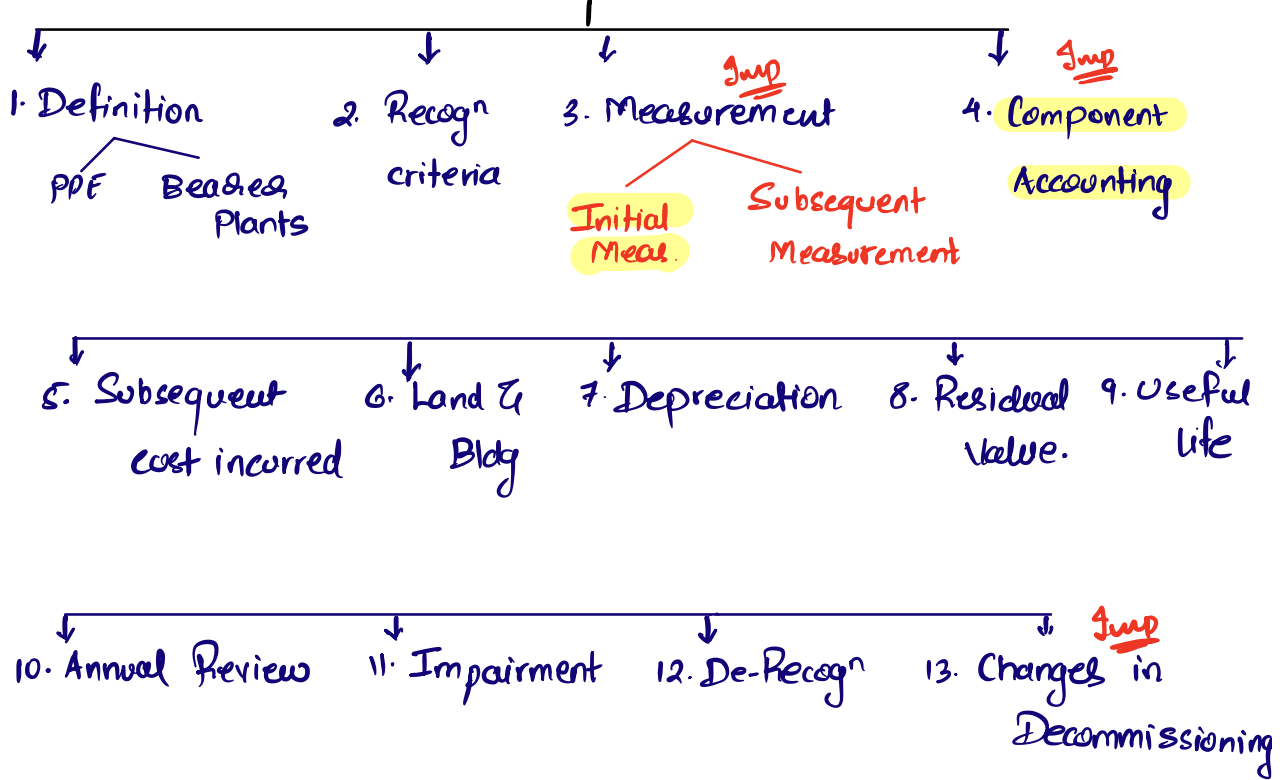
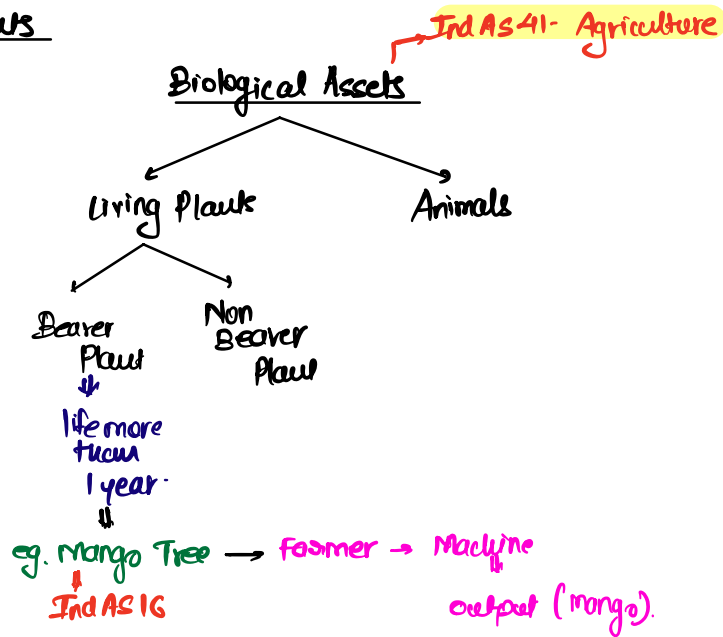


