

TREATMENT OF FIXED ASSETS

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FIXED ASSETS (ORIGINAL COST)

If Balance Sheet Contains → (i) Fixed Assets

(ii) Provision for depreciation account/Accumulated Depreciation

Means Fixed Assets are cost shown at

Two Accounts to be maintained:-

FIXED ASSETS ACCOUNT

(A:- Sale/Purchase of Assets)

PROVISION FOR DEPRECIATION ACCOUNT

(A:- Amount of Depreciation)

Fixed Assets Account

To Balance b/d	By Bank A/c (Sale of Fixed Assets)
To gain on Sale	By Accumulated Depreciation A/c (current year)
To Bank A/c (Purchase b/f)	By loss on sale
	By Balance c/d

Provision for Depreciation Account

To Fixed Assets (accumulated depreciation cost – b/.f)	By balance b/d
To balance b/d	By depreciation (current year) (will go to P/L (+))

FIXED ASSETS ACCOUNT (ON WRITTEN DOWN VALUE METHOD)

If Balance Sheet does not contain provision for depreciation Account- means fixed assets are at (WDV) (Current year depreciation always credited to Assets A/c)

Fixed Assets Account (WDV basis)

To Balance b/d	By Bank A/c (Sale of Fixed Assets)
To gain on Sale	By Accumulated Depreciation A/c (current year)
To Bank A/c (Purchase b/f)	By loss on sale
	By Balance c/d

PROVISION FOR TAX

TREATMENT OF FIXED ASSETS

Amount of Tax paid does not given prepare provision for Tax A/c

Gives 2 info:-

1. Tax
2. Provision for tax made

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