AS-10: PROPERTY, PLANT AND EQUIPMENT

Tangible fixed Asset

MEANING

PPE are tangible items (see and touch [Physical existence]) that

- ✓ *are held for use*
  - a) *in the production or supply of goods or services,*
  - b) *for rental to others,* Logistics
  - c) *or for administrative purposes; and*
- ✓ *are expected to be used during more than a period of 12 months.*

Teacher → Ipad, laptop, camera
manufacturer → machine, Factory
↳ Truck
Trader → shop, tempo

Vedurukul → Backend
↓
Sale
support
tech

Example: Building, Plant & Machinery, Furniture, etc.

car

If PPE is held for sale as goods in ordinary course of business --->Inventory (AS-2 will apply)

Maruti → car → car sold
Showroom

* Discussion w.r.t Farmer

Example

ABC ltd → machine → shirt [Fig]
PPE Inventory

Farmer → orange tree → orange
(Bearer plant)
↳ AS 10
Tangible ✓
Produce orange ✓
more than 12m ✓

NON-APPLICABILITY OF AS-10

This AS is not applicable to: (If their a specific AS on a asset, then AS-10 will not apply)

a) *biological assets (other than bearer plants)* → AS 10 - Applied
b) *wasting assets*
c) *Intangible Asset (AS-26)*

Meaning of Bio-Logical Asset

- ✓ *Living Plant*
  - a) *Bearer Plant* (Expected to Produce for more than 12m)
  - b) *Non-Bearer Plant* (Expected to Produce upto 12m)
- ✓ *Animals*

Meaning of Bearer Plant: a plant that (Ex: Orange Tree)

- ✓ *is used in the production or supply of agricultural produce*
- ✓ *is expected to bear produce for more than a period of 12 months; and*
- ✓ *has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.*

Farmer → orange tree → oranges
AS 10 ✓

Farmer → orange tree → sell
AS 10 X

Farmer → crop → Harvet → sell
↓
Bearer plant X
AS 10 X

CA Foundation ⟶ JE ⟶ Financial transaction लेन देन

RECOGNITION CRITERIA (Asset koh Books of Account mein kab Record karengey i.e. JE)

↳ kab pass hongi

The cost should be recognised as an asset only if

- ✓ It is probable that future economic benefit will flow to the enterprise, and
- ✓ The cost of the item can be measured reliably

cost → aggregate ⟶ computer
CPU + monitor + keyboard + mouse

Notes:

- It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies and to apply the criteria to the aggregate value.
- An enterprise may decide to expense (P&L A/c) an item which could otherwise have been included as PPE, because the amount of the expenditure is not material. calculator ↳ Business ⟶ Service

TREATMENT OF SPARE PARTS, STAND BY EQUIPMENT & SERVICING EQUIPMENT

If they meet the definition of PPE as per AS 10: Recognise as PPE as per AS 10
If they do not meet the definition of PPE as per AS 10: Recognise as Inventory as per AS 02

ABC Ltd
↓
machine purchase ⟶ Ready to use condn ✓ ⟶ Recognition criteria ✓ JE Pass ✓ ⟶ change in prodn Line ⟶ FEB X ↓ De-recognise
COA ₹50L
SV ₹5L
Before it gets Ready to use
For shirt ⟶ CO. Decided to change it Mg from Shirt to Jeans

Will this machine give any future economic benefit ⟶ No
∴ Amt paid ₹50L transferred to P&L A/c net of Realised value recd. if sold

---

15m Before
CA - Inter ⟶ Podium + Ipad } standing
CA - Foundation ⟶ Panel

Teaching ⟶ Today X
FEB X ⟶ De-recognise

JE kitne amount peh hongi

MEASUREMENT OF PPE [INITIAL RECOGNITION: COST MODEL] ---> Value on Day 1

In case of Direct Purchase or Self Constructed Asset

Computation of Cost of PPE

Purchase Price	xx
Less: Trade discounts and Rebates	(xx)
Add: Non-refundable Taxes (i.e. Tax on which input credit in not available) like ID	xx
Add: Directly attributable costs (to make asset Ready for use) (Site Preparation incl. demolition, Installation, Professional Fees, Cost of Testing net of income, Depreciation of Asset used to bring this asset in ready to condition,etc.)	xx
Add: Decommissioning and Restoration liabilities @Present Value	xx
Add: Borrowing cost as per AS-16	
Cost of PPE	xx

Purchase

5L — PV of ₹5L is ₹3L

Journal Entry

PPE A/c [187L + 3L] 190L Dr.
To Bank A/c 187L
To Provision for Decommissioning 3L

Unwinding of Interest ---> Not that Relevant for CA Inter

Provision 3L
After 5 years → 5L paid

Interest (i.e. P&L) A/c Dr.
To Provision for Decommissioning

Provision for Decommissioning Dr.
To Bank A/c

Exclusions from Cost:

- ✓ Cost of opening new facility → inauguration exp
- ✓ Cost of Introducing new facility or products
- ✓ Cost of Staff training
- ✓ Cost of relocating
- ✓ Cash Discount ----> transfer to P&L A/c [Done]
- ✓ Miscellaneous income not related to construction of Asset ----> transfer to P&L A/c
- ✓ Interest Expense in case of deferred payment ----> transfer to P&L A/c