v. 2011
IND AS 16 - PPE



* Beaver Plants



Eg: Decommissioning / Dismantling / Site Restoration @ PV

Asset purchased for ₹10 lakhs. Decommission after 5 yrs = ₹5,00,000
D.F@10%

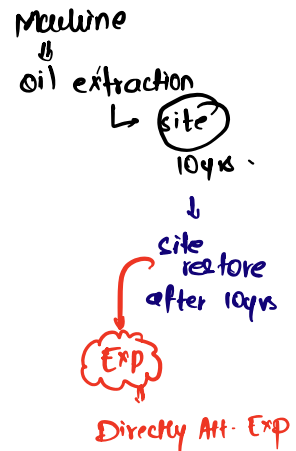
PV of Decomm

Soln: Day 0 PPE cost = $10,00,000 + 310461 = 1310461$
 $(SL / (1.10)^5)$

J-E: PPE A/c Dr 1310461
 To CIB A/c 10,00,000
 To Prov for Decomm 310461

Prov PV Day 0 310461	future payment (5yrs) 5,00,000

↓ unwinding.	



Q10 Unwinding of Interest

Yr	Opn	Int @ 10%	Cl
1	310461	31046	341507
2	341507	34151	375658
3	375658	37566	413223
4	413223	41322	454546
5	454546	45454	500000

↓
Unwinding

J-E 4r lend

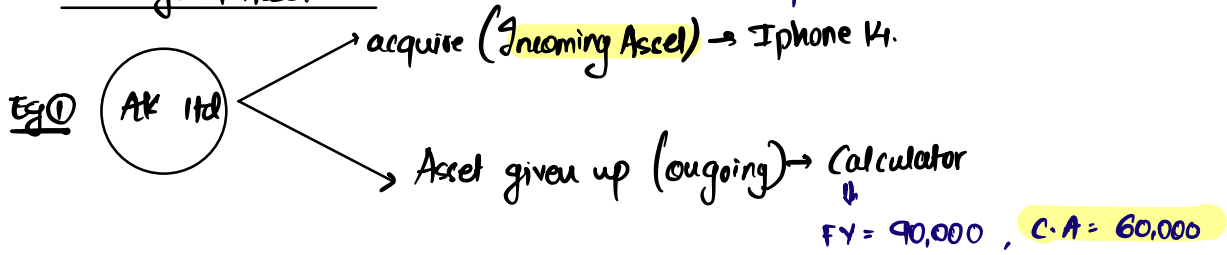
4r lend	Int Exp	Acc Dr	31046
	TO Prov for Decomm?		31046
4r lend	"		34151
4r lend	"		37566
4r lend	"		41322
5r lend	"		45454

4r send Prov for Decomm? 500000

TO Cl B Acc 500000

* Exchange of Assets

→ Fair Value = 1,00,000

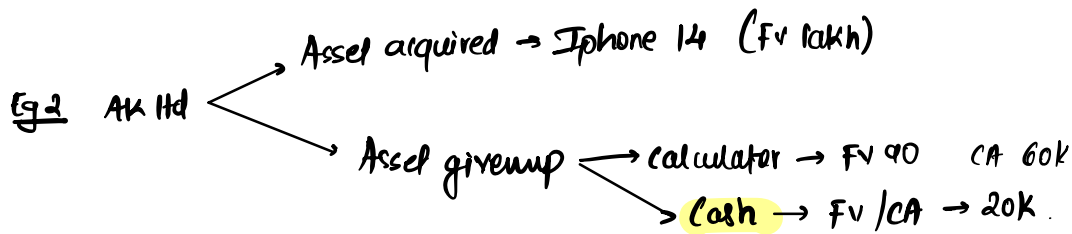


J-E. iPhone A/c Dr. 90,000
 TO Calculator A/c (@ Carrying Amt) 60,000
 TO P/L (Profit on Exch) 30,000

