

EXPOSURE DRAFT OF SCHEDULE XIV TO THE COMPANIES ACT, 1956

Following is the Exposure Draft of the Schedule XIV to the Companies Act, 1956, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. This Exposure Draft is in accordance with the IFRS converged Accounting Standards being formulated by the ICAI. The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific item or group of items to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

*Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than **October 15, 2010**. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.*

(See section 205 and 350 of the Companies Act, 1956)

(Indicative lives to calculate Depreciation)

PART 'A'

1. This Schedule shall apply to companies to which Accounting Standards notified under Part I of the Companies (Accounting Standards) Rules ____- apply. As per Accounting Standard (AS) 10, *Property, Plant and Equipment*, notified under Part I of the Companies (Accounting Standards) Rules, ____, depreciation is the systematic allocation of depreciable amount of an asset over its useful life. Accordingly, this Schedule prescribes useful lives of various tangible assets in Part C which are indicative only. As per Accounting Standard (AS) 26, *Intangible Assets*, notified under Part I of the Companies (Accounting Standards) Rules, ____, an intangible asset with a finite useful life shall be amortised over its useful life. Accordingly, this Schedule prescribes indicative useful lives of intangible assets having definite useful life in its Part D. Provisions and notes contained in this schedule are subject to the provisions of the Companies Act, 1956 and Accounting Standards notified under Part I of the Companies (Accounting Standards) Rules ____ as amended from time to time.

PART 'B'

2. For the purpose of ascertainment of depreciation as provided under section 350 of the

Companies Act, 1956, the useful life of any specific asset, as notified by a Regulatory Authority constituted under an Act of Parliament or by the Government for accounting purposes shall be applied in calculating the depreciation to be provided for such asset.

PART 'C'

3. Subject to the Parts A and B above, following indicative useful lives of various tangible assets may be applied to calculate depreciation:-

Nature of assets	Useful Life
I. Buildings	
(a) Buildings (other than factory buildings) RCC Frame Structure	60 Years
(b) Buildings (other than factory buildings) Other than RCC Frame Structure	30 Years
(c) Factory buildings	30 Years
(d) Temporary structure including non-carpeted roads	3 Years
II. Plant and Machinery	
(i) <i>General Plant and Machinery</i> – (not being a ship)	15 Years
(ii) <i>Special Plant and Machinery</i>	
A. 1. Cinematograph films – Machinery used in the production and exhibition of cinematograph films	13 Years
2. Recording equipment, reproducing equipment, developing machines, printing machines, editing machines, synchronizers and studio lights except bulbs	-do-
3. Projecting equipment of film exhibiting concerns	-do-
4. Electrical Machinery, X-ray and electrothepeutic, apparatus and accessories thereto, medical, diagnostic equipments, namely, Cat-scan, Ultrasound Machines, ECG Monitors etc.	-do-
5. Juice boiling pans (karhais)	-do-
6. Sugarcane crushers (indigenous kolus and belans)	-do-
7. Glass manufacturing concerns except direct fire glass melting furnaces – Recuperative and regenerative glass melting furnaces	-do-

8. Machinery used in the manufacture of electronic goods and components.	18 Years
B. 1. Simulators, Visual System and Quick Engine Change Equipment	17 Years
2. Earth-moving equipments	8 Years
3. Material handling equipments	10 Years
4. Glass manufacturing concerns except direct fire glass melting furnaces – Moulds	8 Years
5. Mines and quarries – Portable underground machinery and earth moving machinery used in open cast mining	-do-
6. Patterns, dies and templates, Moulds, Tools, Jigs etc.	-do-
7. Ropeway structures – Ropeways, ropes and trestle sheaves and connected parts	-do-
8. Shoe and other leather goods factories – Wooden lasts used in the manufacture of shoes.	-do-
C. 1. Rubber and plastic goods factories – Moulds	6 Years
2. Gas cylinders including valves and regulators	-do-
D. 1. Float Glass Melting Furnaces	10 Years
E. Telecommunication Sector	
1. Telecom transceivers, switching centers, transmission and other network equipment	10 Years
2. Telecom – Ducts, Cables and optical fibre	18 Years
3. Satellites	18 Years
4. Mobile Phones	2 Years
F. Oil and Gas Sector	
1. Refineries	25 Years
2. Oil and gas processing Plant	25 years
3. Petrochemical Plant	25 Years
4. Pipelines	30 Years
5. Storage tanks and related equipment	25 Years
6. Mineral oil concerns – Field operations (above ground) – Portable boilers, drilling tools, well-head tanks, etc.	8 Years
G. Power Sector	
1. Thermal/ Gas/ Combined Cycle Power Generation Plant	40 Years
2. Hydro Power Generation Plant	40 Years
3. Nuclear Power Generation Plant	40 Years
4. Wind Power Generation Plant	22 Years

