



Date: 19 Feb. 2021

**VIRTUAL COACHING CLASSES  
ORGANISED BY BOS, ICAI**

**INTERMEDIATE LEVEL  
PAPER 1: ACCOUNTING**

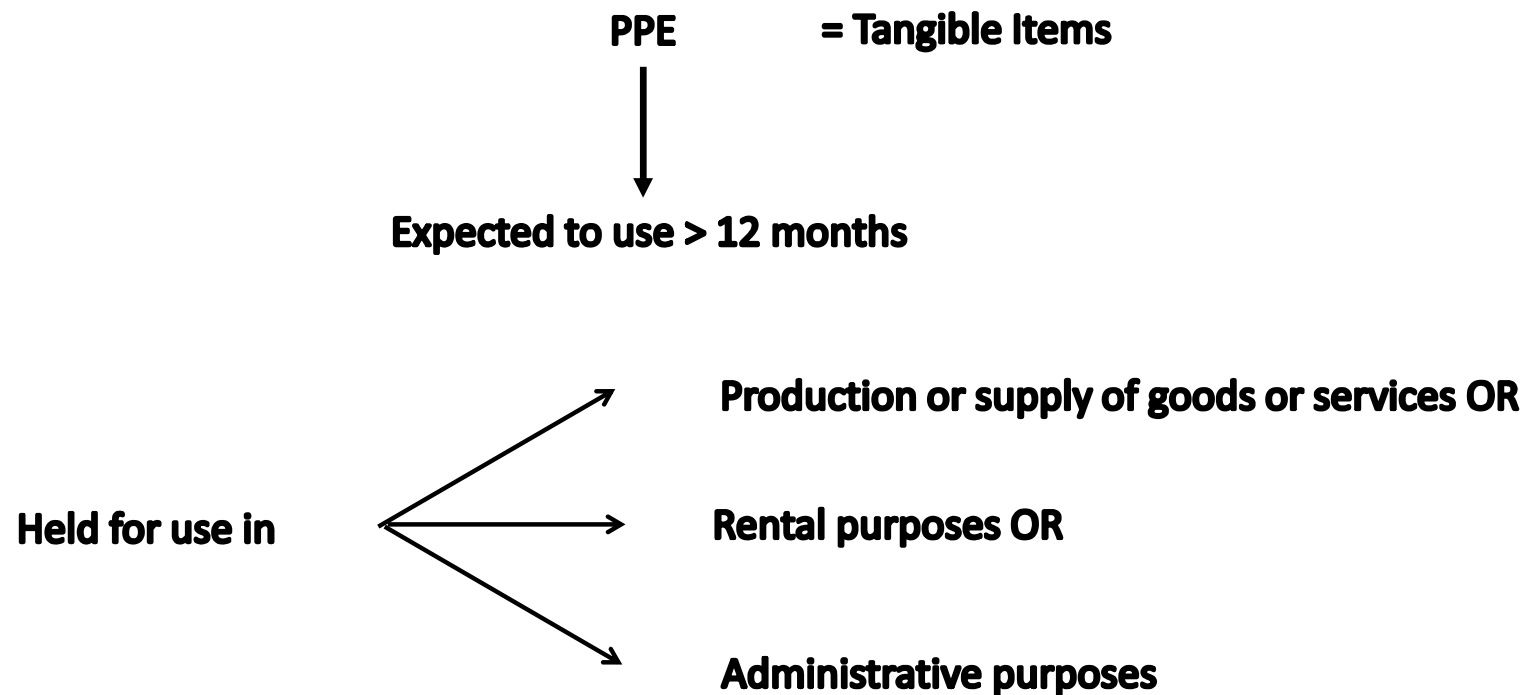
**Faculty: CA Sanket Shah**





# MEANING OF PPE

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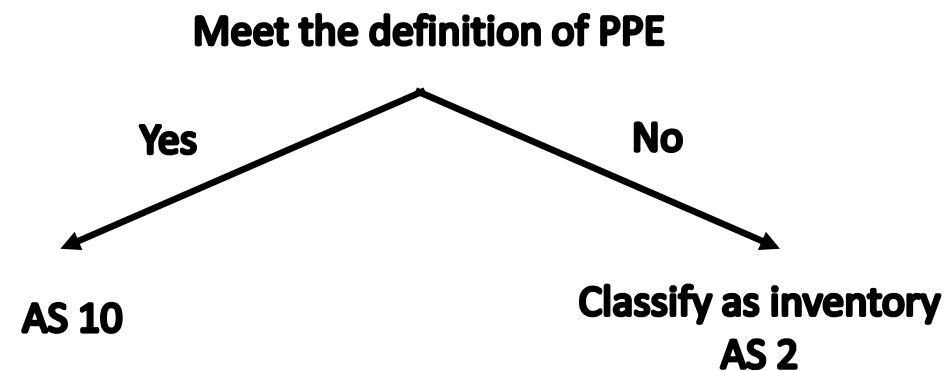




# MEANING OF PPE

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**Spare parts, standby equipments & servicing equipments**



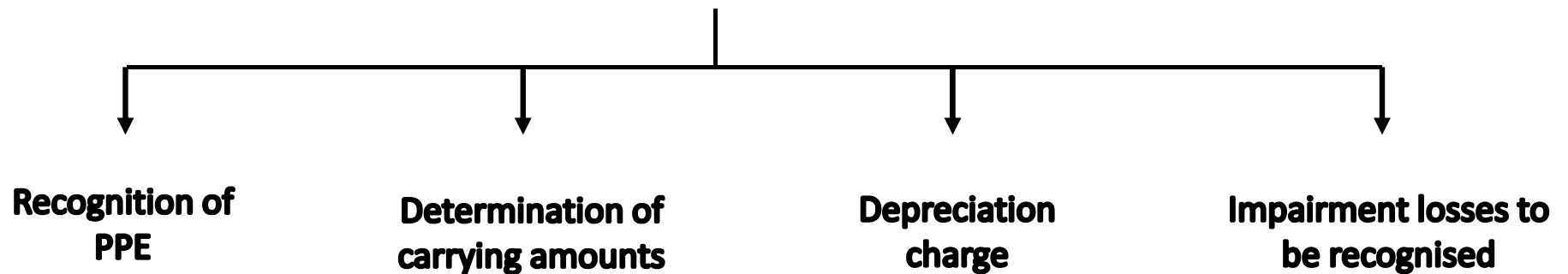




# THE PRINCIPAL ISSUES IN ACCOUNTING FOR PPE

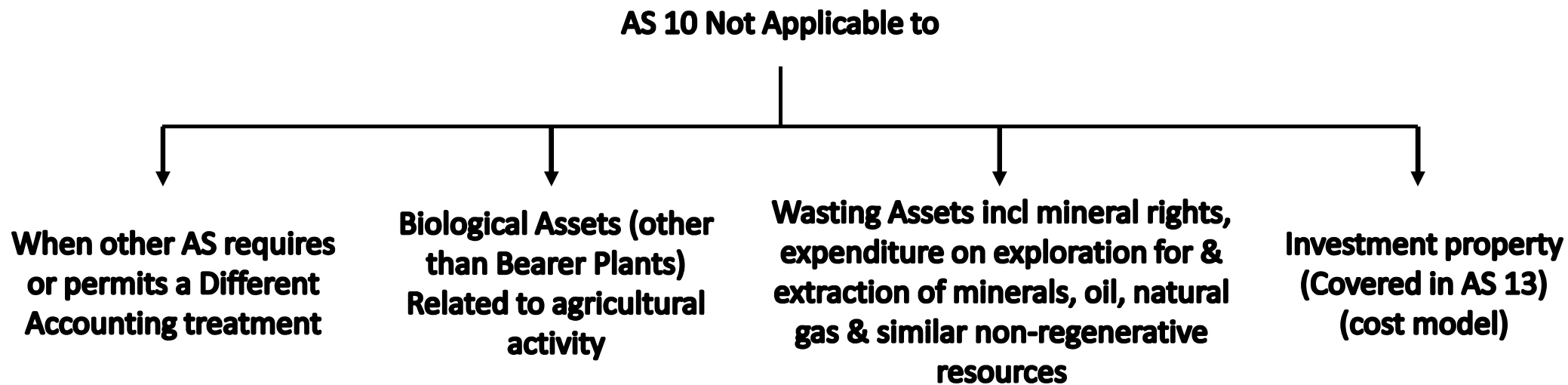
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## Principle Issues in Accounting of PPE





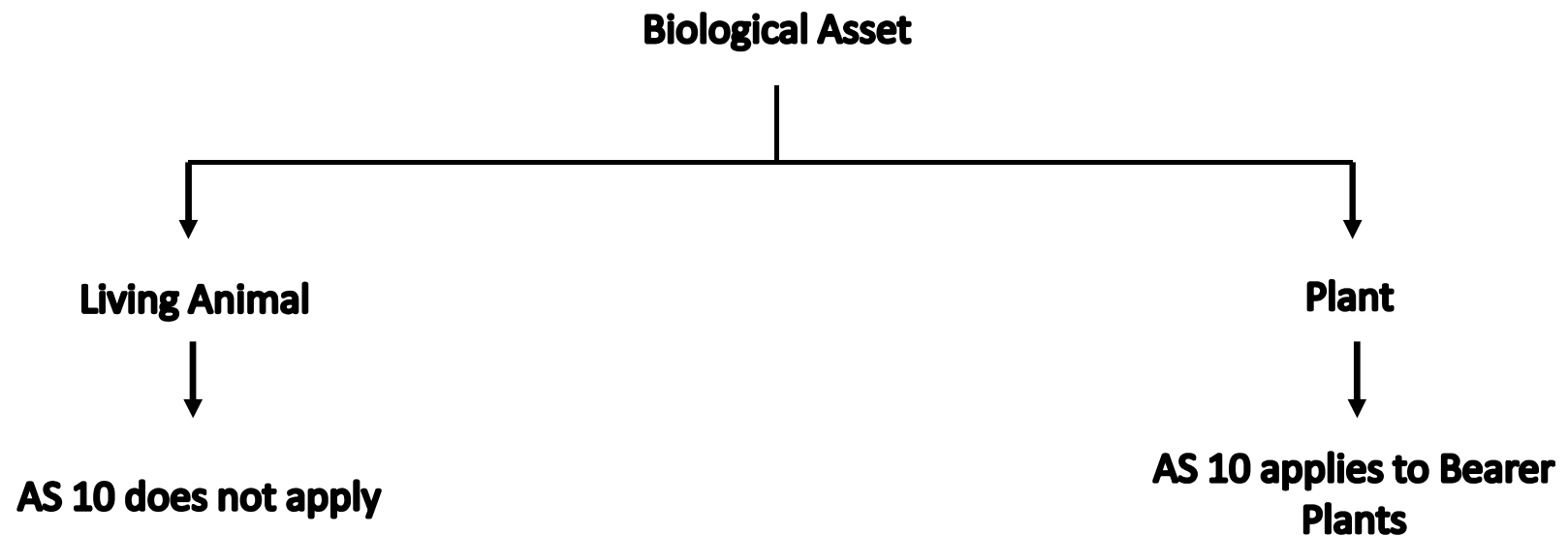
# SCOPE OF AS 10





# SCOPE OF AS 10

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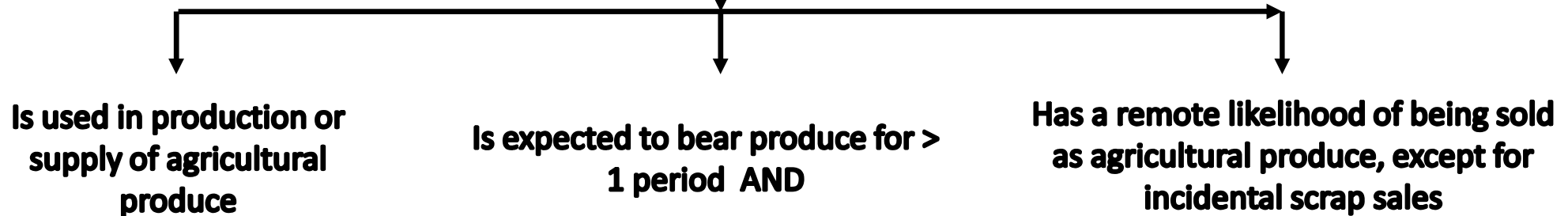