- 1st pref: FV of Asset given up (+) Cash paid (if any)

2nd pref: FV of Asset acquired

3rd pref: CA of Asset given up (+) cash paid
- } As per ICAI



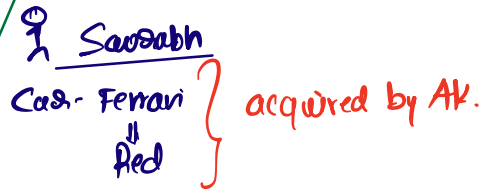
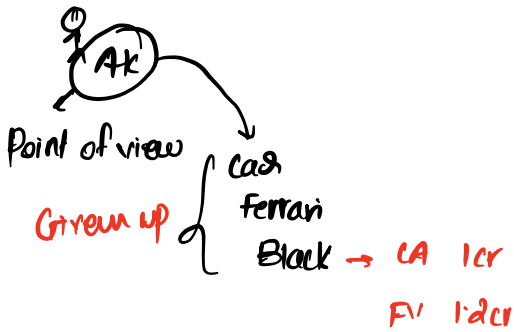
→ FV of Asset given up + cash paid [90k + 20k]

J-E. iPhone A/c Dr. 110000
 TO Calculator A/c 60000
 TO CB A/c 20000
 TO P/L 20,000

} always @ CA.

Eg: Exchange (lacks commercial substance)

Only 1 prof:- CA of Asset given up for cash paid.



J-E (AK) Ferrari (Red) Atc Dr 1cr
 TO Ferrari (Black) Atc 1cr

Why CA? Because they want us to avoid booking any profit on exchange.

Eg: Treatment of Acc. Deprn.

2yr use → PPE (Equip) cost 100L → G.B. (life 5yr)
 less: 2yrs Deprn (40L) → Acc. Deprn
 CA @ the end 60L → N.B.
 of 4 & 2

Fair Value 75L
 Yr 2 end
 Real Gain 15L

Liab. Bal. →

B/S	
PPE	
GB	100
(-) Acc. Dep	(40)
NB	60

Acc. Dep = £ 40L

Eliminate Acc. Deprn

- ① J-E Acc Deprn Alc Dr 40
 TO G.B (PPE) 40
- ② PPE Alc Dr 15
 TO R.G (OCI) 15

Do NOT eliminate Acc. Deprn

3 steps

① Find % Gain = $\frac{R.G}{C.A} \times 100$
 $= \frac{15}{60} \times 100$
 $= 25\%$

B/S	
PPE	
G.B/N.B	60
(+) R.G	15
PPE (NB/GB)	75

② Apply % Gain

G.B	Acc. Deprn
↓	↓
$100 \times 25\%$	$40 \times 25\%$
= 25	= 10

↑ Both

③ Pass J-E

G·B (PPE) Acc Depr 25

TO Acc·Deprn 10

TO Rev Gain (OCI) 15

Revised value after Revaln

B/s		
GB	125	} ↑ by 25%.
Acc Deprn	(50)	
NB	75	→ ↑ 25%.

Illus 23

G·B 200 (life 10 yrs)

Acc·Dep (80)

N·B 120 } @ the end of 4 yrs
FV 150 }

R·G 30
OCI

Acc·Deprn

Method I (Eliminate)

1] Acc·Deprn Acc Depr 80
TO G·B (PPE) 80

2] PPE 30
TO Rev Gain (OCI) 30

Revised C·A (@ the end of 4th yr) = 150 (life 6 yrs)

Method II - Do Not eliminate.

3 Steps

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

② Apply % $\left\{ \begin{array}{l} G·B = 200 \times 25\% = 50 \\ A·D = 80 \times 25\% = 20 \end{array} \right.$

