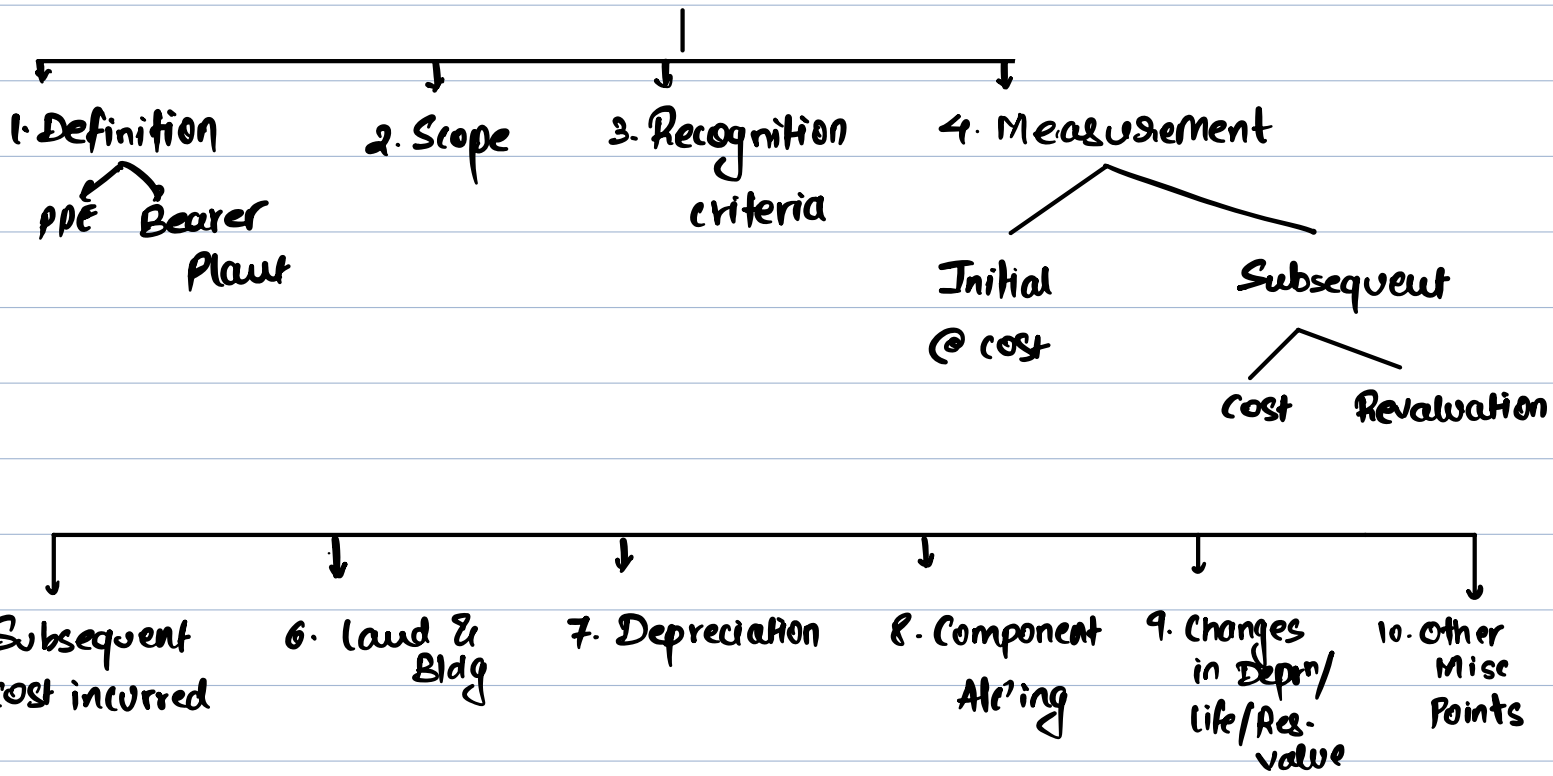
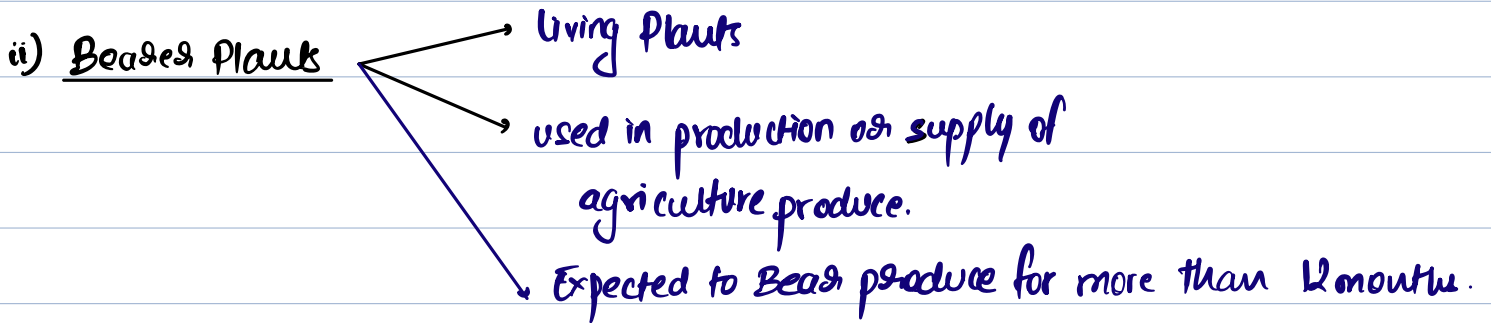
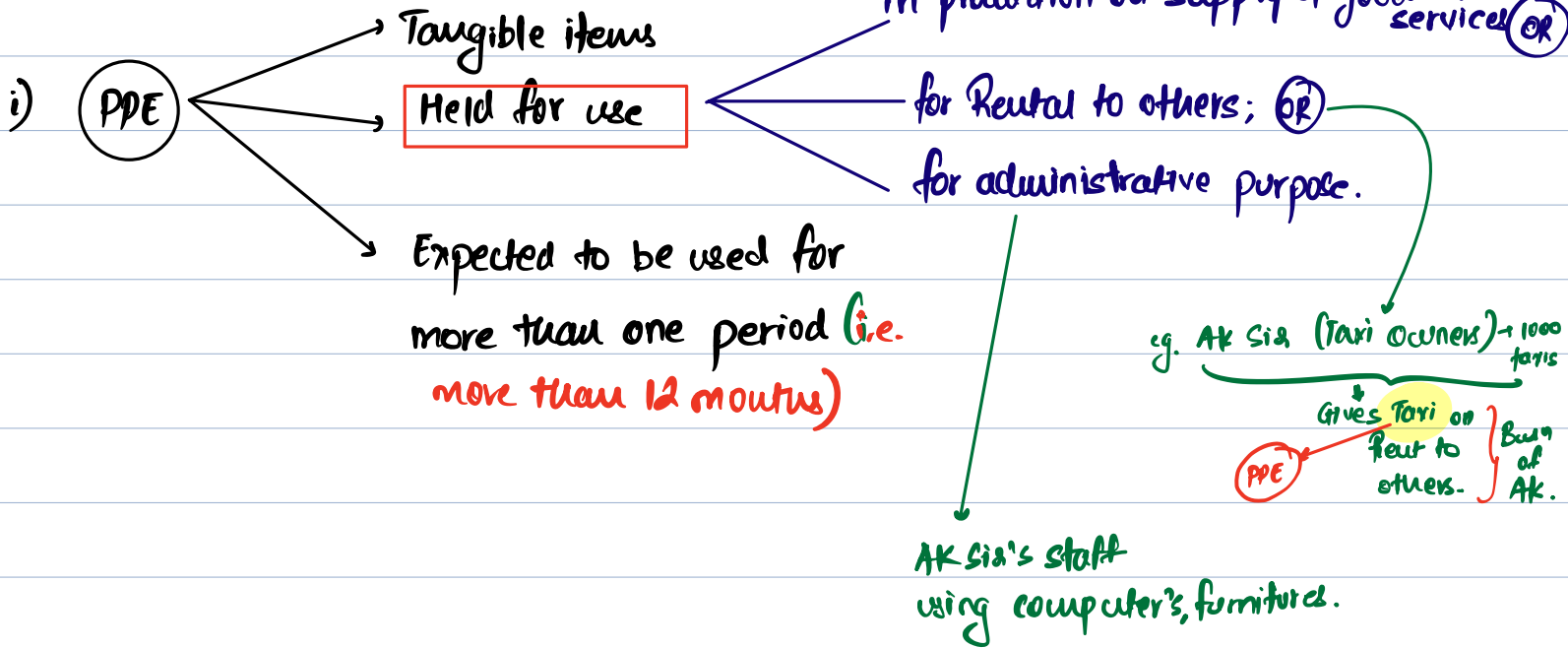


AS - 10 PPE

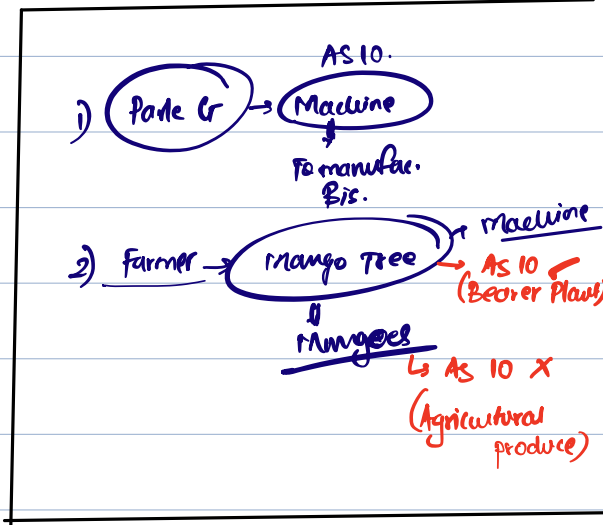
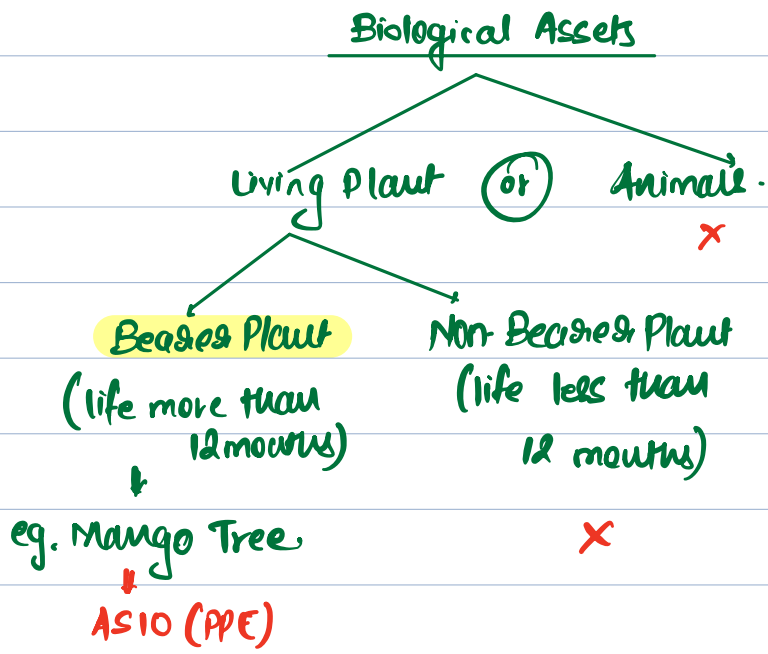