# SCOPE OF AS 10

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## BEARER PLANTS

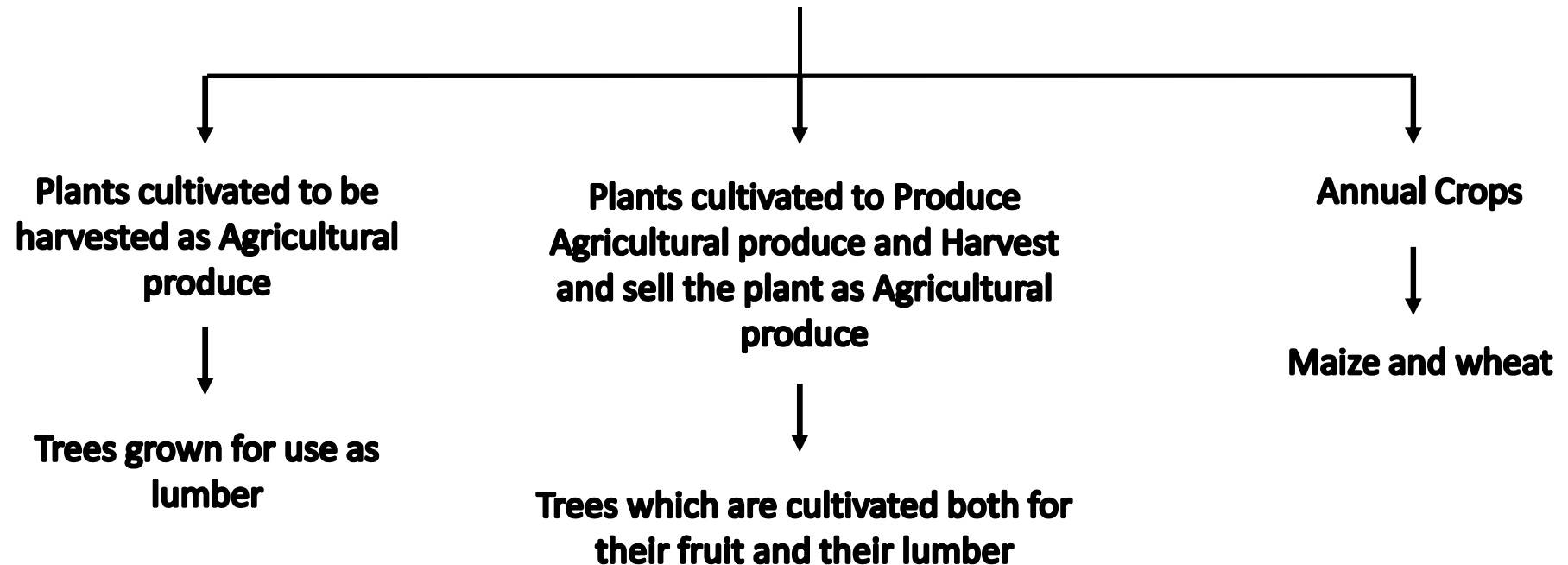
Living plant that





# SCOPE OF AS 10

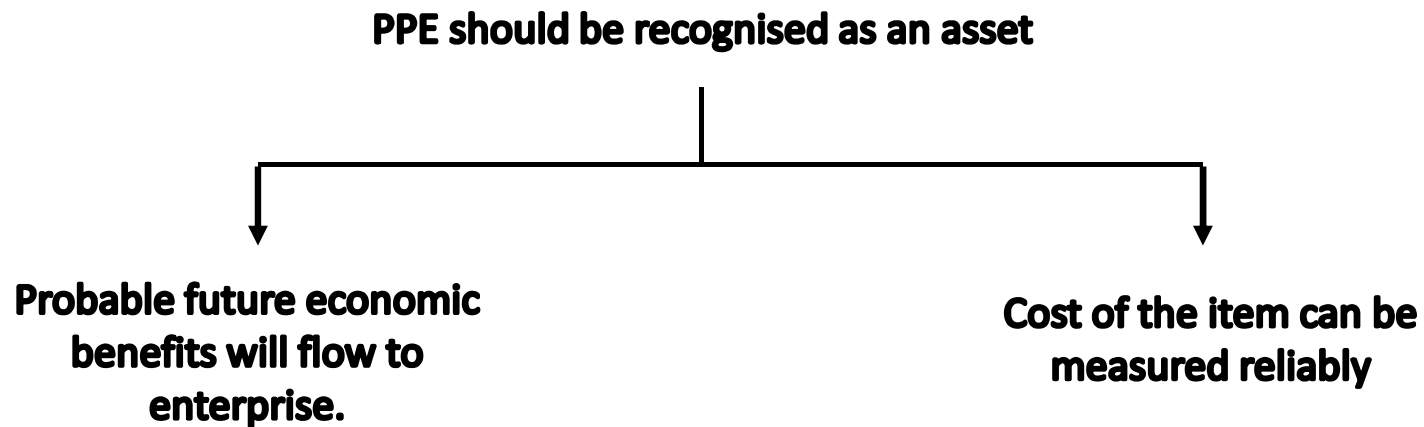
**Following are not "Bearer Plants"**





# RECOGNITION CRITERIA FOR PPE

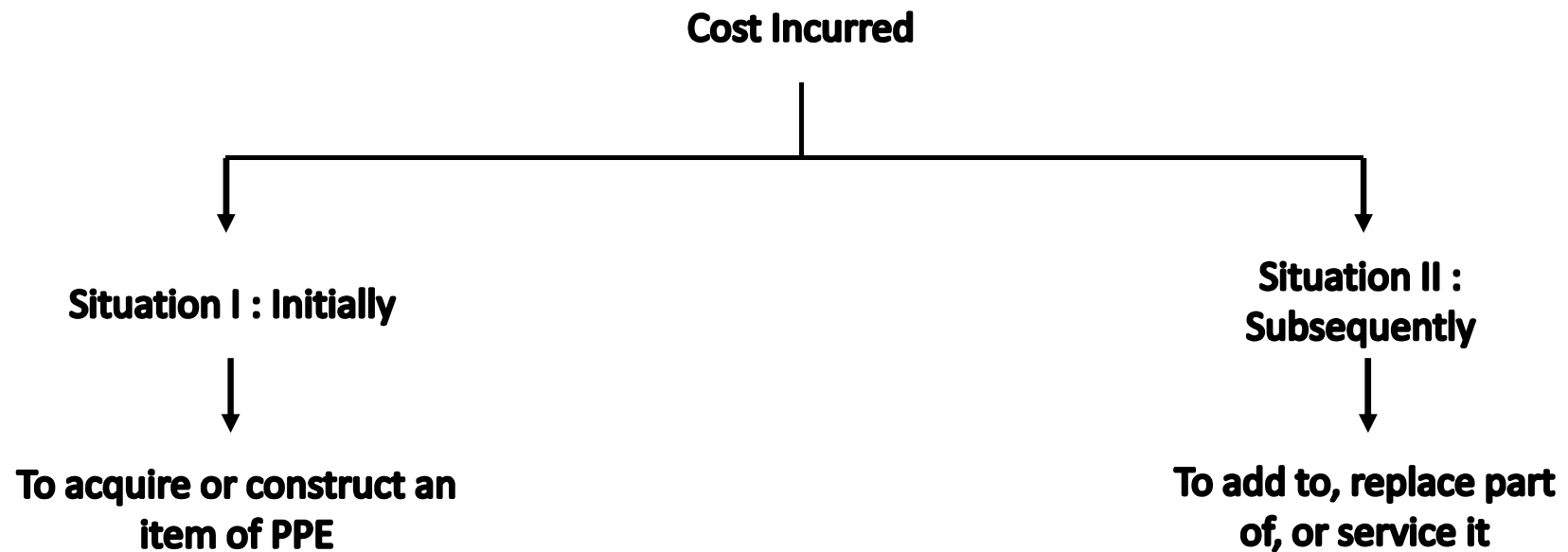
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# RECOGNITION CRITERIA FOR PPE

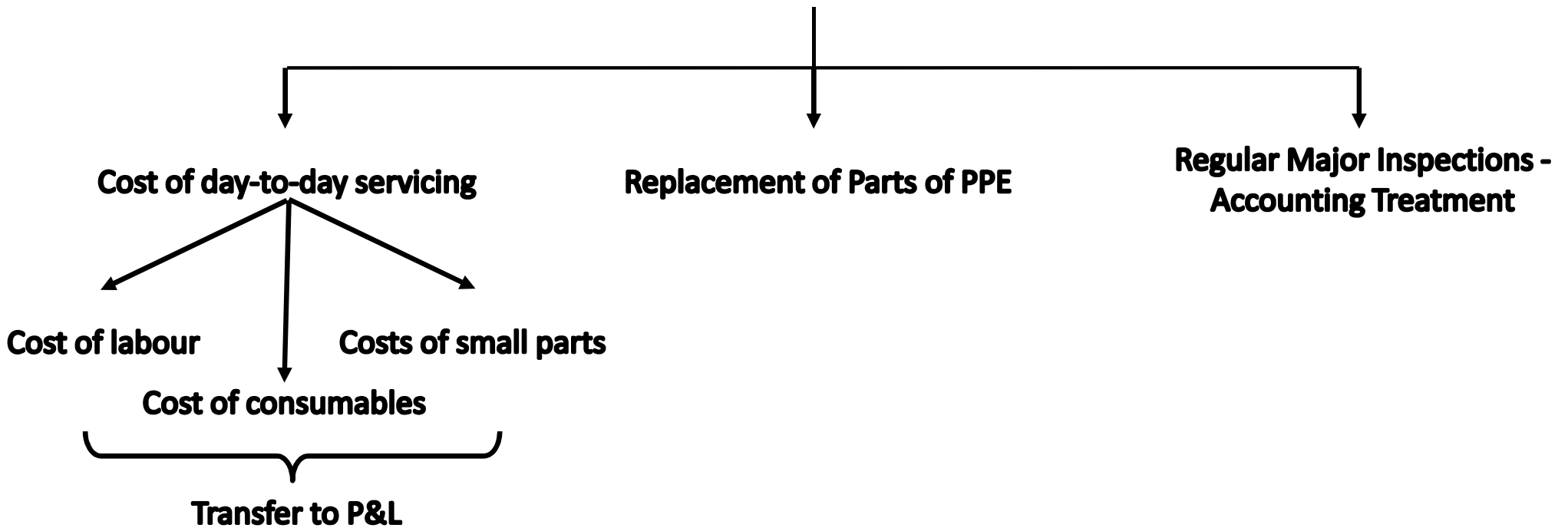
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# RECOGNITION CRITERIA FOR PPE