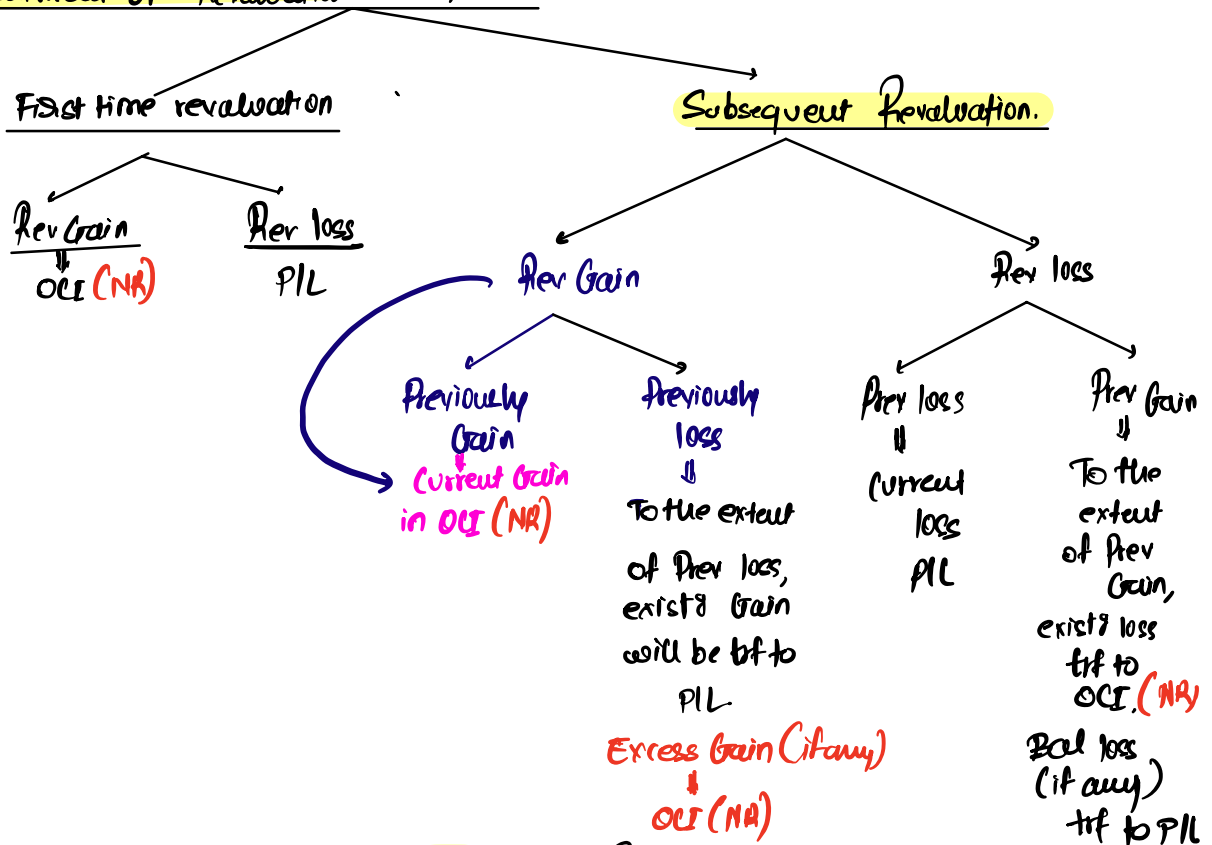
③ Pass J-E
G·B 50
TO A·D 20
TO R·G (OCI) 30

Deprn from 2th yr = ₹25 p.a. (150/6yr)

Revised C.A (@ the end of 4th yr) = 150 (life 6yr)

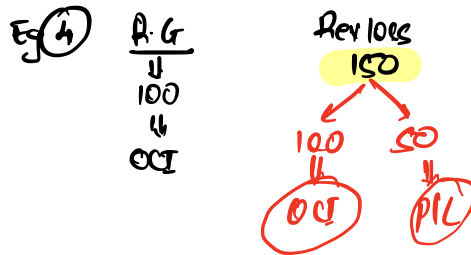
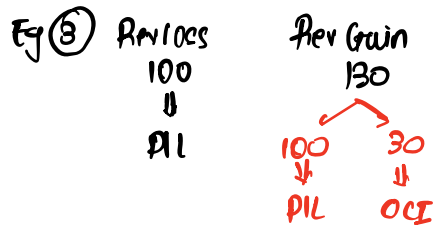
Deprn from 2th yr = ₹25 p.a. (150/6yr)

* Treatment of Revaluation Gain / loss



	1 st time	Subs Prev
eg 1	A/G	Gain
	70	20
	↓	↓
	OCI	OCI

eg 2	Rev loss	Rev Gain
	100	↓
	↓	80
	PIL	↓
		PIL



Eg: OCI (R) / OCI (NR)

