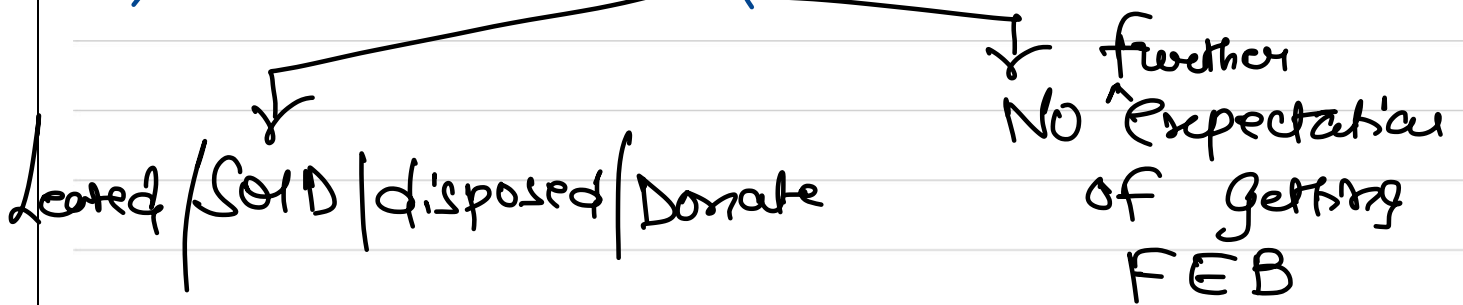


10) De-Recognition (Eliminate from Books)



Gain/Loss \Rightarrow P&L always

(Gain/Loss on De-recog. never transfer^{to} RR)

11) Changes in Deconn./Dism. Liabilities.

Compare CA of Provision with Revised provision

Gain/Loss
(Decrease or Increase in Liability)

Cost model

directly adjust in

PPE \rightarrow
(+/-)