## Treatment of Subsequent Costs









# RECOGNITION CRITERIA FOR PPE

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## **Regular Major Inspections - Accounting Treatment**

**To operate an item of PPE performing regular major inspections may be a condition.**

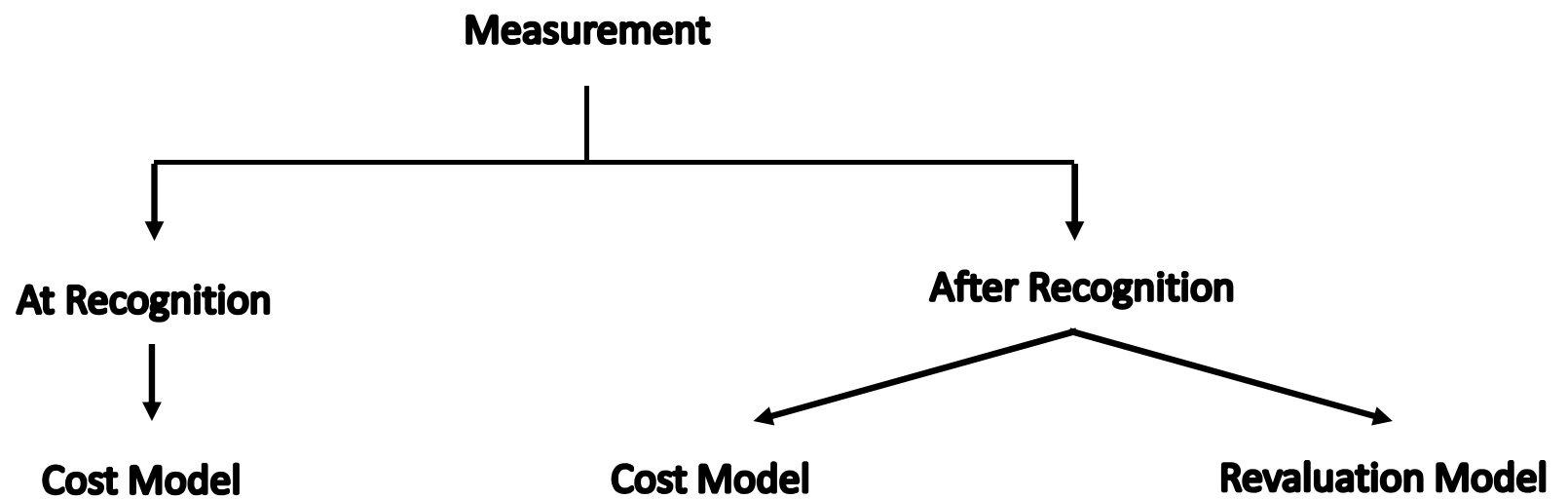
**Such inspection cost is recognised in carrying amount as replacement if recognition criteria are met.**

**Any remaining carrying amount of previous inspection cost is derecognised (even if cost of previous inspection was not identified).**



# MEASUREMENT OF PPE

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# MEASUREMENT OF PPE

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**For acquired assets = At cost**

**Purchase Price (including import  
duties & non – refundable  
purchase taxes)**



**Directly attributable  
costs**



**Dismantling, removal &  
site restoration costs**



# MEASUREMENT OF PPE

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## Directly attributable costs

- ✓ Employee benefits costs directly attributable to acquisition/construction
- ✓ Site preparation cost
- ✓ Initial delivery & handling costs
- ✓ Installation & assembly cost
- ✓ Professional cost
- ✓ Cost of testing
- ✗ Introducing new product / service
- ✗ Initial operating losses
- ✗ Opening new facility
- ✗ Relocating & reorganising costs
- ✗ Costs of staff training
- ✗ Administrative costs
- ✗ Other general overheads