In case of Self Constructed assets:

- ✓ Eliminate Internal Profits
- ✓ Do not include Interest expense unless criteria of AS 16 are met
- ✓ Do not include Abnormal Loss

Russia → Shirts

Machine = ₹100L
Insurance = ₹10L
Transport = ₹2L
charges

Installation Team → charges ₹5L

Mumbai port

Loading ₹0.5L

Transport ₹1L
Insurance ₹5L
+ 18% gst
i.e ₹1.08

unloading ₹0.5L

Nagpur

Import Duty ₹50L
↳ Non-Refundable
Non-Adjustable

Cement Structure ₹6L
[Sand + Brick + Labour]

Testing → material ₹10L
↓
Rig Jeans → sold ₹3L

Ready to use condn

Inaugration exp → ₹20L
Insurance → ₹5L
} P&L A/c Dr.

∴ cost of Acquisition →
100L
+ 10L
+ 2L
+ 50L
+ 0.5L
+ 1L
+ 5L
+ 0.5L
+ 5L
+ 6L
+ 7L
(10L ⊖ 3L)
₹187L → ₹1.08L ↑ X

PPE A/c Dr. 187L
To Bank A/c 187L

* De-commissioning and Restoration

VCGURUKUL

↓

Rented ⟶ 3 studio

↓

for 5 year ⟶ on closure ⟶ Re-Store commitment
i.e as it condn

₹ 5L

↓

was needed today

Cash Discount vis Trade Discount ⟶ Bulk Purchase

(Promote sales) or

↳ Asset cost (-) Particular amt)

↓

For early payment

	Basic	gst	total
Oneplus 13R	36,439	6,559	42,998
Ipad cover	448	80	529
			43,527

Invoice

MRP 1,65,000
(-) Trade Disc. 55,000
1,10,000
(+) gst 16,780
93,220

Asset A/c Dr. 36,887
Input gst A/c Dr. 6,639
To Rahul sir A/c 41,817
To Disc. A/c [P&L] 1,510

Rahul sir A/c Dr. 41,817
To Bank A/c 41,817

Asset A/c Dr. 93,220
Input gst A/c Dr. 16780
To Bank A/c 1,10,000

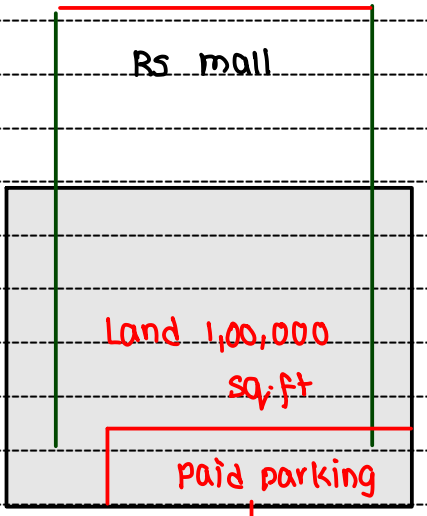
Asset → construct → Loan → Interest will be added or not is decided on basis of AS-16

↓

Purchase [Ready to use condⁿ]

↳ Loan → Interest → cost + ✗

↳ P&L A/c



↓

Till the mall get constructed

↓

Income P&L A/c ✓

Asset cost ↻ ✗

Example on capital Expenditure

vcgurukul Noida office

↓

Rent ₹80,000

After 2 years

↓

Shift to owned premise purchased for ₹80L

↓

Expenditure

* Unwinding of Interest

Restoration Expenditure after 6 year ⟶ ₹158.69

Discounting factor 8%

Present value ⟶ ₹100

PPE A/c	Dr.	100	
To Prov. for De-commissing and Restoration A/c			100
P&L A/c	Dr.	8	
To Prov. for De-commissing and Restoration A/c			8 (100 x 8%)
P&L A/c	Dr.	8.64	
To Prov. for De-commissing and Restoration A/c			8.64 (108 x 8%)
P&L A/c	Dr.	9.3312	
To Prov. for De-commissing and Restoration A/c			9.3312
P&L A/c	Dr.	10.078	
To Prov. for De-commissing and Restoration A/c			10.078
P&L A/c	Dr.	10.884	
To Prov. for De-commissing and Restoration A/c			10.884
P&L A/c	Dr.	11.755	
To Prov. for De-commissing and Restoration A/c			11.755
Prov. for De-commissing and Restoration A/c	Dr.	158.69	
To Bank A/c			158.69

* Change in Restoration / Decommissing Liability [Not Relavant for CA-Inter]

- Cost model
  - Prov. will be adjusted to cost
    - Increase
      - PPE A/c Dr.
      - To Prov.
    - Decrease
      - Prov. A/c Dr.
      - To PPE A/c
- Revaluation model
  - Any increase or decrease will be part of Revaluation gain / Loss
  - i.e Revaluation surplus or PL

SPECIAL CASES

In case of Deferred Payment

Interest expense shall be recognized as expense over credit period

In case of Exchange

1) If Transaction has commercial substance
   (i.e. There is an expectation of positive cash flow into the organization after the exchange)
   FEB ✓

   Cost of such an item of PPE received shall be recorded at FV of Asset Received or Given whichever is more evident
   Phone ₹12L ₹11L

   However, from Exam POV Cost of such an item of PPE shall be measured as follows
   - 1st Preference ---> FV of Asset Given up
   - 2nd Preference --> FV of Asset Acquired
   - 3rd Preference --> Carrying amount of Asset Given up

2) If Transaction Lacks commercial substance (Avoid any Profit Booking on Exchange)
   Cost of such an item of PPE received shall be recorded at Carrying Amount of Asset Given up.

