

Calculation of CA of Old Turbine

Cost of New Turbine = 450 lacs.

Discount Rate = 8%.

Cost of Turbine 6 yrs. ago = $450 \times PVF^{6\text{yrs.}}$
= 283.576 lacs.

CA of Old Turbine
Considering 10 yr. total $\Rightarrow \frac{283.576}{10} \times 4$
(at ^{life} 6th yr. end)
 $\Rightarrow 113.43$

Final A/c Treatment

New Turbine cost shall be Capitalised & Depreciation shall be Charged according.

Old Turbine CA shall be De-Recognised

Revised CA is as Under:-

Existing CA	=	400
(-) De Recognition	=	(113.43)

(+) New Turbine = 450

$$\text{Revised CA} = \underline{\underline{736.57}}$$

How to Find out the CA of any Component if No Breakdown is provided in Question

a) Take Current Cost of that Component (Purchase Cost) ———— xxx

b) Present Value factor at Dis. Rate ———— xxx

$a \times b =$ Cost of Old Component which needs to be replaced ———— xxx

(-) Accumulated Deps. till date based on org. Life of Asset (xxx)

CA of Old Component

Q15 (a)

Commencement of Dep:-

Entity shall start charging Dep when Asset is available for use.

Cessation of Dep:-

Entity shall stop charging Dep when:-

- a) Asset is Derecognised or
- b) FCB are lapsed or
- c) CA is equal to Residual Value

Conclusion:- As per the give Question, the accounting policy is not correct.

Q6

Old Machine :- When FEB are lapsed then Entity should derecognise the Asset & Charge to P&L as Under :-

P&L a/c Dr. 2 lacs
 To Old Machine 2 lacs.

New Machine :- When ppe is acquired in Exchange of any other asset (non Cash Consideration), then it should be recognised at Fair Value.

New Mach. Dr. 20 lacs.
 To P&L 20 lacs.

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