AS 10 - Property, Plant & Equipment (PPE)

i) Definition



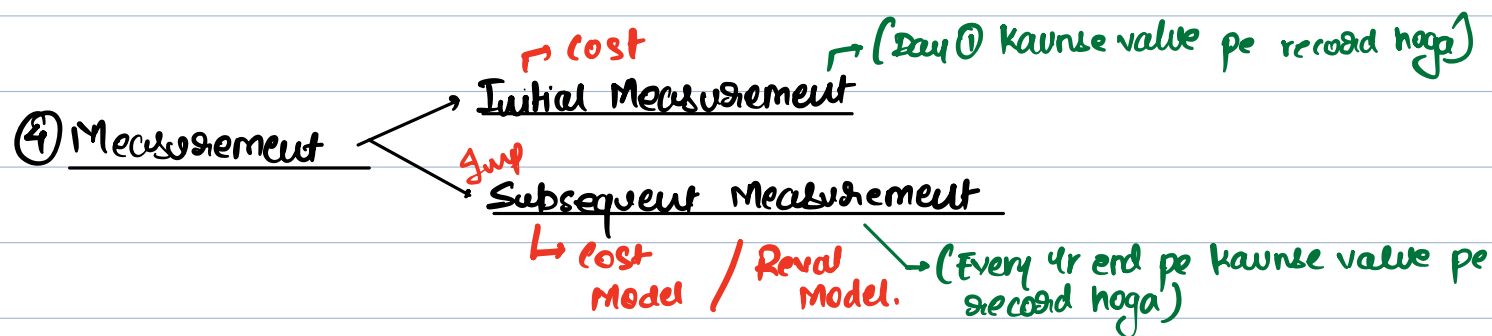
eg:



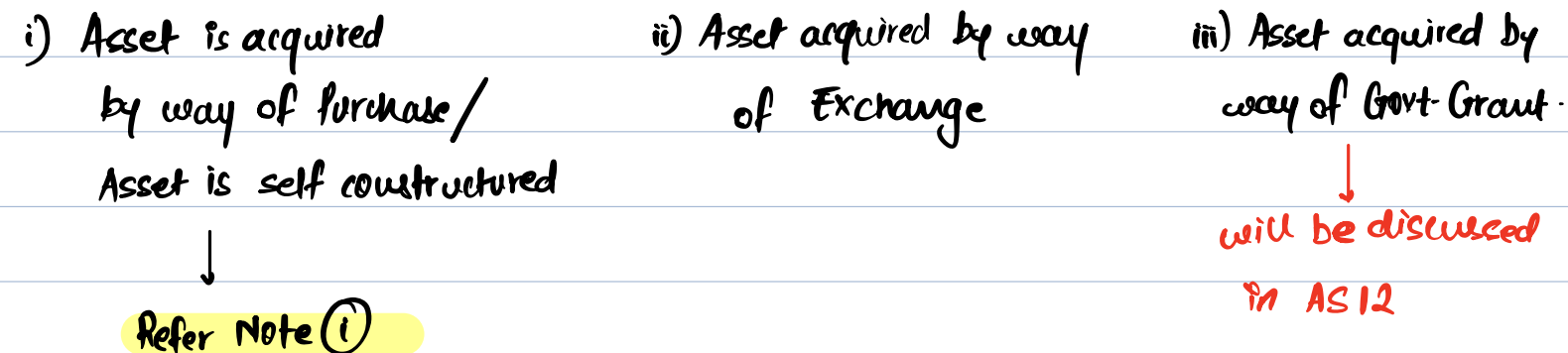
- ② Scope (Not covered in AS 10)
- Ⓐ Assets taken on lease (AS-19, leases)
 - Ⓑ Intangible Assets (AS 26)

→ Record kar karenge in Books of A/c's (Asset Side)

- ③ Recognition criteria
- i) Future Economic Benefits **AND** → Benefit for more than 12m
 - ii) Costs can be measured reliably



Ⓐ Initial Measurement



Note ①: Cost of Asset if asset is purchased / self constructed

Purchase price (less Trade discounts)

(+) Non-Refundable Taxes (If tax is refundable, do not consider in cost of asset) → eg ①

(+) All directly attributable Expenses ^{Direct costs necessary to construct / bring the asset in ready to use condition}

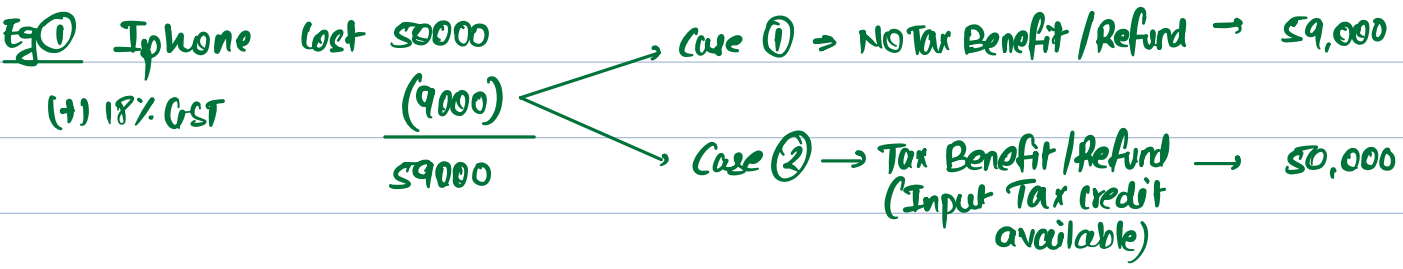
- Delivery costs, installation, Employee cost (only if employee were directly involved in construction)

- Cost of testing (after reducing testing income if any)
- Professional fees (eg: consultancy taken for constructing / acquiring asset)

pending • Borrowing costs (if it is qualifying Asset) → As per AS 16

(+) Cost of Decommissioning / dismantling / site restoration (at present value)

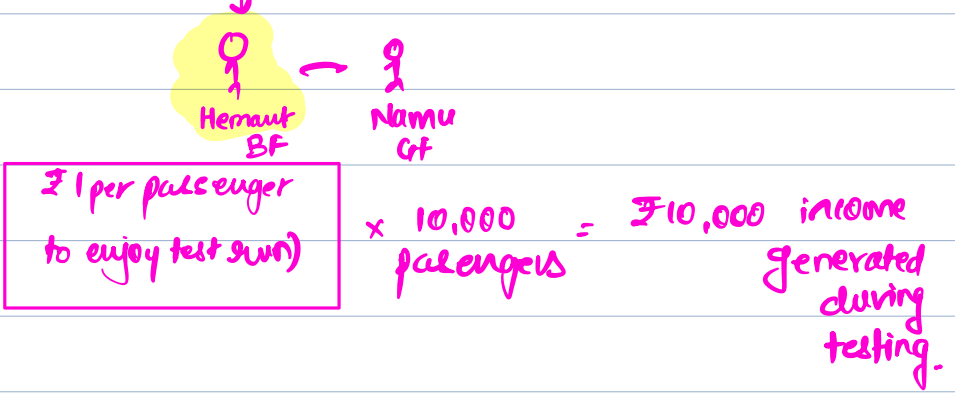
Cost of Asset



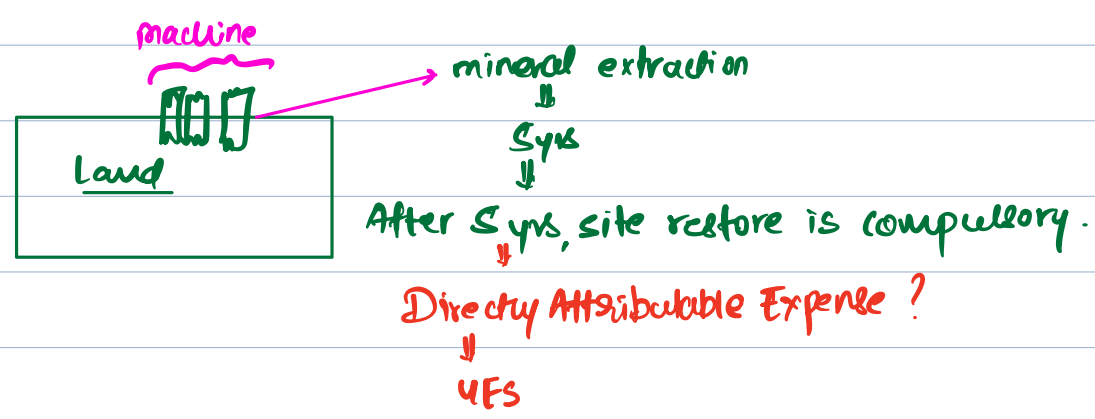
Eg 2: Testing Exp. (Metro → construction → Before launching for public, testing is important)
 ↓
 Add to cost of Asset
 Exp lagta hai

Testing Exp :- 90,000 (Given)
 (-) Testing Income (10,000) (Given)
Net Testing Exp 80,000

Add to cost of Asset.

