

TOPIC: Depreciation, Provisions and Reserves

Pre-Content/content Post-Content	Learning Outcome/Objectives	
	General	Specific
<u>Pre-Content.</u> Fixed assets tend to reduce their value once they are put to use. Depreciation is that part of the cost of a fixed asset which has expired on account of its usage and/or lapse of time. Hence, depreciation is an expired cost or expense, charged against the revenue of a given accounting period. <u>Content</u> “Depreciation” means decline in the value of a fixed assets due to use, passage of time or obsolescence. The amount of depreciation, being a charge against profit, is debited to the profit and loss account. <u>Post-content</u> Depreciation has a significant effect in determining and presenting the financial position and results of operations of an enterprise. Provision is made for a known liability or expense and reserve is created for strengthening the financial position of the business.	Students will be able to ✓ Explain the meaning of depreciation and distinguish it from amortisation and depletion; ✓ State the need for charging depreciation and identify its causes; ✓ Compute depreciation using straight line and written down value methods; ✓ Record transactions relating to depreciation and disposition of assets; ✓ Explain the meaning and purpose of creating provisions and reserves; ✓ Distinguish between reserves and provisions; ✓ Explain the nature of various types of provisions and reserves including secret reserve	Students will be able to ✓ Define the meaning and concept of depreciation. ✓ Know the causes of depreciation. ✓ Understand the need for providing depreciation. ✓ Know the methods of calculating depreciation. ✓ Know the methods of recording depreciation in the books of accounts. ✓ Understand the meaning, nature and purpose of creating and maintaining provisions and reserves. ✓ Know the various types of provisions and reserves.

Home Work /Assignments:

Questions from NCERT Book will be discussed and solved.

Assignment sheet is also given

Questions taken in the class were also discussed and asked to solve.

Teacher's Activity	Student's Activity	Teacher's Observation And Remedial
Teacher will explain the students about the need for providing depreciation in accounting records arises from conceptual, legal, and practical business consideration. Teacher will guide the way depreciation amount to be charged for during an accounting year depends upon depreciable amount and the method of allocation. These methods are straight line method and written down value method. In the books of account, there are two types of arrangements for recording depreciation on fixed assets: • Charging depreciation to asset account, or • Creating Provision for depreciation/Accumulated depreciation account. Teacher will explain that A provision is a charge against profit. It is created for a known current liability the amount of which is uncertain. Reserves on the other hand, is an appropriation of profit. It is created to strengthen the financial position of the business.	Students will learn how depreciation is different from amortisation and depletion. They will also understand the two methods of charging depreciation, e.g., 1) Straight line / Fixed instalment method and 2) Written down value/ Diminishing Balance method. Students will also practise questions on the above methods. They will also learn preparing of Provision for Depreciation account and Fixed Asset Disposal account. They will attempt questions from the <u>Exercise given at the back of the chapter.</u> Students will learn the meaning and importance of provisions and reserves, with the help of examples. They will be able to differentiate between provisions and reserves. Students will built up their confidence and ability to tackle problems asked in CBSE examinations.	Teacher will write her observations after completion of the topic.

Teaching Aids : Active inspire, Reference book

Methodology/Innovative Methods :Discussion, Recall, Explanation, Question-Answer method, problem solving

Interdisciplinary Links : Business Studies, Entrepreneurship and Mathematics

Coordinator

Vice-Principal

Principal