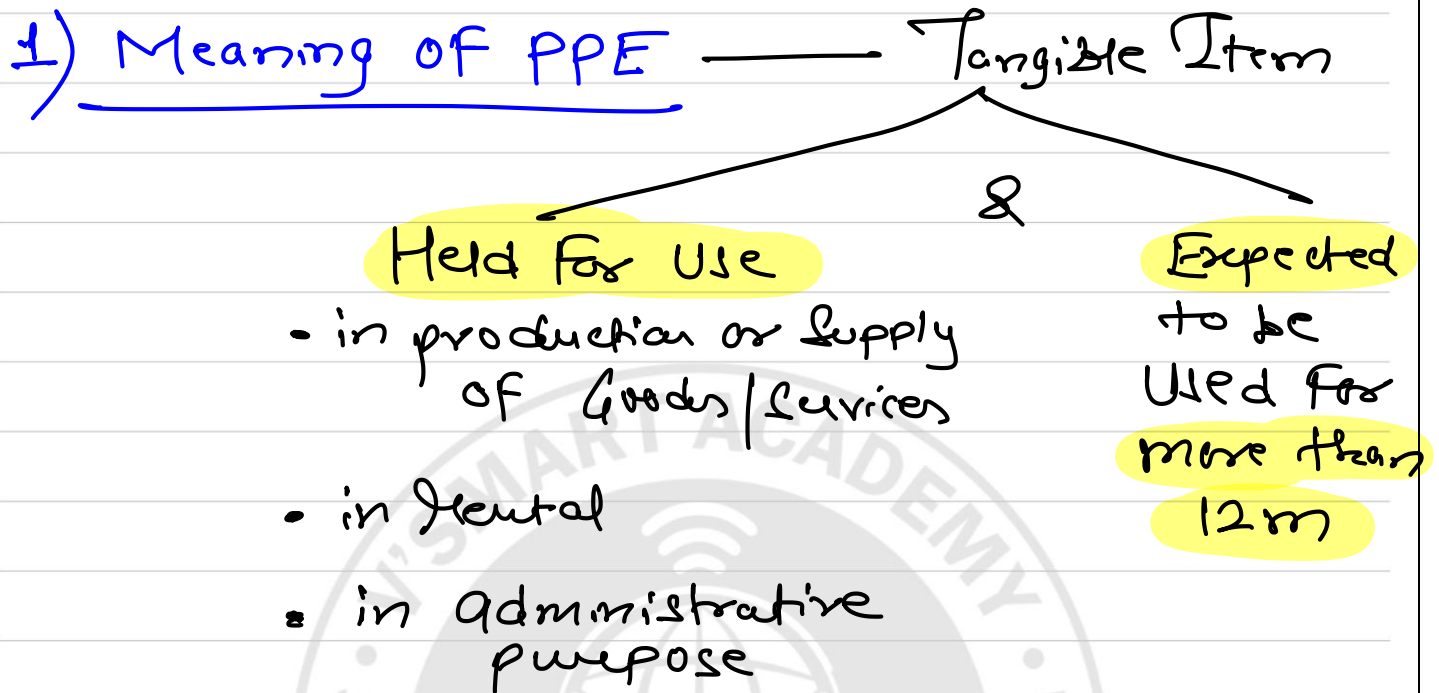
