

SUMMARY OF AS 10

1. Scope	2. Bearer Plant	3. Definition of PPE
<p>Not applicable to :</p> <ul style="list-style-type: none"> ▪ When covered with another AS ▪ Biological Assets <ul style="list-style-type: none"> ✓ Living Animal ✓ Living Plant ▪ Wasting Assets ▪ However applicable to bearer plant 	<p>Plant that:</p> <ul style="list-style-type: none"> ▪ To be used in supply or production of agriculture product & ▪ Life more than 12 month & ▪ Plant not to be sold in ordinary course of business except as scrap 	<ul style="list-style-type: none"> ▪ Tangible Items ▪ Held for use in business (for Admin./ Production/ rental etc.) ▪ Used for more than 12 months
4. Recognition criteria of PPE	5. Spare Parts, stand by equipment and servicing equipment	6. Component of Cost of PPE
<ul style="list-style-type: none"> ▪ It is probable that future economic benefits ▪ The cost of the item can be measured reliably 	<ul style="list-style-type: none"> ▪ If they meet the definition of PPE then Recognised as PPE ▪ If they do not meet the definition of PPE Such items are classified as Inventory 	<ul style="list-style-type: none"> ▪ Purchase Price ▪ Any Directly Attributable Costs ▪ Decommissioning, Restoration and similar Liabilities
7. Purchase price	8. Other directly attributable cost	9. Decommissioning, Restoration and similar Liabilities
<p>It includes:</p> <p>Purchase value</p> <p>Add: Import duty</p> <p>Add: Purchase taxes (if nonrefundable)</p> <p>Add: other expenses on purchase</p> <p>Less: Trade discounts, rebates and subsidy etc.</p>	<ul style="list-style-type: none"> ▪ Costs of employee benefits if attributable to construction/acquisition of PPE ▪ Costs of site preparation ▪ Initial delivery and handling costs ▪ Installation and assembly costs ▪ Professional fees ▪ Costs of testing and trial run 	<ul style="list-style-type: none"> ▪ Expected decommissioning/ Dismantling cost ▪ Expected restoration cost ▪ To be added to cost of PPE with their present values
<p>Notes:</p> <ul style="list-style-type: none"> □ Cost of PPE is to be deducted with directly attributable incidental recovery □ If recovery/expenses are not directly attributable then transfer to PL □ Items of PPE may also be acquired for safety or environmental reasons □ It may be appropriate to aggregate individually insignificant items □ An enterprise may decide to expense an item which could otherwise have been included as PPE, because the amount of the expenditure is not material 		
10. Measurement of PPE		
<p>Initial Recognition : By Cost Model</p>	<p>Subsequent Recognition: by Cost model or revaluation model</p>	

11. Exclusion from cost		12. Cost of PPE acquired under exchange	
<ul style="list-style-type: none"> ▪ Costs incurred between ready to use to put to use ▪ Loss incurred due to working at low capacity ▪ Initial operating losses due to low demand ▪ Costs of relocating or reorganising ▪ costs of opening a new facility or business, such as, inauguration costs ▪ costs of introducing a new product or service (including costs of advertising and promotional activities) ▪ costs of conducting business in a new location or with a new class of customer (including costs of staff training) ▪ administration and other general overhead costs ▪ Internal profit 		<p>a. Transaction has Commercial Substance then follow following order</p> <ol style="list-style-type: none"> 1. FV of asset given up 2. FV of assets received 3. WDV of assets given up <p>b. Transaction has no Commercial Substance</p> <ol style="list-style-type: none"> 1. WDV of the assets given up 	
13. Cost under special cases		14. Subsequent Cost	
<ol style="list-style-type: none"> 1. If payment is deferred (Hire Purchase) <ul style="list-style-type: none"> ▪ Cost of asset will be equal to cash price ▪ Interest debited to PL 2. PPE purchased for a Consolidated Price <ul style="list-style-type: none"> ▪ Apportioned to the various items on the basis of their respective fair values 3. PPE held by a lessee under a Finance Lease <ul style="list-style-type: none"> ▪ In accordance with AS 19 (Leases). 4. Government Grant related to PPE <ul style="list-style-type: none"> ▪ In accordance with AS 12 		<ol style="list-style-type: none"> 1. Cost of day-to-day servicing <ul style="list-style-type: none"> □ Revenue nature □ Treated as expense 2. Replacement of parts of ppe/ regular major inspections <ul style="list-style-type: none"> □ If the recognition criteria of PPE are met □ Recognize in existing carrying value of PPE □ The carrying amount of those parts that are replaced is derecognized 3. Other expenses <ul style="list-style-type: none"> □ Recognize in the carrying value of PPE if: <ul style="list-style-type: none"> ✓ Increase efficiency or ✓ Increase useful life or ✓ Decrease operating expenses etc. 	
15. Accounting of Revaluation of PPE			
First time revaluation		Subsequent revaluation	
<p>Increase: Credit to RR</p> <p>Decrease: Debit to PL</p>		<p>Previously Increase and now Increase: Credit to RR</p> <p>Previously Decrease and now Decrease: Debit to PL</p> <p>Previously Increase and now Decrease: Debit revaluation reserve up to balance available in due to previous increase and for excessive decrease debit PL account</p> <p>Previously Decrease and now Increase: Credit to PL account up to previous decrease and for balance increase credit revaluation reserve account</p>	

Notes:

Follow same accounting policy like cost or revaluation model for class wise on group of Assets

- A class of PPE is a grouping of assets of a similar nature and use in operations of an enterprise
- If PPE is discontinued or sold out in future then existing balance of revaluation reserve account for Such Asset is to be transfer to **Revenue Reserves/General Reserve A/c (no transfer to statement of PL)**
- Revaluation interval
 - i. If value of Assets changed significantly year to year, then Revaluation every year
 - ii. If value changed insignificantly Revaluation with Interval of 3 to 5 year

16. Depreciation

- Depreciation is to be charged on systematic basis for year to year on PPE as per expected useful life
- Depreciation charge for each period
- It is to be charged on depreciable amount.
- Depreciable amount = (Cost or substituted value —residual value)
- Method of depreciation may be and shall be selected according to the pattern of future economic benefit from the related PPE irrespective of amount of repair and maintenance incurred year to year.
- If a particular PPE is having **significant components** than depreciation is to be charged on each component separately (OR similar group of components)
- Review/change in the following items is to be **considered** as change in accounting estimation and will have prospective effect Will be considered as **change** in estimation and it will have prospective effect

- (a) Carrying Amount of Assets
- (b) Useful life
- (c) Salvage Value
- (d) Rate of Depreciation
- (e) Method of depreciation

- Depreciation is to be charged from the date of Assets become ready to use (put to use is not relevant).
- Depreciation ceases to be charged when asset's residual value exceeds or equal to its carrying amount

SUMMARY POINTS

1. Scope	5. Spare Parts, stand by equipment and servicing equipment	9. Decommissioning, Restoration and similar Liabilities	13. Cost under special cases
2. Bearer Plant	6. Component of Cost of PPE	10. Measurement of PPE	14. Subsequent Cost
3. Definition of PPE	7. Purchase price	11. Exclusion from cost	15. Accounting of Revaluation of PPE
4. Recognition criteria of PPE	8. Other directly attributable cost	12. Cost of PPE acquired under Exchange	16. Depreciation