Initially Recog.:- PPE Dr. Cost

To Bank

To prov. for Dismantling Liab.

Pv of future outflow

30 lacs.

Total life = 15 yr.

Every year Interest Recog.

Int. Cost Dr.

To provision

6th yr. end ⇒ Provision Bal. = Carrying Amt. = 12 lacs.

Modification

Change in actual outflow

40 lacs.

Change in Term

7 yr.

Change in Dis. Rate

12%

18,09,397

Q8

Life = 10 yrs.

Cost of Machine = ₹ 3000 lacs.

Annual Dep @ 10% (SLM) = ₹ 300 lacs.

CA of Machine at 4th yr. end =	3000
	(-) 1200 Acc. Dep.
	1800 Lacs.
(+) Revaluation Upward	900 lacs
Revised CA at 4th yr. end	= 2700 lacs.

FV = 2700

Annual Dep as per 6 yr. life = $\frac{2700}{6}$ = 450 lacs.

CA of 5th yr. = 2700 − 450 = 2250 lacs.

CA of 6th yr. = 2250 − 450 = 1800 lacs.

Q9

Orig. Cost = 2,50,00,000

Life = 10 yr.

Annual Dep = 25,00,000

CA at yr. 3 beginning ⇒ 2,00,00,000

FV at yr. 3 beg. ⇒ 3,00,00,000

Rev. Reserve = 1,00,00,000

Yr 3 Beg. Revised CA = 3,00,00,000

Use Life = 8 yrs.

Annual Dep = 37,50,000

Accumulated Dep for further 3 yrs = 1,12,50,000

Yr. 5th End ⇒ CA = 3,00,00,000 − 1,12,50,000

= 1,87,50,000

Case 1:- Sale Value = 1,12,50,000

Loss (P&L) = 75,00,000

Revaluation Surplus transfer to GR = 1,00,00,000

Case 2:- Sale Value = 42,50,000

Loss (P&L) = 1,45,00,000

Revaluation Surplus transfer to GR = 1,00,00,000

Q10 Calculation of Cost of New Plant

Particulars	Amt.
Cost of Plant	30,00,000
Delivery & Handeling Cost	1,00,000
Site preparation	2,00,000
Consultant fees	50,000
Pr of Dismentling Cost	30,000

Total Cost of Plant = 33,80,000

Main Cost 30,00,000

Other Cost 380000

a) Cost of Motor 500000 5,63,333
(+) 380000 × 1/6

b) Cost of Other Component of plant 28,16,667
3380000
− 563333

Calculation of Annual Dep. & CA

	Motor	Other Component
Total Cost	563333	28,16,667
Life	6 yrs.	10 yrs.
Annual Dep	93,889	281667
CA at 4th yr. end	1,87,777	16,90,000

Note:- CA of motor (₹ 187777) shall be De-Recognised & transfer to P&L.

New Motor Cost shall be added to Existing plant.

∴ Total Revised CA of plant = 16,90,000 + 600000 = 22,90,000

Revalued Amt = 25,00,000

	Motor part	Other Component
	600000	19,00,000
Revaluation Gain	–	210000

Calculation of further Annual Dep & CA

	Motor	Other Component
CA at 4th yr.	600000	19,00,000
Remaining life	5yr.	6 yrs.
Annual Dep	1,20,000	3,16,667
Acc. Dep for 4 years	480000	12,66,668
CA at 8th yr. end	120000	633332

Sale = 600000
(-) Total CA = 753332
153332 Loss (P&L)

Note:-

1) Interest on deferred Credit shall be directly transfer to P&L.

2) Initial operating Losses are not DAC, Hence no need to Capitalised.

3) Revaluation Reserve at the time of Sale of Asset is transferred to General Reserve.

Q11 (₹ in lakhs)

Cost of Machine = 1000

Life = 10 yrs.

Annual Dep = 100

∴ CA at end of 6th yr. = 400 lakhs.

Old Turbine CA is included in above CA of 400 lacs, which needs to be de-Recognised due to replacement.