FMV ₹11L
carrying amt ₹10L ✓

vcgurukul ← Camera → Mr.A
vcgurukul ← phone FMV ₹12L → Mr.A

Transaction commercial substance i.e FEB → Yes → cost measure

Phone A/c Dr. ₹11L
To Profit on exchange A/c ₹1L
To camera A/c ₹10L e always CA

RS ← S24 ultra → CA ₹0.7L → gs
RS ← S24 ultra → gs

X
Transaction → commercial substance
Mobile A/c Dr. 0.7L
To mobile A/c 0.7L

"If Question is silent,
whether the transaction has commercial substance --> Assume it has"

In case of Purchase for Consolidated Price

Consideration is apportioned to the various items on the basis of their respective fair values at the date of acquisition

In case of Asset Acquired through Government Grants ---> Covered under AS-12

Example 1

Nagpur office ⟶ CA ₹100L FMV ₹250L

RS ⟷ Rahul Sir

RS → stock market classes

Noida office → FMV ₹260L

Rahul Sir → AI Related course

RS ⟶ Transaction ⟶ FEB ✓ i.e commercial substance ✓

Noida office A/c	Dr.	250L
To profit on exchange		150L
To Nagpur office		100L ⟶ always at carrying amt

Example 2

Nagpur office ⟶ CA ₹100L ~~FMV ₹250L~~

RS ⟷ Rahul Sir

RS → stock market classes

Noida office → FMV ₹260L

Rahul Sir → AI Related course

RS ⟶ Transaction ⟶ FEB ✓ i.e commercial substance ✓

Noida office A/c	Dr.	260L
To profit on exchange		160L
To Nagpur office		100L ⟶ always at carrying amt

Example 3

S24 ultra [golden colour, 12gb + 512gb] ⟶ CP 70000, FMV 75000

RS ⟷ guri sir

S24 ultra [Black colour, 12gb + 512gb]

↳ FMV ₹75000

Exchange ⟶ FEB X

commercial

Subsubstance X

S24 ultra (Black) Dr. 70,000

To S24 ultra (gold) 70,000

PPE Acquired at consolidate price

RS ⟷ Second Hand dealer

₹70,000

Ipad + Iphone

	FMV	Cost	
Ipad	40,000	23,333	[70000 x 40000/120000]
Iphone	80,000	46,667	
	1,20,000	70,000	

Illustration 7

car X → CA ₹13,00,000 / FMV ₹13,25,000

Entity A ⟷ Cash ₹15,000 + car Y FMV ₹13,10,000

Car Y A/c	Dr.	12,85,000	13L
Cash A/c	Dr.	15,000	
To car X		13,00,000	

HW → CQ1, CQ2(ii), Q4, Q7, Q9(a), Q10, Q11(c), Q13, Q15, Q17

CQ 2(i)

machine → CA ₹2L
machine → FMV ₹ ????

Entity ⟵⟶ Insurance Co.

machine FMV ₹20L

Compensation

2,00,000 ⟶ PL Dr.

20,00,000 ⟶ PL Cr.

PQ13

Old Factory Bldg

			₹
Steel plant ⟶	Land 5000 acre @ ₹60000/acre ⟶		30,00,00,000
	Factory Demolition	1,10,00,000	
100 x	(-) Scrap sale [63L x 100/105]	60,00,000 ⟶	50,00,000
5	105 100		
105 63L	63L x		
	+ Stamp duty [30,00,00,000 x 7%] ⟶		2,10,00,000
	+ Legal & consultancy charges ⟶		8,00,000
	+ Title gurantee Insurance ⟶		1,25,000
			32,69,25,000

PQ.19

→ gst already paid at the time of purchase

		₹
Purchase of Asset	6,80,000	
Input gst [Adjust output gst]	40,000	6,40,000
+ cost of site preparation		21,200
+ Labour charges [56,000 / 500 x 200]		22,400
+ consumption of spare part and tools		5,000
+ supervisor salary [26000 x 25%]		6,500
+ Technical Exp [34000 x 1/10]		3,400
+ Test Run		18,000
+ consultancy charges		11,000
** + Depn on asset used		12,000
		7.39,500