↓ reclassified to PIL ↓ Not reclassified to PIL

PPE

4r 1 end Rev Gain → F 30 → OCI → other Eg

4r 2 end → F 20 → OCI → Revaluation Surplus 30

4r 3 end → F 10 → OCI → Reval Surpl = 50

4r 4 → PPE sold / PPE useful life over. (PPE is out of your books)

OCI (R)

Full Bal of Rev. Surplus will be reclassified to PIL

Rev Surplus At Dr	60
To PIL	60

OCI (NR)

Full Bal of Rev. Surpl (NOT) be reclass. to PIL
Directly trf to Retained Earnings

J-E Rev Surpl (O.E)	60
To Ret-Earn (O.E)	60

Incl As 16 (PPE)
↓
OCI (NR)

Eg:

Excess Deprn

PPE (life 10yrs) → cost	10L
less: 1yr Deprn	(1L)
CA @ the end of yr1	<u>9L</u>
FV @	<u>12L</u>
Rev Gain	3L → PPE Acc Dr 3L

Revised CA (@ the end of yr1)	12L (life 9yrs)	TO Rev Gain 3L (OCI)
less: <u>Deprn for yr2 (12/9yrs)</u>	<u>(1.33)</u>	↓ O.E. Rev. Surplus 3L
CA @ the end of yr2	<u>10.67</u>	



B/S	
O.E.	
Reval Surp	3 2.67
Ret Earnings	0.33

This concept is relevant only in case of Revaluation Gain.

PL (Yr2)	
Deprn	1.33L

* Component Pricing

Private Jet = 100L (life 10yrs)

	Engine (life 5yrs)	Body (life 10yrs)
Cost	20L	80L
Deprn Yr1	(4L)	(8L)
C.A @ the end of Yr1	<u>16L</u>	<u>72L</u>

B/s	
<u>Asset</u>	
<u>NUA</u>	
PPE - Pvt Jet	88L

Yr 2 Day 1 Engine requires replacement
 ↳ New Engine Cost = 24L (life 6yrs)

Pvt Jet (C.A) Yr 2 Day 1	88L
(+) New Engine cost	24L
(-) Old Engine (C.A)	<u>(16L)</u>
Revised C.A	<u>96L</u>

J.F	
① PPE (New Eng)	24L
TO CLB	24L
② Old Eng (Scrap - NIL)	
PL	16L
TO PPE (Old Engine)	16L

	Engine (New)	Body
Yr 2 Day 1	24L (life 6yrs)	72L (Remains life 9yrs)
Deprn Yr 2	(4L)	(8L)
C.A @ the end of Yr 2	<u>20L</u>	<u>64L</u>

Illus 8 (LOR)

Asset (Day 1) = 1,00,00,000 (life 10yrs) } Turbine } life 10yrs.
 } Other Parts }

Less: 6yrs Deprn (60,00,000)
 C.A @ the end of 6th yr 40,00,000
 (+) New Turbine 45,00,000
 (-) Old Turbine (wrt 1) (13,43,187)
 C.A @ the end of 6th yr 71,56,813
 after Replacement

Day 1 Old Turbine = 33,57,969
 $(45 / 1.05)^6$
 Less: 6yrs Deprn (20,14,782)
 $(33,57,969 \times 6/10)$
 CA @ the end of 6 (Old Turbine) 13,43,187

* Major Inspection & Overhaul

Art Jet

Cost (Day 1) = 100L (life 20yrs)

	Inspection	Others
Given →	10L	90L
	(6yrs)	(20yrs)
Deprn yr 1	<u>(2L)</u>	<u>(4.5L)</u>
	<u>8L</u>	<u>85.5L</u>

Art Jet
 ↓
 Every 5yrs Inspection compulsory.
 ↓
 5th yr end
 ↓
 10th yr end
 ↓
 15th yr end
 Day 1 Inspection already conducted.

Note: In case of inspection, there is an inherent assumption that cost of inspection is included in total cost of Day 1.

