



AS-10: PROPERTY, PLANT AND EQUIPMENT

Tangible fixed Asset

MEANING

PPE are tangible items that ^{see and touch [Physical existence]}

✓ are held for use

- a) in the production or supply of goods or services,
- b) for rental to others, Logistics
- c) or for administrative purposes; and

✓ are expected to be used during more than a period of 12 months.

Teacher → Ipad, laptop, camera

manufacturer → machine, Factory

↳ Truck

Trader → shop, tempo

Example: Building, Plant & Machinery, Furniture, etc.

car

If PPE is held for sale as goods in ordinary course of business → Inventory (AS-2 will apply)

Maruti → car → car sold
 Showroom

* Discussion w.r.t Farmer

Example

ABC Ltd → machine → shirt [Fig]
 PPE Inventory

Farmer → orange tree → orange
 (Bearer plant)

↳ AS 10

Tangible ✓

Produce orange ✓

more than 12m ✓



NON-APPLICABILITY OF AS-10

This AS is not applicable to: (If there is a specific AS on an asset, then AS-10 will not apply)

- a) biological assets (other than bearer plants)
- b) wasting assets ↳ AS 10 - Applied
- c) Intangible Asset (AS-26)

Meaning of Bio-Logical Asset

✓ Living Plant

- a) **Bearer Plant** (Expected to Produce for more than 12m)
- b) **Non-Bearer Plant** (Expected to Produce upto 12m)

✓ Animals

Meaning of Bearer Plant: a plant that (Ex: Orange Tree)

- ✓ is used in the production or supply of agricultural produce
- ✓ is expected to bear produce for more than a period of 12 months; and
- ✓ has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Farmer → orange tree → oranges
AS 10 ✓

Farmer → orange tree → sell
AS 10 ✗

Farmer → crop → Harvest → sell
↓
Bearer plant ✗
AS 10 ✗



RECOGNITION CRITERIA (Asset ko Books of Account mein kab Record karengey i.e. JE)

The cost should be recognised as an asset only if

- ✓ It is probable that future economic benefit will flow to the enterprise, and
- ✓ The cost of the item can be measured reliably

↳ kab pass hongi

Notes:

- It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies and to apply the criteria to the aggregate value.

cost → aggregate → computer

CPU + monitor + keyboard + mouse

- An enterprise may decide to ^{P&L A/c} expense an item which could otherwise have been included as PPE, because the amount of the expenditure is not material.

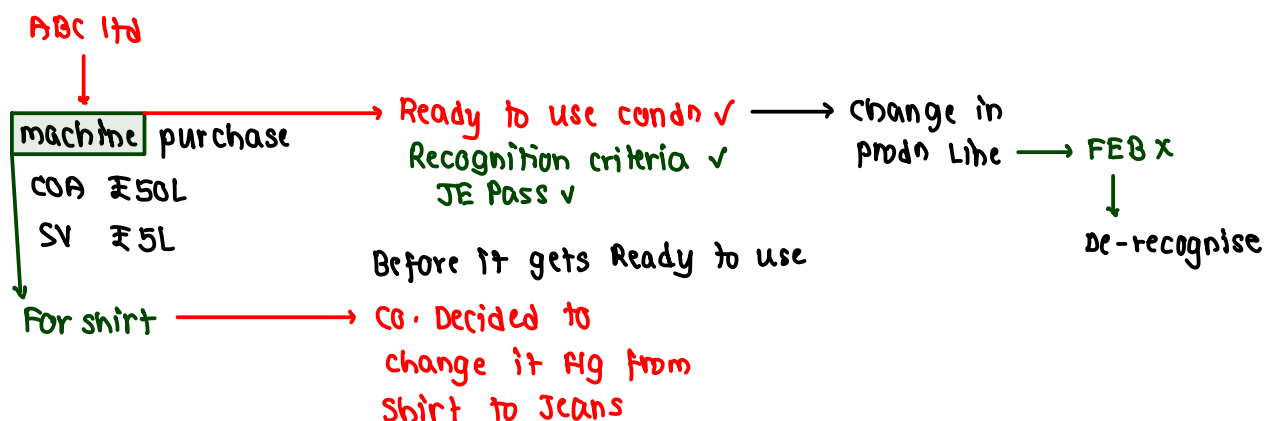
calculator

↳ Business → service

TREATMENT OF SPARE PARTS, STAND BY EQUIPMENT & SERVICING EQUIPMENT

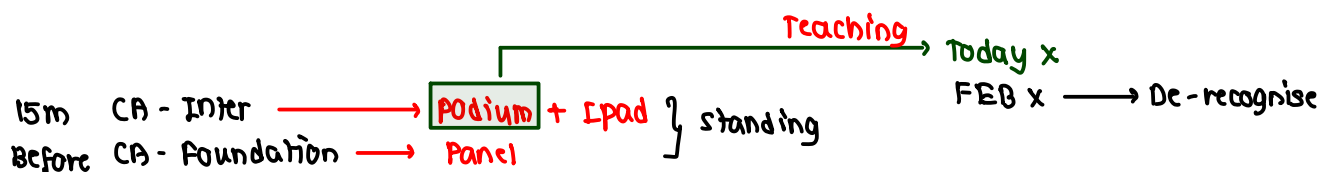
If they meet the definition of PPE as per AS 10: Recognise as PPE as per AS 10

If they do not meet the definition of PPE as per AS 10: Recognise as Inventory as per AS 02



Will this machine give any future economic benefit → NO

∴ Amt paid ₹50L transferred to P&L A/c net of Realised value recd. if sold





JE kitne amount peh hongi

MEASUREMENT OF PPE [INITIAL RECOGNITION: COST MODEL] → Value on Day 1

In case of **Direct Purchase** or Self Constructed Asset

Computation of Cost of PPE

Purchase Price	xx
Less: Trade discounts and Rebates	(xx)
Add: Non-refundable Taxes (i.e. Tax on which input credit is not available) like ID	xx
Add: <u>Directly attributable costs</u> (to make asset Ready for use) (Site Preparation incl. demolition, Installation, Professional Fees, Cost of Testing net of income, Depreciation of Asset used to bring this asset in ready to condition, etc.)	xx
Add: Decommissioning and Restoration liabilities @Present Value	xx
Add: Borrowing cost as per AS-16	
Cost of PPE	xx

Journal Entry

PPE A/c [187L + 3L]
To Bank A/c
To Provision for Decommissioning

5L
190L
187L
3L
Dr.
PV of ₹5L is ₹3L

Unwinding of Interest → Not that Relevant for CA Inter

Interest (i.e. P&L) A/c
To Provision for Decommissioning

Dr.

