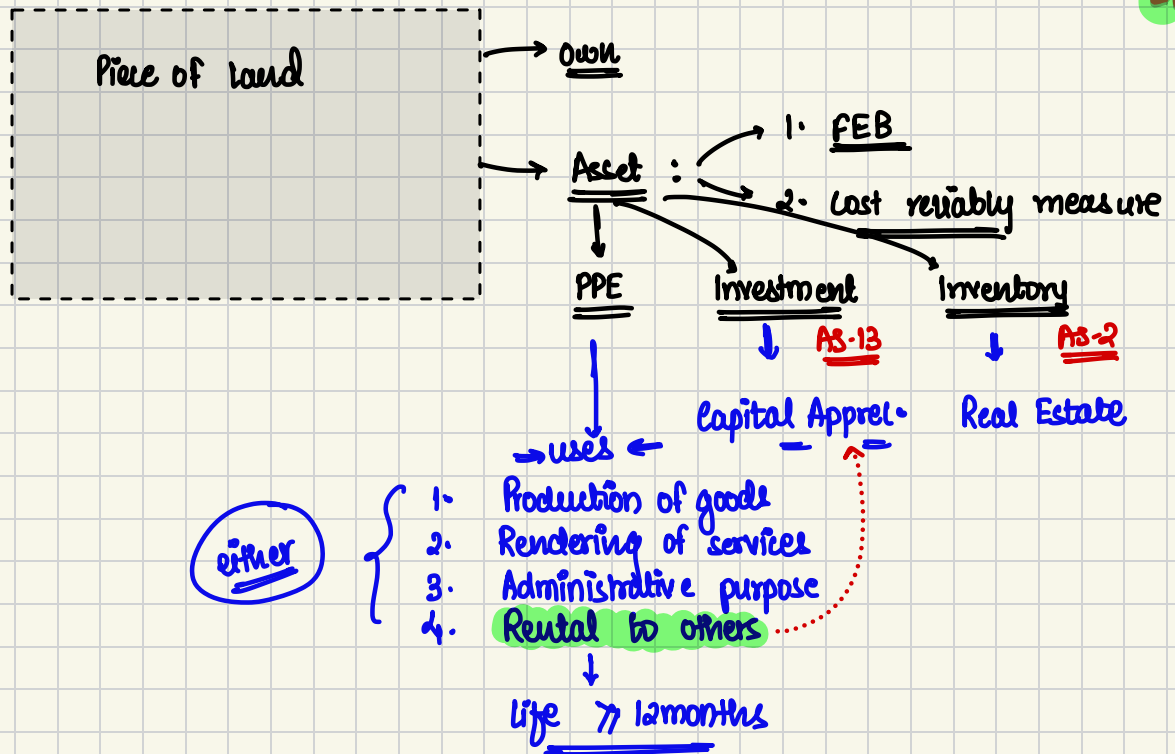




PPE : 3 conditions

1. Tangible Assets

2. Life > 12 months

3. Uses :- Production of goods
Supply of services
Administrative purpose
Rental to others

or

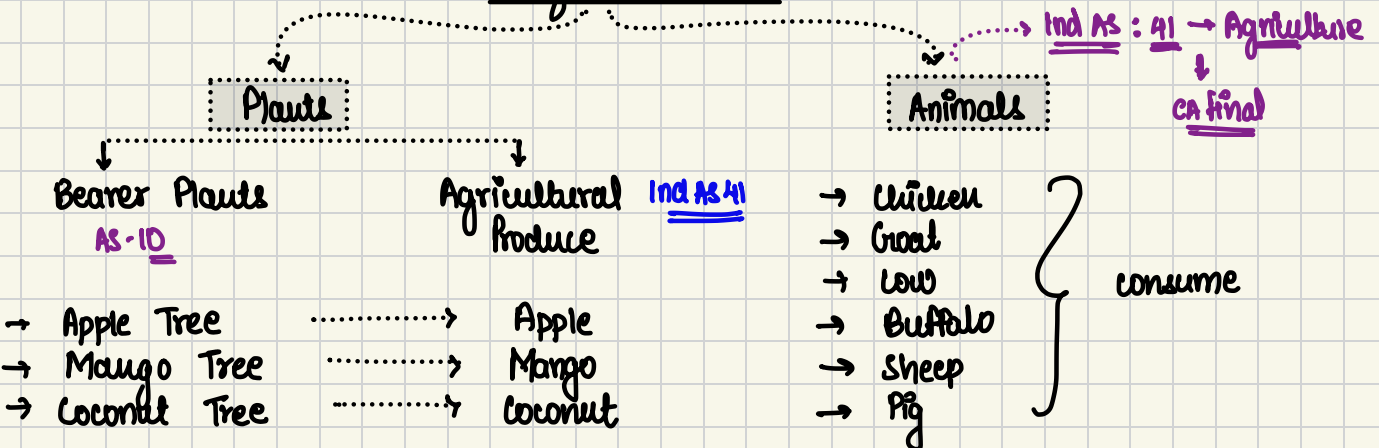


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Biological Assets

Assets that can be consumed. Eg :- plants & animals

Biological Assets



AS-10 → ✓

AS-10 → x

AS-10 → x

PPE definition → ✓



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Useful Life > 12m
Production of goods
Tangible Assets

↓
Productive life > 12m
↓
Produces agricultural produce

Replace

↓
Bearer plant cannot be sold as agricultural produce

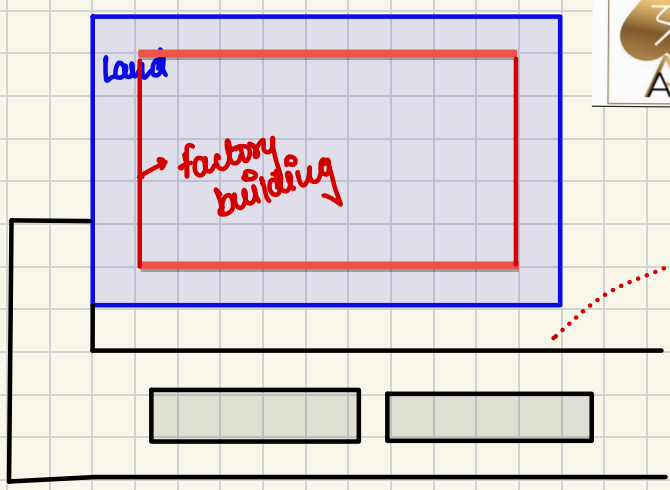
NOTE :- Incidental scrap sale of bearer plants does not affect its eligibility to be considered as a bearer plant.

FEB flows to the entity

Example :-



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Approach road
= 5000000

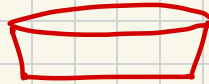
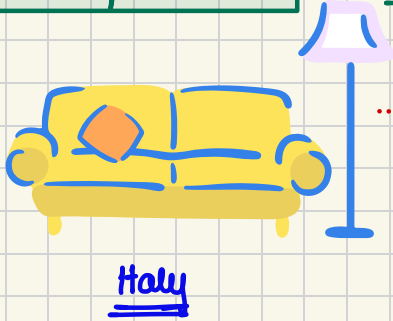
⇒ This is not private property.
This road can be used by general public.

5000000 → Treatment

Road → cannot be considered as PPE → recogn. price. not sold.

by spending these 50 lakhs my factory building became approachable.
factory building became ready to use.
50 lakhs will be added to the cost of factory building.

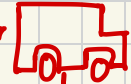
PPE purchased ⇒ COST



Shipping cost
+
Insurance cost

Port

Port Handling
Charges



Carriage
+
loading
+
unloading
+
Insurance

factory

ready to use

$$\begin{aligned} \text{Purchase Price} &= 5000000 \\ - \text{discount @ 10\%} &= (500000) \\ \hline &4500000 \\ + \text{Custom Duty @ 20\%} &= 900000 \\ \hline &5400000 \end{aligned}$$



GST

$$\begin{aligned} \text{Purchase} &= 1000 \\ @ 18\% &= 180 \\ \hline &1180 \end{aligned}$$

All cost incurred to bring PPE to its present location & condition & to make it ready for its intended use should be added to the cost of PPE.

$$\begin{aligned} \text{Sell} &= 5000 \\ @ 18\% &= 900 \end{aligned}$$

Govt pay

$$\begin{aligned} \text{GST collection} &= 900 \\ - \text{Input credit} &= (180) \\ \hline \text{Payment} &= 720 \end{aligned}$$