5. Transmission lines, cables and other network assets	40 Years
6. Electric Distribution Plant	35 Years
7. Gas storage and Distribution Plant	30 Years
8. Water Distribution Plant including pipelines	30 Years
9. Switchgear and transformers	35 Years
10. Solar Panels	8 Years
H. Steel Sector	
1. Sinter Plant	20 Years
2. Blast Furnace	20 Years
3. Coke ovens	20 Years
4. Basic oxygen Furnace Converter	25 Years
5. Rolling mill in steel plant	20 Years
III. Furniture and fittings	
(i) General Furniture and fittings	10 Years
(ii) Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions, libraries; welfare centers; meeting halls, cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions.	10 Years
IV. Motor Vehicles	
1. Motor-cars, motor cycles, scooters and other mopeds	5 Years
2. Motor buses, motor lorries and motor taxies used in a business of running them on hire	6 Years
3. Motor buses and motor lorries other than those used in a business of running them on hire	8 Years
4. Motor tractors, harvesting combines	8 Years
5. Electrically operated vehicles including battery powered or fuel cell powered vehicles	13 Years
V. Ships	
1. <i>Ocean-going ships</i>	
(i) Fishing vessels with wooden hull	10 Years
(ii) Dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes	14 Years
(iii) Other ships	19 Years
2. <i>Vessels ordinarily operating on inland waters –</i>	
(i) Speed boats	13 Years

(ii) Other vessels	28 Years
VI. Aircrafts, Aeroplanes, Aero Engines	17 Years
VII. Office equipment	5 Years
VIII. Electrical equipment and installation	10 Years
IX. Computers and data processing units	6 Years
X. Laboratory equipment	10 Years
XI. Library Books	3 Years

PART 'D'

4. Subject to the Parts A and B above, where useful life of an intangible asset can be determined on the basis of the contract governing such an intangible asset, its useful life shall be in accordance with the terms of the contract, such as, intangible assets created under service concession arrangements as per the relevant Accounting Standards. Similarly, in respect of intangible assets which are governed by an applicable law, the useful life shall be determined on the basis of the relevant legal requirements, unless the useful life, as per the relevant Accounting Standard, of the asset is shorter. For other intangible assets having definite useful life, the indicative useful life may be taken as 10 years. Intangible assets having indefinite useful life shall be accounted for as per the relevant Accounting Standard as such assets are not required to be amortised.

Notes.-

1. "buildings" include roads, fences, bridges, culverts, wells, tube-wells, compound walls and bunders.
2. "factory buildings" does not include offices, godowns, officers and employees' quarters, roads, bridges, culverts, wells and tube-wells.
3. "speed boat" means a motor boat driven by a high speed internal combustion engine capable of propelling the boat at a speed exceeding 24 Kilometers per hour in still water and so designed that when running at a speed it will plane, i.e., its bow will rise from the water.
4. The term 'depreciation' includes 'amortisation'.
5. Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a pro rata basis from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or

destroyed.

6. The following information should also be disclosed in the accounts:

(i) depreciation methods used; and

(ii) depreciation rates or the useful lives of the assets, if they are different from the life specified in the Schedule.

7. Indicative useful life specified in Part C of the Schedule is for whole of the asset. Where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately.