**Essentials of Financial Accounting**

**April 2022 Examination**

**Q1. Vardhaman Traders purchased a piece of machinery on 4.4.2019 for Rs 250000 and paid Rs50000 on the carriage of the machinery to bring it to the factory premises. The management decides that charging depreciation per the WDV method will make more sense.**

**It was decided that –**

**The depreciation would be charged @15% on the WDV method**

**The useful life of the machinery is five years**

**The machinery has been disposed of after 3 years at a value of**

**Rs200000**

**Required-**

**Discuss the concept of charging depreciation through the WDV method. Calculate the closing WDV and depreciation for all the first three years. Calculate the profit and loss, if any, on the disposal of the asset**

**Is this possible for any business entity to change the method of charging depreciation (10 Marks)**

**Ans 1.**

**Introduction:**

Depreciation is the loss of value of assets because of normal wear and tear. Every asset is vulnerable to wear and tear because of everyday use and the passage of time. The asset's cost is spread out over time and accounted for as an expense. It's far used on long-term assets that offer long-term benefits—for instance, plant and equipment, automobiles, computer systems, furniture, and systems. Depreciation isn't always paid on land since it isn't always liable to wear

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**Q2. The objective, needs, location, and relevance are key factors that help decide whether to open a departmental store or branch. Similarly, “when it comes to departmental accounting and branch accounting there are various key points which draws the thin line of demarcation between the two types of accounting” Distinguish between departmental and branch accounting (any five points) (10 Marks)**

**Ans 2.**

**Introduction:**

Accounting for one or greater firm departments is known as departmental accounting. The department's sales and costs are tracked and stated one by one. The departments' money owed is then merged into the head workplace's debts to generate the company's financial statements. A department has a selected or assigned duty, feature, or interest vicinity—example: A textile mill with a headquarters and a plant. Manufacturing facilities have their accounts, and the final effects are sent to move workplace, which may be integrated into their money owed. As a result, a

**Q3a. AG Pharma has taken deposits from the public under the name Public Deposit, for a duration of 5 years, for a total amount of Rs 1 crores. Discuss by passing a journal entry how AG Pharma will record the transaction in the books of original entry Reflect by preparing the Balance Sheet how the transaction will be reflected in the books of accounts by following the correct classification of current and non-current items. Give reason for such classification (5 Marks) –**

**Ans 3a.**

**Introduction:**

A record is an accounting entry used to document a business transaction in the accounting records of a corporation. Journal access is typically made inside the popular ledger; however, it can instead be made in a subsidiary ledger, which rolled into the overall ledger. The overall ledger is then used to collect the company's economic statements.

**3.b. Mr. Keyur received a dividend @Rs34 per share, on account of 5000 shares held of a publicly-traded company. Pass the journal entry for such a receipt. Reflect by preparing the relevant financial statement how the transaction will be reflected in the books of accounts and discuss how this receipt is going to impact the Balance sheet, in any case. (5 Marks)**

**Ans 3b.**

**Introduction:**

A dividend is a method of shifting a company's earnings to its shareholders as compensation for their investment. The law does not require dividends on commonplace inventory; however, many corporations take pride in offering strong or step by step growing dividends year after year. A dividend may be paid in coins or by issuing new shares of stock, while a company can pay a