Custom Duty

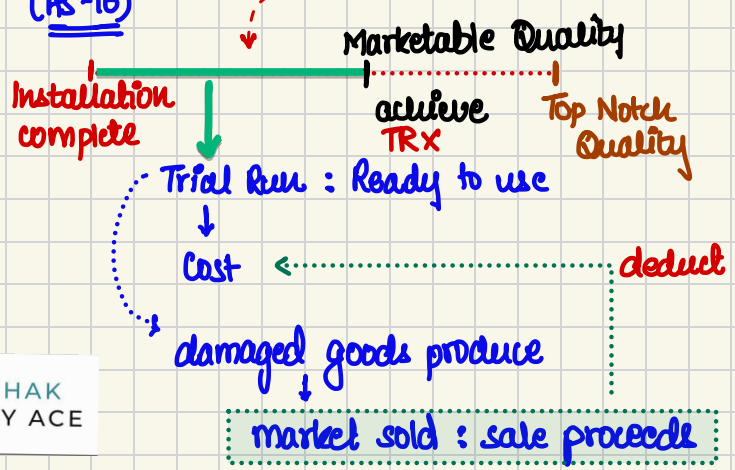
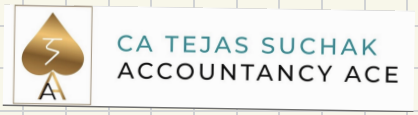
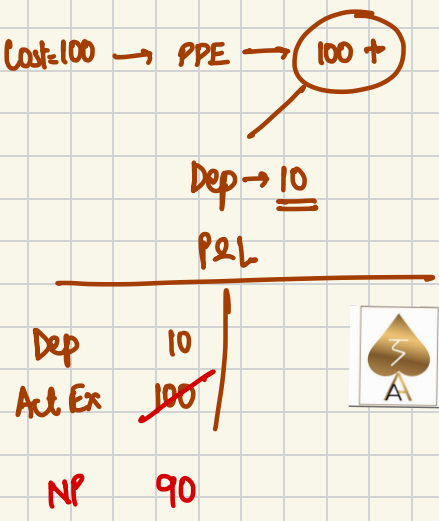
$$\begin{aligned} \text{Purchase} &= 1000 \\ @ 18\% &= 180 \Rightarrow \text{Non-recoverable tax} \\ \hline &1180 \end{aligned}$$

$$\begin{aligned} \text{Sell} &= 5000 \\ @ 18\% &= 900 \end{aligned}$$

Govt pay

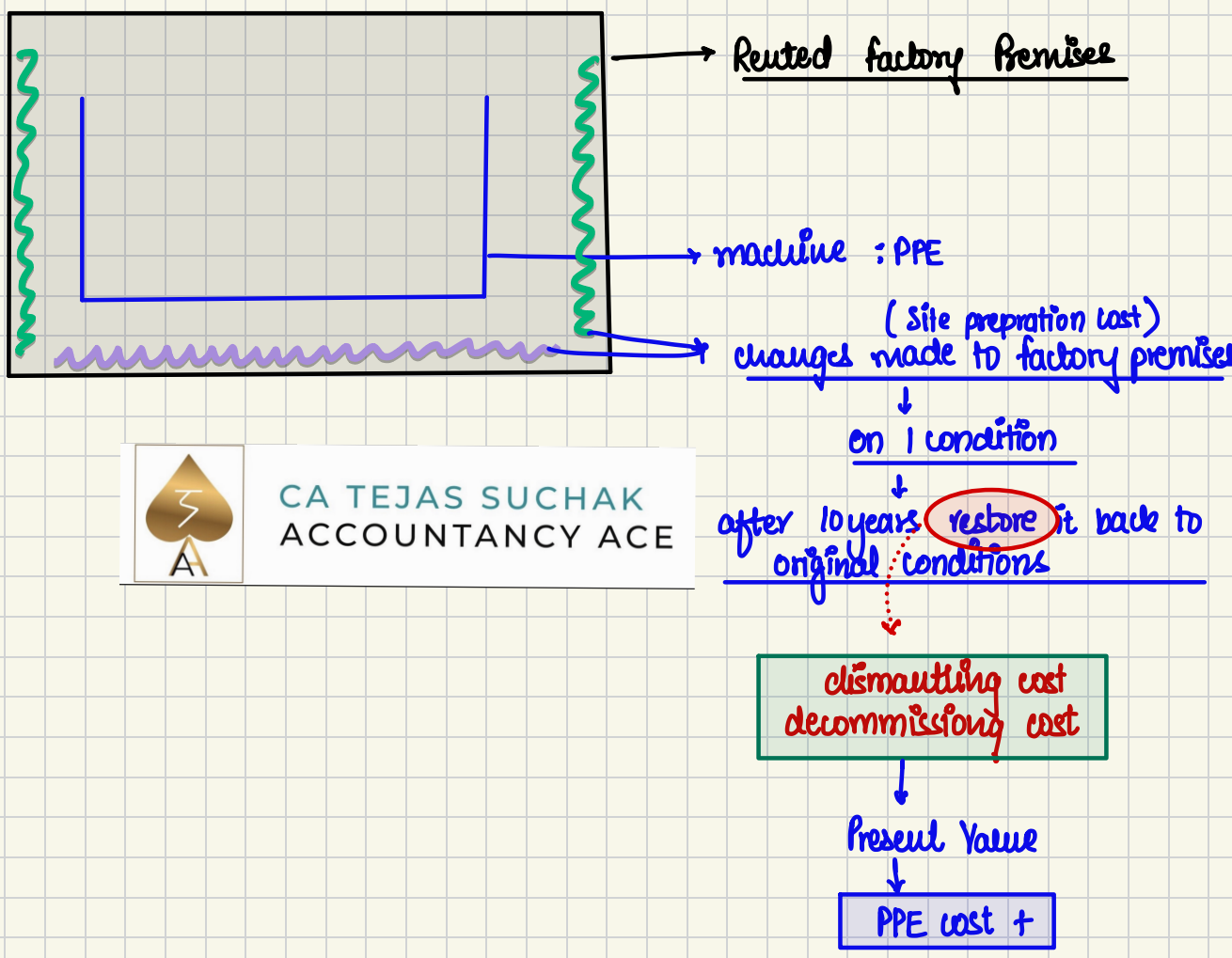
$$\begin{aligned} \text{GST collection} &= 900 \\ - \text{Input credit} &= x \\ \hline \text{Payment} &= 900 \end{aligned}$$