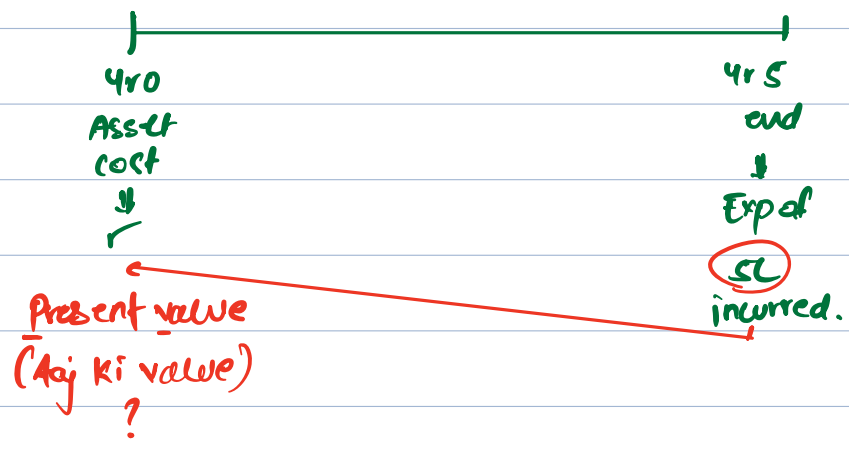


Eg 3: Decommissioning / Dismantling / Site Restoration



Asset (machine) purchased for ₹ 10 lakhs. Decommⁿ/Dismantling/Site restoration cost is to be incurred compulsorily after 5 yrs = ₹ 5,00,000.
 Discounting factor @ 10%.

Day 1 Total cost of Asset
 10,00,000 + 310460
 = 13,10,460



O-E.

PPE Atc Dr	13,10,460
To CB	10,00,000
To Prov for Decomm ⁿ	310460

PV = 310460 approx

$$\frac{5,00,000}{(1.10)^{5\text{yrs}}}$$

Calculator 500000
 Divide by 1.10 → Rate 10%
 Press = 5 times
 ↳ 5yrs.

Eg 4 Decommⁿ

Asset (machine) purchased for ₹ 15 lakhs. Decommⁿ/Dismantling/Site restoration cost is to be incurred compulsorily after 3 yrs = ₹ 7,00,000
 Discounting factor @ 5%.

Total Cost of Asset

Purchase Price	15,00,000
(+) Decommng @ P.V	604686 $\left(\frac{700000}{1.05^{3yrs}} \right)$
Total cost	21,04,686

	AS 10
PPE Acc Dr.	21,04,686
To ClB	15,00,000
To Provision for Decommng	604686
	(Liab)

Ex 129

Asset → Dr. Balance.	Dr - Debit
Asset ↑ Dr.	Cr - Credit
Asset ↓ Cr.	
Liability → Cr. Balance.	
Liab ↑ → Cr.	
Liab ↓ → Dr.	

AS 29.

* Exclusions from cost of PPE

- Inauguration Exp, Advertising & Promotional costs, Training cost, Administrative & general OH's, Initial operating losses, Cost of relocating entity's operations etc.
- eg 5 - Cash discount (if any) → Don't reduce from cost of PPE → Transfer it to P/L.
- eg 6 - Miscellaneous income not related to construction of asset → Trf to P/L.
- eg 7 - Interest Exp (Trf to P/L) → Except Borrowing cost of AS 16.

Ex 5: PPE Purchased for ₹ 10k. Upfront payment made ∴ Cash discount rec'd ₹ 500.

J.E.

PPE Acc Dr.	10,000	7500
To ClB	9500	(10000 - 500) Disc
To Disc Rec'd (P/L)	500	

Ex 6

Trade disc	→ ₹ 500
PPE	9500
To ClB	9500

Eg 6: AK Hld wanted to construct Land & Bldg. Till the time construction started,

AK Hld used Land as car parking site to generate misc. income.

Income → other Income (PIL)

Do NOT adjust from cost of Asset.

→ This is diff from Testing Income.

Eg 7: AK Hld → laptop purchase → cost ₹ 10,00,000 } → Interest = 1L }
Payment after 1yr → ₹ 11,00,000 } → PIL

Asset cost (Day 1) = 10,00,000 , Interest of 1,00,000 → Trf to PIL

ii) Initial measurement of Asset acquired by way of exchange

Ⓐ If Transaction has commercial substance

Ⓑ If transaction has No commercial substance.

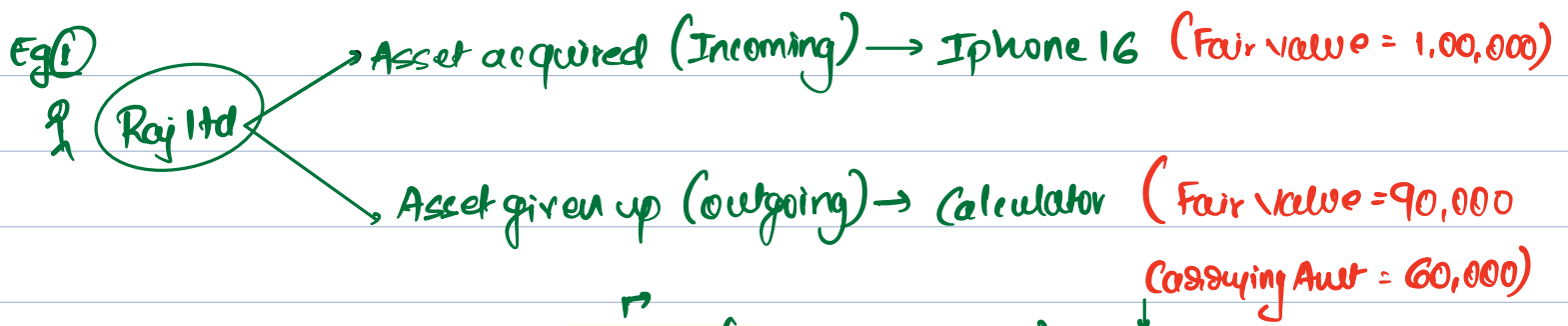
Ⓐ Transaction has commercial substance

TO record incoming asset

1st preference: FV of Asset given up

2nd preference: FV of Asset acquired

3rd preference: C.A of asset given up



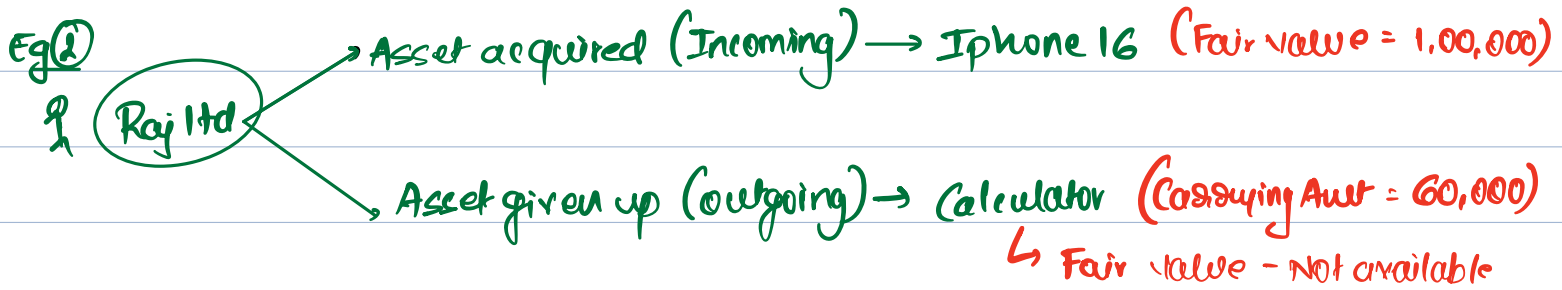
J.E. iPhone 16 A/c Dr 90,000 (FV of asset given up)

Raj ki B/s mein yeh asset 60,000 pe dikh raho hai

To Calculator A/c 60,000 (always @ carrying Amt)

To Profit on Exchange (PIL) 30,000

koii bhi chiz jab bahar jayegi, toh always @ carrying Amt Jayegi



Journal entry

iPhone 16 A/c Dr 1,00,000

To Calculator A/c 60,000 (always @ carrying Amt)

To Profit on Exch. (PIL) 40,000

1st pref → not available

∴ recorded at 2nd pref → i.e. fair value of asset acquired.

Eg 3

Dhawan Ltd

Asset acquired → iPhone 16 (Fair value 1,00,000)

Asset given up → Calculator (C.A → 60,000, FV = 90,000)
Cash (20,000 → CA (FV))

Journal entry

Iphone 16 Atc DS ~~90,000~~ 1,10,000

TO Calculator Atc 60,000

TO Cash/Bank Atc 20,000

TO Profit on Exch. 30,000

} always @ C.A.

1st pref: FV of asset given up

Calculator C/B

Total FV of asset given up $90,000 + 20,000 = 1,10,000$

(B) Transaction has NO commercial substance

This happens when assets of same nature same value, same type are exchanged.

To record incoming asset
↓
Only 1 Preference: C.A of asset given up.

Eg

Adi

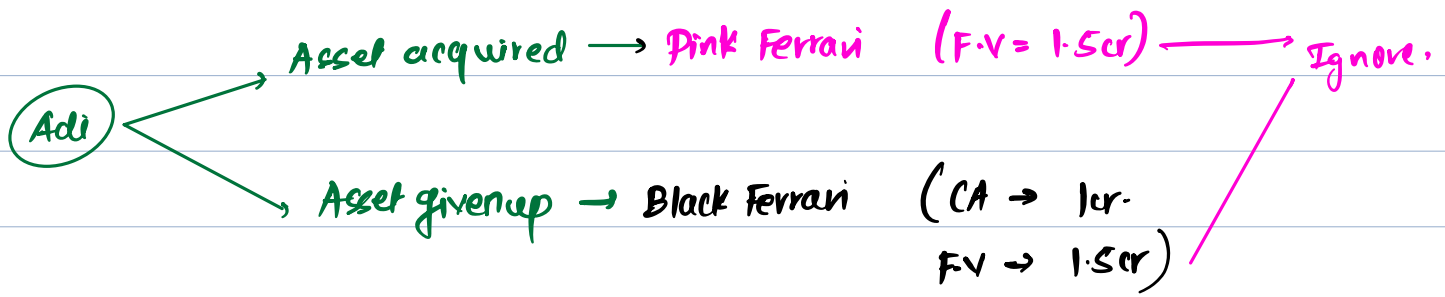
Ferrari (Black colour)



Ak Singh

Ferrari (Pink colour)





J-E. Pink Ferrari A/c Dr 1cr
 To Black Ferrari A/c 1cr (always @ C.A) } No Profit/loss on exchange.