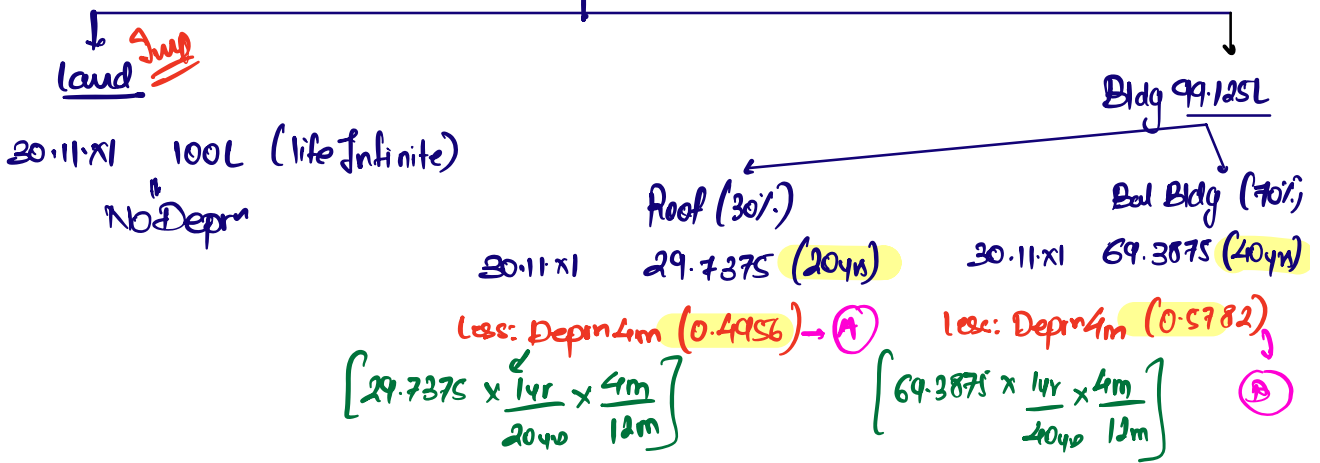
Ilke 12 (WR) Cost period = 7m (1st May to 30th Nov)

1m = 10L

Particulars	'₹'	Reason
Land (incl legal cost)	100L	Refer ICAI Sol ⁿ
(+) Prep & level of land	3L	
(+) Mat ^e	60.8L	
(+) Equip (21 x 7m)	141	
(+) Direct OH (1L x 7m)	7L	
Gen OH	-	} P/L
Car park & Inc	-	
Relocation cost	-	
Inauguration	-	
(+) Dec ⁿ @ PV (200L x 0.046)	9.2L	
(+) Borrowing cost (Net of Income from Temp Invest)	5.125	we will understand in Ind AS 23
(-17.5L x 6% x 7m / 12m) (-) 1L		
Cost of factory 30.11.21	199.125	
(-) 4m Deprn (WNI)	(1.0738)	
C.A of factory on 31.3.22	198.0512 lakhs	

Q17 Cost of Dep'n

C.A on 30.11.21 → 199.125



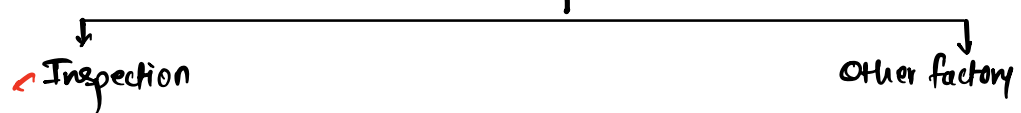
$$\text{Total Dep'n 4m (A + B)} = 0.4956 + 0.5782$$

$$= 1.0738$$

Ques 2 (MTP/RTF) **LDR**

(₹ in '000s)

Cost of Matri	10,000
Rec. Tax	-
Equip cost (1200x4m/3m)	800
OH cost (400 - 300)	600
Exter. Adv direct fee	500
Decomm @ PV (2000 x 0.67)	1360 → 31/03/x1
Cost on 31/03/x1	13260



Assumed to be included in Day 1 cost

31.05. x1	3000 (life 4yrs)
Less: 10m Deprn	(625)
$(3000 \times \frac{14r}{4y} \times \frac{10m}{12m})$	
CA on 31.3. x2	2375

31.05. x1	10260 (life 8yrs)
Less: 10m Deprn	(1068.75)
$(10260 \times \frac{1}{8} \times \frac{10}{12})$	
CA on 31/3/x2	9191.25

PL Extract (X1-X2)	
Equip Cost (1m)	400
Ab. loss (OH)	300
Deprn (625 + 1068.75)	1693.75
Net Cost (Unwinding)	56.67

B/s Extract as on 31.3. x2	
I} Assets	
NCA	
PPE (2375 + 9191.25)	11566.25
II} Eqz Liab	
Eq	
Liab	
NCL	1416.67
Prov for Decomm	1360

