AS 10
PROPERTY PLANT AND EQUIPMENT
CA ACHAL JAIN
**Objective**

1. Objective of AS 10 is to prescribe the accounting treatment for property, plant and equipment.

2. AS 10 provides guidance on:
   
   2.1 Recognition of the assets
   
   2.2 Determination of the carrying amount
   
   2.3 Accounting for depreciation
   
   2.4 The impairment losses to be recognised in relation to them.
## SCOPE

1. Accounting for all property, plant and equipment unless another Standard requires or permits a different accounting treatment.

2. Does not apply to:

   2.1 *biological assets related to agricultural activity other than bearer plants*. AS 10 applies to bearer plants but it does not apply to the produce on bearer plants; and

   2.2 *wasting assets including mineral rights, expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources*. 
DEFINITIONS

Tangible items

Held for:
- Use in the production or supply of goods or services
- Rental to others
- Administrative purposes

Expected to be used during more than a period of 12 months
Property, plant and equipment shall be recognized as an asset when:

- Future economic benefits are probable
- Cost can be measured reliably

Criteria apply to all costs when incurred, including:

- Initial acquisition or construction costs
- Subsequent costs

Property, plant and equipment is measured initially at cost.
**Elements of Cost**

**Cost Elements**

- **Purchase costs**
  - Purchase price;
  - Import duties/non refundable taxes;
  - Deduct trade discounts/rebates.

- **Directly attributable costs**
  - Cost of Employee benefits
  - Cost of site preparation
  - Initial delivery and handling costs
  - Transport handling charges
  - Installation and assembly costs
  - Cost of testing
  - Professional fees

- **Other Costs**
  - Initial estimate of dismantling costs.
  - Initial estimate of site restoration costs
Exclusions

- Costs of opening a new facility;
- Costs of introducing a new product or service or conducting business in a new location or with a new class of customer;
- Administrative and other general overheads;
## Cost Model

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<table>
<thead>
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<tbody>
<tr>
<td>1</td>
<td>Carried at</td>
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<tr>
<td>1.1</td>
<td>Cost less any accumulated depreciation and any accumulated impairment losses.</td>
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<tr>
<td>2</td>
<td>Cost is depreciated over the useful life of the asset</td>
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## Revaluation Model

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<tbody>
<tr>
<td>1</td>
<td>Carried at</td>
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<tr>
<td>1.1</td>
<td>Revalued amount, that is, fair value at date of revaluation, less any accumulated depreciation and any accumulated impairment losses.</td>
</tr>
<tr>
<td>2</td>
<td>The revalued amount is depreciated over the useful life</td>
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Revaluation Model

Increase in carrying value of an asset

YES

- Recognized directly in Revaluation Surplus. However, increase is recognised in P&L if it reverses a revaluation decrease of same asset previously recognised in P&L.

NO

- Debit Revaluation Surplus to the extent recognized previously and balance, if any, charge to profit or loss

- Entire class of property, plant and equipment shall be revalued
- Revaluation shall be done with sufficient regularity
Depreciation = \frac{\text{Cost} - \text{Residual Value}}{\text{Useful life}}
COMPONENTIZATION - KEY CONSIDERATIONS

- Useful life of components
- Replacement costs
- Materiality/Significant components
- Major inspection/Overhaul

Componentization
1. Cost of each significant item of Property Plant and Equipment to be recognised and depreciated separately even though it may not have different useful life.

2. Item of PPE means parts having a cost that is significant to total cost.

3. Identification of such parts required to recognize replacement cost, if required.

Ship costs `150, useful life 10 years,
Estimated docking cost `15, planned after 3 years

- **Component 1**
  - Cost: 135
  - Life: 10 years

- **Component 2**
  - Cost: 15
  - Life: 3 years

**Total Ship Cost**
150
EXAMPLE: COMPONENTS OF A BUILDING

- Elevators
- Electrical and lightning system
- Plumbing system
- HVAC system
- Fire protection system
- Floor coverings
- Roof covering
- Interior finishing
- Building (Main Building Shell)
Depreciation Methods

- Straight line method
- Diminishing balance method
- Unit of production method
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<tbody>
<tr>
<td>1</td>
<td>De recognise the carrying amount:</td>
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<tr>
<td>1.1</td>
<td>On disposal; or</td>
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<tr>
<td>1.2</td>
<td>When no future benefits are expected from its use</td>
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<td>2</td>
<td>Any gain or loss arising from the De recognition i.e., difference between carrying amount and net proceeds from disposal to be included in profit or loss.</td>
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<td>3</td>
<td>Gains (or proceeds) are not classified as revenue</td>
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<td>DISCLOSURES</td>
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<td>----------------------------------------------------------------------------</td>
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<tr>
<td>1</td>
<td>Measurement basis</td>
</tr>
<tr>
<td>2</td>
<td>Depreciation methods used</td>
</tr>
<tr>
<td>3</td>
<td>Useful lives or depreciation rates used</td>
</tr>
<tr>
<td>4</td>
<td>Gross carrying amount and accumulated depreciation at the beginning and end</td>
</tr>
<tr>
<td>5</td>
<td>Reconciliation of the carrying amount at the beginning and end of the period</td>
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Thank You

Faculty Contact Details:

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