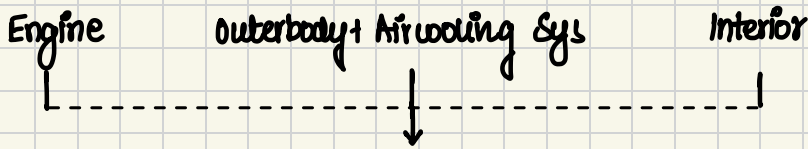


Significant components with different useful life

L3



Recorded Separately
& Depreciated Separately

JE :-

Airplane	Engine	Dr.	xx	} 3SD
Airplane	OB + ACS	Dr.	xx	
Airplane	Interiors	Dr.	xx	

To, Bank 3SD

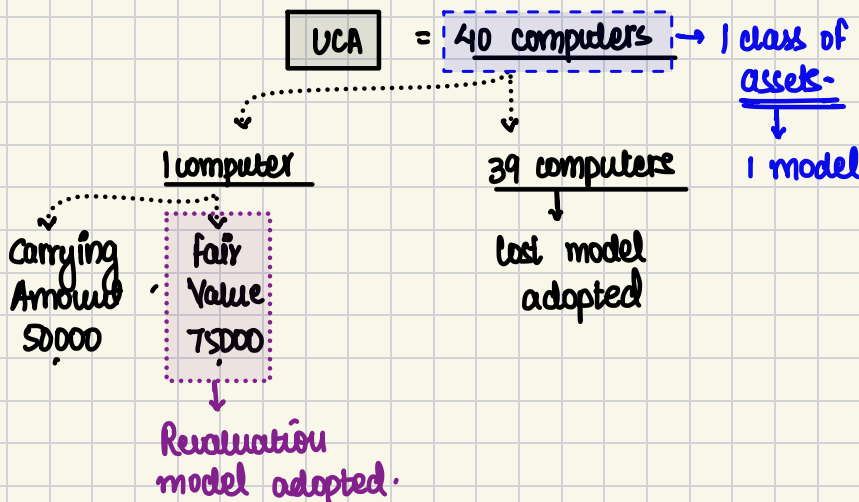
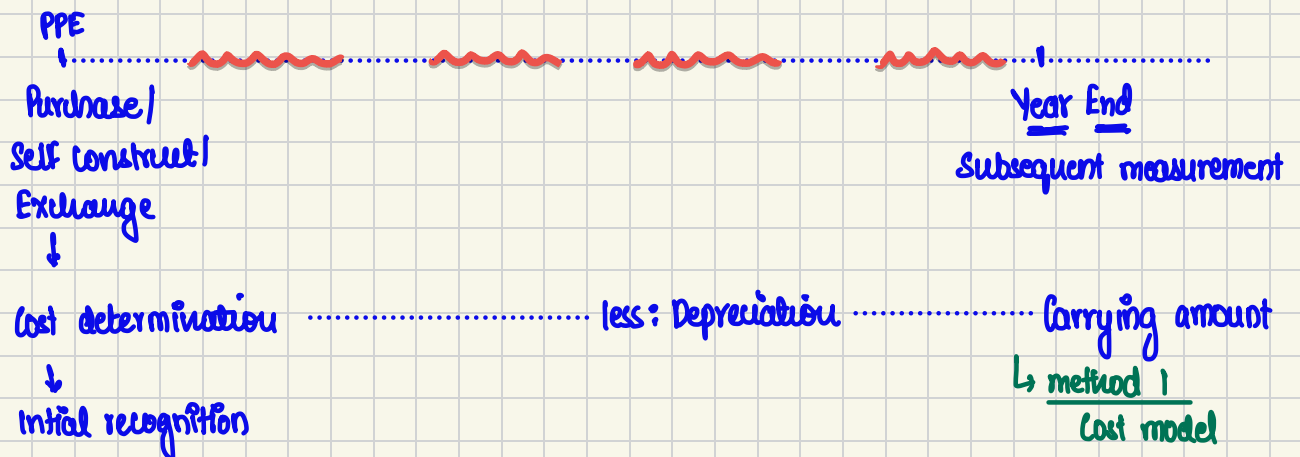
Depreciation :- Airplane Engine = $xx / 15$

OB + ACS = $xx / 10$

Interiors = $xx / 5$

SUBSEQUENT MEASUREMENT OF PPE

L3



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

CA = 100 1st RV = 120
P = 20

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

1st RV = 80 CA = 100
L = 20

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 Reval Res Dr. 20
To, PPE 10 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

←

←

P&L Dr. 10
To, PPE 10

P&L Dr. 20
To, PPE 20



PPE Dr. 10 PPE Dr. 20
To, P&L 10 To, Reval. Res. 20

.....