office construct ⟶ Crane used COA ₹5L

Depn p.a ⟶ 10% WDV

4 year But crane used for 2 year

9
8
7
6
5
4
3
2
1

∴ Depn for Yr 1 ⟶ ₹50,000 ⟶ Office cost

Y2 ⟶ ₹45,000 ⟶ Office cost

Y3 ⟶ ₹40,500 ⟶ P&L A/c

office construct ⟶ Crane used on Rent
i.e ₹60,000 p.a

4 year
But crane
used for
2 year

9
8
7
6
5
4
3
2
1

∴ Crane Rent for 2 year = ₹120,000 ⟶ cost ✓

construction expenditure ✓
owned ✗
↓
capital expenditure

City Limit
Village
11km
Bridge
Water
Body
Property for Refinery

option A ⟶ Yes ✓

option B ⟶ NO ✗

25km ⟶ 21 ltr diesel
× 90
180
× 365
₹65,700
× 2
₹1,31,400

CQ12

Radhe shyam

Krishna ← order — shyam

clothing → catering

krishna cost 50,000
+ Profit 5,000
55,000 →

Shrishti ltd

Department A ← Department B

cost 100 ≈
+ margin 10
110 49500

100 14137500
+12
112 15834000

∴ 49500 × 100/110 i.e ₹45,000

	₹
Purchase value [15834000 × 100/112] →	1,41,37,500
+ Transport	55,770
+ Architech	30,000
+ Foundation	1,41,870
+ Technician salary (45000 × 3)	1,35,000
↳ 49500 × 100/110	1,45,00,140

MEASUREMENT OF PPE [SUBSEQUENT RECOGNITION] ---> Every Year end value

- ✓ An enterprise should choose either Cost model or Revaluation model as its accounting policy and should apply that policy to an entire class of PPE.
- ✓ If an item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.
- ✓ Class of PPE: *A class of PPE is a grouping of assets of a similar nature and use in operations of an enterprise*

Option 1 - Carrying value of PPE (Cost Model)

Cost of PPE ✓	xx
Less: Any Accumulated Depreciation	xx
Less: Any Impairment Loss	xx
Carrying value of PPE	xx

Initial Recognition → FEB and cost reliably measured
∴ Initial Recognition @ cost

Machine COA ⟶ ₹50L
on 01/01/25
Year end 31/12/25 [FMV ₹60L]
↓
RBD ⟶ 10% WDV

	cost model	Revaluation
COA	₹50L	₹60L
(-) Depn @10%	₹5L	₹6L
	₹45L	₹54L

Car → Tata Harrier ⟶ cost model
Car → Audi A8 ⟶ Revaluation model
} X

Building → Office ⟶ cost model
Building → Factory ⟶ Revaluation model
} ✓

Building → Office A ⟶ cost model
Building → Office B ⟶ Revaluation model
} X

Motor vehicle → Truck ⟶ cost model
Motor vehicle → Car ⟶ Revaluation model
} ✓

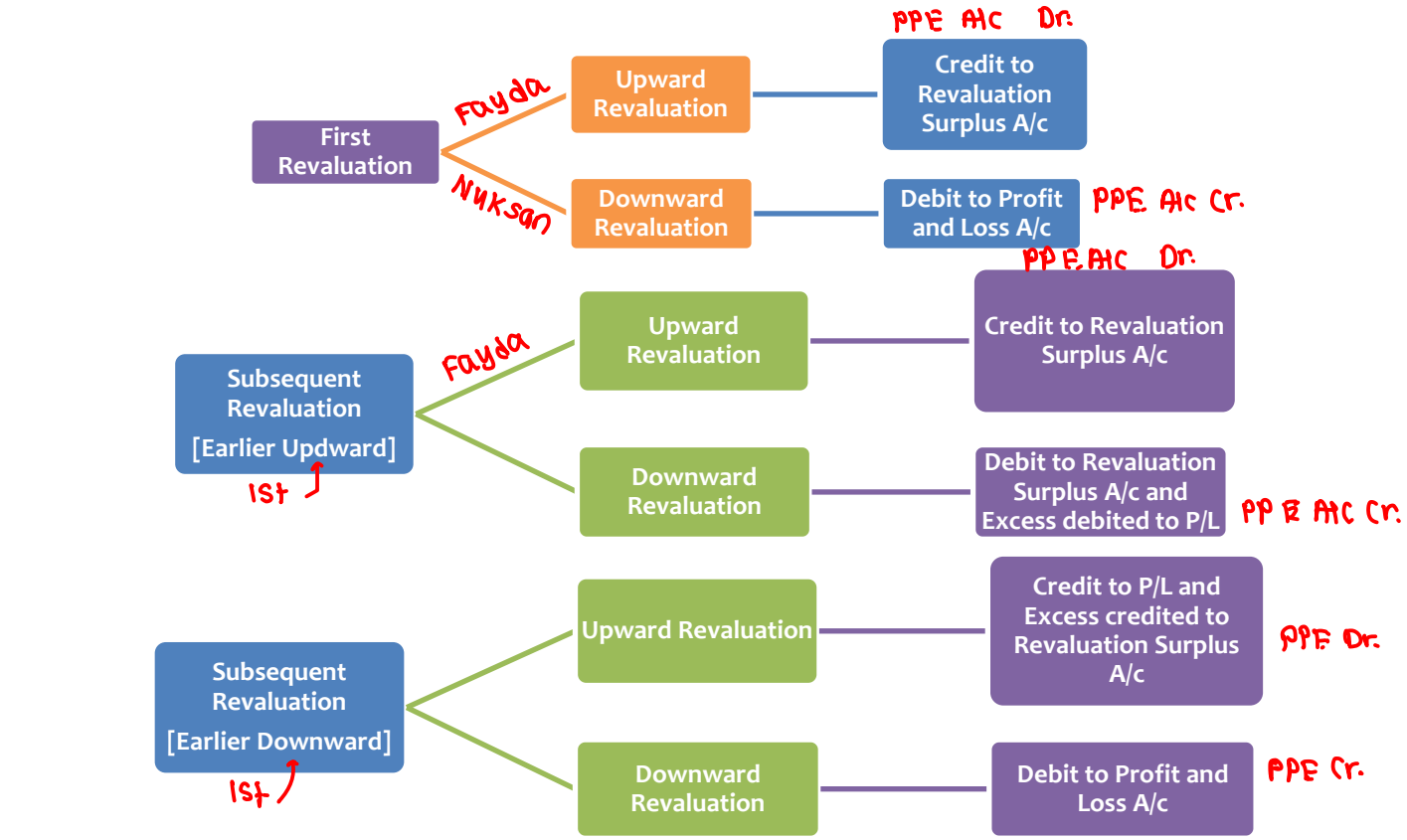
Option 2 - Carrying value of PPE (Revaluation Model)