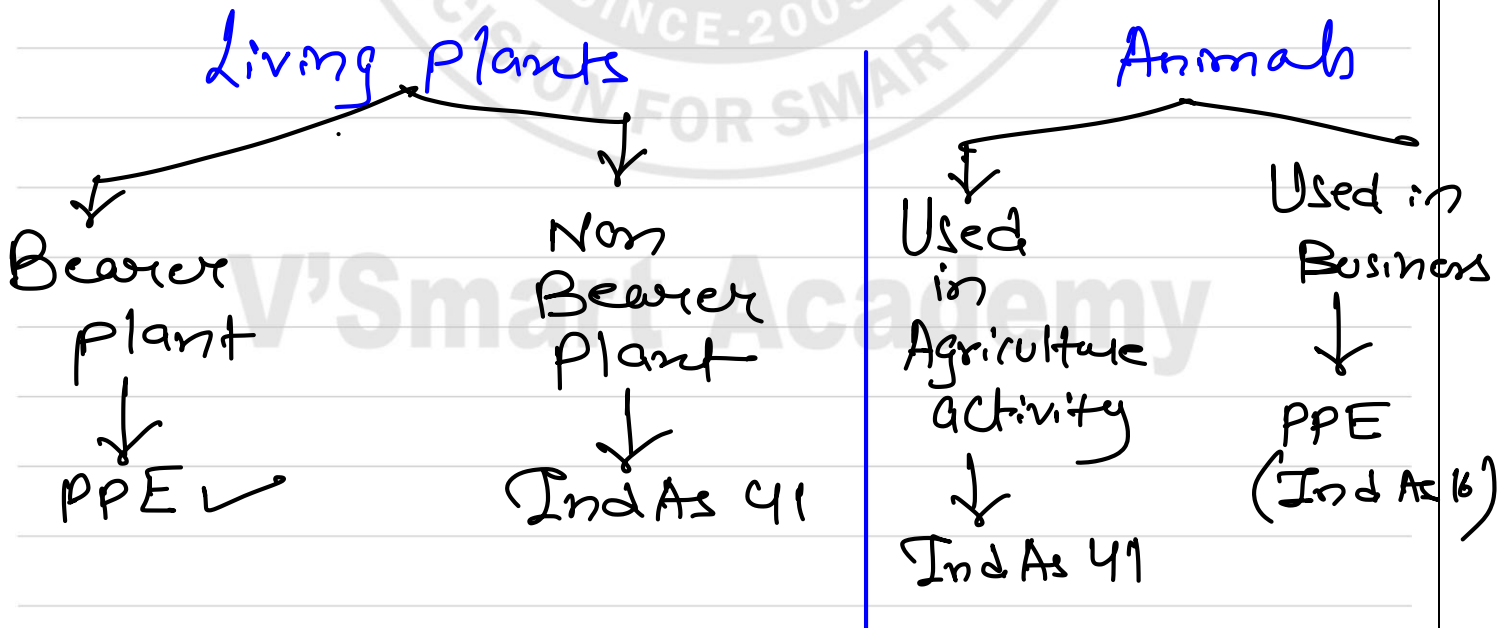