PPE Dr. 30
To, P&L 10
To, Reval. Res. 20



Depreciation on PPE

- ### Non - Applicability

- ### Biological Assets :-

```

graph TD
    Plants --> Animals
    Animals --> AP[Agricultural Produce]
    AP --> IndAS41[Ind AS 41]
    Plants --> IndAS41
    Plants --> S10[S-10]
    S10 --> IndAS41
  
```

The diagram illustrates the flow of goods from Plants to Animals, then to Agricultural Produce, and finally to Ind AS 41. It also shows a direct path from Plants to Ind AS 41 and a path from Plants to S-10, which then leads to Ind AS 41.

2 conditions satisfy :-

- Cost of PPE
- Purchased Self constructed PPE Exchange
- ↓ ↓ ↓
- ✓ ✓ ✓

- NOTE:- Internal profits should not be capitalised

Trial run cost
- sale price of goods
produced during Trial Run

- ### Commercial Substance Exists

YES

- NO

Carrying amount of asset given up.

Commercial subs.

PPE acquired

Asset given up

Cashflows

Significantly Different

Commercial Substance exists:

PPE :- Significant components having different useful life

Depreciated Separately

FEB increases

+ to cost of PPE

FEB maintained

charged to P21

On every balance sheet date

- 2 models :- cost model
revaluation model } discretion of mgmt.

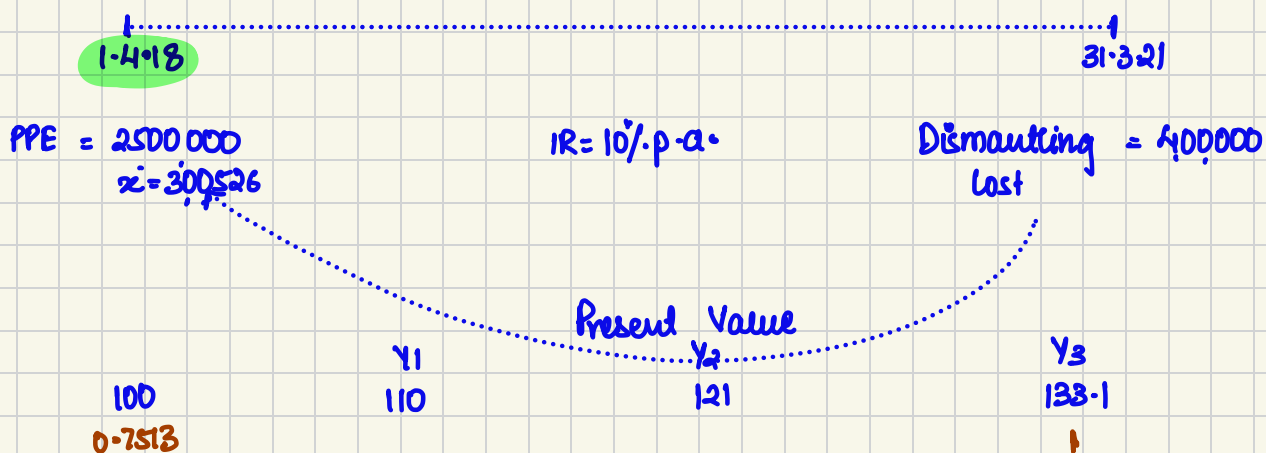
- 1 class of assets : one model. 2 separate models cannot be applied within same class of assets.

- Separate models can be applied for separate class of assets.

Revaluation model - Accounting

Refer regular class notes.

Question 6 :-



$$\underline{PVF} : \frac{1}{1.10} = = = \rightarrow 0.7513$$

Journal Entry :-

1-4-18

	Machine	a/c	Dr	
To Bank				2,800,526
To provision for decomm.				2,500,000
(liability)				300,526

Quote :-

Analysis :-

Question 21:- Calculation of cost of PPE

1. material cost = 1,550,000
2. GST : $\rightarrow$ recoverable 50% $\times$
 (50,000) non-recoverable 50% = $\frac{25,000}{1,575,000}$
3. direct expenses = 300,000
4. Labour :- $\left(\begin{array}{l} 600 \rightarrow 600,000 \\ 200 \rightarrow 2 \end{array} \right) = 2,00,000$
5. Spare parts & tools cons: = 60,000
6. Supervisors salary = 6,000
 $\left(\begin{array}{l} 100\% \rightarrow 24,000 \\ 25\% \rightarrow 2 \end{array} \right)$
7. Trial run expenses = 23,000
8. Consultancy charges = 9,000
9. Office & Admin expenses = 36,000
 $\left(\begin{array}{l} 100\% \rightarrow 900,000 \\ 4\% \rightarrow 2 \end{array} \right)$
10. Depreciation of other assets = $\frac{15,000}{22,24,000}$

NOTE :- Costs incurred to make the PPE ready for its intended use should be added to cost of PPE.
 19,000 is incurred after the PPE became ready for its intended use, hence it will be charged to P&L.