Fair value at the date of the revaluation	xx
Less: Any subsequent Accumulated Depreciation	xx
Less: Any subsequent Impairment Loss	xx
Carrying value of PPE	xx

Frequency of Revaluations

Asset	Significant and Volatile changes in Fair Value →	Annually
Asset	Insignificant Changes →	Interval of 3-5 years

TREATMENT ON REVALUATION OF PPE



Tata Harrier Ev

↓

Important component

↓

Battery

China ₹5,00,000

South Korea ₹10,00,000

Harrier Ev mp

Automatically → meri Ev pmv ↑

FMV ₹28L — Machinery A/c Dr. 3L To Reval. surplus A/c 3L

Machinery A/c Dr. 5L To Reval. surplus A/c 5L → after 1st Revaluation → FMV ₹22L

BS ₹25L — Reval. surplus A/c Dr. 3L To machinery A/c 3L

FMV ₹25L

FMV ₹18L — P&L A/c Dr. 2L; Reval. surplus A/c Dr. 5L To machinery A/c 7L

· machine → Revaluation 1st

BS ₹20L

FMV 19L — machinery A/c Dr. 1L To P&L A/c 1L

FMV ₹18L → after 1st Revaluation → FMV ₹25L

P&L A/c Dr. 2L To machinery A/c 2L

BS ₹18L — machinery A/c Dr. 7L To P&L A/c 2L; To Reval. surplus 5L

FMV ₹15L — P&L A/c Dr. 3L To machinery A/c 3L

ACCOUNTING TREATMENT OF REVALUATION (JOURNAL ENTRIES)

Method 01:

Proportionate Increase in both cost and accumulated depreciation

Step 1: Calculate the gain / loss (if any)

Step 2: Increase or decrease the value of gross block & accumulated depreciation by same percentage

Step 3: Pass JE

PPE A/c Dr.

To Accumulated Depreciation A/c

To Revaluation surplus A/c

Without Acc. Depn
or
Without Prov. for Depn

PPE ⟶ CA ⟶ ₹80L

Revaluation + ₹20L

₹100L

PPE A/c Dr. 20L

To Reval. surplus 20L

With Acc. Depn or With Prov. for Depn

PPE cost	180L
Acc. Depn	100L
	80L

⟶ option 2 ⟶ W/off Acc. Depn with cost

JE ⟶ Acc. Depn A/c Dr. 100L

To PPE A/c 100L

BS ⟶ PPE ⟶ 80L (net)

+ 20L

100L

PPE A/c Dr. 20L

To Reval. surplus 20L

option 1

80L +20L ⟶ 100L

∴ Increase $\frac{20L}{80L} \times 100 \longrightarrow 25\%$

PPE 180L + 25% i.e 225L

Acc. Depn 100L + 25% i.e 125L

100L

JE:- PPE A/c Dr. 45L (180 x 25%)

To Acc. Depn A/c 25L (100 x 25%)

To Reval. surplus A/c 20L

Q18

PPE Cost ₹250000
Acc. Depn ₹ 34000
CA ₹2,16,000 ⟶ Revaluation ₹1,90,000

BS

Cost	250000
(-) Acc.	34000
	216000

P&L A/c Dr. 6,000
Revaluation surplus A/c Dr. 20,000
To property A/c 26,000

If Acc. Depn A/c is not mainted
i.e Asset value is after Depn

If Accumulated Depn. A/c is maintained ⟶ in current Que

Wloff Acc. Depn

Acc. Depn A/c Dr. 34000
To property A/c 34000

BS

property	216000

P&L A/c Dr. 6,000
Revaluation surplus A/c Dr. 20,000
To property A/c 26,000

Proportionate decrease of property and Acc. Depreciation

Decrease % = $\frac{26,000}{2,16,000} \times 100$

= 12.037% or 12.04%

	Before Reval.	% Decrease	After
PPE	250000	30,093	2,19,907
Acc. Depn	34000	4,093	29,907
		26,000	1,90,000