Only 1 Prof: C.A of asset given up.

There is only 1 Prof, as in this case, there is No Profit motive.

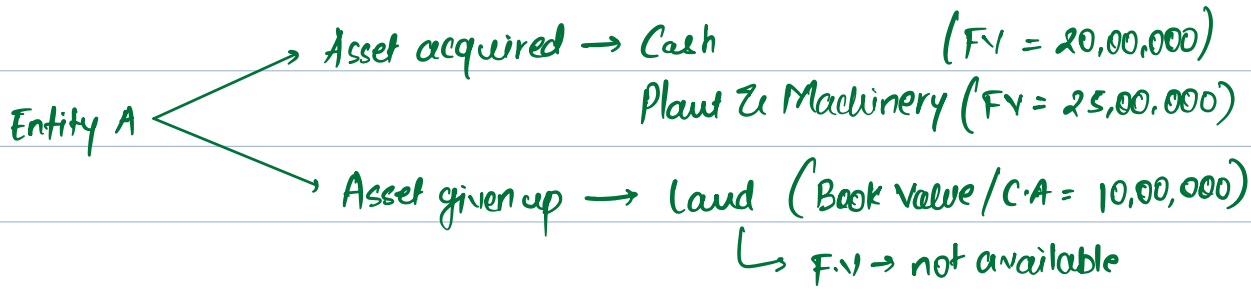
Note: If nothing is mentioned in ques / No hint available regarding commercial substance, then always assume that transaction HAS commercial substance.

Illus 3

Particulars	'₹'
Purchase Price	1,58,00,000
(+) Site Preparation	1,40,000
(+) Technician fees (45000 × 3 months p.m.)	1,35,000
(+) Transportation cost	50,000
(+) Professional fees to architect	30,000
Total cost of machinery	1,61,55,000

Illus 4 & 5 → Refer Q.B.

Illus 6 (LDR)



As per AS 10-PPE, when asset is acquired by way of exchange in that case, the incoming asset will be recorded at FV of asset given up But in this case it was not available. Hence we will record at FV of asset acquired.

Journal entry

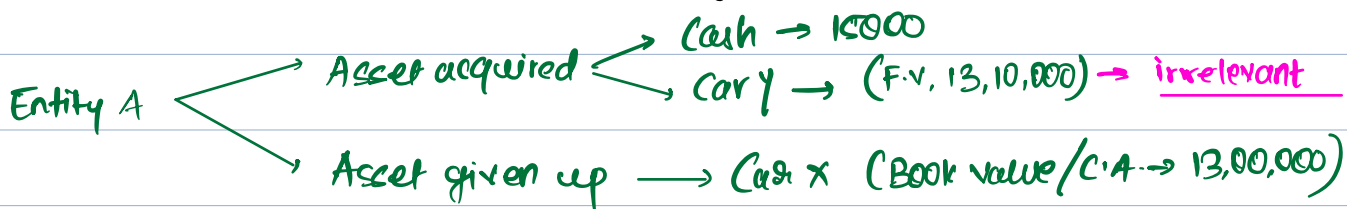
Cash A/c Dr 20,00,000
Plant & Machinery A/c Dr 25,00,000
 To Land A/c 10,00,000 (always at carrying Amt)
 To Profit on Exch. (PIL) 35,00,000

1st pref: FV of Asset given up (Not available)

2nd pref: FV of Asset acquired

Illus 7

As per AS 10-PPE, if the transaction lacks commercial substance, then the incoming will be recorded at C.A. of asset given up. There will be no profit/loss on exchange.



Journal entry

Cash/Bank A/c Dr 15000
Car Y A/c Dr (BIF) 12,85,000
 To Car X 13,00,000 (always @ carrying Amt)

only 1 pref → C.A. of asset given up.

Illus 22 & 23 → Refer Q.B.

Illus 28 (LDR)

(₹ in lakhs)

Particulars	₹
Purchase Price (5000 acre (x) ₹ 60,000 per acre)	3000 lakhs
(+) Demolishing (Net Exp) <i>WN</i>	50 lakhs
(+) Stamp Duty & Registration charges (7% of 3000 lakhs)	210 lakhs
(+) legal & consultancy fees	8 lakhs
(+) Title Insurance	1.25 lakhs
Total cost of land	<u>3269.25 lakhs.</u>

Jump

WN Demolishing Net Exp

Exp incurred	1,10,00,000
(-) Income rec'd from Sale of scrap	59,00,000 (60,00,000)
Net Demolishing Exp	50,00,000

include 5% GST
 63,00,000 105%
 60,00,000 100% (excl. GST)

↓
 GST is not
 our income,
 we will have to
 pay to Govt.
 ∴ Exclude

Ques 4 → H.W.

Ques 5 (LOR)

Calculation of Cost of Machinery

Particulars	'₹'
Purchase Price (excl. GST as Input Tax credit is available)	1,41,37,500
(1,58,34,000 → 112% (incl. GST 12%) 1,41,37,500 100% (excl. GST)	
(+) Site Preparation	1,41,870
(+) Technician's (Supervisor Salary) (45000 × 3 months p.m.)	1,35,000
(+) Transportation costs	55,770
(+) Professional fee of architect	30,000
Total cost of Machinery	1,45,00,140

Note: Inter Co. Profit of 10% on Technician's fee is not to be considered.

Ques 7 (LOR)

Calculation of cost of Plant

Particulars	'₹'
Purchase Price (680000 (-) 40000) ^{Inclusive of GST} ^{GST Input Available}	640000
(+) Site Preparation cost	21200
(+) Labour charge (56000 → 500 hrs) ? 200 hrs	22400
(+) Spare parts consumed	5000
(+) Supervisor's Salary (26000 × 25%)	6500
(+) Technical cost (34000 × 1/10)	3400
(+) Testing Exp	18000
(+) Professional fees of Architect	11,000

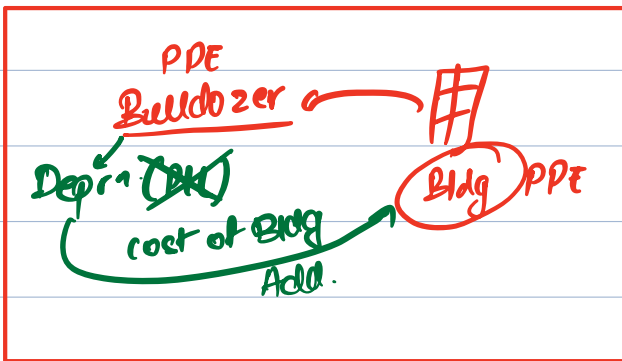
(+) Deprⁿ on Assets used for installation

12,000

Total cost of Plant

739,500

Eg:



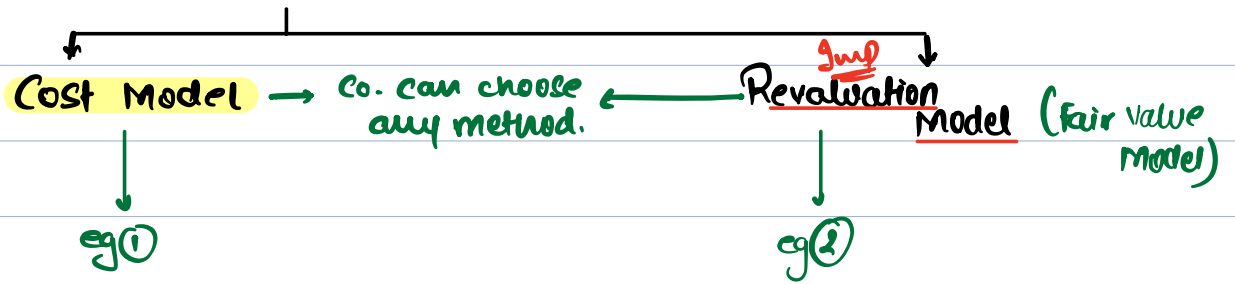
Notⁿ: ① If Bulldozer is being used to construct Bldg, then Deprⁿ of Bulldozer will be Added to cost of Bldg.
(PPE) 1 (PPE)

(further Exp)

② Abnormal loss of ₹8900 which was incurred after asset was ready (i.e. after 15.01.2021) → will be transferred to P/L A/c.

4. Measurement

B. Subsequent Measurement



Eg 1 Cost Model

Day 1 PPE	10 lakhs	(10 yrs)	(Depreciation - SLM)
less: 4r1 Deprn	<u>1 lakh</u>		
4r1 end C.A.	9 lakhs		
less: 4r2 Deprn	<u>1 lakh</u>		
4r2 end C.A.	8 lakhs		

Eg 2: Revaluation Model

Day 1 PPE	10 lakhs	(life 10 yrs)
less: 1yr Deprn	<u>1 lakh</u>	
4r1 end C.A.	9 lakhs	

4r1 end Fair Value 12 lakhs

Revaluation Gain 3 lakhs

Journal Entry PPE Atc Dr, 3 lakhs

To Cr Revaluation Gain 3 lakhs

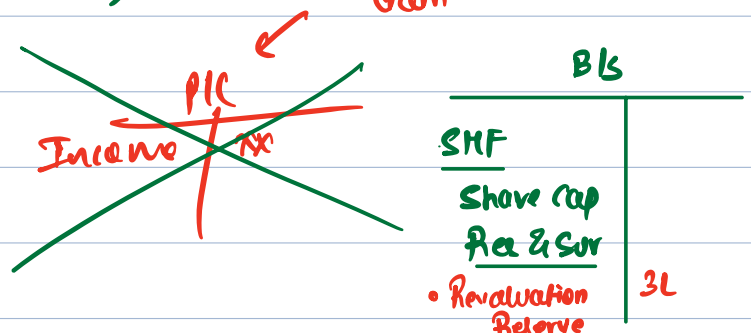
unrealised.