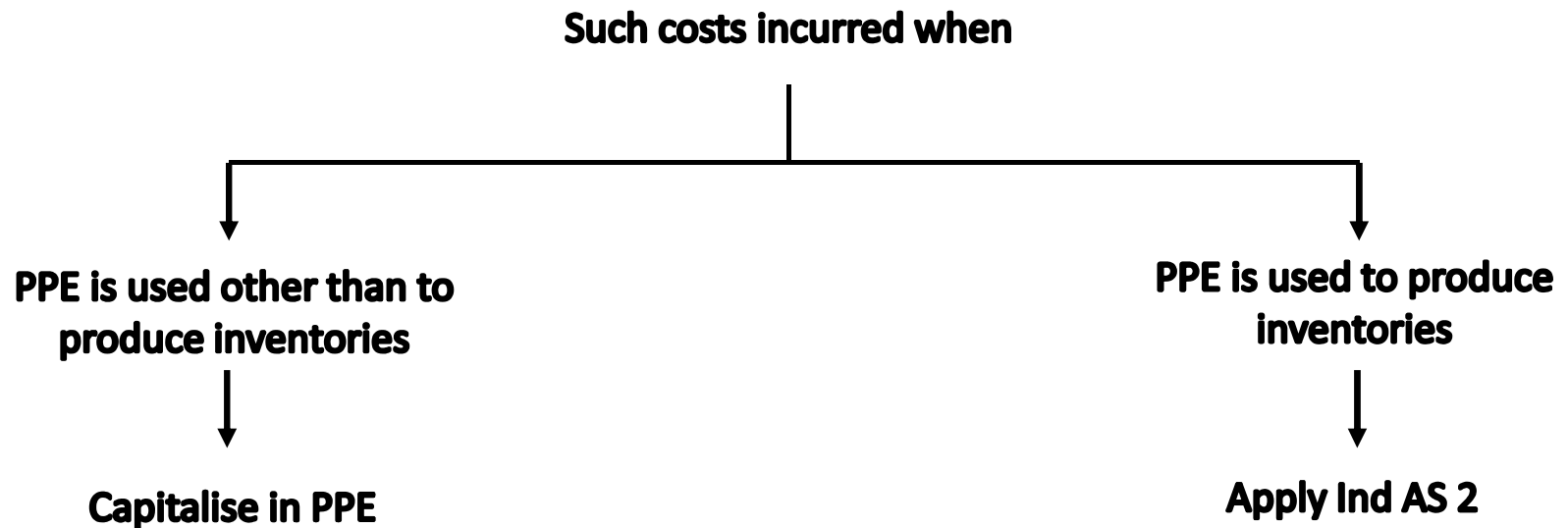
**Finance Cost : As per AS 16**



# MEASUREMENT OF PPE

## Dismantling, removal & site restoration costs

=> Recognised & measured as per AS 29



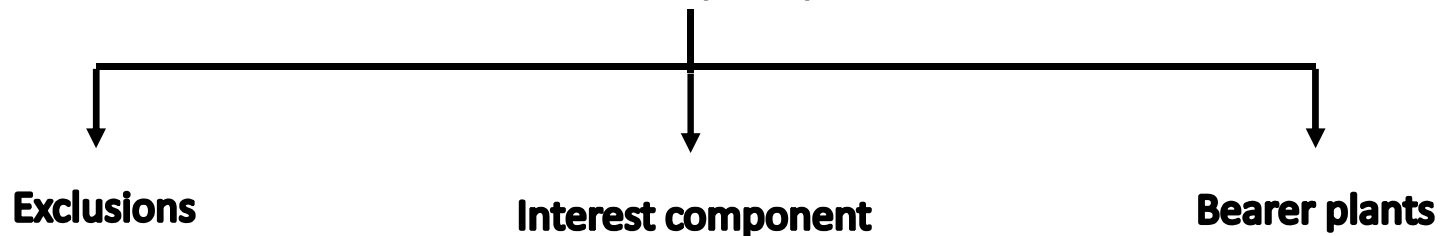


# MEASUREMENT OF PPE

**For self constructed asset**

**Use same principles for acquired asset.**

**Additional principles**



**\* Internal Profits**

**\* Abnormal amount of wasted material, labour or other resources**

**\* Income & related expenses of incidental operations**

**Eg – Income earned through using a building site as a car park, until construction starts**

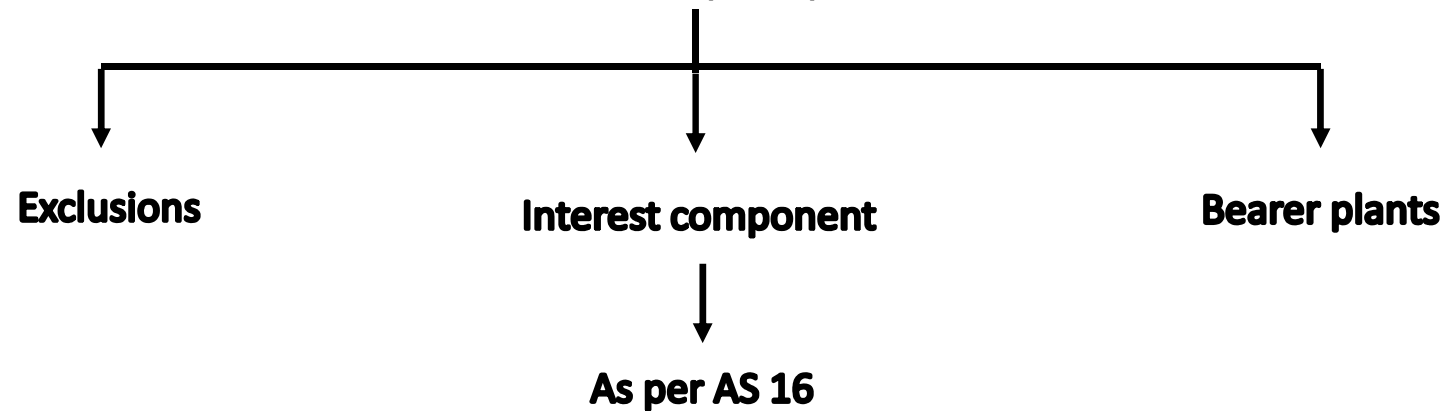


# MEASUREMENT OF PPE

**For self constructed asset**

**Use same principles for acquired asset.**

**Additional principles**





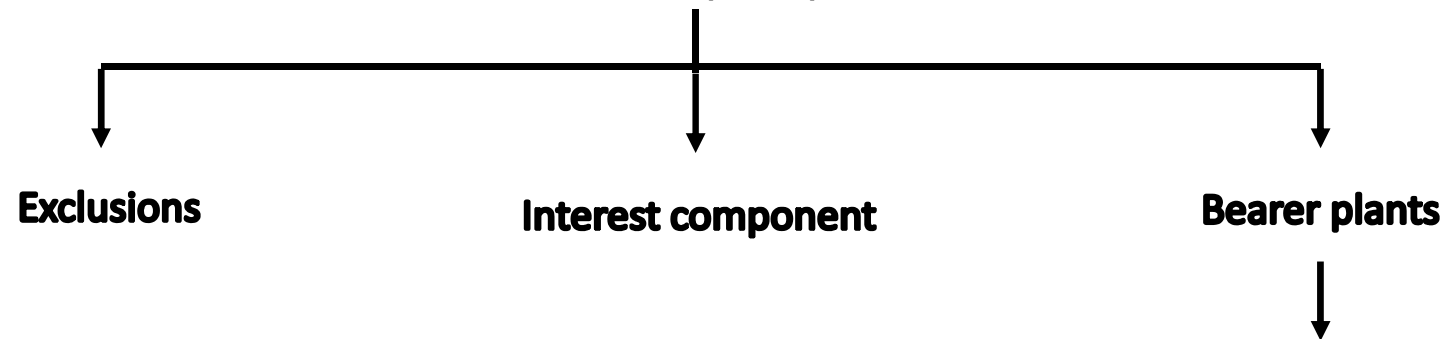


# MEASUREMENT OF PPE

**For self constructed asset**

**Use same principles for acquired asset.**

**Additional principles**



**Accounted in the same way as self constructed PPE**

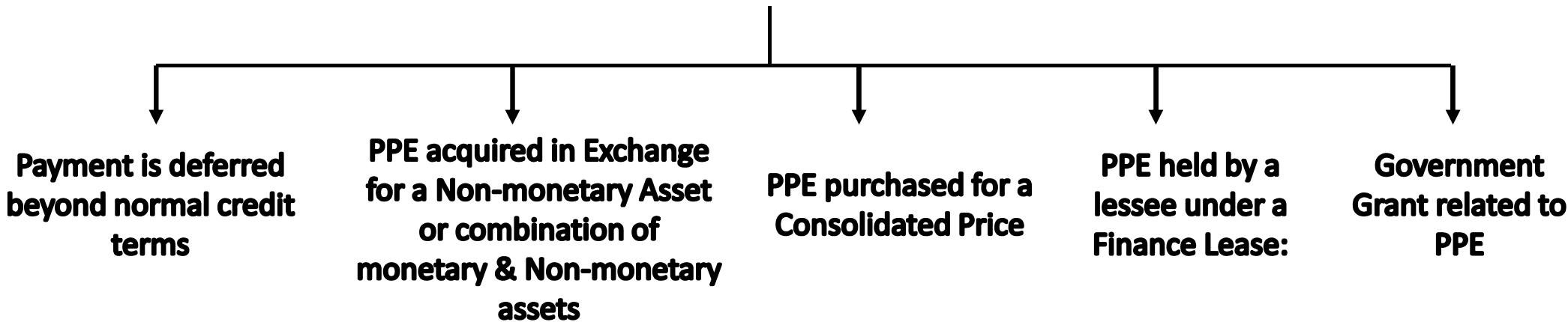
**Before they are in the location & conditions intended by the management.**



# DIFFERENCE SITUATIONS OF MEASUREMENT OF COST

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## Situations





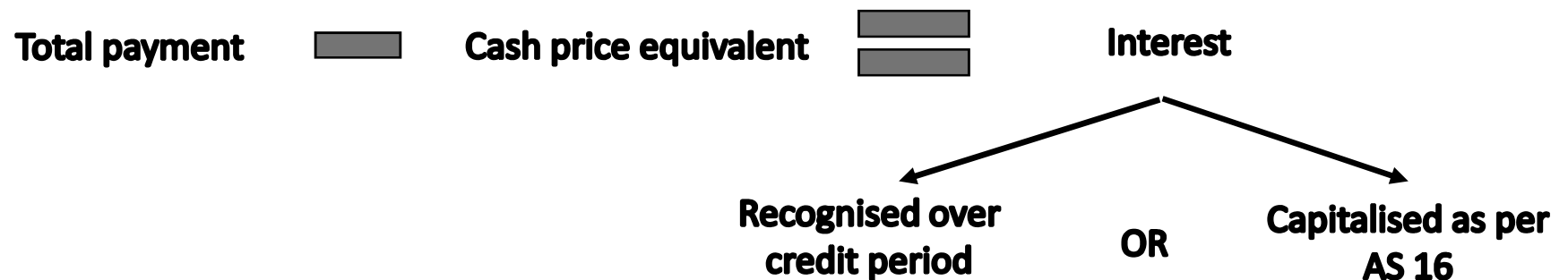
# DIFFERENCE SITUATIONS OF MEASUREMENT OF COST

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**Payment is deferred beyond normal credit terms**