Summary of PPE (AS 10)



* Safety Equipments are also PPE

2) Biological Assets :-



3) When to Record the PPE in Books?

When FEB
are Expected
to Flow From
Use of
PPE

&

Cost Can be
measured
Reliably

(if PPE acquired
in exchange
of any other
Asset / shown / services)

4) Initial Recognition — at Cost

Cost includes:-

PC

(+) Non Ref. Taxes

(+) DAC

→ pre prod. Testing

Installation

labour / material

Delivery Cost

(+) PV of DeComm. Cost

(+) BC (if PPE is QA)

if cred. + period
is beyond
Normal

Cost = PV of
agreed
Amt. to
be paid

Interest cost
(PBI)

PPE Purchased
in Exchange
of another
Asset or Assets
(with Cash)

Case 1:-

Transaction has
Commercial
Substance (2)
FV Can be
measured

Cost = FV of Assets Given
(1st priority)

(or)

(-) Net Sale proceeds
of Goods produced
during Testing

FV of Assets
Received
(2nd priority)

Case 2:- Transaction has
No Commercial Substance

(OR)

Fair Values are not
measurable



Cost = B/F in
Journal Entry

Never recognise any
Ex. Gain/Loss

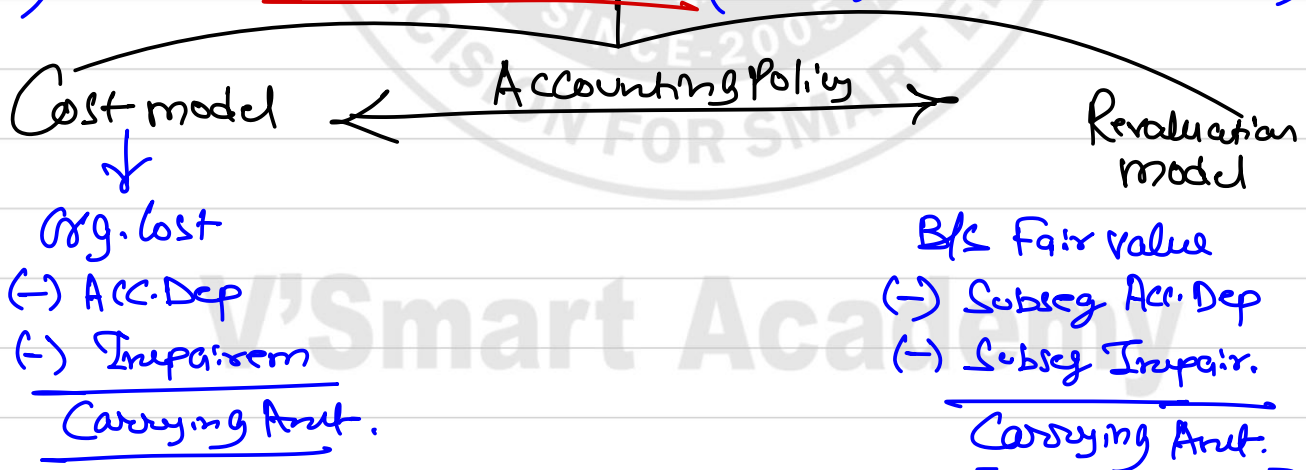
Cost of Bearing plant



All Expense relating
to Cultivation & for
available for use.

5)

PPE at B/s date (Subsequent measurement)



6)

Revaluation

Revaluation Gain
(Rev. Reserve)

Revaluation Loss
(P&L)

Subsequent Gain/Loss

↓
Set off earlier
P&L/RR

Techniques
OF Revaluation

- Gross
- Net

↓
% of Change
↓
 $\frac{\text{Revaluation Gain}}{\text{WDV}} \times 100$

Utilization of RR

↓
Annual
Transfer
to GR
equal to
Excess Dep
↓
(Optional)

↓
Final Transfer
from RR to
GR in case
OF Sale OF
Asset
(Mandatory)

