

Mgt101 GDB

What is the amount of depreciation which should be presented as an expense in the Income statement for the period ended on 2021?

Find Depreciation Amount?

Cost of Machine = 240,000

Machine time period = 5 years

Machine usage end of year = 2 months

Now Find Annual depreciation =

240,000

5

= 48000

Depreciation amount of 2 months =

48000 × 2

12

= 8000

2. What is the amount of trade receivable which should be presented as an asset in Balance Sheet as on 31st December 2021?

Receivable Amount = 100,000

Debtful Debts = 20000

NRA (net Receivable amount) = receivable amount – debtful debts

Net Receivable Amount = 100,000 – 20000

= 80,000

5% provision on annual receivable amount =

80000

5%

= 4000

for 2 months =

4000 × 2

12

= 667

Net receivable amount – for 2 months provision

= 80,000 – 667

= 79333

3. Which fundamental accounting principle was violated due to NOT reporting the provision for depreciation and provision for doubtful debts in the Income Statement?

According to the accrual bases matching principal was violated due to not reporting provision for depreciation and provision for doubtful debts in income statement.

4. What will be the correct amount of profit after incorporating the information given above?

Given data:

Profit = 560,000

Depreciation = 8000

Provision = 667

Amount of profit = profit – depreciation – provision

= 560,000 – 8000 – 667

= 551, 333