**Payment deferred beyond normal credit terms**

**Cost of PPE = Cash price equivalent**

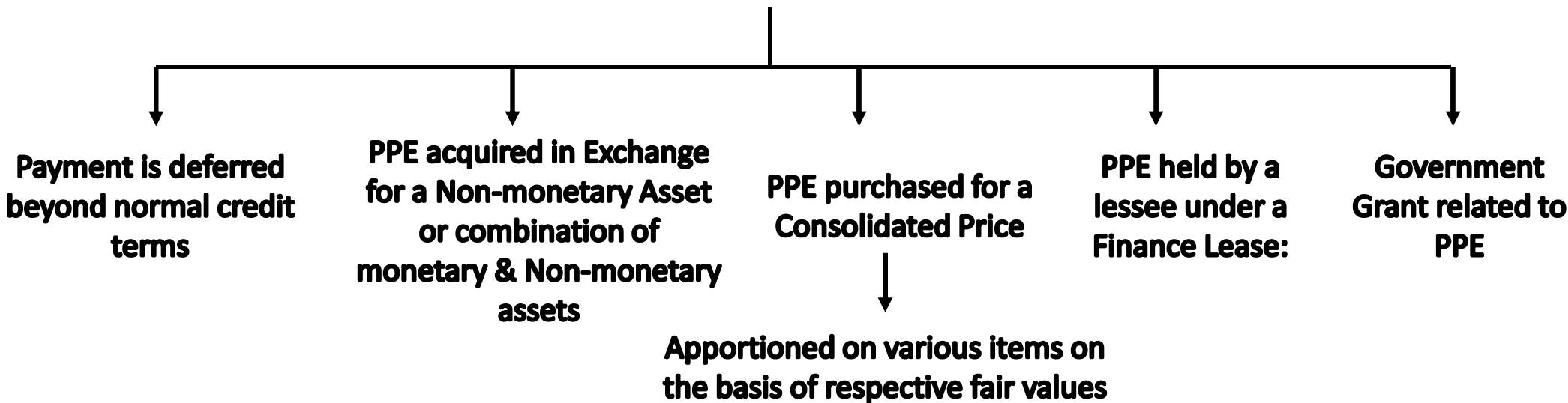






# DIFFERENCE SITUATIONS OF MEASUREMENT OF COST

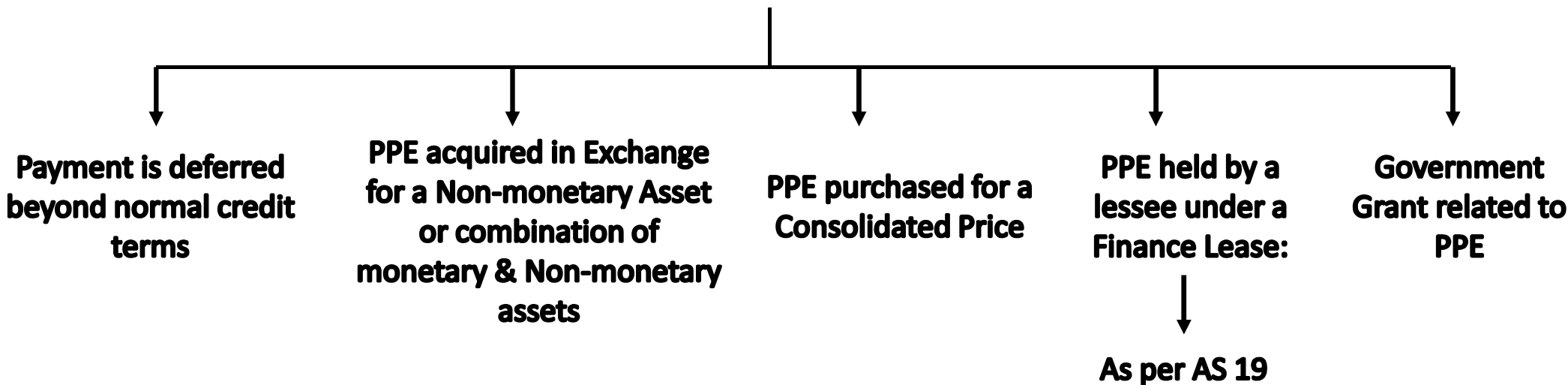
## Situations





# DIFFERENCE SITUATIONS OF MEASUREMENT OF COST

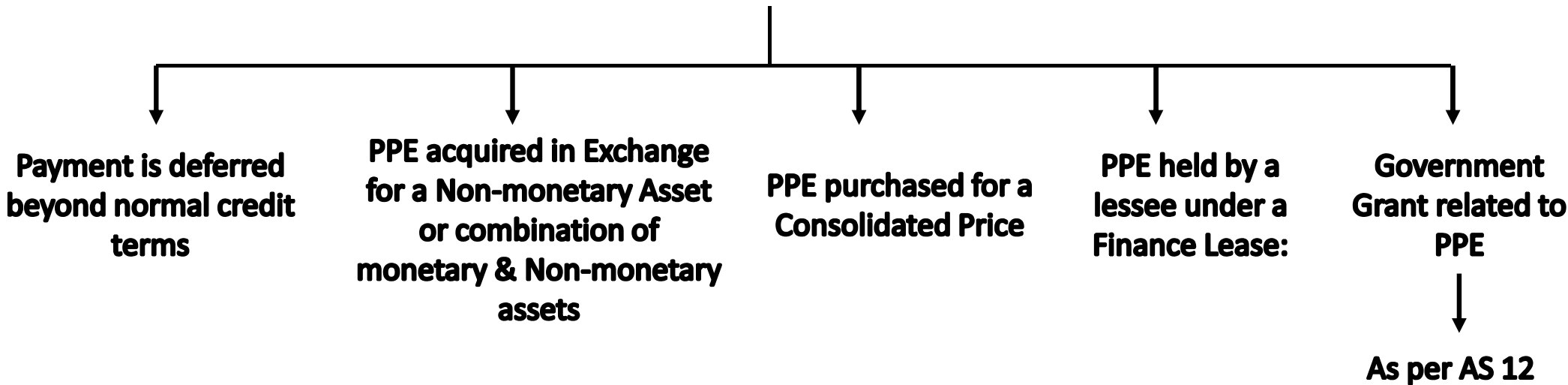
## Situations





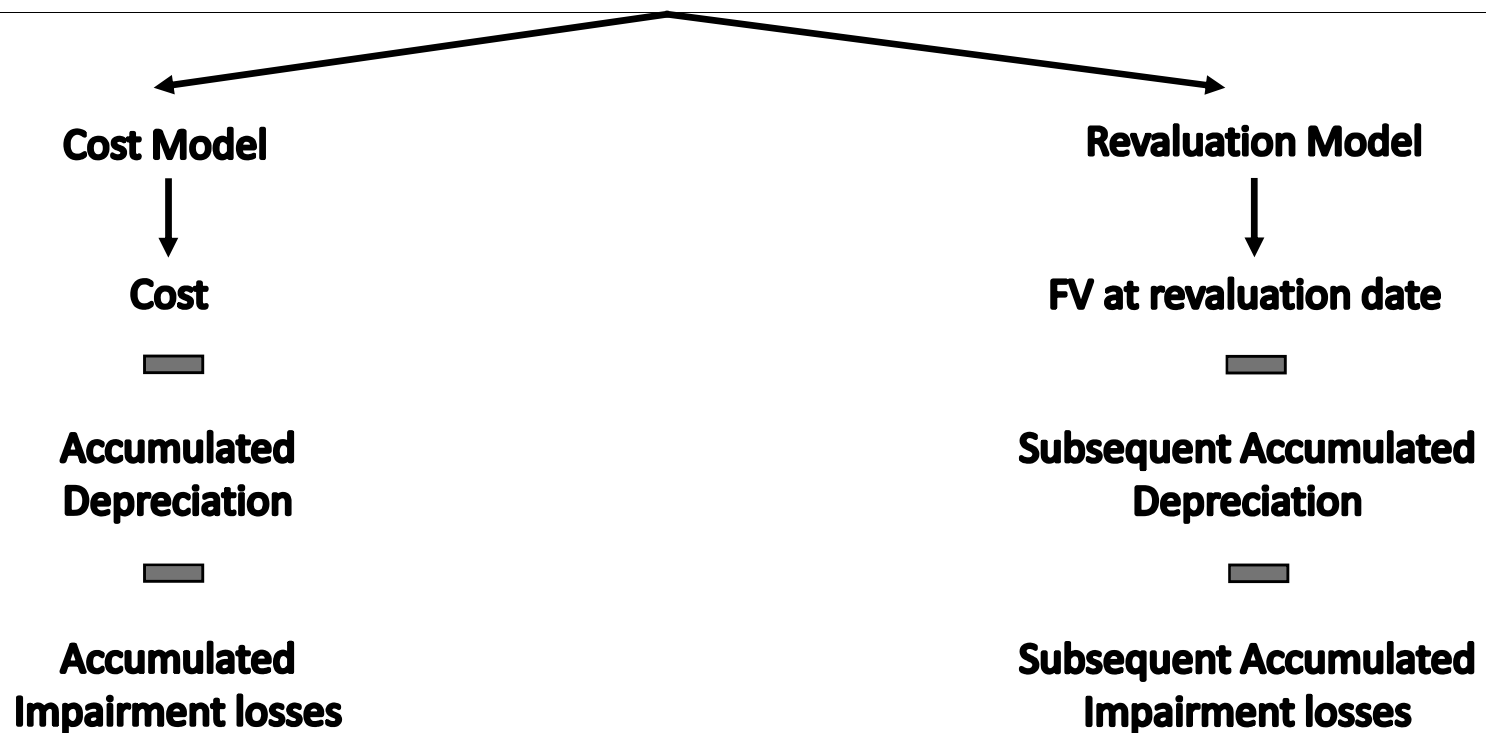
# DIFFERENCE SITUATIONS OF MEASUREMENT OF COST