Revised value of PPE after Revaluation @ the end of 4r1

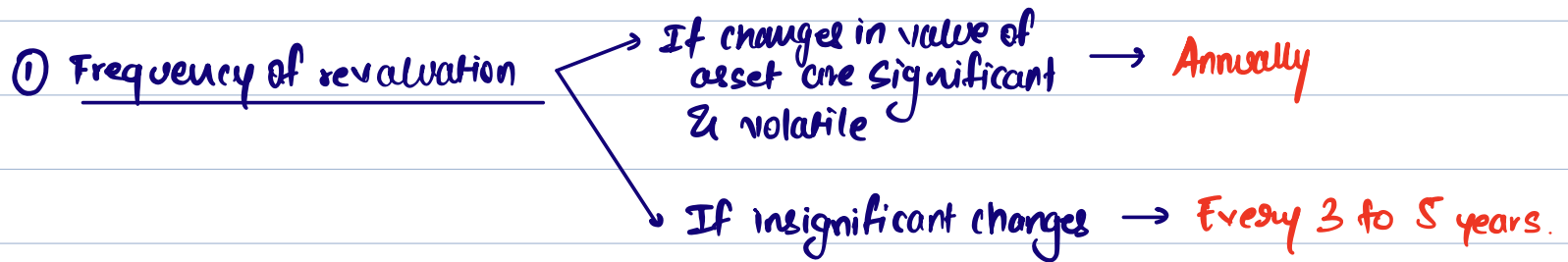
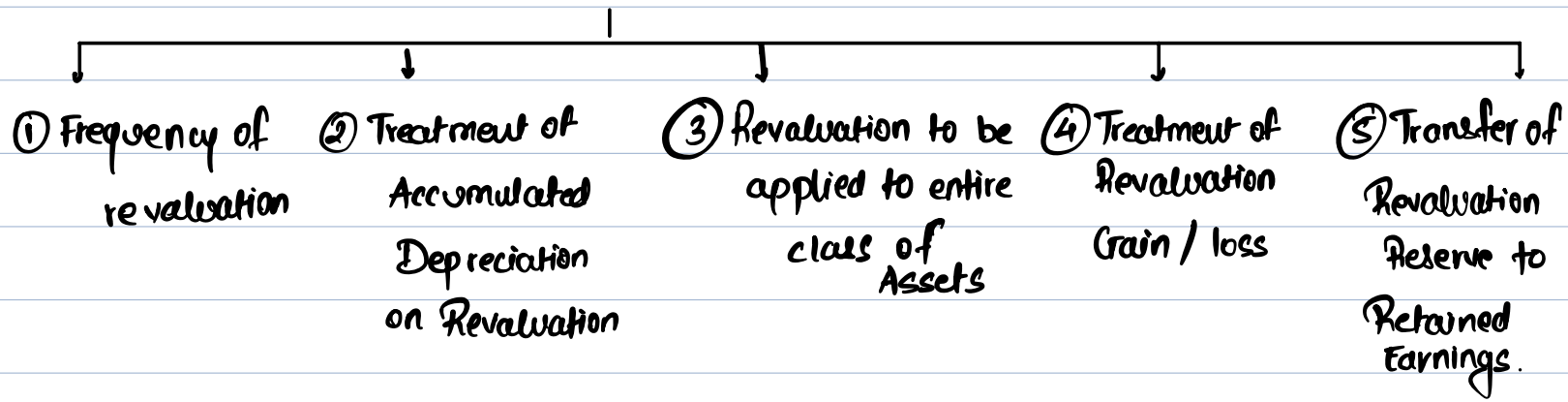
12 lakhs (Remaining life = 9 yrs)

less: 4r2 Deprn	<u>(1.33 lakhs)</u>
($\frac{12L}{9yrs}$)	

C.A @ the end of 4r2 10.67 lakhs



Revaluation Model



② Treatment of Accumulated Depreciation on date of Revaluation

Method ①
Eliminate Accumulated Depn against Gross Block of Asset
(Net Method)

Method 2
Do Not eliminate Acc. Depn
(Gross Method)
3 steps

① Find % Gain = $\frac{\text{Rev. Gain}}{\text{Net Block}} \times 100$

② Apply % Gain

- G.B(x)% Gain
- Acc. Dep(x)% Gain.

③ Pass J-E.

Eg: (Net Method)

Asset (PPE) Day ① Cost 100L

40L

(less: 2yrs Deprn
(100L x $\frac{2yrs}{5yrs}$)

(life Sys)

Gross Block

Accumulated Deprn

Carrying Amt @ the end of Yr 2

60 lakhs → Net Block

Fair value of PPE @ the end of Yr 2

75 lakhs

Revaluation Gain 15 lakhs

B/S

<u>Assets</u>		
PPE → GB	100L	25% ↑
(-) Acc. Deprn	(40L)	25% ↓
Net Block	<u>60L</u>	→ 75 → 25%

Acc. Deprn (₹40 lakhs)

Method 1 - Eliminate Acc. Deprn against Gross Block.
(Net Method)

① Acc. Deprn A/c Dr. 40
To Gross Block A/c 40

② PPE (Gross/Net) 15
TO Revaluation Gain (Revaluation Reserve) 15

B/S

<u>PPE</u>		
GB	100	60
(-) Acc. Deprn	(40)	Nil
NB	<u>60</u>	60

} Remain Gain 15

Method 2: Do Not eliminate
(Gross Method)

Step ① % Gain = $\frac{15}{60} \times 100$
= 25% ↑ (Net Block)

Step ②
25% → G.B. $100 \times 25\% = 25$
Acc. Deprn $40 \times 25\% = 10$

Step ③ Pass J-E-

Gross Block (PPE) A/c Dr. 25
TO Acc. Deprn A/c 10
TO Revaluation Gain. 15

↓
logic

G.B	100	125	(25% ↑)
(-) Acc Depr ⁿ	(40)	(50)	(25% ↑)
Net Block	60	75	(25% ↑)

Eg → Acc. Deprⁿ

Gross Block	200	(life 10yrs)
less: Acc Depr ⁿ (4yrs)	(80)	
C.A @ the end of 4r 4	120	(Remaining life 6yrs)

Fair value @ the end of 4r 4 150

Revaluation Gain 30

Show the treatment of Acc. Deprⁿ as per Both (Net & Gross) method.

Method 1: Net method

1] Acc-Deprⁿ 80
TO G.B (PPE) 80

2] PPE (G.B/N.B) 30
TO Rev. Gain 30
(Reval Res)

Method 2: Gross method

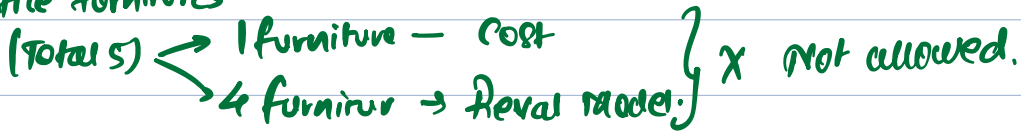
① % Gain = $\frac{30}{120} \times 100 = 25\%$ ↑ innt B

② 25% → G.B → $200 \times 25\% = 50$ ↑ G.B
Acc. → $80 \times 25\% = 20$ ↑ Acc Deprⁿ

③ PPE (G.B) 50
TO Acc-Depr 20
TO Revalⁿ Gain 30

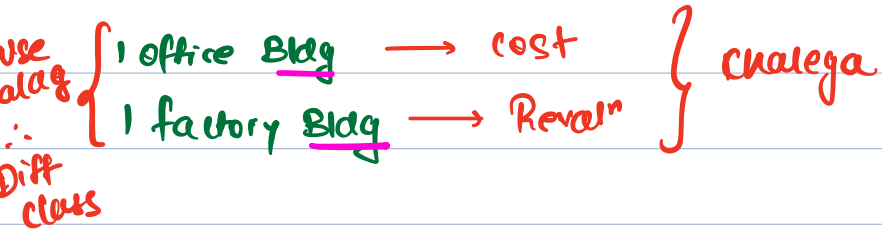
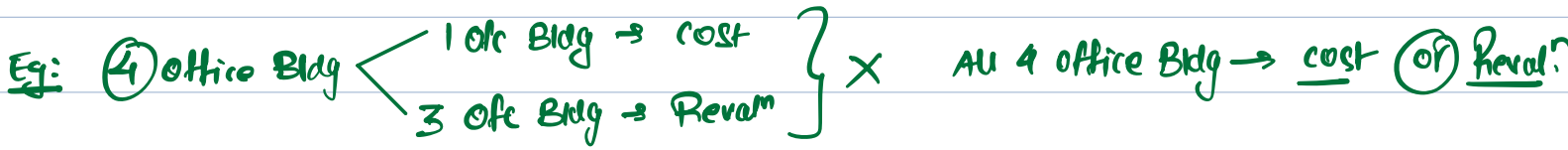
③ Revaluation to be applied to entire class of assets