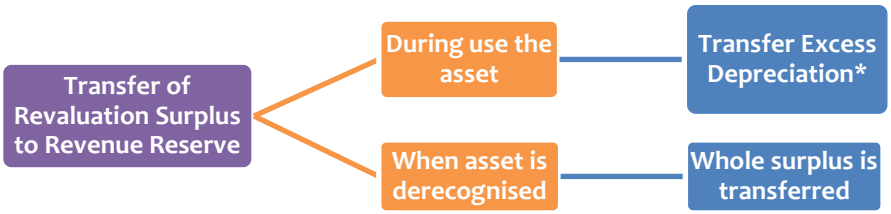
P&L A/c Dr. 6,000
Reval. Surplus A/c Dr. 20,000
Acc. Depn A/c Dr. 4,093 } 26000
To property A/c 30,093

Method 02:

Accumulated Depreciation A/c is eliminated and balance surplus adjusted to cost

Accumulated Depreciation A/c Dr.
PPE A/c Dr.
To Revaluation Surplus A/c

ACCOUNTING TREATMENT OF REVALUATION SURPLUS (JOURNAL ENTRIES)



***Excess Depreciation =** Depreciation on revalued amount – Depreciation on original cost

Revaluation surplus → Free Reserve ✗

Company Before Revaluation		Revaluation	Company After Revaluation	
Machine → CA	₹50L	↑ 30L	₹80L	Depn ₹3L ↑
Depn @10% →	₹5L		₹8L	Profit ₹3L ↓
				Dividend ₹3L ↓

optional treatment → Increased Depn ↑
That Amt can be transferred from
Revaluation surplus —trf→ Retained Earning [Free Reserve]
∴ 30L → 3L → 3L → can be given as dividend

mandatory Treatment → Asset De-Recognise → compulsory Reval. surplus Bal. shall be transferred to Retained earning
[sold or not used or FEBX]

TREATMENT OF SUBSEQUENT COSTS

1. **Day to Day Servicing:** Repair and Maintenance Expenditure
   Treatment
   Recognise in Profit and Loss A/c

2. **Replacement of Parts** [Major Repair]
   Treatment
   (-) Old Part: Derecognise ⟶ carrying amt ⟶ motor 187,778
   + New Part: Recognise if criteria met ⟶ motor 600,000

3. **Regular Major Inspections** ⟶ capitalise
   Treatment
   Previous Inspection: Derecognise
   New Inspection: Recognise if criteria met

COA 5L (-) RV 5L = ₹0
∴ No Depn i.e cessation

DEPRECIATION

45L → COA (-) Scrap value

Meaning: Systematic allocation of depreciable amount of asset over its useful life

Component Method: Each part of PPE that is significant in relation to total cost of item should be depreciated separately *[Example: Airframe & Engine of Aircraft]* → 100 Cr → Body / Engine / Other

Aircraft → Body

COA 50L
SV 5L
45L

Depreciable amount = *Cost/Revalued amount – Residual Amount*

Useful Life: It means economic life of asset and is generally shorter than its physical life.
On the basis of Period: Period over which asset is expected to be used
On the basis of Units: No. of units expected to be obtained

Commencement of Depreciation: When asset is available for use [i.e Ready to use]

CESSATION OF DEPRECIATION

guri sir
2nd Hand car
Cost ₹5L
After 1 year
SV ₹5L
OR
SV ₹5.5L
∴ No Depn

Asset (PPE) → Cost 5L SV 2L Life → 3 year
Y1 1L Y2 1L Y3 1L
After 3 year → CA 2L (Sold ✗ / use ✓)
SV 2L

When to Cease?
If Asset's Residual Value ≥ Carrying amount

Depreciation of an asset ceases at the earlier of:
- ✓ *The date that the asset is retired from active use & is held for disposal &*
- ✓ *The date that the asset is derecognised* FEBX

METHODS OF DEPRECIATION

The depreciation method used should reflect the pattern in which the future economic benefits of the asset are expected to be consumed by the enterprise.

Straight Line Method (SLM): Results in a constant charge over the useful life.
= *[Cost – Residual value] / Useful Life of asset*
OR
Original cost x Rate of Depreciation (%)

Primary Condn → Output or Benefit → YoY consistent

Diminishing Balance / WDV Method: Results in a decreasing charge over the useful life.
= *Opening WDV x Rate of Depreciation (%)*

Reducing

Output consistency → Info missing → consider

Units of Production Method: Results in a charge based on the expected use or output
Depreciable amount x [Production in current year / Total Estimated Production]

Review of Depreciation method: Change in accounting estimate *[Prospective Effect]*
Review of Residual Value & useful life: Change in accounting estimate *[Prospective Effect]*
4 jiss din seh change hua

Repair & maintainance → WDV
same → SLM

Life → infinite normal

LAND AND BUILDINGS

Meaning: Land & buildings are separable assets & accounted separately, even when they are acquired together

Depreciation on Land: No since unlimited useful life
Exception: If land has useful life *[Example: Quarries and sites used for landfill]*

Depreciation on Building: It has a limited useful life and therefore are depreciable assets.

RETIREMENT → Leads to cessation of depn

→ usage stopped

Meaning: Asset is retired from active use & held for disposal

Treatment: BS
It is to be recorded in the books at *Carrying Amount OR NRV* whichever is lower
100L OR 90L ✓

10L
Note: Any expected loss is recognized immediately in the P&L statement.