Frequency of Revaluation

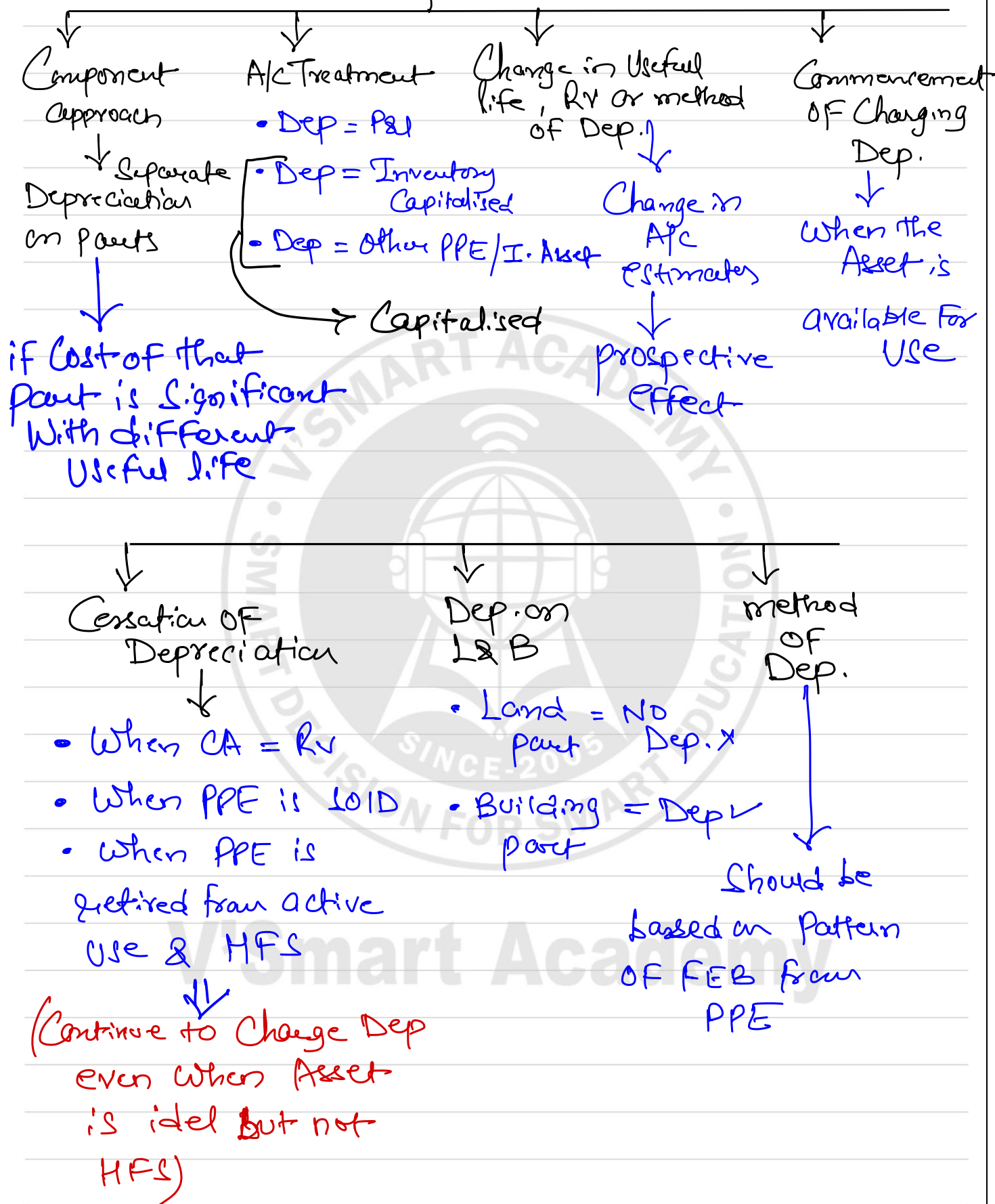
Significant
& Volatile
Changes in
Fair value
Every year

