debit cash book
 - Credit computer disposals account
 - (D) Transfer the difference (i.e. the amount needed to balance the computer disposals account) to the profit and loss account.
 - (i) If the computer disposals account shows a credit balance (i.e. if more has been credited to the account than has been debited to it), there is a profit on the sale:
 - Debit computer disposals account
 - Credit profit and loss account
 - (ii) If the computer disposals account shows a debit balance, there is a loss on sale:
 - Debit profit and loss account
 - Credit computer disposals account

• Straight Line Method:

- a.
$$\text{Depreciation} = \frac{\text{Cost} - \text{Residual Value}}{\text{Estimated useful life (Years)}}$$
- b.
$$\text{Depreciation} = \frac{\text{Cost}}{\text{Estimated useful life}} \quad (\text{if residual value is not given})$$
- c.
$$\text{Depreciation} = \text{Cost} \times (\%) \quad (\text{if \% is given in the question})$$

Note: The amount of depreciation calculated under this method will be same for each year.

• Reducing Balance Method:

- a.
$$\text{Depreciation} = \text{Net Book Value} \times (\%)$$

$$\text{Net Book Value} = (\text{Cost} - \text{Accumulated Depreciation})$$

Note: The amount of depreciation calculated under this method will be reduced for each year.

• Revaluation Method:

$$\text{Depreciation} = \text{Opening value of non-current asset} + \text{purchase value of non-current asset} - \text{Closing value of non-current asset}$$

Synthesising/Absorbing:

Students write your own summary- notes in your notes book based on information given above.

Practising/Rehearsal:

- Chapter No. 27 (Depreciation: Double entry) (From your accounting book by Frankwood)
- Solve question No. 27.2
- Solve question No. 27.3A
- Chapter No. may vary in different editions of book, check this chapter from your book’s table of contents.

Feedback:

Students; please if you have any questions at all about this topic, any words you did not understand, please send an email to your concerned teacher.

Class	Teachers’ Name	Teachers’ Abbreviation	Teachers’ Email Address	Instructions
C2A	M. Qaisar Latif	MQL	qaisar57_mql_sadiq@protonmail.com	C2A students will send their home assignments to (MQL) for checking and getting feedback.
C2 CDE	Ghulam Yaseen	GY	yaseen_gy_sadiq@protonmail.com	C2CDE students will send their home assignments to (GY) for checking and getting feedback.