## Situations





# MEASUREMENT AFTER RECOGNITION









# MEASUREMENT AFTER RECOGNITION

## REVALUATION MODEL

**Accumulated depreciation at the date of revaluation**

**Asset is treated in one of the following ways**

**Method 1 – Netting up**



**Accumulated Depreciation is eliminated against gross carrying amount of asset**

**Method 2 – Grossing up**



**Gross carrying amount is adjusted in a way consistent with revaluation of carrying amount of asset**



# MEASUREMENT AFTER RECOGNITION

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## REVALUATION MODEL

Revaluation for entire class of asset

If item of PPE is revalued



Entire **class** of PPE shall be revalued



Assets of similar nature & use

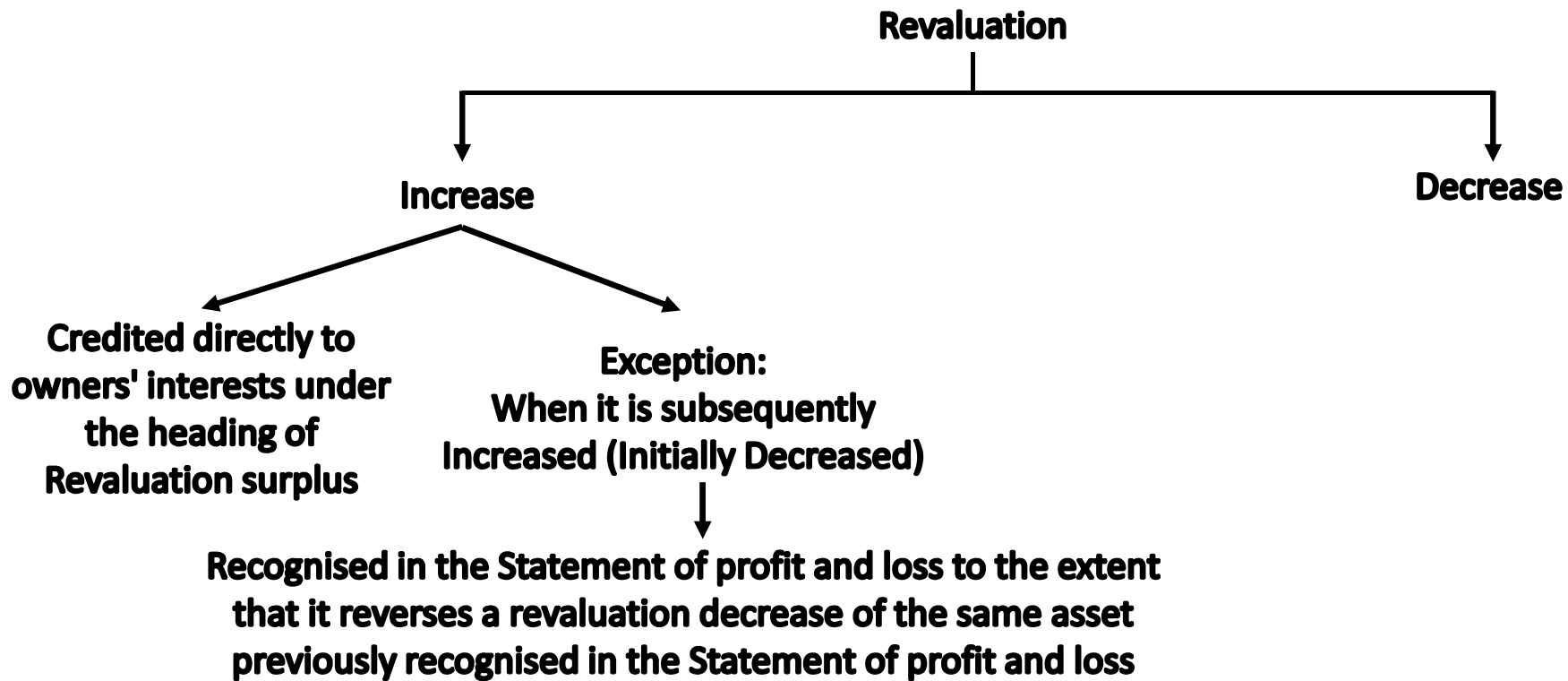
=> Items within class of PPE



Revalued simultaneously

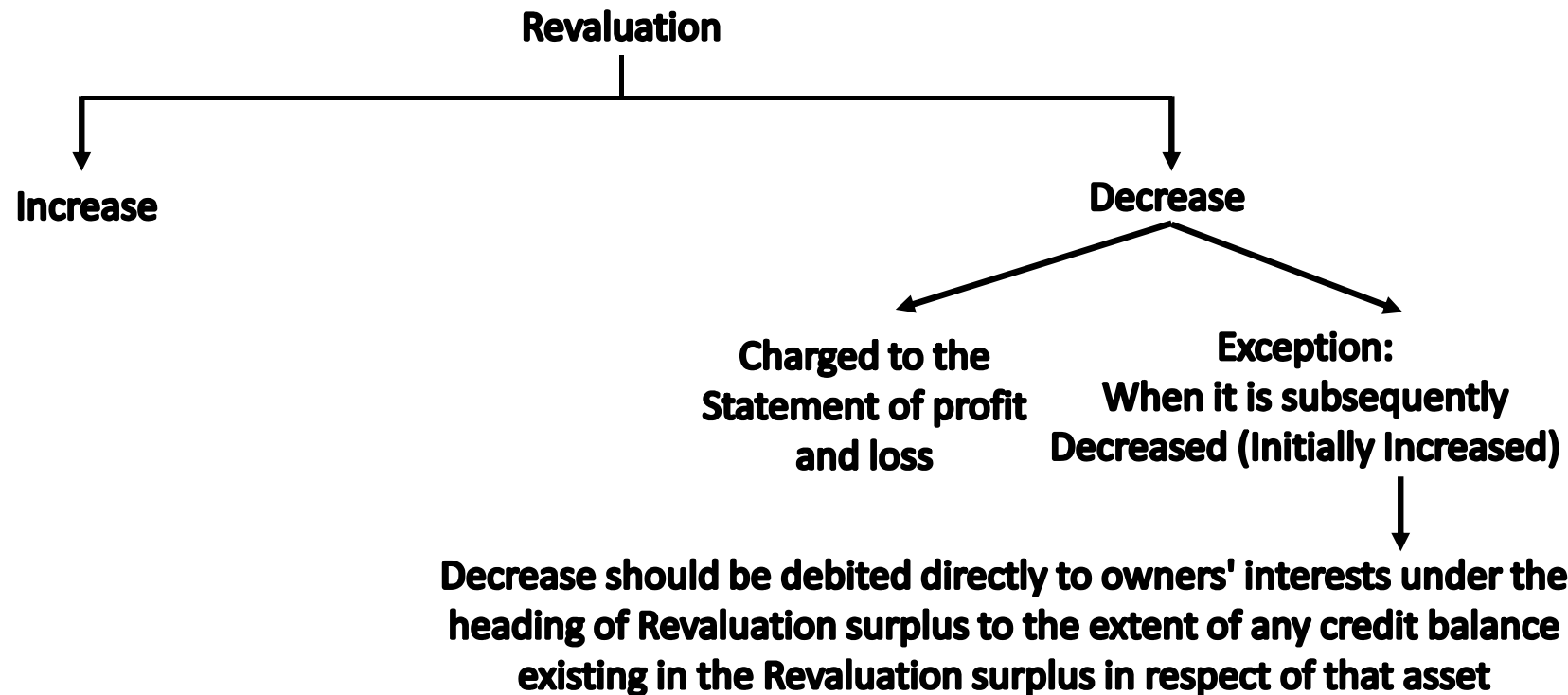


# MEASUREMENT AFTER RECOGNITION





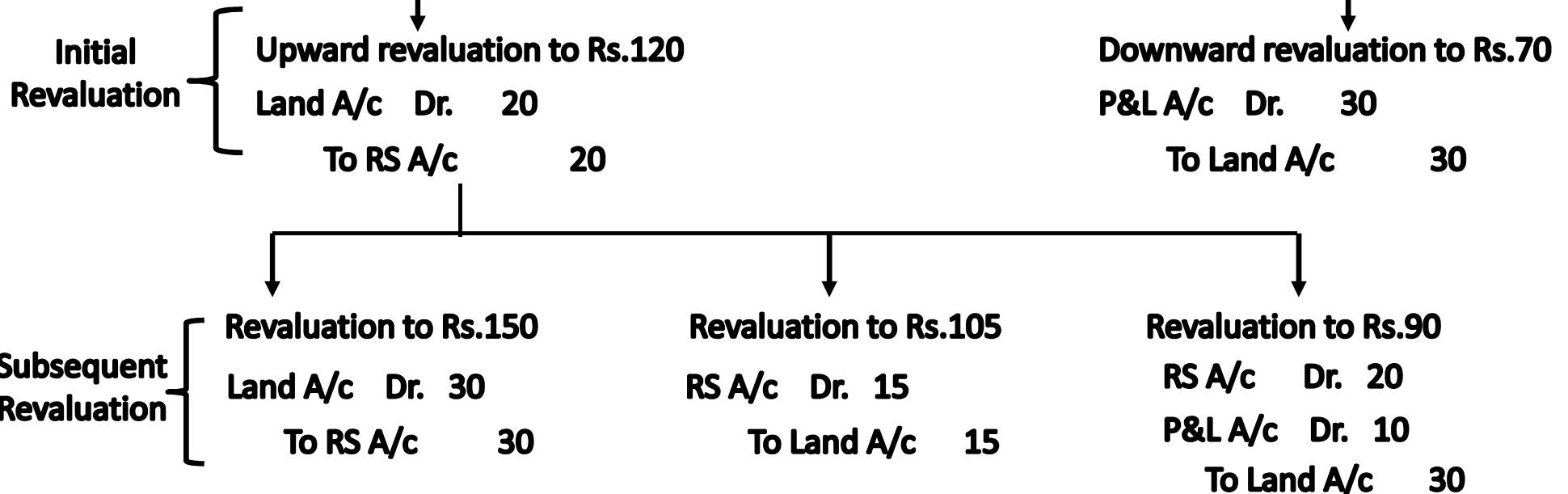
# MEASUREMENT AFTER RECOGNITION





# MEASUREMENT AFTER RECOGNITION

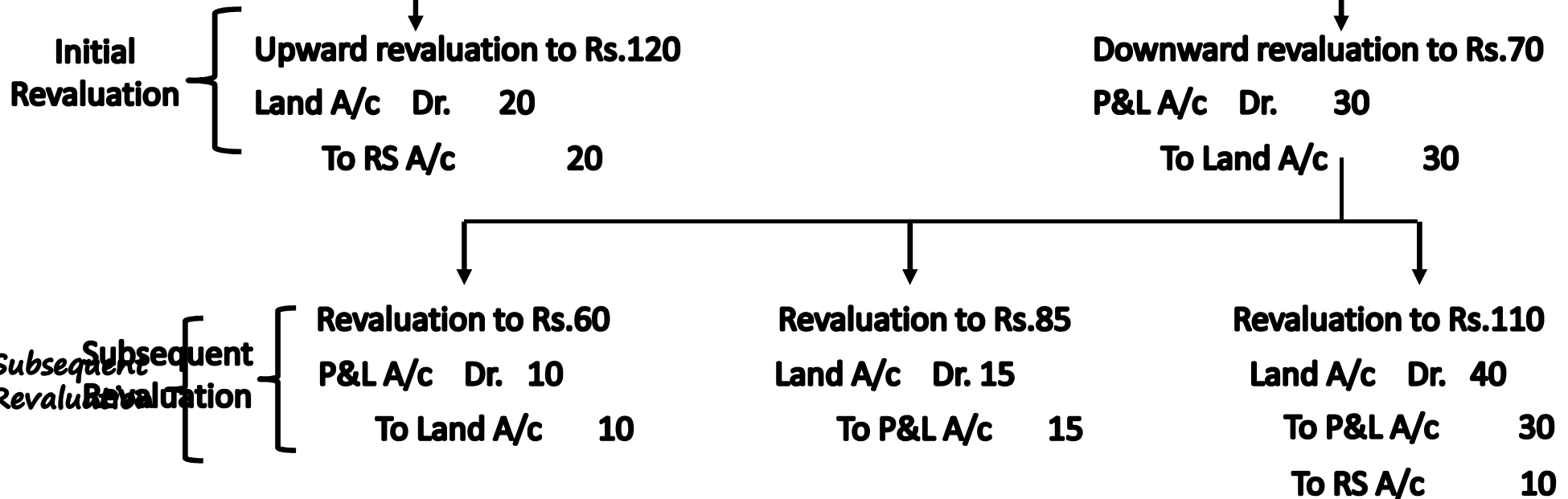
Land Book Value = 100





# MEASUREMENT AFTER RECOGNITION

Land Book Value = 100

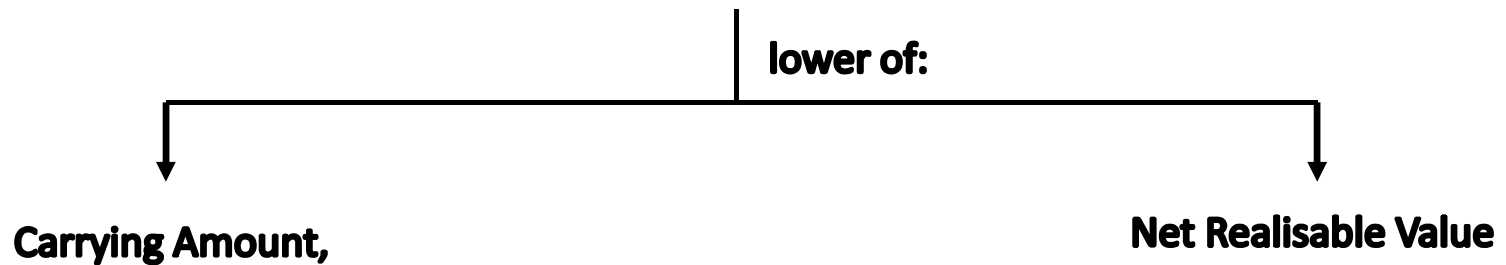




# RETIREMENTS

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**Items of PPE retired from active use and held for disposal should be stated at the**



**Note : Any write-down in this regard should be recognised immediately in the Statement of P&L**





# DERECOGNITION

**Carrying amount of PPE is derecognised**

**On Disposal**

**OR**

**When no future economic benefits**



**Date of disposal is determined as per AS 9**

**Gain/Loss = Net proceeds (-) Carrying amount**

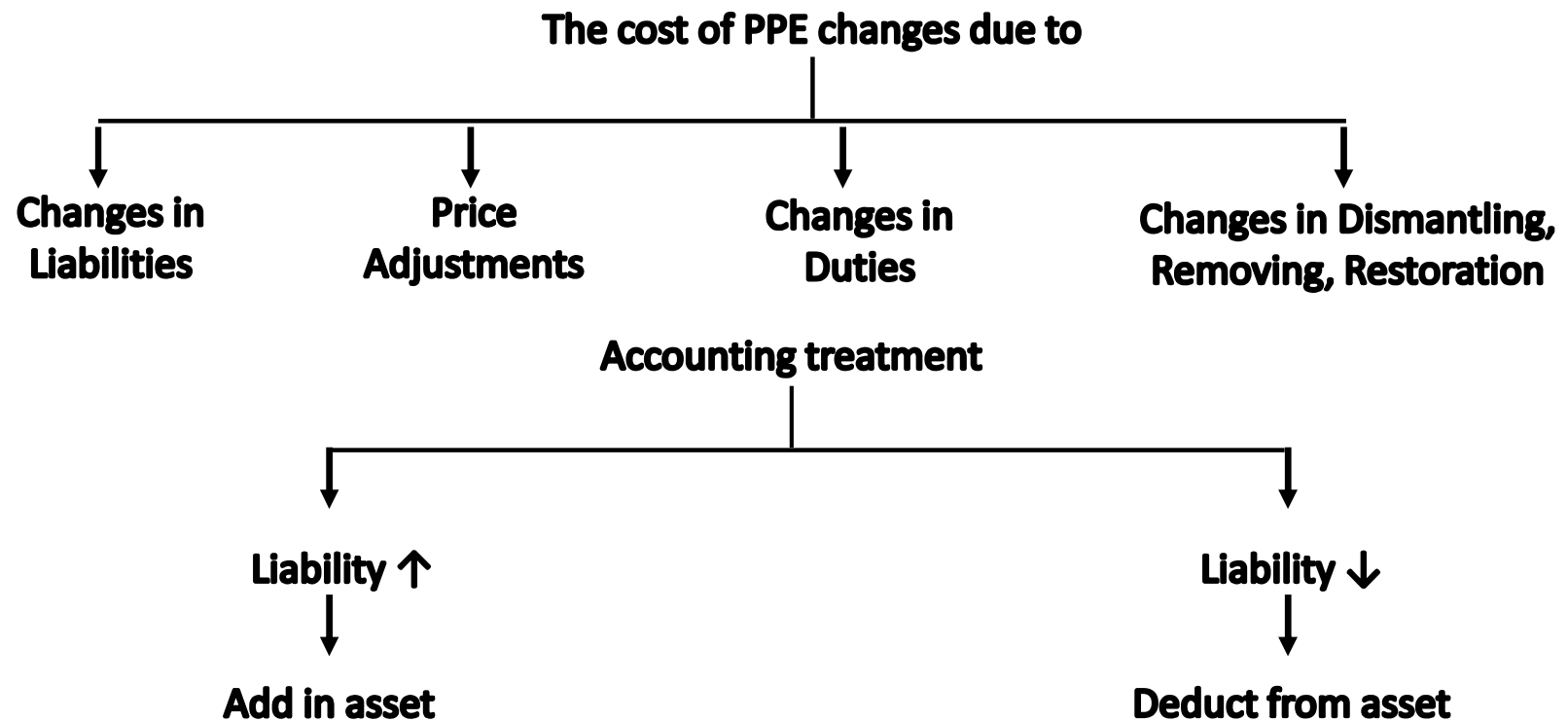


**In P&L**

**Except in case of sales in ordinary activity & leaseback transaction**



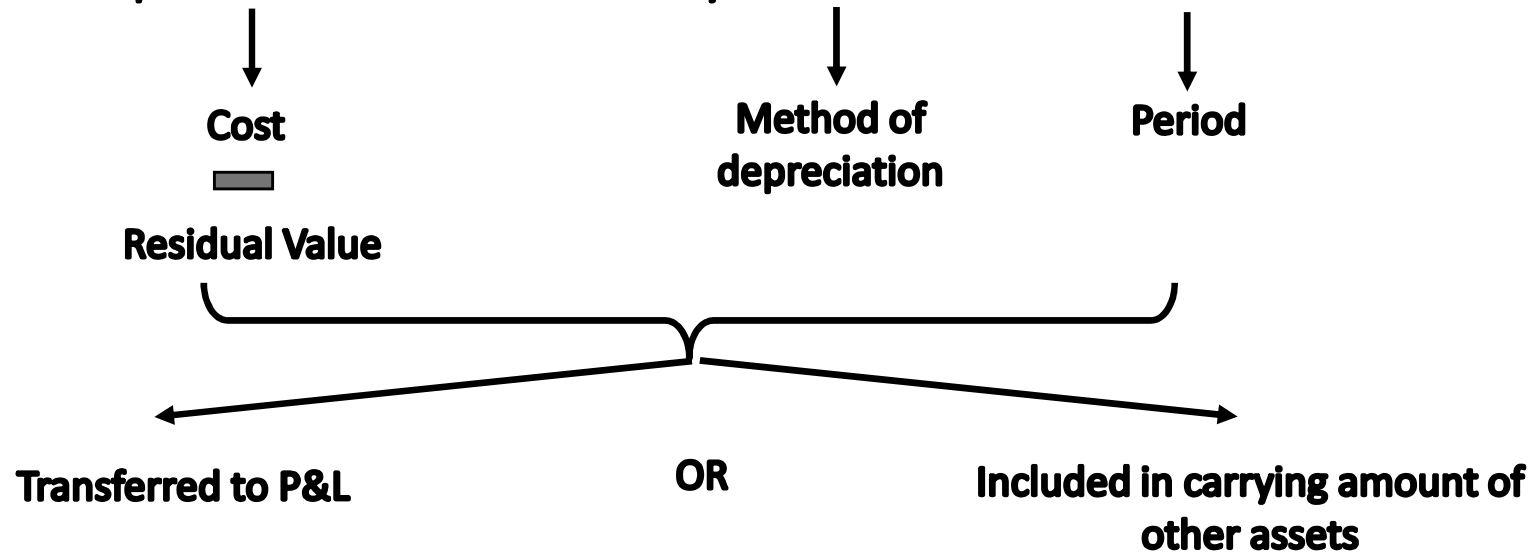
# CHANGES IN EXISTING DECOMMISSIONING, LIABILITIES





# DEPRECIATION

=> Depreciable amount allocated on systematic basis over useful life.