Provision 3L

After 5 years → 5L paid

Provision for Decommissioning
To Bank A/c

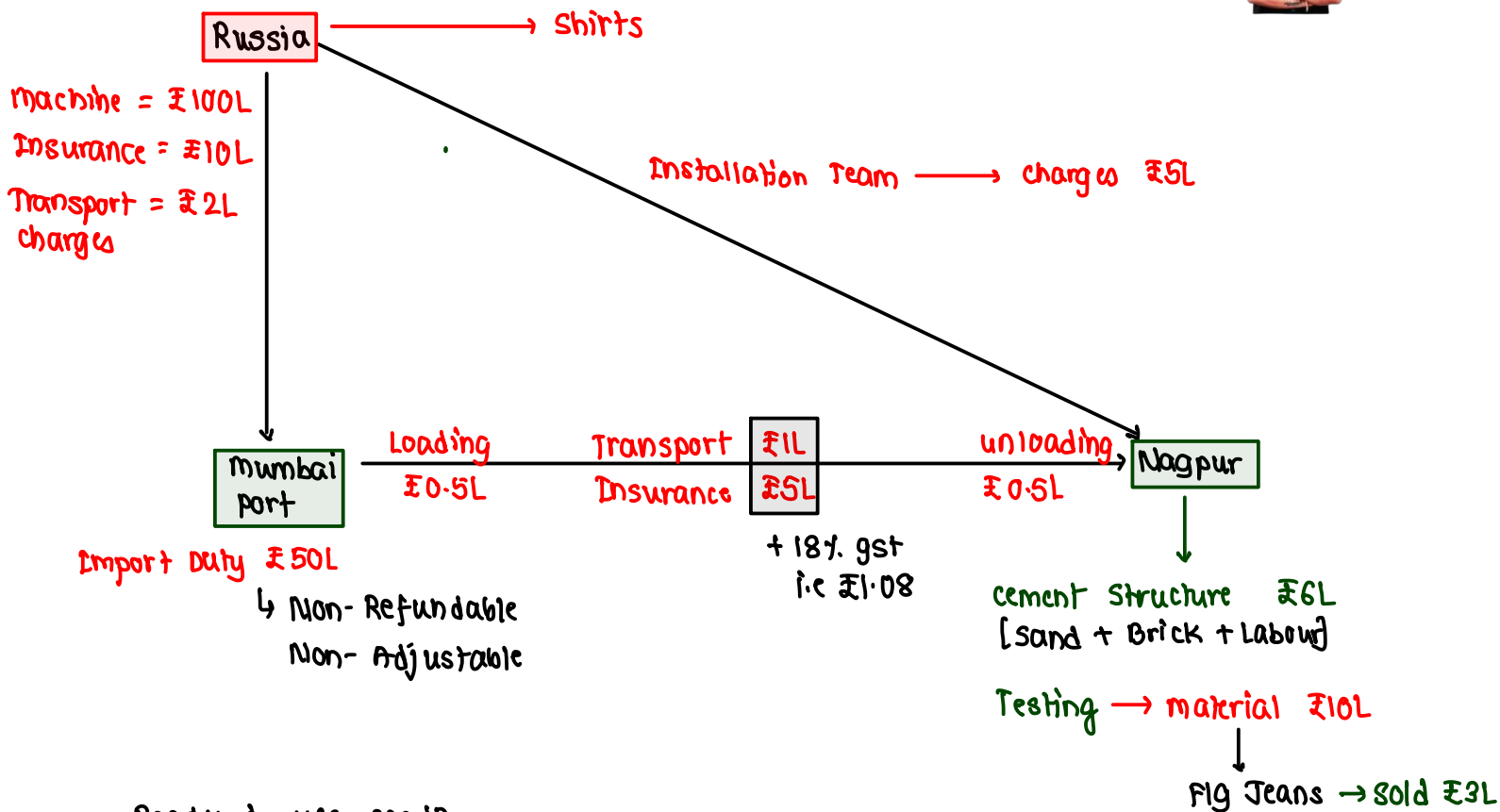
Dr.

Exclusions from Cost:

- ✓ Cost of opening new facility → inauguration exp
- ✓ Cost of Introducing new facility or products
- ✓ Cost of Staff training
- ✓ **Cost of relocating**
- ✓ Cash Discount → transfer to P&L A/c [Done]
- ✓ Miscellaneous income not related to construction of Asset → transfer to P&L A/c
- ✓ Interest Expense in case of deferred payment → transfer to P&L A/c

In case of Self Constructed assets:

- ✓ Eliminate Internal Profits
- ✓ Do not include Interest expense unless **criteria of AS 16 are met**
- ✓ Do not include Abnormal Loss



Inauguration exp → ₹20L } P&L Acc Dr.
Insurance → ₹5L

∴ Cost of Acquisition → 100L

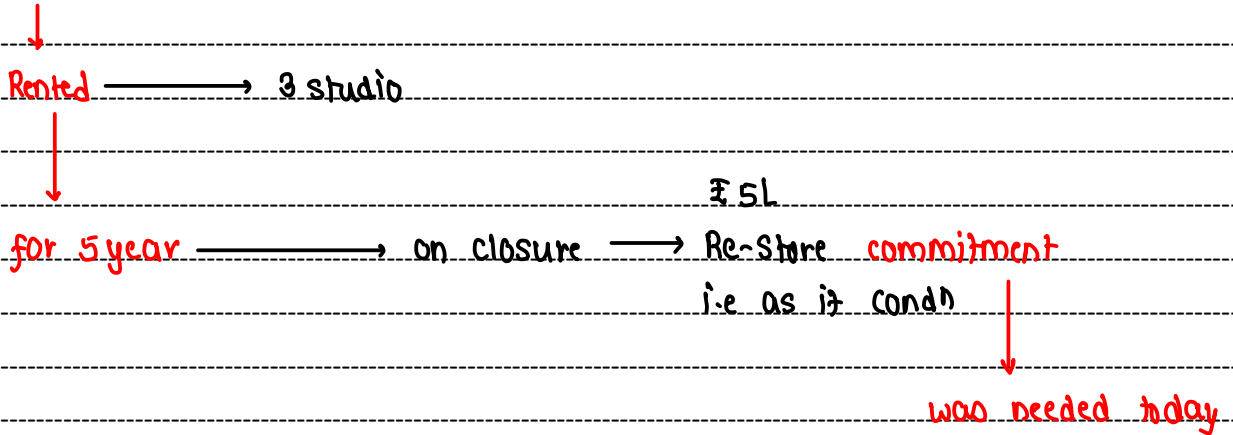
PPE Acc Dr. 187L
To Bank Acc 187L

+ 10L
+ 2L
+ 50L
+ 0.5L
+ 1L
+ 5L
+ 0.5L
+ 5L
+ 6L
+ 7L
(10L + 3L)
₹187L → ₹1.08L ↑ X



* De-commissioning and Restoration

VC GURUKUL



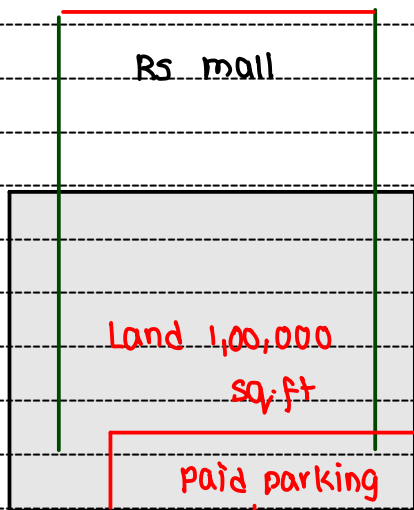
Cash Discount	VIS	Trade Discount	Bulk Purchase	
↓		(Promote sales)	or	
For early payment		↳ Asset cost (-)	Particular amt	
	Basic	gst	total	MRP
Oneplus 13R	36,439	6,559	42,998	(-) Trade Disc-
Ipad cover	448	80	529	1,10,000
			43,527	16,780
			Invoice	93,220
	Asset Acc Dr.	36,887	Asset Acc Dr.	93,220
	Input gst Acc Dr.	6,639	Input gst Acc Dr.	16,780
	To Rahul sir Acc	41,817	To Bank Acc	1,10,000
	To Disc. Acc [P2L]	1,510		
	Rahul sir Acc Dr.	41,817		
	To Bank Acc	41,817		



Asset $\longrightarrow$ construct $\longrightarrow$ Loan $\longrightarrow$ Interest will be added or not is decided on basis of AS-16

Purchase [Ready to use condⁿ]

Loan $\longrightarrow$ Interest $\longrightarrow$ Cost + X
 Interest $\longrightarrow$ P&L A/c



Till the mall get constructed

Income P&L A/c $\checkmark$
 Asset Cost C) $\times$

Example on capital Expenditure

vcgurukul Noida office

Rent ₹80,000

After 2 years

Shift to owned premise purchased for ₹80L

Expenditure



* Unwinding of Interest

Restoration Expenditure after 6 year $\longrightarrow$ ₹158.69

Discounting factor 8%

Present value $\longrightarrow$ ₹100

PPE A/c Dr. 100
To Prov. for De-commissioning and Restoration A/c 100

P&L A/c Dr. 8
To Prov. for De-commissioning and Restoration A/c 8 (100 x 8%)