Eg: Office furnitures

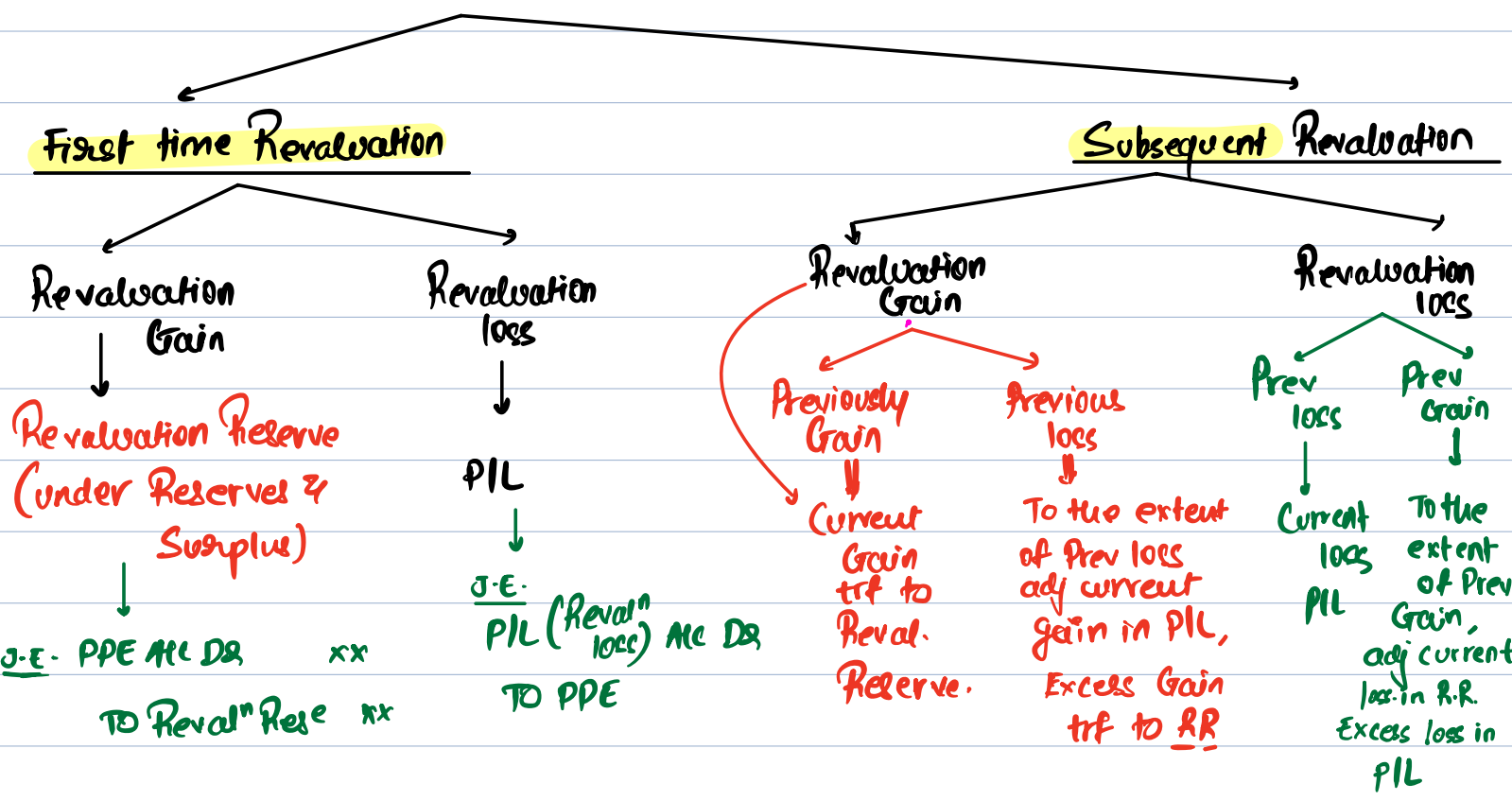


• If an item of PPE is revalued, the entire class to which the asset belongs shall also be revalued.

• Class of PPE means → Assets having similar nature, similar use, similar characteristics



4. Treatment of Revaluation Gain / loss (Unrealised)



Eq ① 1st time
Reval Gain
70
↓
RR

Subs. Reval
Reval Gain
20
↓
RR.

② 1st time
Reval loss
100
↓
PIL

Subs Revalⁿ
Reval. Gain
80
↓
Gain (PIL)

③ 1st time
Reval loss
100
↓
PIL

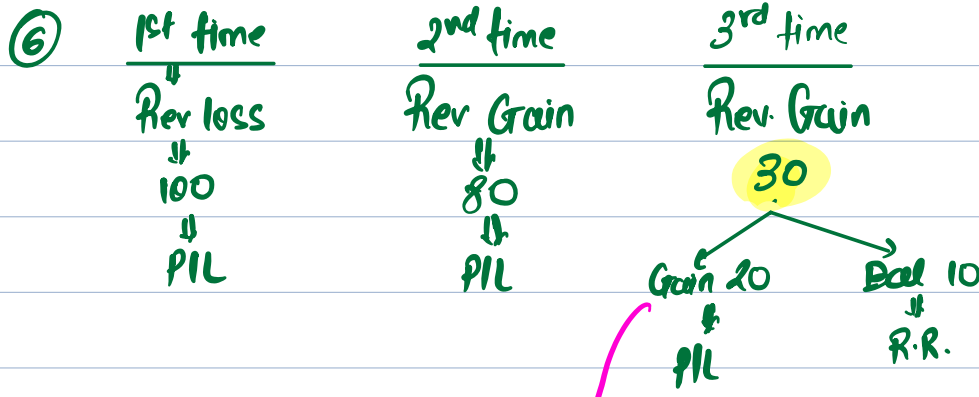
Subs Revalⁿ
Reval Gain
130
↙ ↘
100 Gain 30 Gain
PIL RR

④ 1st time
Reval Gain
100
↓
R.R.

Subs Reval
Reval loss
80
↓
Adj in RR.

⑤ 1st time
Reval Gain
100
↓
RR.

Subs Reval
Rev loss
150
↙ ↘
loss 100 Excess 50
↓ loss
R-R Adj PIL.



Pehle ka 20 ka loss abhi bhi set off karna baaki hai

5. Transfer of Revaluation Reserve to Retained Earnings

Mandatory
↓
When life of PPE is over
OR
When PPE is sold.

Transfer Revalⁿ Reserve to Retained Earnings

Optional
↓
Excess Depreciation
↓
Co. has an option to transfer excess Depreciation from Revaluation Reserve to Ret. Earnings.

This is optional.
↓
Refer Eg. Below

J.E. Revalⁿ Reserve Atc Dr xx
TO Retained Earnings xx

E/S	
SHF	
Rec & Susp	
Reval Reserve	30 → Assume
Retained Earnings.	30

Eg: Excess Deprn

PPE (Cost) 10 lakhs (Life 10yrs)

Less: Yr 1 Deprn (1 lakh)

C.A @ the end of Yr 1 9 lakhs

F.V @ the end of Yr 1 12 lakhs

Reval Gain (Reval Reserve) 3 lakhs → PPE A/c Dr 3 lakhs
TO Rev. Rese 3 lakhs

Revised carrying of PPE after Revaluation = 12 lakhs (Remaining life 9yrs)

Less: 2nd yr Deprn = (1.33 lakhs)
(12 lakhs / 9yrs)

CA @ the end of Yr 2 10.67 lakhs

Excess Deprn = 0.33L

(Deprn (-) Deprn
Before after Reval
1L 1.33L

Reval Rese 0.33 lakhs
TO Retained Earnings 0.33 lakhs.
This is optional

B/S

Reval Reserve	3 lakhs	→ 2.67L
Retained Earnings		0.33L

Measurement of PPE is over

⑤ Subsequent cost incurred

Repairs & Maintenance

↓

Charge this expense
to P/L

Major part Replaced

↓
Capitalize

(we will also discuss
about this, in
detail, in component
Ac'ing (Below))

⑥ Land & Bldg

→ These are separable Assets & are separately accounted.

→ Land & Bldg

- Land → Life infinite → Non-Depreciable
- Building → Always finite → Depreciable.

⑦ Depreciation

① Methods

- SLM (Straight Line Method) Eg ①
- WDV (Written Down Value Method) Eg ②
- Units of Production Method Eg ③

Eg ① SLM

PPE cost 10L, life 10yrs, Residual value = 1L.
Scrap value/
Salvage value

It means value of PPE @ the end of useful life.

PPE Day ① 10,00,000

Less: Yr 1 Deprn (90,000) → $\left(\frac{\text{Cost} (-) \text{Residual Value}}{\text{useful life}} \right)$
 $\left(\frac{10L (-) 1L}{10yrs} \right)$

CA @ the end of Yr 1 9,10,000

Less: Yr 2 Deprn (90,000)

Eg ② **INDV**

PPE cost 10L, Rate of = 10%, Residual value = 1L.
 Deprn Scrap value / Salvage value

irrelevant in WDV Method.

Day ① PPE 10,00,000

less: Deprn 10% (1,00,000)

CA @ the end of Yr 1 9,00,000

less: Yr 2 Deprn 10% (90,000) $(900000 \times 10\%)$

CA @ the end of Yr 2 810000

less: Yr 3 Deprn 10% (81000) $(810000 \times 10\%)$

CA @ the end of Yr 3 729000

Eg ③ Units of Production Method

PPE cost 10,00,000

~~Life~~ Capacity to produce 50,000 units

Yr	Units Produced
1	10,000
2	15,000
3	10,000
4	5000
5	10,000
	<u>50,000 units</u>

Soln: PPE cost (Day 1) 10,00,000

less: Yr 1 Deprn (2,00,000)

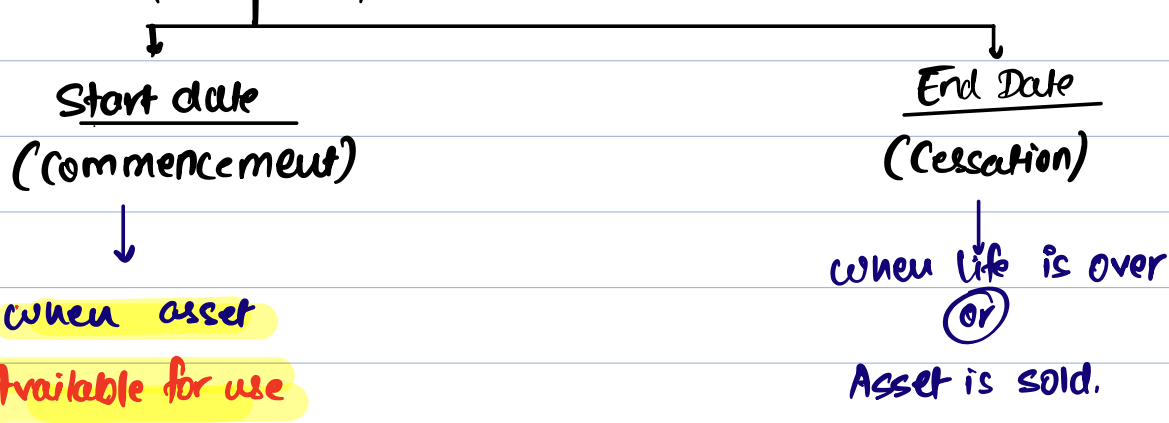
CA @ the end of Yr 1 8,00,000

less: Yr 2 Deprn (3,00,000)

CA @ the end of Yr 2 5,00,000

cost \downarrow \rightarrow Yr 1 Prodⁿ
 $(10,00,000 \times \frac{10,000 \text{ units}}{50,000 \text{ units}})$
 \rightarrow Total capacity
 $(10,00,000 \times \frac{15,000 \text{ units}}{50,000 \text{ units}})$

⑧ Depreciation period



Note: If C.A of asset reaches Residual value, then there will be NO Deprn.

Eg 01/01/25 → Construction started

01/11/25 → Available for use → Deprn starts.