↓
Annual
Revaluation

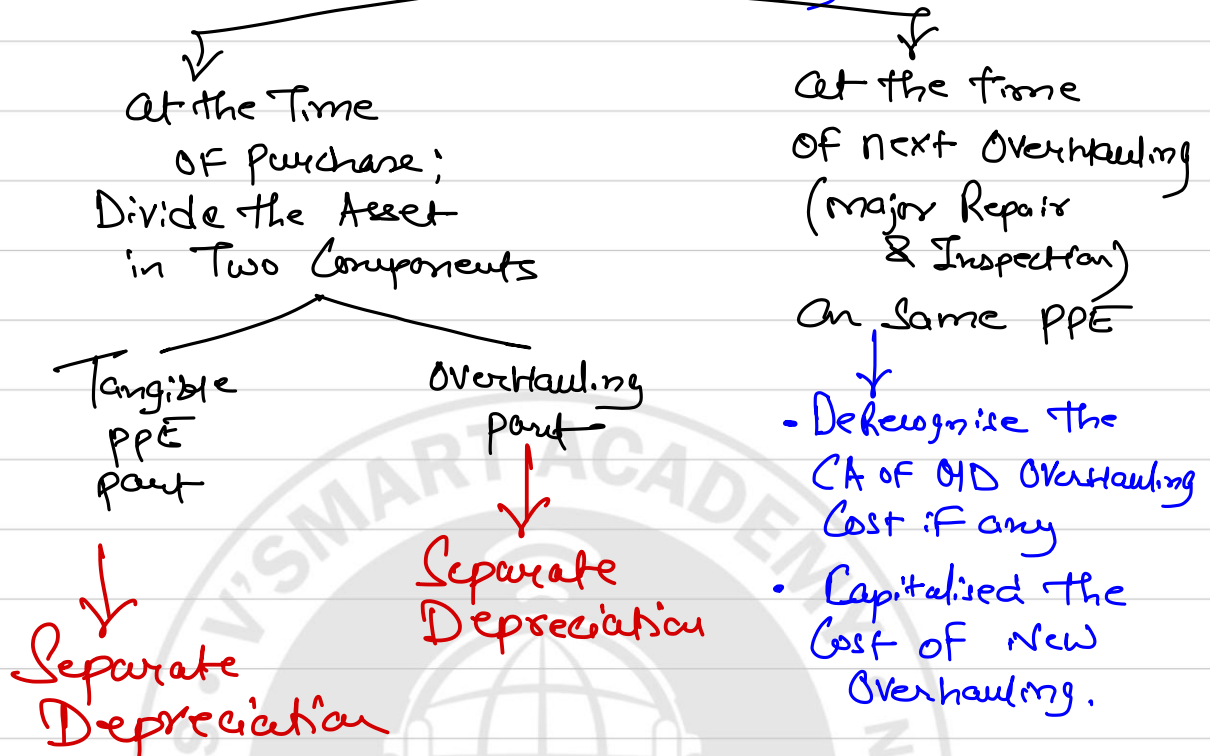
Insignificant
Changes in
FV every year

↓
Revaluation
in 3-5
Years.

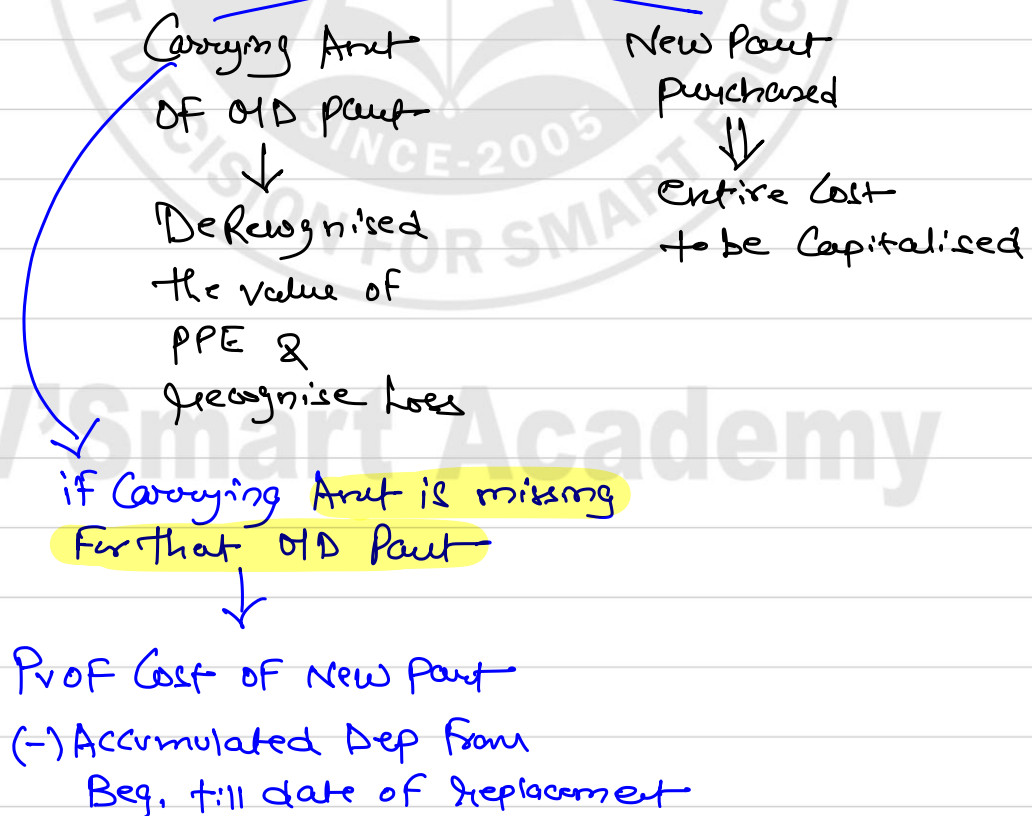
7) Depreciation on PPE (B/s date)