DERECOGNITION → Leads to cessation of depn

The carrying amount of an item of PPE should be derecognised:

- ✓ *On disposal* } sold
- ✓ *By sale*
- ✓ *By entering into a finance lease* → AS-19
- ✓ *By donation*
- ✓ *When no future economic benefits are expected from its use or disposal* ✓ sold

Treatment: The gain or loss arising from derecognition shall be transferred to P/L

DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

The financial statements should disclose, for each class of PPE:

- ✓ *Model used for determining the gross carrying amount* (Cost or Reval)
- ✓ *The depreciation methods used* (SLM, WDV, Unit)
- ✓ *The useful lives or the depreciation rates used.* incl. any change in useful and Reason
- ✓ *In case useful lives or the depreciation rates used are different from those specified in the statute, disclose that fact* and Reason
- ✓ *The gross carrying amount & accumulated depreciation at the beginning & end of the period and* Gcost
- ✓ *A reconciliation of the carrying amount at the beginning & end of the period*

If items of PPE are revalued, the following should be disclosed:

- ✓ *The effective date of the revaluation*
- ✓ *Whether an independent valuer was involved*
- ✓ *Methods & significant assumptions applied in estimating fair values of item*
- ✓ *The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.*

customise car ⟶ (1) Engine ⟶ Aircraft engine ₹500cr
(2) Body ⟶ carbon frame with Titanium door 50cr
(3) Interior ⟶ Lavish interior ₹10cr
(4) Wheels ⟶ ₹0.2cr

Component Accounting ⟶ cost of each component is available or can be cal- and
Each component has separte useful life

	Engine	Body	Interior	Wheels
COA	500	50	10	0.2
(-) SV	50	5	1	-
Depreciable Amt	450	45	9	0.2
Life (year)	25	9	3	2
Depn p.a	₹18	₹5	₹3	₹ 0.1

ILL 12

Depn p.a = $\frac{1,00,000 \ominus 0}{10}$

= ₹ 10,000 p.a

∴ Depn from 2021 to 2024 ⟶ ₹10,000 × 4 i.e ₹40,000

∴ Carrying amt as on 31/12/24 or 01/01/25 ⟶ 1,00,000 ⊖ 40,000

= ₹60,000

∴ Revised Depn = $\frac{60,000 \ominus 0}{4}$

= ₹15,000 p.a

PQ 14

Depn p.a = $\frac{3,000 \text{ L} \ominus 0}{10}$

i.e 300 L

∴ Depn for 4 years ⟶ 300L × 4

i.e ₹1200L

∴ Carrying amount of Asset at end of 4th year = 3000L ⊖ 1200L

= ₹1800L

∴ At year end 4 ⟶ Machinery A/c Dr 900L

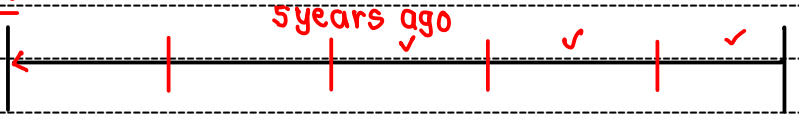
To Reval. Surplus A/c 900L

∴ Revised Depn p.a = $\frac{2700\text{L} \ominus 0}{6}$ i.e 450L p.a

CA at year end 5 ⟶ 2700 ⊖ 450 i.e 2250 L

CA at year end 6 ⟶ 2250 ⊖ 450 i.e 1800L

PQ15



CoA 2,50,00,000 Revalued @ ₹3,00,00,000 Sold ₹1,12,50,000

useful life 8years

∴ Depn for 1st → 2year → 2,50,00,000 x 10% x 2 i.e ₹50,00,000

∴ Carrying amount @ year end 2 → 2,50,00,000 ⊖ ₹50,00,000

i.e 2,00,00,000

Revalued @ → ₹3,00,00,000 ∴ machinery A/c Dr. 1,00,00,000

To Reval. Reserve 1,00,00,000

∴ Revised Depn → $\frac{3,00,00,000 \ominus 0}{8}$ i.e ₹37,50,000 p.a

Depn for year 3-5 → 37,50,000 x3 → ₹1,12,50,000

Hence forth, carrying amount = 3,00,00,000 ⊖ 1,12,50,000

@year end 5

= 1,87,50,000

sold for → 1,12,50,000

Loss → 75,00,000

However if Asset is sold for ₹42,50,000 ∴ Loss ₹1,45,00,000

NOte:- Revaluation Reserve having Bal. of ₹1,00,00,000 shall be transferred to Retained earning on date of sale

PQ16

Plant → COA → ₹ 33,80,000

Motors	Other
₹5,00,000	₹ 28,80,000

	Total	Motor	Other
Plant (purchase price)	₹ 30,00,000	₹5,00,000	25,00,000
% Allocated	100%	16.6667%	83.3333%
Add:- Initial delivery and handling	₹ 1,00,000	₹ 16,667	₹ 83,333
Cost of site preparation	₹ 2,00,000	₹ 33,333	₹ 1,66,667
Consultant fees	₹ 50,000	₹ 8,333	₹ 41,667
Restoration	₹ 30,000	₹ 5,000	₹ 25,000
	₹ 38,80,000	₹5,63,333	₹ 28,16,667