01/01/26 → Co. actually started using it ✗

Just 8. Component Accounting / Major replacement of components / Major Inspection / Overhaul

↳ It is just like a separate component

→ Each significant part of PPE having different useful lives, should be depreciated separately.

→ When significant component is replaced, New cost of component is added & old C.A of old component is reduced.

Eg: Private Jet → 100 crores (life 10yrs)

	Engine (5yrs)	Body (10yrs)
Cost:	20 crores	80 crores
Deprn (4yr)	(4cr)	(8cr)
	(20cr/5yrs)	(80cr/10yrs)

CA @ the end of 4yr | 16cr 72cr = PVT Jet | 98cr

Year 2 Day 1 Engine requires replacement

New Engine cost = 24 cr (life 8 yrs)

Air Jet (C.A) Yr 2 Day 1 88 cr

(+) New Engine cost 24 cr

(-) Old Engine (@ C.A) (16 cr)

Revised C.A (Yr 2 Day 1) 96 cr

	↓	New Engine (life 8 yrs)	↓	Body (life 10 yrs 9 yrs)
--	---	-------------------------	---	-------------------------------------

CA 24 cr

72 cr

Deprn (Yr 2) (3 cr) (24 cr / 8 yrs)

(8 cr)

CA @ the end of Yr 2

21 cr

64 cr

9. Changes in Estimate of Depreciation method, useful life, Residual Value.
 (SLM → WDV) 10 yrs → 8 yrs 100000 → 80000

These are changes in Accounting Estimates (As per AS)

Hence Do Prospective Accounting

Eg 1 PPE cost 10 cr (life 10 yrs) (Deprn SLM)

Deprn Yr 1 (1 cr)

CA @ the end of Yr 1 9 cr (Remaining life 6 yrs) → Revised.

On Day 1 of Yr 2 → Co-revised the estimate the useful life & now only 6 yrs are remaining

less: Deprn Yr 2 (1.5 cr) (9 cr / 6 yrs)

CA @ the end of Yr 2 7.5 cr

10. Other Miscellaneous Points

(A) Investment Property

covered in AS 13, But accounting of Investment Property will be done using cost model of AS 10.

(B) PPE acquired together at a consolidated Price

Bifurcate the total Payment among all Assets in the ratio of Fair value.

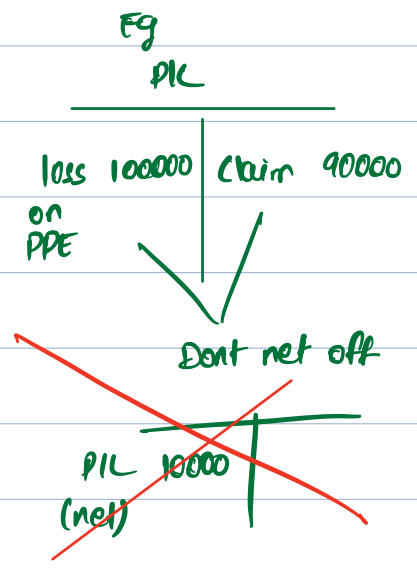
Eg:	F.V	Allocation of Amt Paid		B/S
PS 5	50,000	45,000	$(315000 \times \frac{50000}{350000})$	PS 5 45K
Ipad	1,00,000	90,000	$(315000 \times \frac{100000}{350000})$	
Iphone	80,000	72,000	$(315000 \times \frac{80000}{350000})$	
MacBook	1,20,000	108,000	$(315000 \times \frac{120000}{350000})$	
	<u>3,50,000</u>	<u>315,000</u>		

Total Paid for all assets = 315,000

(C) Insurance claim received on damage of assets

(pakka pakka)

- Record as income in P/L in the year in which claim is certain to be received.
- loss on damage of asset & income of insurance claim will be shown separately, do not net off.



① Spare Parts / Tools / Servicing Equipment

If they meet the definition of PPE
 ↓
 covered in AS 10

If they don't meet the defⁿ of PPE
 ↓
 covered in AS 2 - Inventory

→ Books se bahar karna

② De-Recognition of PPE

→ De-recognise the asset when: (i) it is sold (or) (ii) life of PPE is over.

→ If it is sold, then gain or loss on sale of PPE will be transferred to PL.
 realised gain/loss

→ On De-Recognition of PPE, if there is any balance in Revaluation Reserve, it will be transferred to Retained Earnings

Eg: PPE cost 10cr (life 10yr)

less: Depn 1yr (1cr)

CA @ the end of yr 1 9cr.

Fair value of the end of yr 1 15cr

Revaluation Gain 6cr

6cr

→

PPE

6cr

Revaluation Reserve 6cr

B/L

PL

Reval Rese

6cr

Revised value of PPE after Revaluation 15cr (Remaining life 9yrs)

less: 4r 2 Depn

(1.67cr) (15/9yrs)

CA @ the end of yr 2 13.33cr.

Sold @ end of yr 2 11cr

realised loss on sale (13.33cr - 11cr) = 2.33cr

(PL)

→ Don't adj with RR, this is realised gain/loss ∴ Direct PL

J-E. for sale

CIB A/c Dr 11cr
PL (loss on sale) Dr 2.33cr
TO PPE A/c 13.33cr

Reval Reserve Cr
TO Retained Earnings Cr.

(F) Change in Existing, Decommissioning / Dismantling / Site Restoration

→ This change may result from change in timing or amount or discount rate.

Treatment of change in Prov for Decommⁿ

Asset is @
Cost Model

↓
Adj the change in Prov for Decommⁿ
from cost of Asset

↑ in Decommⁿ

PPE A/c Dr.

TO Prov for Decommⁿ

↓ in Decommⁿ

Prov for Decommⁿ A/c Dr

TO PPE A/c

Asset is @
Revaluation model

↓
Adj the change in Prov for Decommⁿ
from Revaluation Gain / loss

↑ in Decommⁿ

Revaluation loss

TO Prov for Decommⁿ

↓ in Decommⁿ

Prov for Decommⁿ Dr.

TO **Reval Gain**

Illus 12

01/10/11 PPE cost	1,00,000	(life 10yrs, Residual value → NIL)
less: 4 yrs Deprn	<u>(40000)</u>	$(100000 \times \frac{4\text{yrs}}{10\text{yrs}})$
CA 31/12/14/01/10/15	60000	→ (life Revised = 4yrs)
less: 4rs Deprn	<u>(15000)</u>	$(60000/4\text{yrs})$
31/12/15	45000	

Life Revised of
↓
Estimate
change
↓
Prospective

Illus 14

Case (a) Residual value 10,00,000

PPE Cost 20x1	10,00,000	(life 20yrs, Res. value = 10L)
less: Deprn 20x1	NIL	$\left(\frac{\text{Cost} (-) \text{ Salvage value}}{\text{No. of yrs}} \right) \left(\frac{10L - 10L}{20\text{yrs}} \right)$

Case (b) Residual value 900000

PPE Cost 20x1	10,00,000	(life 20yrs, Res. value = 900000)
less: Deprn 20x1	5000	$\left(\frac{\text{Cost} (-) \text{ Salvage value}}{\text{No. of yrs}} \right) \left(\frac{10L - 9L}{20\text{yrs}} \right)$

Illus 24

	"₹ in lakhs"
PPE Cost (Day 1)	3000
less: Deprn for 4 years $(3000 \times 10\% \times 4\text{yrs})$	<u>(1200)</u>
C.A @ the end of Yr 4	1800
Fair Value @ the end of Yr 4	<u>2700</u>
Revaluation Gain (Surplus) (Revaluation Reserve)	900

Revised value after Revaluation 2700 (Remaining life 6yrs)

@ the end of Yr 4	
less: Deprn Yr 5 $(2700 \div 6\text{yrs})$	<u>(450)</u>
CA @ the end of Yr 5	2250
less: Yr 6 Deprn	<u>(450)</u>
CA @ the end of Yr 6	1800

Illus 25 (LOR)

	'₹'
Cost of PPE (on Day 1)	2,50,00,000 (life 10yrs)
less: 2yrs Deprn $(2,50,0000 \times \frac{2\text{yrs}}{10\text{yrs}})$	<u>(50,00,000)</u>
C.A @ the Beginning of Year 3	2,00,00,000
F.V @ the Beginning of Year 3	<u>3,00,00,000</u>
Revaluation Gain (Surplus) (Revaluation Reserve)	1,00,00,000

Revised value after Revaluation @ the Begⁿ of Yr 3 3,00,00,000 (Remaining life 8yrs)

less: Deprn for 3yrs (Yr 3, Yr 4, Yr 5) $(3\text{yr} \times \frac{3\text{yrs}}{8\text{yrs}})$	<u>(1,12,50,000)</u>
CA @ the end of year 5	1,87,50,000

	CASE A	CASE B.
CA @ the end of 4yrs	1,87,50,000	1,87,50,000
Selling Price	1,12,50,000	42,50,000
loss on sale (TIF to PII)	(75,00,000) loss	(1,45,00,000) loss
J-E (Extra Part)	C/B Atc DS 1,12,50,000 loss on sale (PII) 75,00,000 TO PPE (@ C.A) 1,87,50,000	C/B Atc DS 42,50,000 loss on sale (PII) 1,45,00,000 TO PPE (@ C.A) 1,87,50,000
Transfer of RR to R-E	1,00,00,000	1,00,00,000
	J-E- RR 1 cr TO R-E 1 cr	RR 1 cr TO R-E. 1 cr.