Imp
win

Decomm @ PV 31.05. x1	1360	
(+) Unwind @ 5% for 10m	56.67	$(1360 \times 5\% \times \frac{10m}{12m}) \rightarrow$ Net Cost 56.67
31.03. x2	1416.67	TO Prov 56.67

Q.3

PPE Cost 1.10.17	2,00,00,000 (life 40yrs)
(+) PV of Decomm ^g	14,20,000
[1,00,00,000 x 0.142]	
Cost 1.10.17	2,14,20,000
less: Grm Depr ⁿ	(267750)
[21420000 x 6/12 x 1/40]	
CA 31.3.18	<u>2,11,52,250</u>

Decomm ^g 1.10.17	1420000
(+) Grm unwinding	35500
[1420000 x 5% x 6/12]	
31.3.18	<u>14,55,500</u>

BLB 31.3.18	
<u>Assets</u>	
NCA	
PPE	21152250
<u>Eq & Liab</u>	
Eq	
Liab	
NCL	
Prov for Decomm ^g	145500

PL (17-18)	
Depr ⁿ	267750
Jut	35500

Q4

Entity X

Incoming Asset

Entity Y warehouse

Cash rec'd 5000

Outgoing

Entity X warehouse CA → 1,00,000

} Tr. looks comm. subs
 ↓
 CA of Asset given up
 (+) Cash paid (if any)
 ↓↓

Y warehouse A/c Dr ~~1,00,000~~ 95,000

Cash A/c Dr 5,000

TO X warehouse (C.A) 1,00,000

Paid
Rec'd



Illustration (LOR)

Q.1) Cost of useful life on Day 1 01.04.11

$$\text{Deprn for 5yrs} = 12 \cdot SL \quad (30L - 17 \cdot SL)$$

$$\text{Deprn p.a.} = \frac{12 \cdot SL}{5 \text{yrs}} = 2.4 \cdot SL \text{ p.a.}$$

$$\text{Useful life} = \frac{30L}{2.4 \cdot SL} = \boxed{12.5 \text{yrs}}$$

Dr.	Machinery A/c		Cr.
01.04.01 To Bank	30,00,000	31/3/12 By Deprn 31/3/12 By bal c/d	250000 2750000
01/04/12 To bal b/d	2750000		
01.04.06 To bal b/d	1750000	31-3-17 By Deprn	275000
01.04.06 To Rev Gain (OR)	175000	31-3-17 By Bal c/d	1650000
01.04.07 To bal b/d	1650000	31-3-18 By Dep 31-3-18 By bal c/d.	275000 1375000
01.04.08 To bal b/d	1375000	01.04.08 By Rev loss (OR) 01.04.08 By Rev loss (PL) 31-3-09 By Deprn 31-3-09 By Bal c/d	125000 81250 146094 1022656

H.W.

1.4.09 Total bid	1022656	31/3/10 By Deprn	146094
31/3/10 TO P/L (Profit on Sale)	58438	31/3/10 By Bank	935000

QUN 2 Calc of Rev Gain & Prop. Deprn.

01.04.06. CA 1750000
 (+) Upward Rev. (10%) 175000 → Rev Gain → PPE Atc DA 175000
 Revised CA 01.04.06 1925000 (Remaining life 7yrs) TO Rev. Gain (OCI NR) 175000
 Deprn x6-x7 (275000) ↓
Accumulated in OE
 Rev. Surplus.

QUN 3 Excess Deprn

Rev. Surplus 175000
 (-) Excess Deprn x6-x7 (25000) → Old Dep. p.a. 250000
 Bal in Rev Susp 150000 → New Dep. p.a. 275000
 (-) Excess Dep x7-x8 (25000)
 Bal in Rev Susp 125000

QUN 4 Rev loss on 01.04.08

CA 01.04.08 1975000
 Less: Downward (15%) (296250) } 125000 (OCI) } J-E-
 Revised CA 01.04.08 1168750 (Revised life 6yrs) } 81250 (P/L)
 Deprn (x8-x9) (146094)

