

### Answer on Question #62626 - Economics - Accounting

Sama Manufacturing uses general journal to record its day-to-day business transactions. Sama recently purchased a production plant to increase the production volumes. Sequence of the transactions relating to the plant are given below:

- a. On 1 January 2012, purchased a plant for PKR 2,000,000 cash
- b. On 31 December 2012, recorded depreciation expense using sum of years digit method with 5 years of useful life and zero salvage value at the end of useful life
- c. On 1 January 2013, Sama replaced the old plant at 90% book value with a new plant for PKR 3,000,000

Record the general journal entries using the above sequence of transactions. (Show working)

#### Solution

##### General Journal Entry

Data	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
2012 Jan. 1	Plant Assets To Cash	2,000,000	2,000,000
2000 Dec. 31	Depreciation Expense To Accumulated Depreciation To record annual depreciation on plant assets (2,000,000 / 5)	400,000	400,000

#### Working notes:

Cost of plant 01.01.2012	2,000,000
Less: Depreciation at 20% in 2012	400,00
Book value on 01.01.2013	1,600,000
Revaluation	1,400,000
Book value on 01.01.2013 for PKR	3,000,000