**Residual value & Useful life should be reviewed at each financial year end.**

**Change = Change in Accounting estimate (AS 5)**



# DEPRECIATION

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## COMPONENT ACCOUNTING

**A part of PPE with  
significant cost**



**Should be depreciated  
separately**



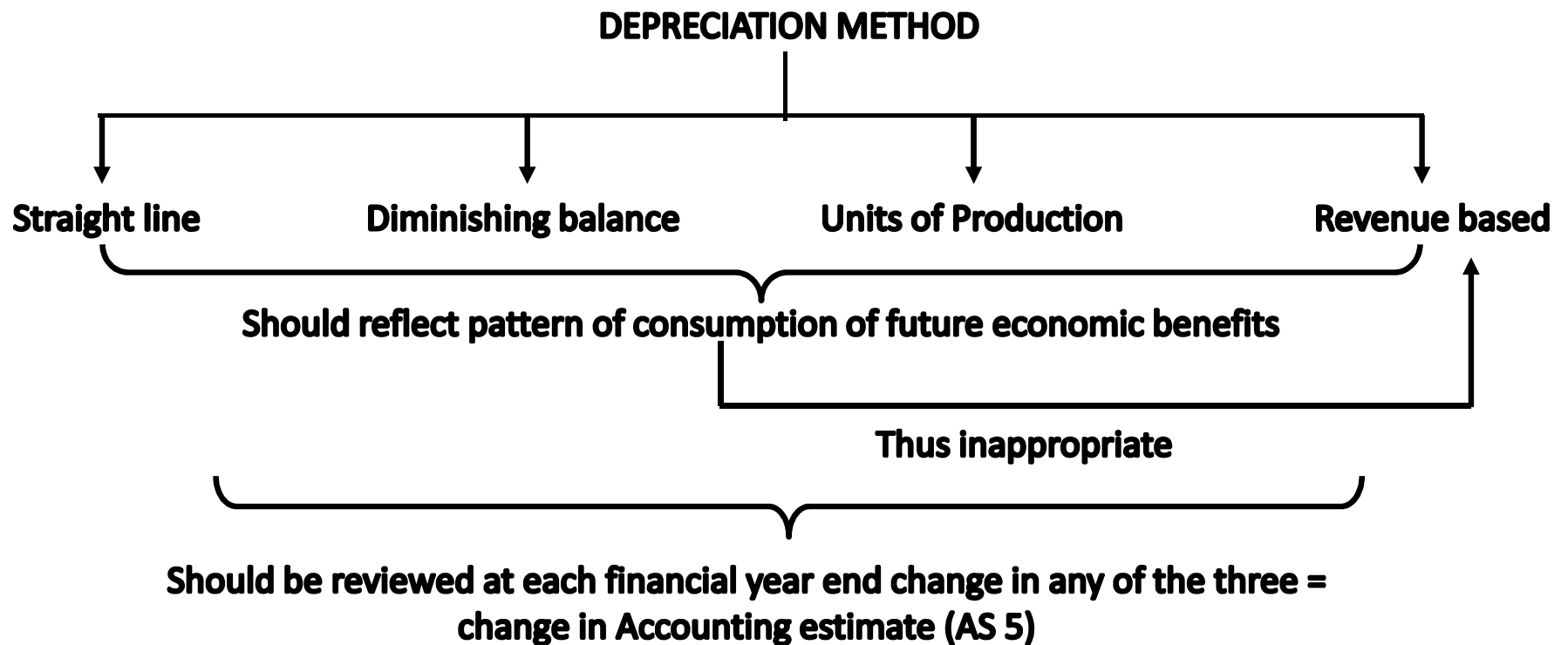
**May have useful life & depreciation method same as  
another significant part**



**Such parts may be grouped together to determine  
depreciation charged.**



# DEPRECIATION





# DEPRECIATION

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## COMMENCEMENT OF DEPRECIATION

Available for use



Put to use

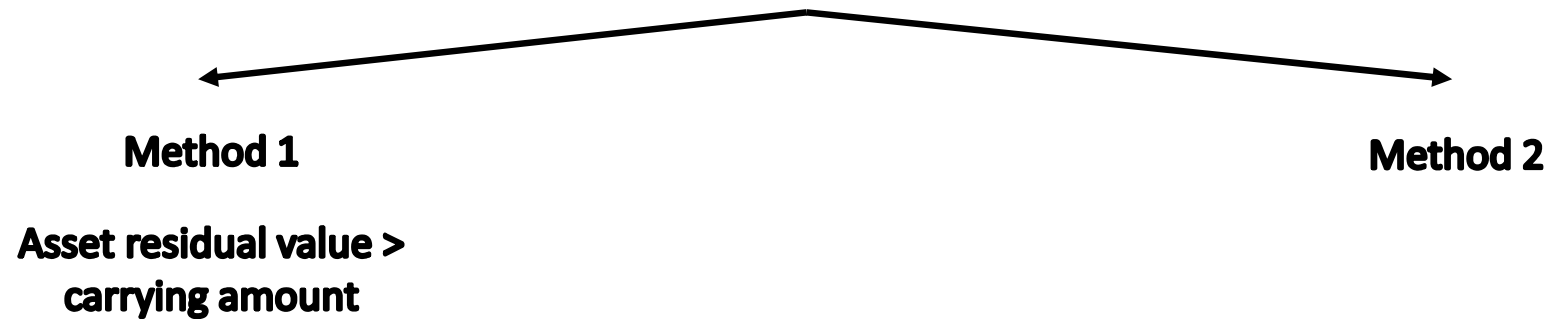




# DEPRECIATION

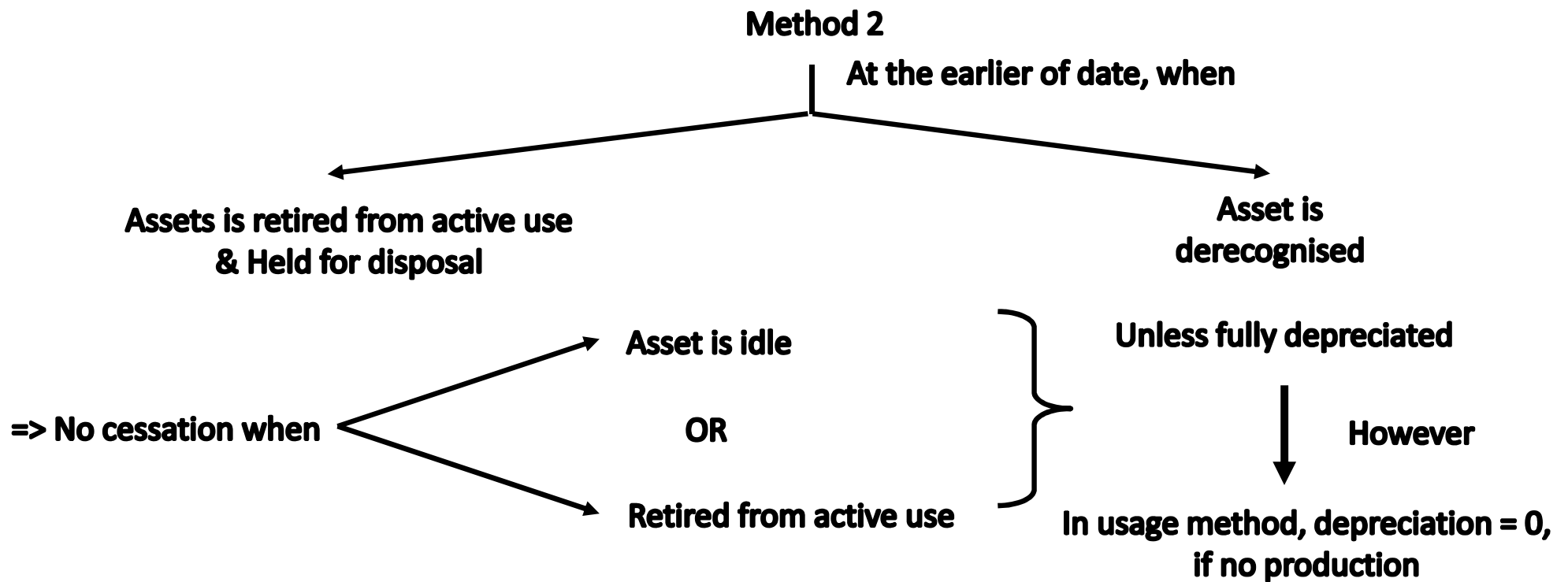
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## CESSATION OF DEPRECIATION