Shortcut →

₹ 33,80,000 → 16.6667% motor → ₹5,63,334

→ 83.333% Other → ₹ 28,16,666

Component based Accounting

Particulars	Other	motor → Plant
(1) COA	₹ 28,16,667	₹5,63,333
(2) Life	10 year	6 year
(3) Depn for 4 year	₹ 11,26,667	₹3,75,555
Carrying amt after 4 years	₹ 16,90,000	₹1,87,778
Add :- New motor cost	-	₹6,00,000
less :- Old motor CA		₹ 1,87,778 → trf to disposal A/c
value @ Year end 4	₹ 16,90,000	₹ 6,00,000
Revalued @	₹ 19,00,000	₹ 6,00,000
	[2SL (-) GL]	
∴ Reval. surplus	₹ 2,10,000	—

	Other	motor
Value at year end 4	19,00,000	6,00,000
useful life	6 year	5 year
	[10-14]	
∴ Depn for 4 year	₹12,66,667	₹4,80,000
CA @ year end 8	₹ 6,33,333	₹1,20,000
Sale value	₹ 5,04,425	₹ 95,575
	[6L x 633333/753333]	[6L x 120000/753333]
∴ Loss ⟶	₹1,28,908	₹24,425

Alternative not preferred

Full Plant sold @ ⟶ ₹6,00,000

CA of full plant on that date [633333 + 120000] ₹7,53,333

∴ Loss ⟶ ₹1,53,333

Note:- Bal. of Reval. surplus trf to Retained earning

Plant purchase

motor A/c Dr. 5,63,333

Plant excl. motor A/c Dr. 28,16,667

To Bank A/c 33,80,000

Depr A/c Dr. xxxx

To motor A/c xxxx

To Plant excl. motor A/c xxxx

Bank A/c	Dr.	Bank A/c	Dr.
P&L A/c	Dr.	P&L A/c	Dr.
To motor A/c		To Plant excl. motor A/c	

PQ17

10year Life

After 6years

machine cost ₹1000L

Year end 6
Turbine Replaced
cost ₹450L

Important component
Turbine 283.57 (approx)

1000L — Depn → 600L → Turbine Depn incl.
450L 113.43L

	₹
Cost of Acquisition	1,000
∴ Depn for 6years [1000L (-) 0 / 10] x6	600
	400
+ New turbine	450
(-) Old turbine e carrying amt (WN1) [283.57 (-) [283.57/10 x6]]	113.43
	736.57

WN1:-

let cost of turbine at start of year be x

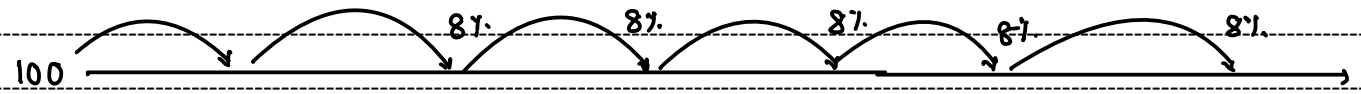
x x (1.08) x (1.08) x (1.08) x (1.08) x (1.08) x (1.08) = 450

1.5869x = 450

∴ x = 283.57

100 : 158.69
x : 450

45000 = x / 158.69



Y1 start 8% Discount factor 8% compounding Y6 End 158.69

HW CQ6, CQ8, CQ11 (a), (b), CQ14

Machine ⟶ 1000 ⟶ Turbine 283·57
[life]
⟶ Other 716·43

	Other	Turbine	
COA	716·43	283·57	missing
(-) Depn for 6 year	429·86	170.14	missing
	286·57	113·43	missing
+ New Turbine		450	
(-) Old Turbine @ CA		113.43	missing
	286·57	450	= 736·57

100 ⟶ 158·69
x ⟵ 450
283·57

CQ19

01/04/22

Bal b/d
✓ ₹56,30,000

01/06/22
Machine Acquire
✓ COA 21,12,000

30/06/22
Machine sold

₹46,70,000 ₹9,60,000

BV 01/04/22		₹ 9,60,000
(-) 3m Depn		₹ 24,000
CA on 30/06/22		₹ 9,36,000
Sold for		₹ 8,25,000
Loss		₹ 1,11,000

Exchange ⟶ commercial substance ✓

Machine A/c	Dr. 15,65,000	
P&L A/c	Dr. 1,11,000	
To machine A/c		9,36,000
To Bank A/c		7,40,000

(B)

	Book value of Asset on 01/04/22	56,30,000	Dr.
01/06	+ value of new machine	21,12,000	Dr.
30/06	+ value of new machine	15,65,000	Dr.
	(-) carrying amount of old machine	9,36,000	on Dt of sale
	(-) Depn for the year	7,84,375	cr.
	carry value 31/03/23 ⟶	75,86,625	

Machinery A/c

To Bal b/d	56,30,000	By Depn	24000	
		By Bank	8,25,000	9,60,000
To Bank	21,12,000	By P&L	1,11,000	
To Bank	15,65,000	By Depn	7,60,375	
		By Bal c/d	75,86,625	
	93,07,000		93,07,000	