Illus 26 (LOR)

Cost of PPE

Particulars	"£"
Purchase Price	30,00,000
(+) Delivery	1,00,000
(+) Cost of site Prep.	2,00,000
(+) Consultant's fees	50,000
(+) Dismantling & Site Restoration @ Present value	30,000
Total cost of Plant (including motors)	33,80,000

	Motor	Total
<u>Imp</u> value of Motor = Purchase Price	500000	30,00,000
	563333	33,80,000

Particulars	(life 10yrs) Plant (excl. Motor)	(life 6yrs) Motors.
Value of components (Car 1)	28,16,667	563333
less: Deprn for 4 years.	$(3380000 - 563333)$ $(11,26,667)$ $(2816667 \times \frac{4}{10})$	$(375,555)$ $(563333 \times \frac{4}{6})$
CA @ the end of 4r 4	16,90,000	187778

Component Replaced (Motor)

(+) New Motor Cost		6,00,000
(-) Old Motor c.a		(1,87,778)
Revised c.a @ the end of 4r 4 (after replacement)	16,90,000	6,00,000
F.V @ the end of 4r 4 (25,00,000) as a whole	600000 New Motor 1900000 Plant 19,00,000	600000
Revaluation Gain (Surplus) (Rev Res)	2,10,000	-

Revised C.A @ the end of yr 4
after revaluation

Less: 4yrs Deprn

C.A @ the end of yr 8

S.P (Total = 6,00,000) → allocate in Ratio of C.A.

loss on sale (Trf to P/L)

Plant

Motor

19,00,000
(Remaining life = 6yrs)

6,00,000
(New life = 5yrs)

(12,66,667)
($1900000 \times \frac{4}{6}$)

(480000)
($600000 \times \frac{4}{5}$)

6,33,333

1,20,000

(504425)

(95575)

($600000 \times \frac{6,33,333}{7,53,333}$)

($600000 \times \frac{1,20,000}{7,53,333}$)

(1,28,908) loss

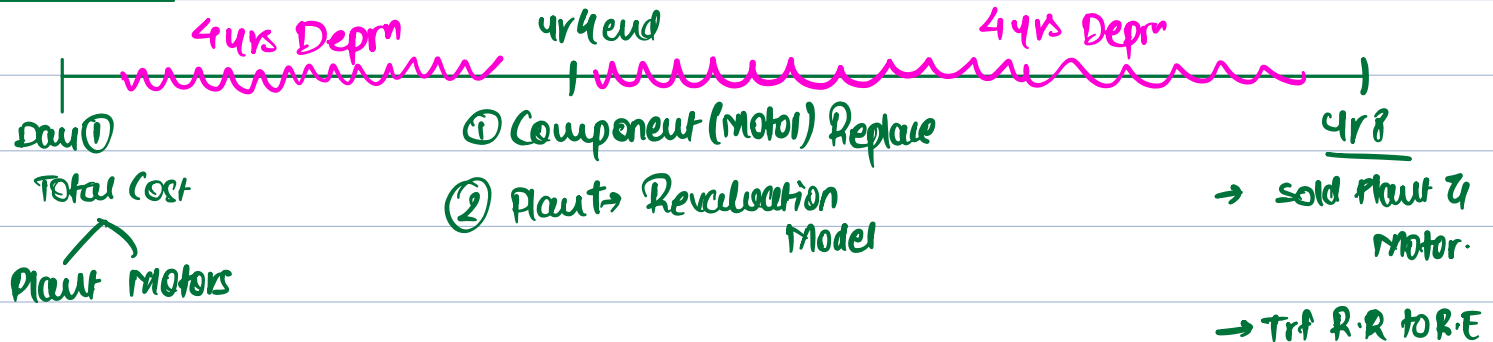
(24,425) loss

→ Transfer of Reval Rese to Net-Earnings = 2,10,000

R-R 210000

TO R.E 210000

Summary



Ques 6

Particulars	Plant (10yrs)	Boiler (10yrs)
Day ① Cost (Total 2,00,00,000)	1,50,00,000	50,00,000
Less: 2yrs Depr	(30,00,000)	(10,00,000)
	<hr/>	<hr/>
C.A @ the end of 4r 2	1,20,00,000	40,00,000
<u>Component replaced</u>		
(+) Cost of New Boiler (Given)		60,00,000
(-) C.A of old Boiler		(40,00,000)
	<hr/>	<hr/>
Revised C.A after component replacement	1,20,00,000	60,00,000
		Total C.A = 1,80,00,000

Ques 8 (i) (ii) (iii) → Refer Q.8

(iv) 01.04.17 Cost 50000 (life 5yrs)

less: 2yrs Depr (20000)

C.A 01.04.19

30000

(life Revised = 2yrs remaining) → given

less: Deprⁿ (19-20) (15000)

Ques 9

(i)	C.A	210000
	F.V	190000

Revaluation loss 20000

Adj upto 20000 loss from Revaluation Reserve

Bal 6000 loss trf to P/L

Revaluation Reserve = 20000

(-) 20000 = NIL

J-E (extra) Rev. loss

Revalⁿ Rese Atc Dr 20000

P/L Atc Dr 6000

TO PPE 26000

ii) Gross Block 76000

(-) Accumulated
Depn (62000)

Net Block (C.A) 14000

Sold Price (4000)

Loss on Sale 10000

(Trf to P/L)

If any ques of AS comes in exam → Do write 2-3 lines of relevant concept in own words along with AS Name & No.

Illus 27 (LDR)

As per AS 10 - PPE, whenever a major component of PPE is replaced, we will add the new cost of component, but we will derecognise (reduce) the carrying amount of old component.

?

Particulars

Machline
(excl. turbine)
Turbine
no Breakdown available on Day ①

Cost of Machinery on Day ①
Less: Deprn for 6 years $(1000 \times \frac{6 \text{ Yrs}}{10 \text{ Yrs}})$
CA @ the end of 6th year

1000 lakhs (life 10 yrs)
(600 lakhs)
400 lakhs

Component replace

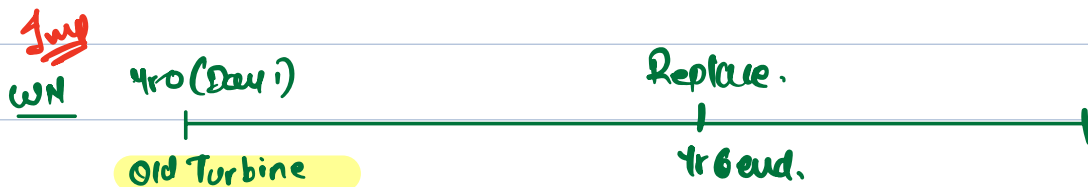
(A) Cost of New Turbine (Given)

450 lakhs

July (C) Carrying Amount of old Turbine (WN)

(113.43 lakhs)

CA after replacement @ the end of yr 6 736.57



PV of
450 lakhs
(8%)
 $= \frac{450}{(1.08)^6}$

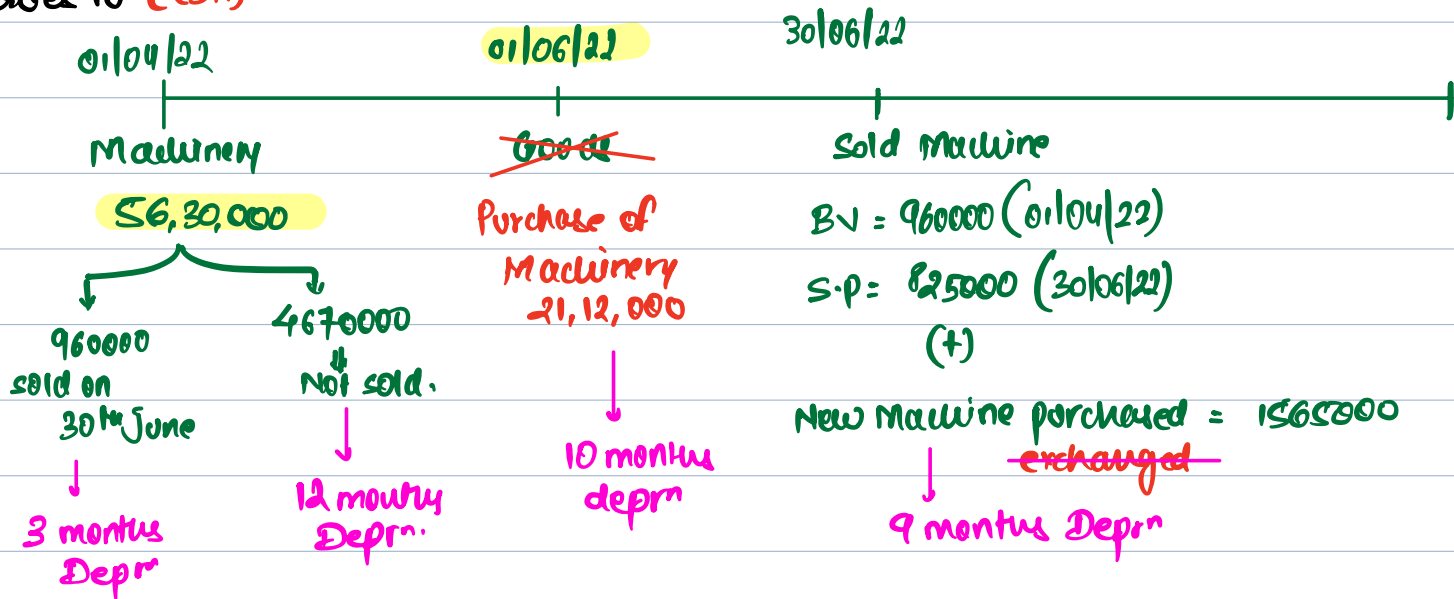
Cost of = 283.58 lakhs (life 10 yrs)
Old Turbine

Old Turbine

less: 6 Yrs (170.15 lakhs) $(283.58 \times \frac{6 \text{ Yrs}}{10 \text{ Yrs}})$
Deprn

CA @ the end of yr 6 113.43 lakhs

Ques 10 (LOR)



i) Depreciation to be charged to P/L A/c

a) $96000 \times 10\% \times \frac{3m}{12m} = 24000$

b) $4670000 \times 10\% \times \frac{12m}{12m} = 467000$

c) $21,12,000 \times 10\% \times \frac{10m}{12m} = 1,76,000$

d) $1565000 \times 10\% \times \frac{9m}{12m} = 1,17,375$

Total Depreciation 7,84,375

ii) Book value of Plant & Machd on 31/03/2023

	Machinery Book value	Deprn for the year	C.A @ 31/3/2023
1)	960000	(24000)	936000 Sold during the year
2)	4670000	(467000)	42,03,000
3)	21,12,000	(176000)	19,36,000
4)	1565000	(1,17,375)	14,47,625
			<u>C.A of Machine 75,86,625</u> on 31/3/23

iii) Profit /loss on sale / Exchange of machine

Old Machine 01/04/22	960000
(-1) 3m Deprn	(24000)
	<u>936000</u>
CA on 30/06/22	936000
S.P on 30/06/22	(825000)
loss on sale (PIL)	<u>1,11,000</u>

30 marks MCQs → Individual MCQs → 3-4
 Case Study Base MCQs → At the end of Adv Acc's syllabus