machine : reached factory → Site preparation cost + Installation cost + ^{Net} Trial Run cost + Borrowing cost + PV of decommissioning (AS-16)



Net Trial Run cost
→ Trial Run cost
less : Sale proceeds from goods produced during trial run.

Present Value of Decommissioning or Dismantling



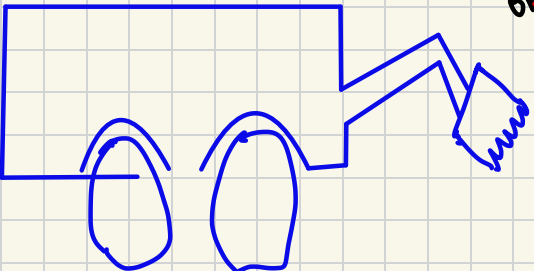
→ Material :- Reti Gitti Cement Bricks

→ Labour :-

Actual cost

Cost →

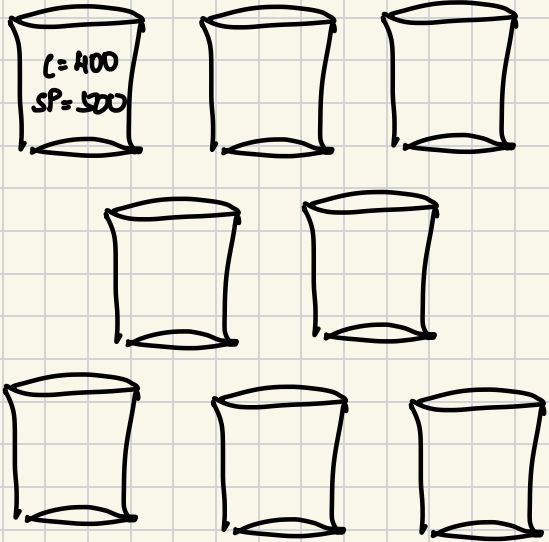
Used for 6 months for construction of building



depreciation will be added to cost of building.

Building
(Self constructed - PPE)

Business - Cement manufacturing



$$\begin{aligned}
 &\text{cement cost} \\
 &+ \text{Building cost} \\
 &= 500 \times 8 \\
 &= 4000 \\
 &= 400 \times 8 \\
 &= 3200
 \end{aligned}$$

Internal Profits will not be added to cost of PPE.