P&L A/c Dr. 8.64
To Prov. for De-commissioning and Restoration A/c 8.64 (108 x 8%)

P&L A/c Dr. 9.3312
To Prov. for De-commissioning and Restoration A/c 9.3312

P&L A/c Dr. 10.078
To Prov. for De-commissioning and Restoration A/c 10.078

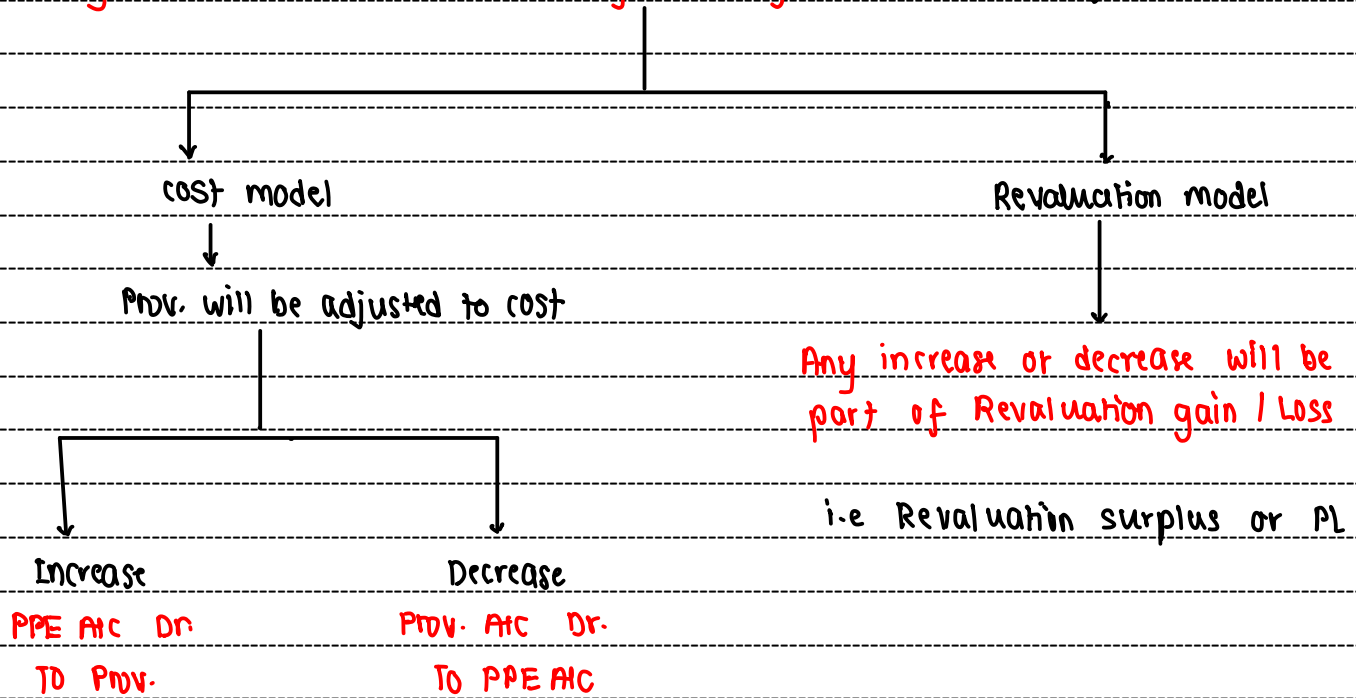
P&L A/c Dr. 10.884
To Prov. for De-commissioning and Restoration A/c 10.884

P&L A/c Dr. 11.755
To Prov. for De-commissioning and Restoration A/c 11.755

Prov. for De-commissioning and Restoration A/c Dr. 158.69
To Bank A/c 158.69



* Change in Restoration / Decommissioning Liability [Not Relevant for CA-Inter]





SPECIAL CASES

In case of Deferred Payment

Interest expense shall be recognized as expense over credit period

In case of Exchange

- 1) If Transaction has commercial substance
(i.e. There is an expectation of positive cash flow into the organization after the exchange)
FEB ✓

Phone ₹12L

Cost of such an item of PPE received shall be recorded at FV of Asset Received or Given whichever is more evident

₹11L

However, from Exam POV Cost of such an item of PPE shall be measured as follows

- 1st Preference → FV of Asset Given up
- 2nd Preference → FV of Asset Acquired
- 3rd Preference → Carrying amount of Asset Given up

- 2) If Transaction Lacks commercial substance (Avoid any Profit Booking on Exchange)
Cost of such an item of PPE received shall be recorded at Carrying Amount of Asset Given up.

Camera ↗ Fmv ₹11L
carrying amt ₹10L ✓

Vcgurukul ← → Mr.A

phone Fmv ₹12L

Transaction commercial substance i.e FEB → Yes → cost measure

Phone A/c Dr. ₹11L
To Profit on exchange A/c ₹1L
To camera A/c ₹10L e always CA

S24 ultra → CA ₹0.7L

RS ← → GS

S24 ultra

Transaction → X Commercial substance

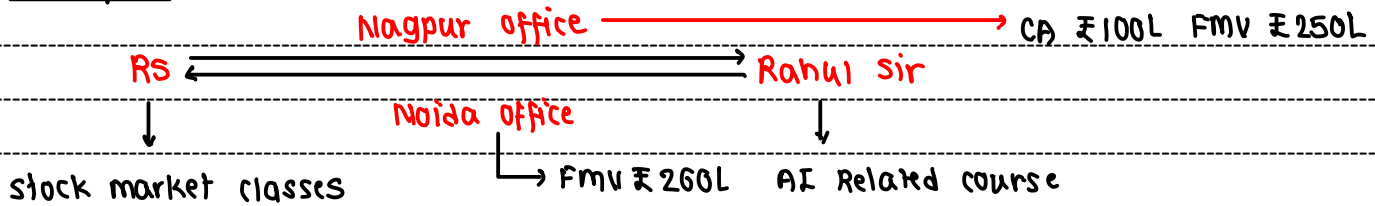
Mobile A/c Dr. 0.7L
To mobile A/c 0.7L

"If Question is silent,
whether the transaction has commercial substance → Assume it has"

In case of Purchase for Consolidated Price

Consideration is apportioned to the various items on the basis of their respective fair values at the date of acquisition

