

PPE : Definition

1. Tangible Assets
2. Useful life $\geq 12m$
3. Uses : - prodn of goods
 (any one) → supply of service
 rental to others
 administrative purpose

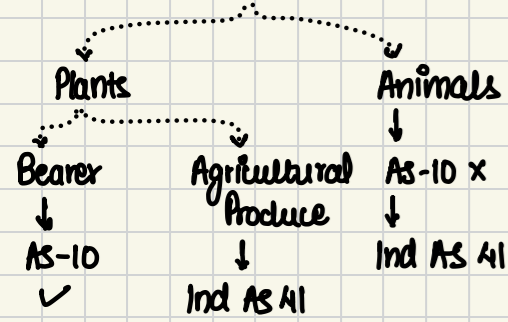
Non - Applicability

1. Biological Assets.
2. Wasting mines.



Biological Assets :-

living plants & animals used for agricultural activity.

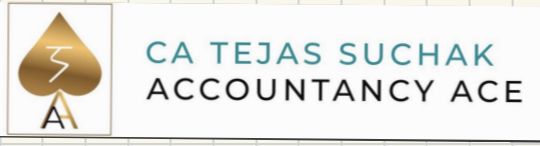
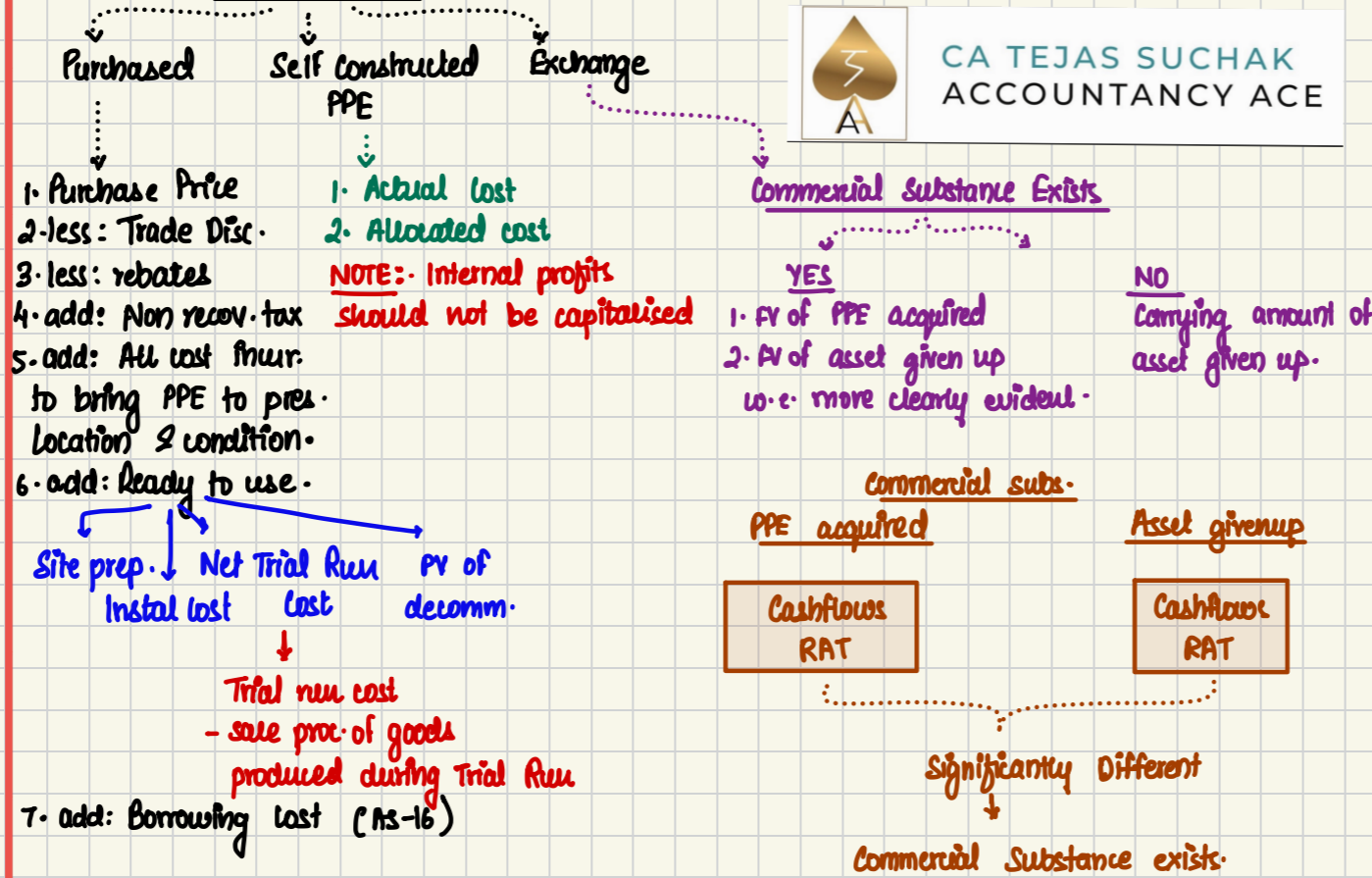


Recognition Principle

2 conditions satisfy :-

1. FEB's accrue to entity
2. Cost reliably measured

Cost of PPE



Component Accounting

PPE :- Significant components having different useful life

Recorded Separately & Depreciated Separately

Subsequent Expenditure

FEB increases → + to cost of PPE

FEB maintained → charged to P&L

Depreciation on PPE

- Depreciation start : PPE ready to use.
- Systematic method
- Component basis & not on entire asset as a whole
- Method of depreciation, useful life of PPE, residual value of PPE : review at each Balance Sheet Date.
- If any change in above : Effect will be given prospectively.

Subsequent Measurement

On every balance sheet date

- 2 models :- cost model, revaluation model } discretion of mgmt.
- 1 class of assets : one model. 2 separate models cannot be applied within same class of assets.
- Separate models can be applied for separate class of assets.

Revaluation model - Accounting

Refer regular class notes.