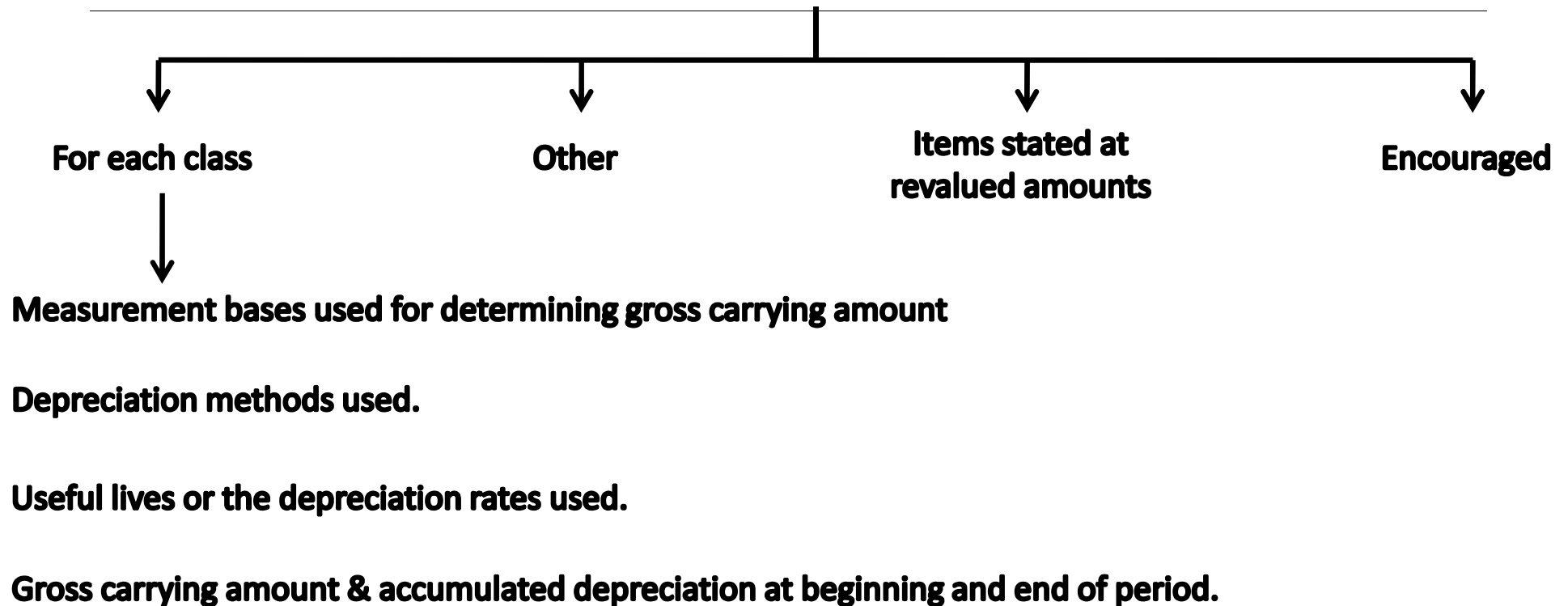
# DEPRECIATION





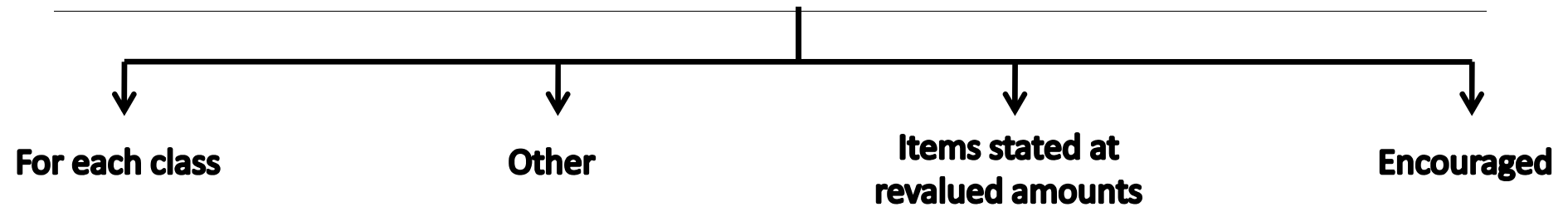


# DISCLOSURE

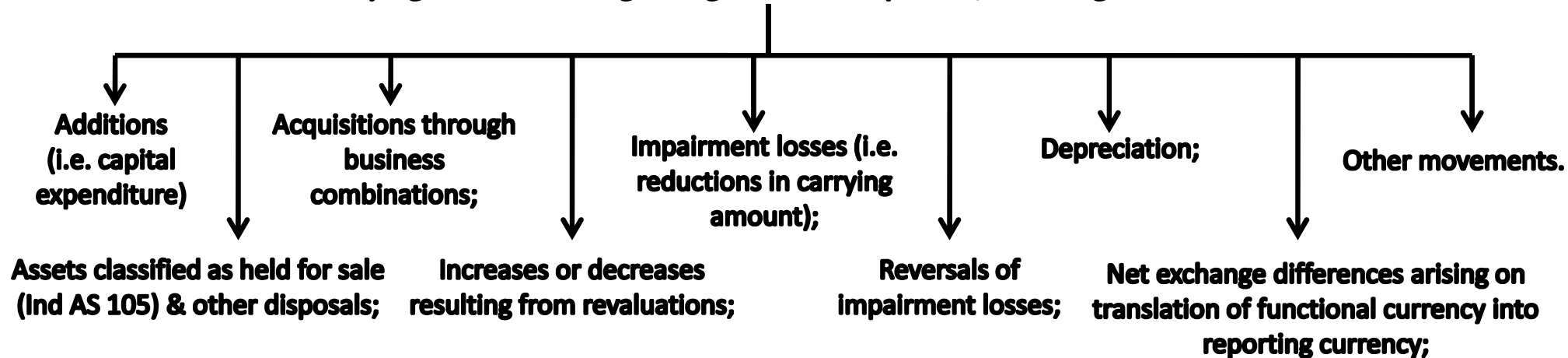




# DISCLOSURE

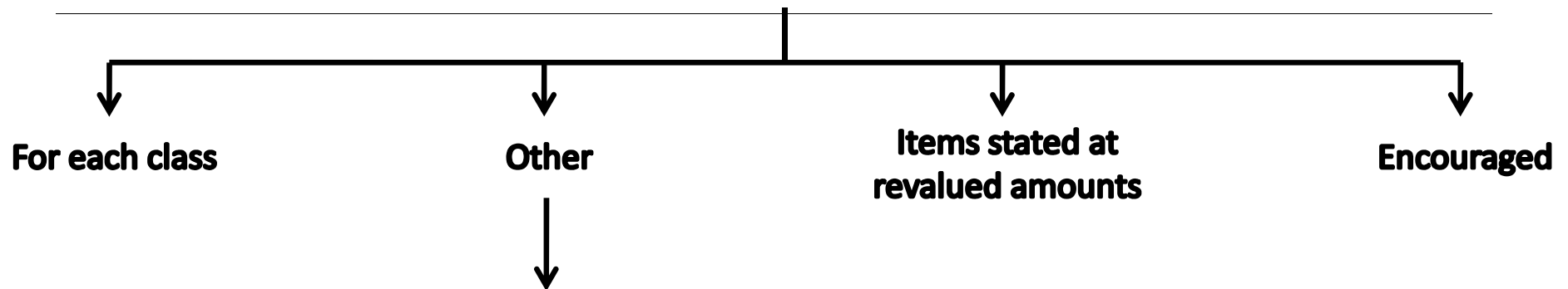


**A reconciliation of carrying amount at beginning and end of period, showing:**





# DISCLOSURE



**Existence and amounts of restrictions on title, & PPE pledged as security.**

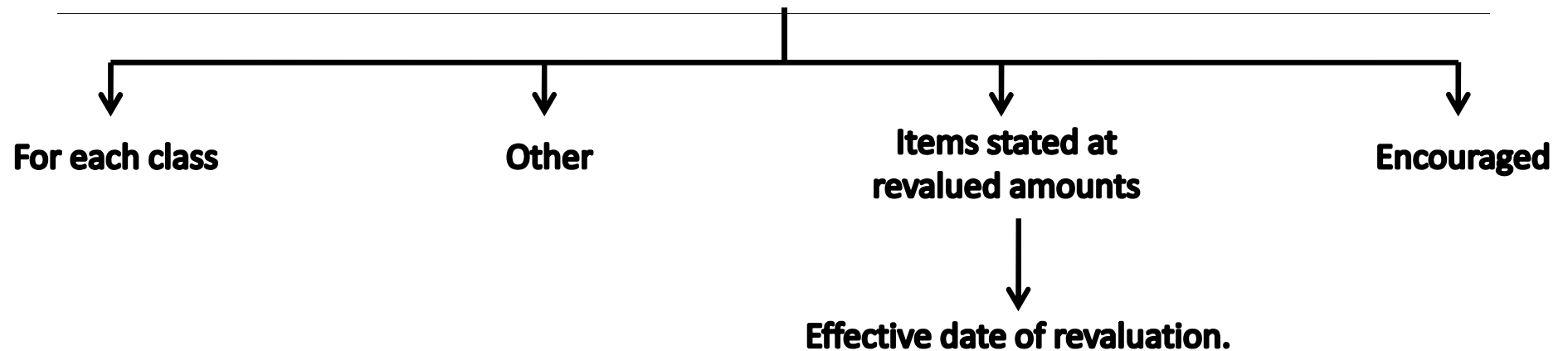
**Expenditures on account of PPE in the course of construction.**

**Contractual commitments for the acquisition of property, plant and equipment.**

**Compensation from third parties for items impaired, lost or given up that is included in P&L, if not disclosed separately in statement of P&L & OCI.**



# DISCLOSURE

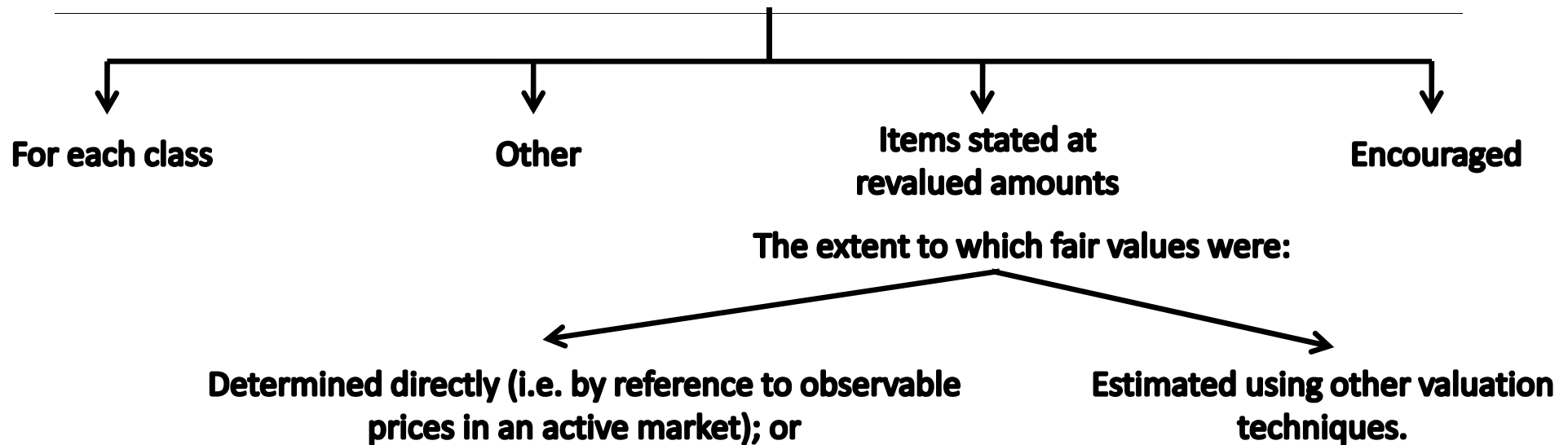


**Whether an independent valuer was involved.**

**Methods and significant assumptions applied to estimate fair values.**



# DISCLOSURE

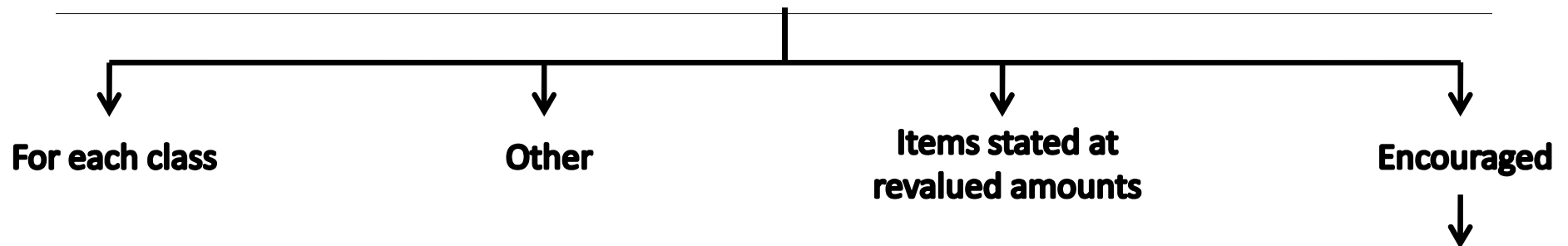


**Carrying amount of each class of PPE that would have been included in the FS had the assets been carried under the cost model.**

**Revaluation surplus, indicating movement for period and any restrictions on distribution of balance to shareholders.**



# DISCLOSURE



**For each class**

**Other**

**Items stated at  
revalued amounts**

**Encouraged**

**Carrying amount of temporarily idle PPE**

**Gross carrying amount of any fully depreciated PPE that is still in use.**

**Carrying amount of PPE retired from active use and not classified as held for sale.**

**When the cost model is used, fair value of PPE when this is materially different from carrying amount.**



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**THANK YOU**