In case of Asset Acquired through Government Grants → Covered under AS-12

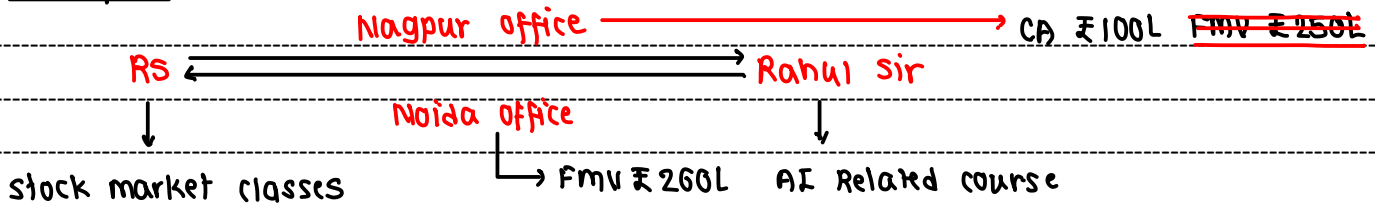
Example 1

RS → Transaction → FEB ✓ i.e commercial substance ✓

Noida office Alc Dr 250L

To profit on exchange 150L

To Nagpur office 100L → always at carrying amt

Example 2

RS → Transaction → FEB ✓ i.e commercial substance ✓

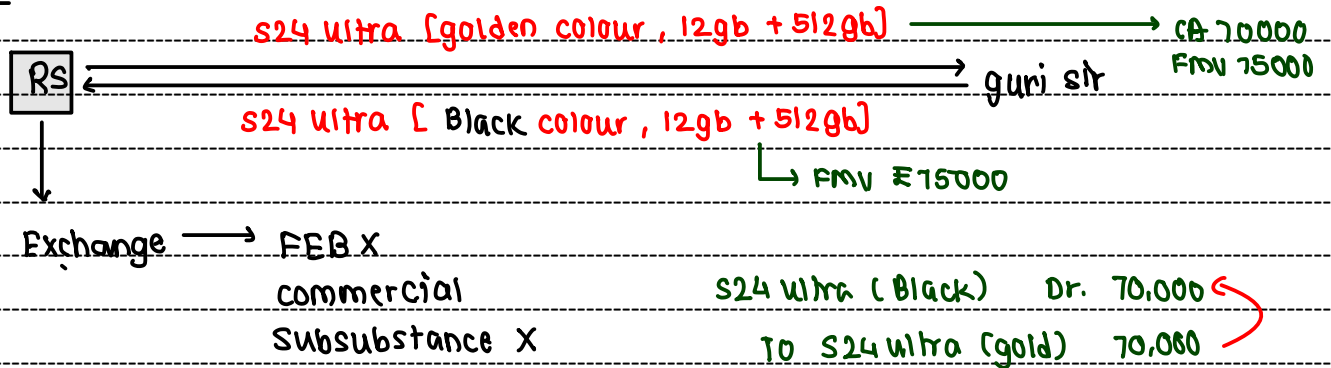
Noida office Alc Dr 260L

To profit on exchange 160L

To Nagpur office 100L → always at carrying amt



Example 3



PPE Acquired at consolidate price

RS	₹ 70,000		→ Second Hand dealer
	Ipad + Iphone		
	FMV	COST	
Ipad	40,000	23,333	[70,000 x 40,000 / 1,20,000]
Iphone	80,000	46,667	
	<u>1,20,000</u>	<u>70,000</u>	



Illustration 7

car x $\swarrow$ CA ₹13,00,000
 $\searrow$ FMV ₹13,25,000

Entity A $\xrightarrow{\hspace{10em}}$
 Cash ₹15,000 . + car y FMV ₹13,10,000

car y A/c
 cash A/c
 Is car x

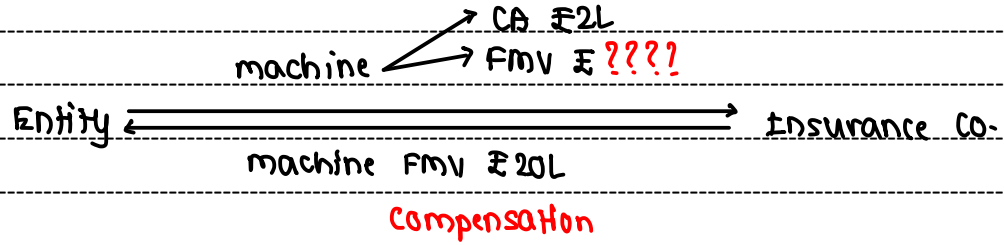
Dr. 12,85,000 }
 Dr. 15,000 } 13L
 13,00,000



HW $\rightarrow$ Q1, Q2(i), Q4, Q7, Q9(a), Q10, Q11(c), Q13, Q15, Q17



Q 2(i)



2,00,000 → PL Dr.
 20,00,000 → PL Cr.



PQ13

Old Factory Bldg

		₹
Steel plant	→ Land 5000 acre @ ₹60000/acre	30,00,00,000
	Factory Demolition	1,10,00,000
100 %	(-) Scrap sale $[63L \times 100/105]$	60,00,000
5		
<u>105</u>	<u>63L</u>	
	+ Stamp duty $[30,00,00,000 \times 7\%]$	2,10,00,000
	+ Legal & consultancy charges	8,00,000
	+ Title guarantee Insurance	1,25,000
		<u>32,69,25,000</u>

Q.19

gst already paid at the time of purchase

₹

Purchase of Asset	6,80,000	
Input gst [Adjust output gst]	40,000	6,40,000

+ cost of site preparation	21,200
+ Labour charges [56,000 / 500 x 200]	22,400
+ consumption of spare part and tools	5,000
+ supervisor salary [26000 x 25%]	6,500
+ technical Exp [34000 x 1/10]	3,400
+ Test Run	18,000
+ consultancy charges	11,000
** + Depn on Asset used	12,000
	<u>7,39,500</u>

4 year But crane used for 2 year	9	office construct → Crane used COA ₹ 5L Depn p.a → 10% WDV ∴ Depn for Yr 1 → ₹ 50,000 → Office cost Y2 → ₹ 45,000 → Office cost Y3 → ₹ 40,500 → P&L Ac
	8	
	7	
	6	
	5	
	4	
	3	
	2	
	1	



office construct → Crane used on Rent
i.e. ₹60,000 p.a.

4 year
But crane
used for
2 year

9
8
7
6
5
4
3
2
1

∴ Crane Rent for 2 year = ₹120,000 → cost +

construction expenditure ✓
owned x

capital expenditure

City Limit

11km Bridge

Water Body

Village

Property for Refinery

option A → Yes ✓

option B → No x

25km → 2ltr diesel
x 90
180
x 365
₹65,700
x 2
₹1,31,400



Q12

Radhe shyam
order

Krishna ← shyam

clothing → catering

Krishna cost	50,000
+ Profit	5,000
	<u>55,000</u>

Shrishi Ltd

Department A ← Department B

100 14137500 + 12 <u>112</u> 15834000	cost 100 2 + margin 10 <u>110</u> 49500
--	--

$\therefore 49500 \times \frac{100}{110}$ i.e. ₹45,000

Purchase value [15834000 × 100/112]	₹ 1,41,37,500
+ Transport	55,770
+ Architech	30,000
+ Foundation	1,41,870
+ Technician salary (45000 × 3)	1,35,000
$\hookrightarrow 49500 \times \frac{100}{110}$	<u>1,45,00,140</u>



MEASUREMENT OF PPE [SUBSEQUENT RECOGNITION] ---> Every Year end value

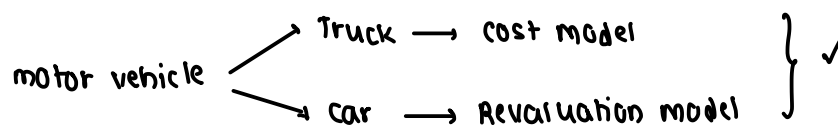
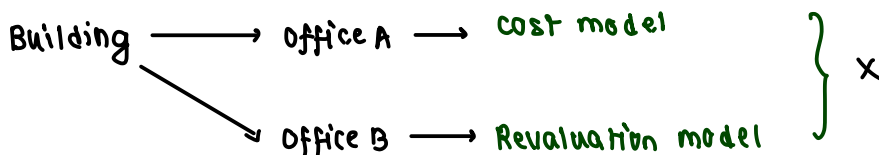
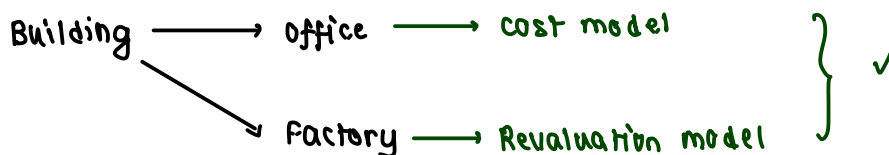
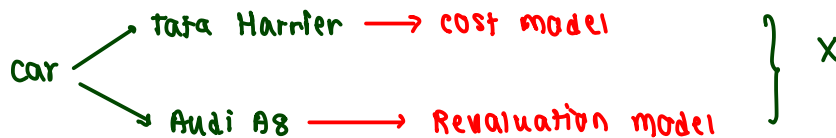
- ✓ An enterprise should choose either Cost model or Revaluation model as its accounting policy and should apply that policy to an entire class of PPE.
- ✓ If an item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.
- ✓ Class of PPE: A class of PPE is a grouping of assets of a similar nature and use in operations of an enterprise