8) Major Inspection & Overhauling OF PPE



9) Replacement of Any Part OF PPE



(Refer Q104 OF BOOK)

10) Retirement & Held For Sale

Stop Charging
Depreciation

&

Remeasure the PPE
at Lower of :-

a) CA

or

b) FVLCTS

(Difference $\Rightarrow$ P&L)

11) De Recognition of PPE

General Rule

Gain/Loss (P&L)

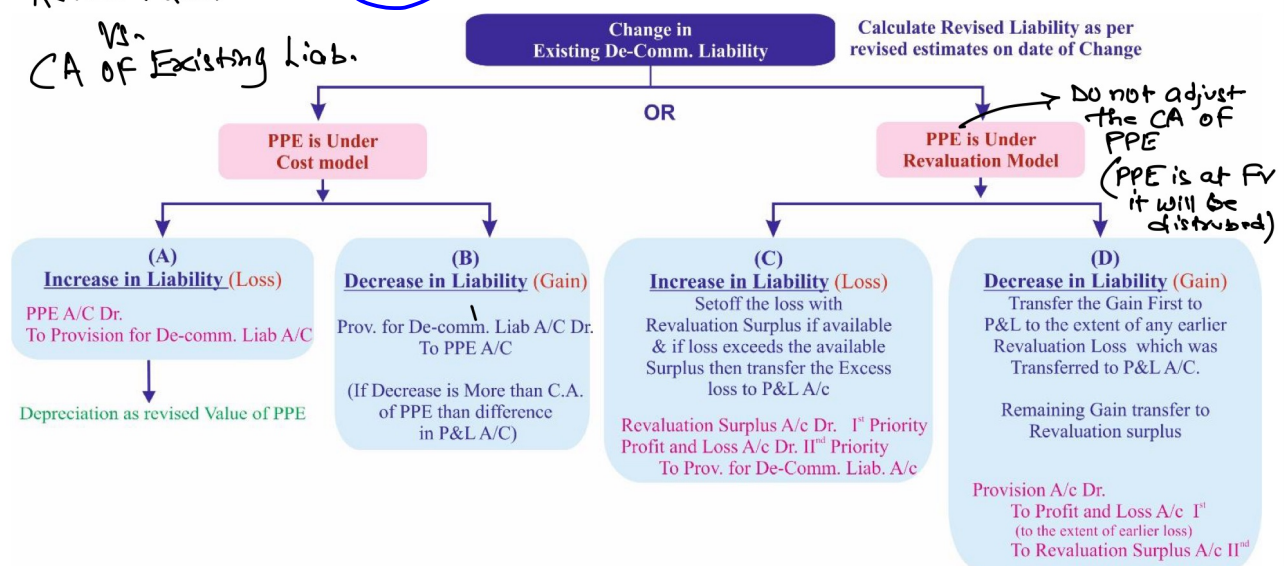
Sale & Lease Back

Apply Ind AS 116
(Leases)

Revised Liab.

vs
CA of Existing Liab.

12



(Refer Practical Example No. 7)

⑬ Key points :-

1) Any Expense such as Staff Salary or any other recurring nature Exp. incurred during Construction (or) Remodelling of any Asset, shall not be Capitalised if such Exp. is incurred irrespective of Construction (or) Remodelling.

Because these cost are not necessary of bring the Asset into Useable Condition

2) Any Expenditure incurred to Construct any public utility (Such as Roads, Railway Sidings etc) may be Capitalised to the cost of the Overall project & not separately if they can affect the future Economic Benefit of Overall project.

3) When Purchase Cost = Residual value
Then NO Depreciation is Charged
Since there is Nil Depreciable Amt.

4) How to identify if Commercial Substance is not available? (Refer Q 110)

$$\begin{array}{ccc} \text{Fv OF} & = & \text{Fv OF Asset} \\ \text{Asset given} & & \text{Received} \\ (+) & & (+) \\ \text{Cash given} & & \text{Cash Received} \end{array}$$

👉 If Both are equal then Cash flows are not expected to change significantly.

👉 Also, if Assets subject to Exchange are located in same vicinity.

V'Smart Academy