Depreciation will be revised

Revaluation model

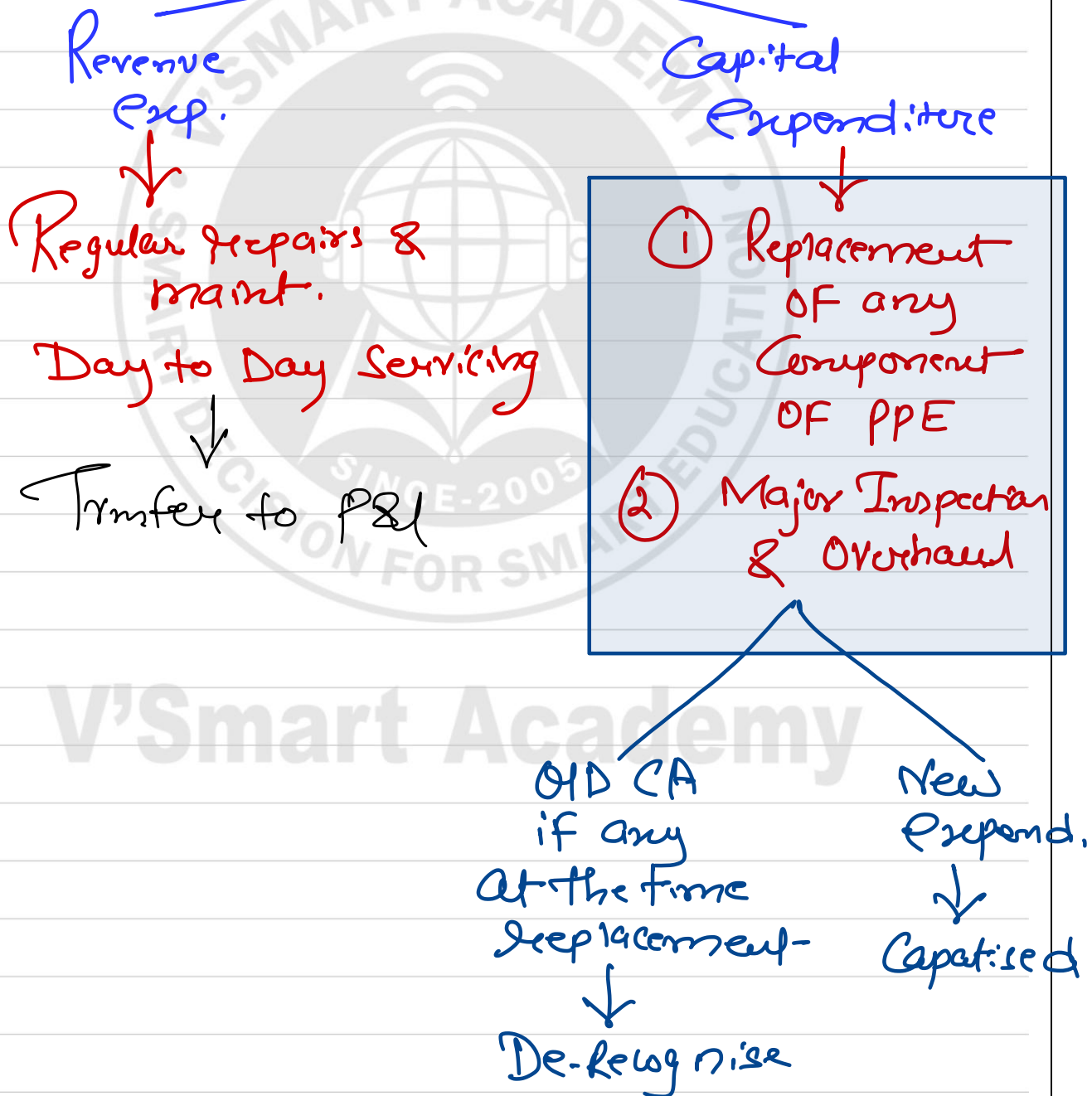
① Gain \rightarrow

Transfer to P&L to the extent of earlier Loss

RR

② Loss :-
W/off with RR
if any
& Remaining Loss
in P&L

12) Subsequent Expenditure on PPE



Aircraft Cost 1200 Cr.

4 yrs.
Imp.
50 Cr.
↓
Aircraft To Bank

Engine

8 yrs.

Cost = 400 Cr.

↓
Dep = 50

Wings

15 yrs.

Cost = 200 Cr.

↓
Dep = 13.33

Outer Body

20 yrs.

Cost 300 Cr.

↓
Dep = 15

Fur. & Fixtures

5 yrs.

Cost 300 Cr.

↓
Dep = 60

4th Yend

CA = 60 Cr.

Now Replacement with new Furniture

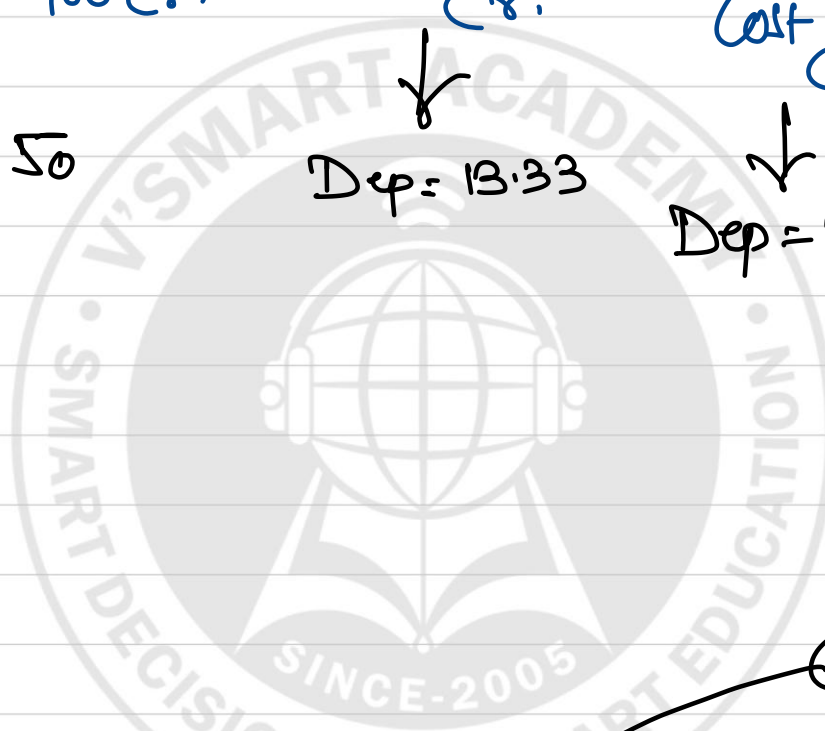
Cost = 400 Cr.

Capitalised

Aircraft 400
To Bank 400

↓
Old CA Should be DeRecognised to P&L

↓
P&L 60
To Aircraft 60



Ex:-14

1/4/21 Cost 5000000

Pv of 178372

DC

5178372

→ PPE Dr. 5178372

To Bank 5000000

To provision
178372

6 years Accumulated Depreciation

$$\frac{5178372}{20} \times 6 = 15,53,512$$

PPE CA 31/3/27 ⇒ 36,24,860

Balance of provision as on 31/03/27 :-

<u>Year</u>	<u>Opnng</u>	<u>Int 10%</u>	<u>Close</u>
21-22	178372	17837	196209
22-23	196209	19621	215830
23-24	215830	21583	237413
24-25	237413	23741	261154
25-26	261154	26115	287269
26-27	287269	28727	315996