OCI (Rev loss) 125000
 P/L (Rev loss) 81250
 TO PPE 206250

WN ⑤ PL on Sale

01.04.09 CA	1082656
(-) Dep'n 09-10	(146094)
	<hr/>
CA 31.3.10	876562
S.D	935000
	<hr/>
Profit	<u>58438</u>

Cl B Acc Dr	935000
To PPE	876562
To Profit (PIL)	58438

Asset → cost model ∴ Adj from cost of PPE

4th yr end PPE Atc Dr 1.88m
 To Prov for Decomm Atc 1.88m

Asset → CA @ the end of each yr
 (Post change in Est)

yr	Opn	Deprn	CU
5	61.4 + 1.88 = 63.28	(10.55)	52.73
6	52.73	(10.55)	
7			
8			
9			
10			NIL

Decommⁿ value (Post change in Est)

yr	Opn	Int @ 8%	CU
5	3.16 + 1.88 = 5.04	0.40	5.44
6	5.44		
7			
8			
9			
10			8m

Illus 19 (LDR)

PPE (01.04.11) ₹ 120000 (life 40 yrs) (includes PV of Decomm^g ₹10,000)
 (-) 3 yrs Deprn (₹9000) $(120000 \times \frac{3}{40})$

31.3.14 C.A. 1,11,000

31.3.14 F.V. 126600

(115000 + 11600)

Rev Gain 15600 → OCI (NR)

J-E PPE 15600

TO P.G (OCI NR) 15600

↓
 O.E
 Rev. Surp 15600

Pl of Decomm^g
 Day 01.04.11 10000
 (+) 3 yrs unwinding @ 5%
 31.3.14 11576
 JCAI sound off 11600

Revised CA 31.3.14 126600 (life 37 yrs)

Blk Extract 31.03.14

J] Asset

NCA

PPE

126600

J] Eq & Liab

Eq - Esc

O.E (Rev Surplus)

15600

Liab

Net

Prov for Decomm^g

11600 → Exact 11576

01.04.X4 CA	126600 (Life 37yrs)
Less: Depn X4-X5	(3422) $(126600 \times 1/37yrs)$
CA 31.3.X5	123178
FV 31.3.X5	114180
(107000 + 7180)	
	<u>8998</u>
Revised CA 31.3.X5	114180 (Life 36yrs)

To the extent of Prev Gain, existing loss
Adj OCI (NR)

J-E: Prev loss (OCI NR) 8998
TO PPE 8998.

<u>Prov for Decomm</u>	
01.04.X4	11600
(+) 1yr unwinding @ 5%	
31.03.X5	<u>12180</u>
(-) ↓ in Prov (5000)	
31.03.X5 Revised	<u>7180</u>

J-E for Decrease in Prov (Fair Model)

Prov A/c Dr 5000
TO Prev Gain OCI (NR) 5000

B/S Extract 31.3.X5	
<u>Asset</u>	
<u>NCA</u>	
PPE	114180
<u>Eq & Liab</u>	
Eq- ESC	
O.E (Rev Surplus)	11602
$(15600 + 5000 - 8998)$	
<u>Liab</u>	
<u>NCL</u>	
Prov for Decomm	7180

only for understanding (OFI)

Note: In illustration 13, ↑/↓ in PV of Decomm is NOT given directly, instead value of Decomm @ the end of 10th yr is given.

But in illus 19, directly the amt of ↓ in PV of Decomm is given.

Illus 18

→ includes PV of Decommⁿ - £10,000

01.04.01 PPE Cost	120000 (life 40yrs)
Less: 10yrs Deprn (120000 × 10/40)	(30000)
31.3.11 C.A.	90000
Less: Tr in Decomm ⁿ	(8000)
Revised C.A 31.3.11	82000 (life 30yrs)
Extra → Deprn 11-12 (82000 × 1/30)	2733

<u>PV of Decommⁿ</u>	
01.04.01	10,000
(+) 10yrs unwinding @ 5%	
31.3.11	16289
Less: Tr in Decomm ⁿ (8000)	
Revised CA 31.3.11	8289
↓ Next 4r unwinding ↓ (8289 × 5%) = 414	

J.E. for Tr in Decommⁿ by 8000 (Asset - cost model)

31.3.11 Prov for Decommⁿ 8000

TO PPE 8000

B/S Extract 31.3.11	
J] <u>Assets</u>	
<u>NetA</u>	
PPE	82000
J] <u>Eq & Liab</u>	
<u>Liab</u>	
<u>NetA</u>	
Prov for Decomm ⁿ	8289