Option 1 - Carrying value of PPE (Cost Model)

Cost of PPE ✓	XX
Less: Any Accumulated Depreciation	XX
Less: Any Impairment Loss	XX
Carrying value of PPE	XX

Initial Recognition → F.E.B and cost reliably measured
 ∴ Initial Recognition @ cost

Machine COA → ₹50L on 01/01/25 Year end 31/12/25 [FMV ₹60L] ROD → 10% WDV	cost model COA ₹50L (-) Depn @10% ₹5L ₹45L	Revaluation ₹60L ₹6L ₹54L
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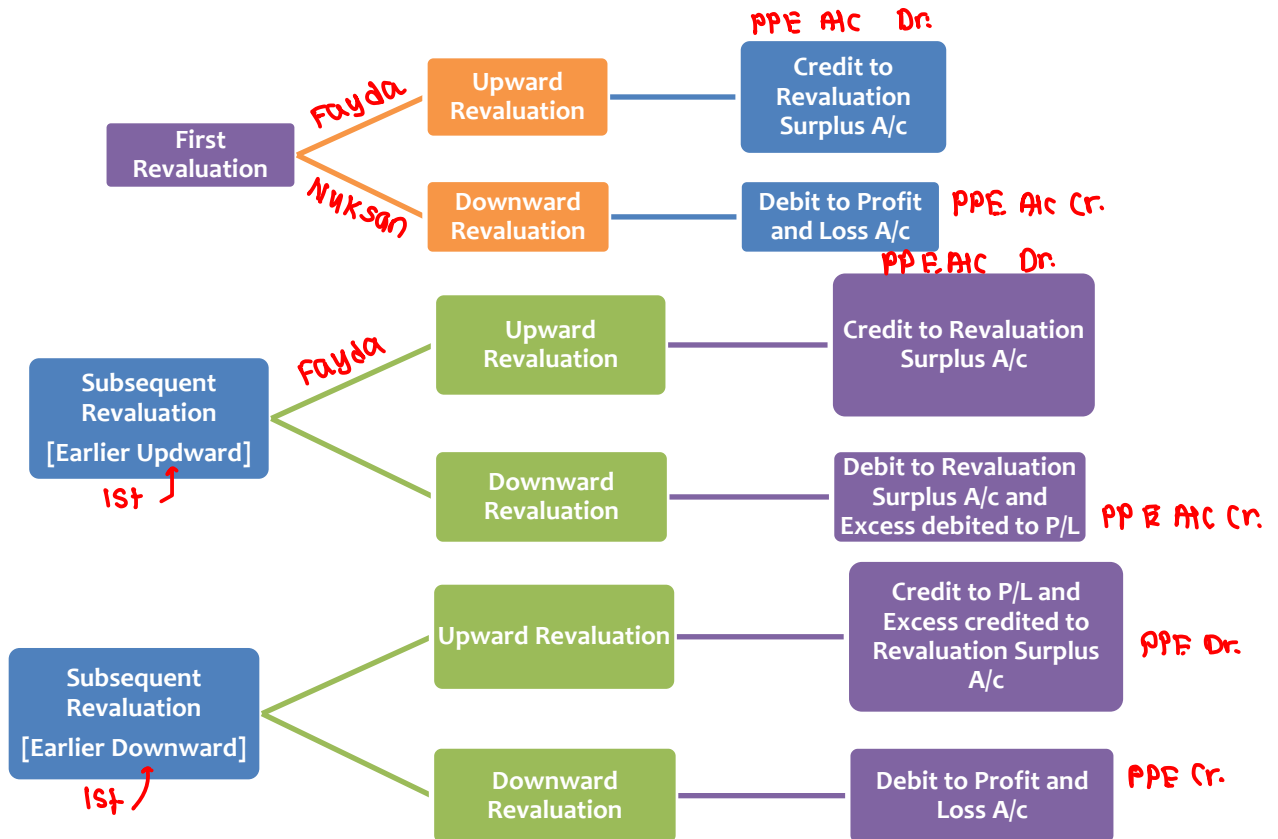
Option 2 - Carrying value of PPE (Revaluation Model)

Fair value at the date of the revaluation	xx
Less: Any subsequent Accumulated Depreciation	xx
Less: Any subsequent Impairment Loss	xx
Carrying value of PPE	xx

Frequency of Revaluations

Asset	Significant and Volatile changes in Fair Value	→	Annually
Asset	Insignificant Changes	→	Interval of 3-5 years

TREATMENT ON REVALUATION OF PPE



Tata Harrier EV

Important
component

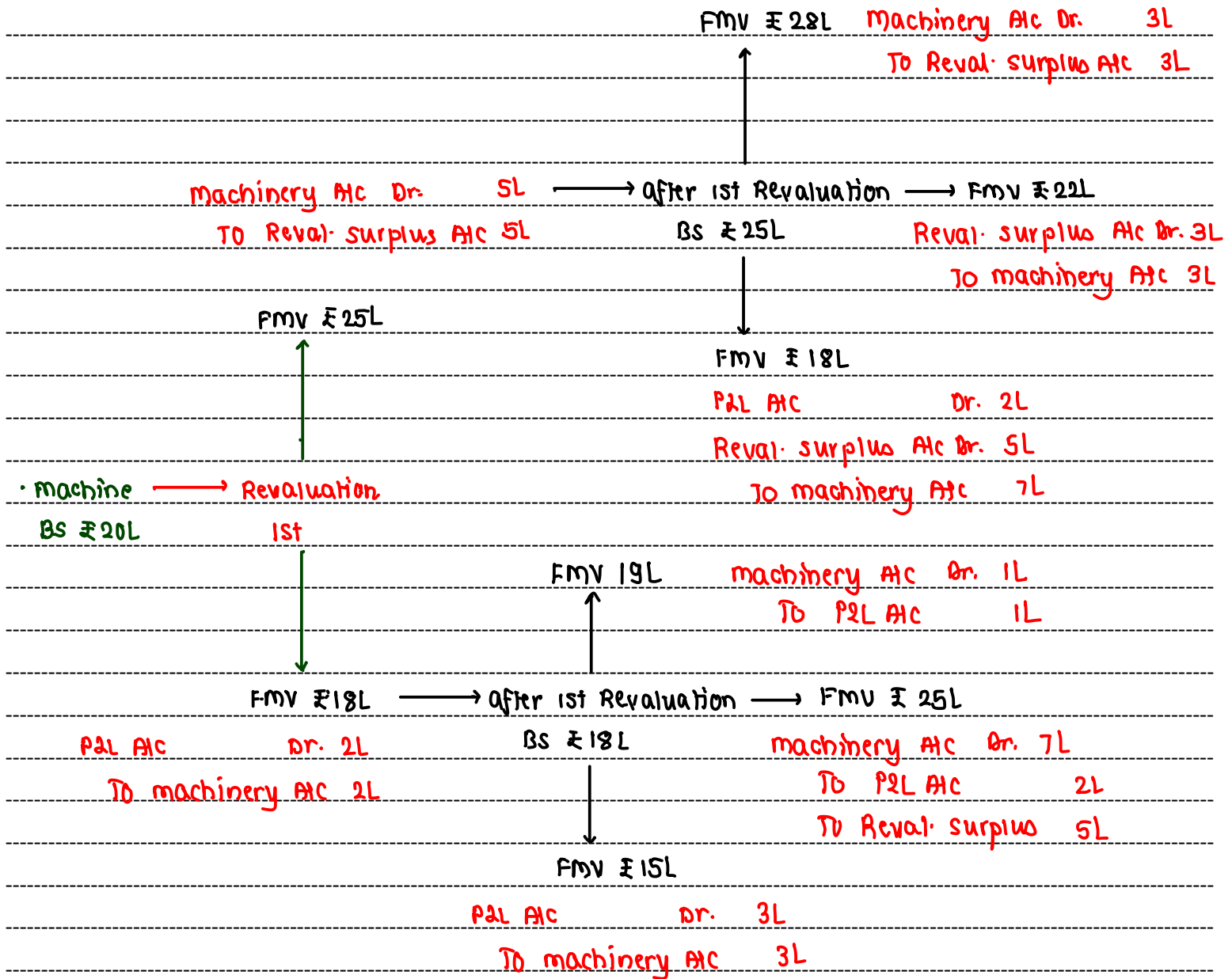
Battery

China ₹5,00,000

South Korea ₹10,00,000

Harrier EV mp

Automatically → meri EV Pmv ↑





ACCOUNTING TREATMENT OF REVALUATION (JOURNAL ENTRIES)

Method 01:

Proportionate Increase in both cost and accumulated depreciation

Step 1: Calculate the gain / loss (if any)

Step 2: Increase or decrease the value of gross block & accumulated depreciation by same percentage

Step 3: Pass JE

PPE A/c Dr.