- CA of provision as on 31/03/27 = 315996

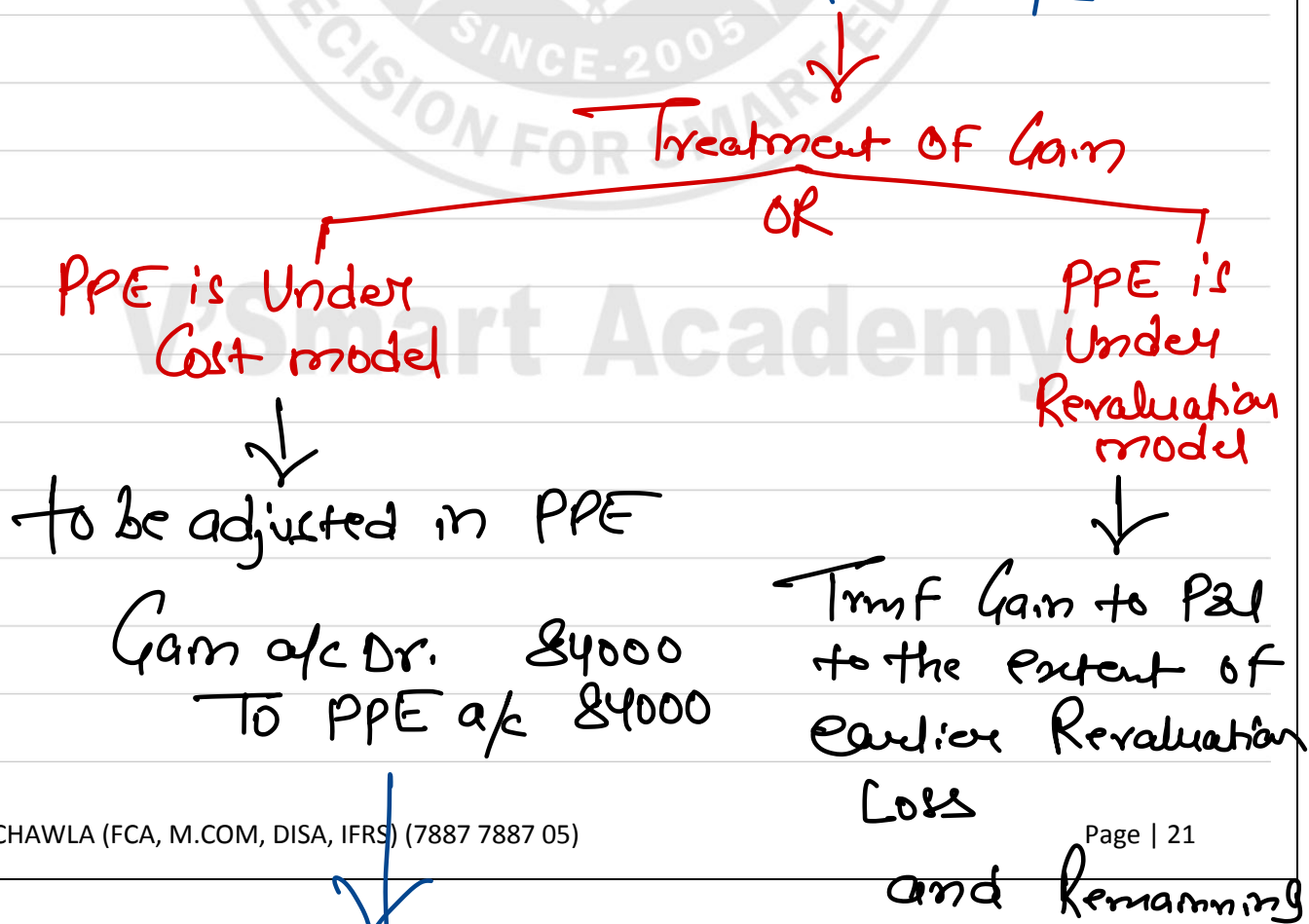
Modification :- at 7th yr. Beg.

Revised Value of
provision based on Revised Terms \Rightarrow Pv of 1000000
@ 11% for 12th yr.

\Rightarrow 231,995/-

Change in provision \Rightarrow 315996 - 231995
(Decrease \rightarrow Gain) \Rightarrow 84,000/-

7th yr. Beg \Rightarrow Provision for Debo. Liab Dr. 84000
TO Gain a/c 84000



Revised CA of PPE = 3624860

(-) 84000

3540860

Gain transfer
to RR



Gain Dr.

To P&L (1st priority)

To RR

Depreciation on
Revised Value $\Rightarrow \frac{3540860}{14}$

$\Rightarrow 252919$ P.a.

Treatment of Loss
(When provision amt. Increases)

Loss a/c Dr.

To provision a/c

Cost model



Adjust in PPE

PPE a/c Dr.

To Loss a/c

Revaluation



Set off the Loss

with available RR
if any

& then Excess Loss
transfer to P&L



RR Dr. (1st priority)

P&L Dr.

To Loss a/c

Technique of Revaluation

Gross!:-

Org Cost = 30 Lacs.
PPE

Acc. Dep = 12 Lacs.

Fair value = 24 Lacs.

$$\% \text{ OF Change} \Rightarrow \frac{FV - CA}{CA} = \frac{6}{18} \times 100$$
$$= 33.33\% \text{ i.e. } \frac{1}{3}$$

<u>Org. Cost</u>	<u>Increase</u>	<u>New Revised</u>
30	10	40
<u>Acc. Dep</u> Org.	<u>Increase</u>	<u>New Bal</u>
12	4	16

Journal entry.

PPE a/c Dr. 10

To prov. For Dep 4

To Rev. Res. 6