B Com –I Sem – I - Annuity Method of Depreciation

Problem – 4

Sunlight firm purchases a 5-year lease for Rs.30, 000. It decided to write off depreciation on the annuity method, presuming the rate of interest to be 5% per annum. If annuity of Re. 1 for 5 years at 5% is 0.230975, show the Lease Account for full period.

> If Rs. 0.230975 invested
>
> For every year
>
> Then after 05 years we get Rs. 1
>
> 0.230975
>
> ------------- x 30000 = ?
>
>   1
>
> Depreciation = 6929.25

Ledger A/C

In the Books of Sunlight Firms

Lease A/C

Date	Particular	JF	Rs.	Date	Particular	JF	Rs.
1	To Bank A/c	-	30000-00	31	By Dep. A/c	-	6929.25
	To Interest A/c	-	1500-00		By Bal c/d		24570.75
			31500-00				31500-00
2	To Bal. b/d	-	24570.75	31	By Dep. A/c	-	6929.25
	To Interest A/c	-	1228.54		By Bal c/d		18870.04
			25799.29				25799.29
3	To Bal B/d		18870.04	31	By Dep.A/c	-	6929.25
	To Interest A/c		943.50		By Bal c/d		12884.29
			19813.54				19813.54
4	To Bal b/d		12884.29	31	By Dep.A/c	-	6929.25
	To Interest A/c		644.21		By Bal c/d		6599.25
			13528.50				13528.50
5	To Bal b/d		6599.25	31	By Dep. A/c		6929.25
	To Interest A/c		330.00				00.00
			6929.25				6929.25

Depreciation under Annuity Method

Year	
I	Lease 10000 Interest 5% + 500 <u>10500</u>
II	Bal <u>10500</u> Dep. - 2309.80 Bal 8190.20 Interest 5% + 409.51 <u>8599.71</u>
III	Bal <u>8599.71</u> Dep. - 2309.80 Balance 6289.91 Interest 5% +314.50 <u>6604.41</u>
IV	Bal <u>6604.41</u> <u>Less Dep. – 2309.80</u> <u>Bal 4294.61</u> Interest 5% + 214.73 <u>4509.34</u>
V	Bal <u>4509.34</u> Less Dep 2309.80 Bal 2199 Interest 5% + 106.26 <u>2309.80</u> Nill