To Accumulated Depreciation A/c

To Revaluation surplus A/c

Without Acc. Depn

or

Without Prov. for Depn

PPE → CA → ₹80L

Revaluation + ₹20L
₹100L

PPE A/c Dr. 20L
To Reval. surplus 20L

With Acc. Depn or With Prov. for Depn

PPE cost	180L
Acc. Depn	100L
	<u>80L</u>

→ Option 2 → Wloff Acc. Depn with cost

JE → Acc. Depn A/c Dr. 100L
To PPE A/c 100L

BS → PPE → 80L (net)
+ 20L
100L

PPE A/c Dr. 20L
To Reval. surplus 20L

↓
option 1
80L $\xrightarrow{+20L}$ 100L

∴ Increase $\frac{20L}{80L} \times 100 \rightarrow 25\%$

PPE 180L + 25% i.e. 225L

Acc. Depn 100L + 25% i.e. 125L
100L

JE:- PPE A/c Dr. 45L (180 × 25%)
To Acc. Depn A/c 25L (100 × 25%)
To Reval. surplus A/c 20L



Q18

PPE Cost ₹250000

Acc. Depn ₹ 34000

CA ₹ 2,16,000 → Revaluation ₹1,90,000

BS

Cost 250000

(-) Acc. 34000

216000

PAL A/c

Dr. 6,000

Revaluation surplus A/c Dr. 20,000

To property A/c 26,000

If Acc. Depn A/c is not maintained
i.e Asset value is after Depn

If Accumulated Depn. A/c is maintained → in current Que

Wloff Acc. Depn

Acc. Depn A/c Dr. 34000
To property A/c 34000

Proportionate decrease of property and Acc. Depreciation

Decrease % = $\frac{26,000}{2,16,000} \times 100$
= 12.037% or 12.04%

BS

property 216000

	Before Reval.	% Decrease	After
PPE	250000	30,093	2,19,907
Acc. Depn	34000	4,093	29,907
		26,000	1,90,000

PAL A/c Dr. 6,000

Revaluation surplus A/c Dr. 20,000

To property A/c 26,000

PAL A/c Dr. 6,000

Reval. Surplus A/c Dr. 20,000

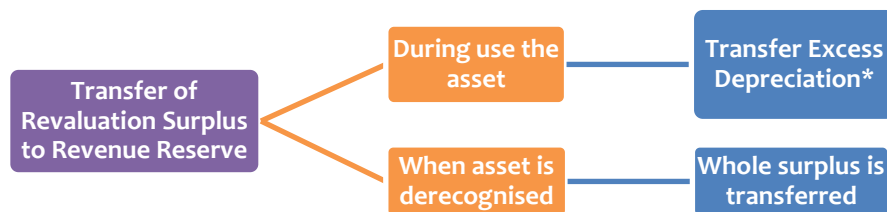
Acc. Depn A/c Dr. 4,093 } 26000
To property A/c 30,093 }

**Method 02:**

Accumulated Depreciation A/c is eliminated and balance surplus adjusted to cost

Accumulated Depreciation A/c Dr.
PPE A/c Dr.
To Revaluation Surplus A/c

ACCOUNTING TREATMENT OF REVALUATION SURPLUS (JOURNAL ENTRIES)



*Excess Depreciation = Depreciation on revalued amount – Depreciation on original cost

Revaluation surplus Company Before Revaluation	Revaluation	Company After Revaluation	
Machine → CA ₹50L	↑ 30L	₹80L	Depn ₹3L ↑
Depn @ 10% → ₹5L		₹8L	Profit ₹3L ↓
			Dividend ₹3L ↓

optional treatment → Increased Depn ↑
That Amt can be transferred from
Revaluation surplus ^{if} → Retained Earning [Free Reserve]
∴ 30L → 3L → 3L → Can be given as dividend

mandatory Treatment → Asset De-Recognise → compulsory Reval surplus
[sold or not used or FEBX] Bal. shall be transferred to Retained earning



TREATMENT OF SUBSEQUENT COSTS

1. Day to Day Servicing: Repair and Maintenance Expenditure

Treatment

Recognise in Profit and Loss A/c

2. Replacement of Parts [Major Repair]

Treatment

↪ Old Part: Derecognise —————→ carrying amt → motor 187,778

↑ New Part: Recognise if criteria met → motor 600,000

3. Regular Major Inspections → Capitalise

Treatment

Previous Inspection: Derecognise

New Inspection: Recognise if criteria met

$$\begin{array}{l} \text{COA} \quad \text{RV} \\ 5\text{L} \quad (-) \quad 5\text{L} = \text{£}0 \\ \therefore \text{NO Depn i.e. cessation} \end{array}$$



DEPRECIATION

Meaning: Systematic allocation of depreciable amount of asset over its useful life

Component Method: Each part of PPE that is significant in relation to total cost of item should be depreciated separately [Example: Airframe & Engine of Aircraft] → 100Cr → Body Engine Other

Aircraft → Body ↑

Depreciable amount = Cost/Revalued amount – Residual Amount

Useful Life: It means economic life of asset and is generally shorter than its physical life.

On the basis of Period: Period over which asset is expected to be used

On the basis of Units: No. of units expected to be obtained

Commencement of Depreciation: When asset is available for use [i.e. Ready to use]

guri sir

CESSATION OF DEPRECIATION

2nd Hand car

Cost £5L When to Cease?

After 1 year If Asset's Residual Value ≥ Carrying amount

SV £5L

OR

SV £5.5L

∴ NO Depn

Depreciation of an asset ceases at the earlier of:

✓ The date that the asset is retired from active use & is held for disposal &

✓ The date that the asset is derecognised FEBX

Asset (PPE) → Cost 5L SV 2L Life → 3year

Y1 1L Y2 1L Y3 1L

After 3 year → CA 2L sold x

SV 2L use ✓

METHODS OF DEPRECIATION

The depreciation method used should reflect the pattern in which the future economic benefits of the asset are expected to be consumed by the enterprise.

Straight Line Method (SLM): Results in a constant charge over the useful life.

$$= \frac{[\text{Cost} - \text{Residual value}]}{\text{Useful Life of asset}}$$

OR

$$\text{Original cost} \times \text{Rate of Depreciation (\%)}$$

Diminishing Balance / WDV Method: Results in a decreasing charge over the useful life.

$$= \text{Opening WDV} \times \text{Rate of Depreciation (\%)}$$

Units of Production Method: Results in a charge based on the expected use or output

$$\text{Depreciable amount} \times \left[\frac{\text{Production in current year}}{\text{Total Estimated Production}} \right]$$

Review of Depreciation method: Change in accounting estimate [Prospective Effect]

Review of Residual Value & useful life: Change in accounting estimate [Prospective Effect]

4 jiss din seh change hua

Repair & maintenance → WDV

same → SLM



Life → infinite
normal

LAND AND BUILDINGS

Meaning: Land & buildings are separable assets & accounted separately, even when they are acquired together

Depreciation on Land: No since unlimited useful life

Exception: If land has useful life [Example: Quarries and sites used for landfill]

Depreciation on Building: It has a limited useful life and therefore are depreciable assets.