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PPE ACQUIRED THROUGH EXCHANGE

Commercial Substance

PPE acquired

Asset given up

Risk Amount Timing
of cashflows

Risk Amount Timing
of cashflows

Significantly Different
commercial substance exists

Commer Substance exists

YES

NO

Cost of PPE acquired is

1. Fair Value of asset given up
2. Fair Value of PPE acquired

w-e. is more clearly evident

Cost of PPE acquired is

carrying amount of asset given up.

SUBSEQUENT EXPENDITURE ON PPE

PPE (machine)

Ready to use
↓
Put to use

machine changes
↓
expenditure

(subsequent expenditure)



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Production capacity increased
Efficiency increased
Quality increased
Cost reduction

Performance level is maintained

No incremental FEBs

Such subsequent expenditure will not be added to cost of PPE. It will be debited to P&L.

Future Economic Benefits Increased
↓
Such subs. exp. is added to cost of PPE

COMPONENT ACCOUNTING

Plane :-

Plane

Dr. 350 crores X

Depreciation → $350/5 = 70$ crores.

Plane :- Significant Components :-

Engine x 2	→	15 years
Outer body	→	10 years
Interiors	→	5 years
Air cooling Sys.	→	10 years

Useful life

٢

Depreciation :-

Airplane Engine	=	xx / 15
OB + ACS	=	xx / 10
Interiors	=	xx / 5

L3

Diagram illustrating the measurement of PPE (Property, Plant, and Equipment) over time:

The diagram shows a timeline from **PPE** to **Year End**. The timeline is marked with a red wavy line representing depreciation.

Key components and transitions:

- Purchase / Self construct / Exchange** (Initial recognition) leads to **Cost determination**.
- Cost determination** leads to **Initial recognition**.
- Initial recognition** leads to **Carrying amount**.
- Carrying amount** is calculated as **Cost model** (Method 1) minus **less: Depreciation**.
- Carrying amount** is also referred to as **Subsequent measurement**.

The diagram also includes a logo for **CA TEJAS SUCHAK ACCOUNTANCY ACE**.

```
graph TD; UCA[UCA = 40 computers] --> Assets[1 class of assets]; Assets --> Model[1 model]; UCA --> OneComp[1 computer]; UCA --> ThirtyNine[39 computers]; OneComp --> FairValue[Fair Value 75000]; OneComp --> CarryingAmount[Carrying Amount 50000]; FairValue --> Revaluation[Revaluation model adopted]; ThirtyNine --> LostModel[lost model adopted];
```

UCA = 40 computers → 1 class of assets
↓
1 model

UCA → 1 computer
UCA → 39 computers

1 computer → Fair Value 75000
1 computer → Carrying Amount 50000

39 computers → lost model adopted

Fair Value 75000 → Revaluation model adopted

↳ method 2
Revaluation model
→ Ascertain Fair Value /
Market Value

whether or not to adopt this method is the decision of the mgmt.

For 2 different class of assets

L3

2 separate models can be adopted.

REVALUATION ACCOUNTING

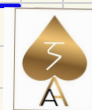
First Time Revaluation

Subsequent Revaluation

First Time Revaluation

Upward Revaluation

Downward Revaluation



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CA = 100

P = 20

1st RV = 120

PPE	a/c	Dr.	20
To, Revaluation Res.			20

1st RV = 80

L = 20

CA = 100

PL	a/c	Dr.	20
To, PPE			20

Subsequent Revaluation

First Revaluation Upwards

Subsequent Revaluation Upwards

Subsequent Revaluation Downwards

CA = 100

1st RV = 120

2nd RV = 150

PPE	Dr.	30
To, reval. res.		30

2nd RV = 90

CA = 100

1st RV = 120

PPE	Dr.	20
To, Reval Res		20

PL	Dr.	10
To, PPE		10

Reval Res	Dr.	20
To, PPE		20

PL	Dr.	10
Reval Res	Dr.	20
To, PPE		30

First Revaluation Downwards

13

Subsequent Revaluation Upwards

Subsequent Revaluation Downwards

1st RV = 90 CA = 100 2nd RV = 120

2nd RV = 70 1st RV = 90 CA = 100



PL Dr. 10
To, PPE 10

PL Dr. 20
To, PPE 20



PPE Dr. 10 PPE Dr. 20
To, PPE 10 To, Reval. Res. 20



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ACCOUNTANCY ACE



PPE Dr. 30
To, PPE 10
To, Reval. Res. 20