

CASH FLOW ANALYSIS – Made Easy

[As per Accounting Standard AS – 03]

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September 2020

PREPARATION OF FIXED ASSETS ACCOUNT WITH DEPRECIATION

1. Prepare Plant and Machinery Account from the following details:

Opening Balance:

Plant and Machinery	100000
Provision for depreciation	30000

Closing Balance:

Plant and Machinery	160000
Provision for depreciation	40000

During the year a machinery, whose cost was 5000 on which depreciation of 4000 had been charged so far is sold for 2000

2. Take problem 01 and work out the Machinery account if the machinery is sold for 750.

3. Prepare Machinery Account from the following details:

Opening Balance:

Machinery	200000
Provision for depreciation	65000

Closing Balance:

Machinery	325000
Provision for depreciation	80000

During the year a machinery, whose cost was 15000 on which depreciation of 7500 had been charged so far is sold for 6000

4. Take problem 03 and work out machinery account if the machinery is sold for 9000.

WORKINGS

When Ordinary Depreciation Method is followed

FIXED ASSETS A/C

To Balance b/d	xxx	By Depreciation	xxx
To Profit on Sales	xxx	By Sales [Selling Price]	xxx
To Purchases	xxx	By Loss on Sales	xxx
		By Balance c/d	xxx
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	xxx		xxx
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When Provision for Depreciation Method is Followed

1. FIXED ASSETS A/C [AT COST PRICE]

To Opening Balance	xxx	By Sales [at cost price]	xxx
To Purchases	xxx	By Closing Balance	xxx
	-----		-----
	xxx		xxx
	-----		-----

2. PROVISION FOR DEPRECIATION A/C

To Assets sold Dep	xxx	By Opening Balance	xxx
To Closing Balance	xxx	By Current Year Depreciation	xxx
	-----		-----
	xxx		xxx
	-----		-----

3. ASSETS SOLD A/C

To Assets [at cost price]	xxx	By Depreciation	xxx
To Profit on sale	xxx	By Loss on sale	xxx
		By Sales [At selling Price]	xxx
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	xxx		xxx
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