RETIREMENT → leads to cessation of dep
→ usage stopped

Meaning: Asset is retired from active use & held for disposal

Treatment:

BS

It is to be recorded in the books at Carrying Amount OR NRV whichever is lower

10L

100L

OR 90L ✓

Note: Any expected loss is recognized immediately in the P&L statement.

DERECOGNITION → leads to cessation of dep

The carrying amount of an item of PPE should be derecognised:

- ✓ On disposal } sold
- ✓ By sale } sold
- ✓ By entering into a finance lease → AS-19
- ✓ By donation
- ✓ When no future economic benefits are expected from its use or disposal } sold

Treatment: The gain or loss arising from derecognition shall be transferred to P/L

DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

The financial statements should disclose, for each class of PPE:

- ✓ Cost or Reval Model used for determining the gross carrying amount
- ✓ Sum, WDV, unit The depreciation methods used
- ✓ The useful lives or the depreciation rates used. incl. any change in useful and Reason
- ✓ In case useful lives or the depreciation rates used are different from those specified in the statute, disclose that fact and Reason
- ✓ The gross carrying amount & accumulated depreciation at the beginning & end of the period and LCost
- ✓ A reconciliation of the carrying amount at the beginning & end of the period



If items of PPE are revalued, the following should be disclosed:

- ✓ The effective date of the revaluation
- ✓ Whether an independent valuer was involved
- ✓ Methods & significant assumptions applied in estimating fair values of item
- ✓ The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.



customise car $\longrightarrow$ (1) Engine $\longrightarrow$ Aircraft engine ₹500cr
 (2) Body $\longrightarrow$ carbon frame with Titanium door 50cr
 (3) Interior $\longrightarrow$ Lavish interior ₹10cr
 (4) Wheels $\longrightarrow$ ₹0.2cr

component Accounting $\longrightarrow$ cost of each component is available or can be cal-
 and
 Each component has separate useful life

	Engine	Body	Interior	Wheels
COA	500	50	10	0.2
G.S.V	50	5	1	-
Depreciable Amt	450	45	9	0.2
Life (year)	25	9	3	2

Depn p.a	₹18	₹5	₹3	₹0.1
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ILL 12

$$\begin{aligned} \text{Depn p.a} &= \frac{1,00,000 \text{ ₹ } 0}{10} \\ &= ₹ 10,000 \text{ p.a} \end{aligned}$$

$$\therefore \text{Depn from 2021 to 2024} \longrightarrow ₹ 10,000 \times 4 \text{ i.e. ₹ } 40,000$$

$$\therefore \text{Carrying amt as on 31/12/24 or 01/01/25} \longrightarrow 1,00,000 \text{ ₹ } 40,000 \\ = ₹ 60,000$$

$$\begin{aligned} \therefore \text{Revised Depn} &= \frac{60,000 \text{ ₹ } 0}{4} \\ &= ₹ 15,000 \text{ p.a} \end{aligned}$$

PQ 14

$$\begin{aligned} \text{Depn p.a} &= \frac{3,000 \text{ L } 0}{10} \\ &\text{i.e. } 300 \text{ L} \end{aligned}$$

$$\begin{aligned} \therefore \text{Depn for 4 years} &\longrightarrow 300 \text{ L} \times 4 \\ \text{i.e.} &\quad ₹ 1200 \text{ L} \end{aligned}$$

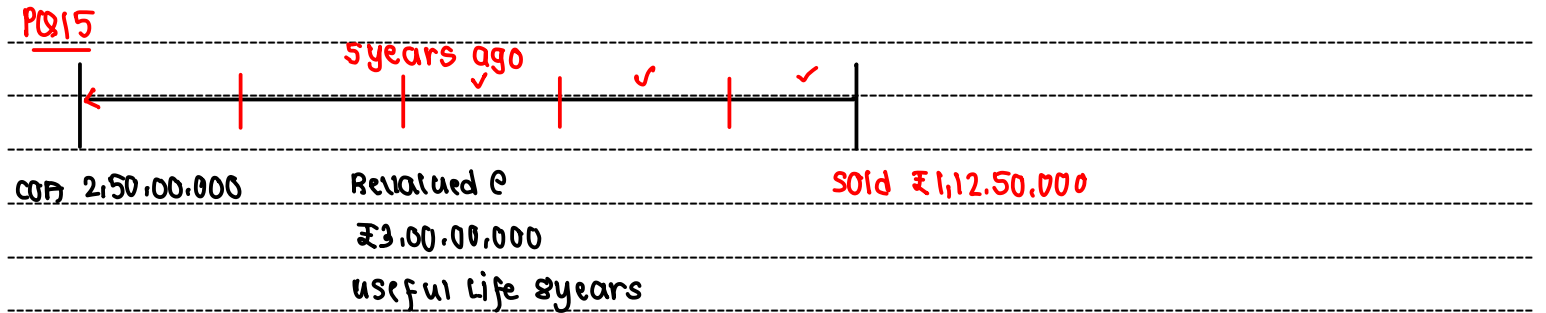
$$\therefore \text{Carrying amount of Asset at end of 4th year} = 3000 \text{ L } 0 \text{ ₹ } 1200 \text{ L} \\ = ₹ 1800 \text{ L}$$

$$\begin{aligned} \therefore \text{At Year end 4} &\longrightarrow \text{Machinery A/c Dr} \quad 900 \text{ L} \\ &\quad \text{To Reval. Surplus A/c} \quad 900 \text{ L} \end{aligned}$$

$$\therefore \text{Revised Depn p.a} = \frac{2700 \text{ L } 0}{6} \text{ i.e. } 450 \text{ L p.a}$$

$$\text{CA at year end 5} \longrightarrow 2700 \text{ L } 0 \text{ ₹ } 450 \text{ i.e. } 2250 \text{ L}$$

$$\text{CA at year end 6} \longrightarrow 2250 \text{ L } 0 \text{ ₹ } 450 \text{ i.e. } 1800 \text{ L}$$



∴ Depn for 1st → 2 year → $2,50,00,000 \times 10\% \times 2$ i.e ₹ 50,00,000

∴ Carrying amount @ year end 2 → $2,50,00,000 - ₹ 50,00,000$
i.e 2,00,00,000

Revalued @ → ₹ 3,00,00,000 ∴ machinery A/c Dr. 1,00,00,000
To Reval. Reserve 1,00,00,000

∴ Revised Depn → $\frac{3,00,00,000 - 0}{8}$ i.e ₹ 37,50,000 p.a

Depn for year 3-5 → $37.50,000 \times 3$ → ₹ 1,12,50,000

Hence forth, carrying amount = $3,00,00,000 - ₹ 1,12,50,000$
@ year end 5

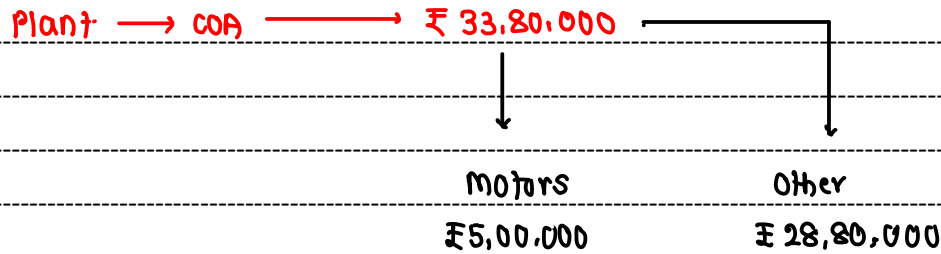
= 1,87,50,000

Sold for → 1,12,50,000

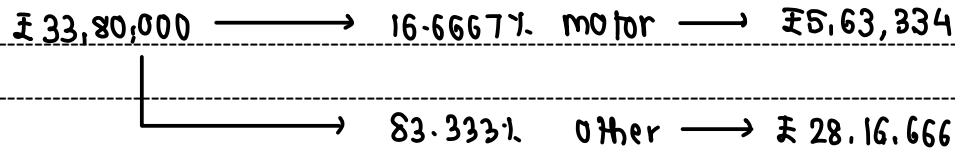
Loss → 75,00,000

However if Asset is sold for ₹ 42,50,000 ∴ Loss ₹ 1,45,00,000

Note:- Revaluation Reserve having Bal. of ₹ 1,00,00,000 shall be transferred to Retained earning on date of sale

Prob 16

	Total	Motor	Other
Plant (purchase price)	₹ 30,00,000	₹ 5,00,000	25,00,000
% Allocated	100%	16.6667%	83.3333%
Add:- Initial delivery and handling	₹ 1,00,000	₹ 16,667	₹ 83,333
Cost of site preparation	₹ 2,00,000	₹ 33,333	₹ 1,66,667
consultant fees	₹ 50,000	₹ 8,333	₹ 41,667
Restoration	₹ 30,000	₹ 5,000	₹ 25,000
	₹ 33,80,000	₹ 5,63,333	₹ 28,16,667

Shortcut →Component based Accounting

Particulars	Other	motor	→ Plant
(1) COA	₹ 28,16,667	₹ 5,63,333	
(2) Life	10 year	6 year	
(3) Depn for 4 year	₹ 11,26,667	₹ 3,75,555	
Carrying amt after 4 years	₹ 16,90,000	₹ 1,87,778	
Add:- New motor cost	-	₹ 6,00,000	
less:- Old motor CA		₹ 1,87,778	→ Jrf to disposal A/c
value @ Year end 4	₹ 16,90,000	₹ 6,00,000	
Revalued @	₹ 19,00,000 [25L (-) 6L]	₹ 6,00,000	
∴ Reval. surplus	₹ 2,10,000	-	



	Other	motor
Value at year end 4	19,00,000	6,00,000
useful life	6 year [10-14]	5 year
∴ Depn for 4 year	₹12,66,667	₹4,80,000
CA @ year end 8	₹6,33,333	₹1,20,000
Sale value	₹5,04,425 $\left[6L \times \frac{633333}{753333} \right]$	₹95,575 $\left[6L \times \frac{120000}{753333} \right]$
∴ Loss	₹1,28,908	₹24,425

Alternative not preferred

Full Plant sold @	→ ₹6,00,000
CA of full plant on that date [633333 + 120000]	₹7,53,333
∴ Loss	→ ₹1,53,333

Note:- Bal. of Reval. surplus trf to Retained earning

Plant purchase

motor A/c	Dr.	5,63,333
Plant excl. motor A/c	Dr.	28,16,667
To Bank A/c		33,80,000

Depn A/c	Dr.	xxxx
To motor A/c		xxxx
To Plant excl. motor A/c		xxxx

Bank A/c	Dr.	Bank A/c	Dr.
P&L A/c	Dr.	P&L A/c	Dr.
To motor A/c		To Plant excl. motor A/c	



PQ17

10 year Life

After 6 years

machine cost ₹1000L

Year end 6

Turbine Replaced

cost ₹450L

Important component

Turbine 283.57 (approx)

1000L	Depn → 600L	→ Turbine Depn incl.
450L	113.43L	

₹

Cost of Acquisition → 1,000

∴ Depn for 6 years $\left[\frac{1000L - 0}{10} \right] \times 6 \rightarrow 600$

400

+ New turbine 450

(-) Old turbine e carrying amt (WNI) 113.43

$[283.57 - (283.57/10 \times 6)]$

736.57

WNI:-

let cost of turbine at start of year be x

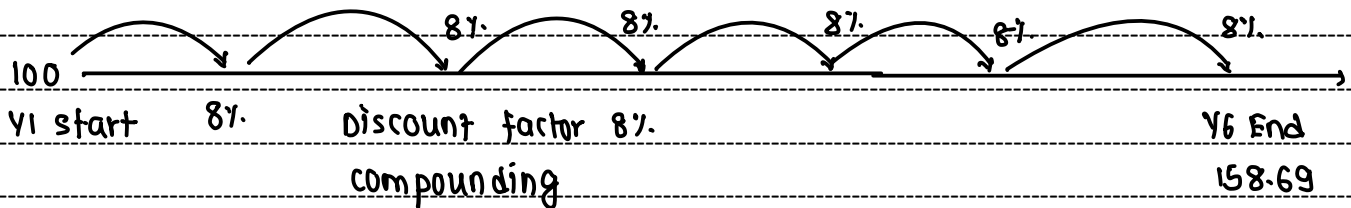
$$x \times (1.08) \times (1.08) \times (1.08) \times (1.08) \times (1.08) \times (1.08) = 450$$

$$1.5869x$$

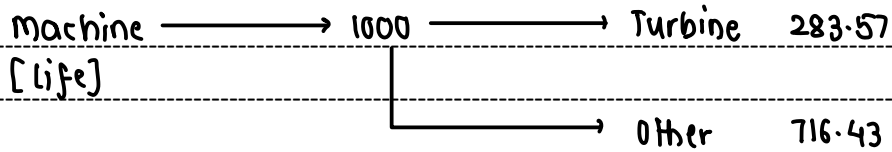
$$= 450$$

$$\therefore x = 283.57$$

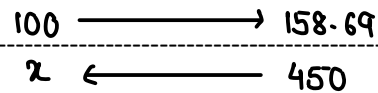
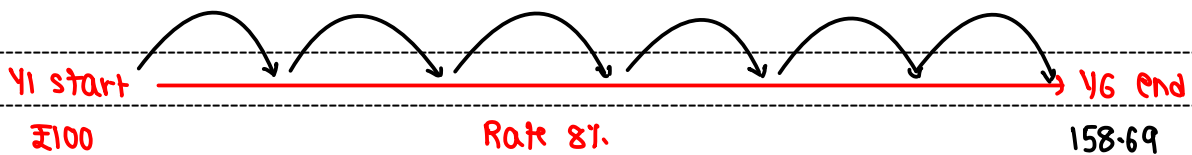
$$\begin{array}{rcl} 100 & \times & 158.69 \\ x & & 450 \\ \hline 45000 & = & x \\ 158.69 & & \end{array}$$



HW Q6, Q8, Q11 (a), (b), Q14



	Other	Turbine	
COA	716.43	283.57	missing
E) Depn for 6 year	429.86	170.14	missing
	<u>286.57</u>	<u>113.43</u>	missing
+ New Turbine		450	
F) Old Turbine PCA		113.43	missing
	<u>286.57</u>	<u>450</u>	= 736.57



283.57



CO19

01/04/22			
Bal b/d	01/06/22		
✓ ₹56,30,000	Machine Acquire		
	✓ COA 21,12,000		
		30/06/22	
		Machine sold	
₹46,70,000	₹9,60,000	BV 01/04/22	₹9,60,000
		(-) 3m Depn	₹ 24,000
		CA on 30/06/22	₹9,36,000
		Sold for	₹8,25,000
		Loss	₹1,11,000

Exchange → commercial substance ✓

Machine A/c	Dr. 15,65,000
P&L A/c	Dr. 1,11,000
To Machine A/c	9,36,000
To Bank A/c	7,40,000

(B) Book value of Asset on 01/04/22	56,30,000	Dr.
01/06 + value of new machine	21,12,000	Dr.
30/06 + value of new machine	15,65,000	Dr.
(-) carrying amount of old machine	9,36,000	on Dt of sale
(-) Depn for the year	7,84,375	cr.
carry value 31/03/23	75,86,625	



machinery A/c

TO Bal b/d	56,30,000	By Depn	≈ 24000	} 9,60,000
		By Bank	8,25,000	
		By P&L	1,11,000	
TO Bank	21,12,000			
		By Depn	≈ 7,60,375	
TO Bank	15,65,000			
		By Bal c/d	75,86,625	
	93,07,000		93,07,000	