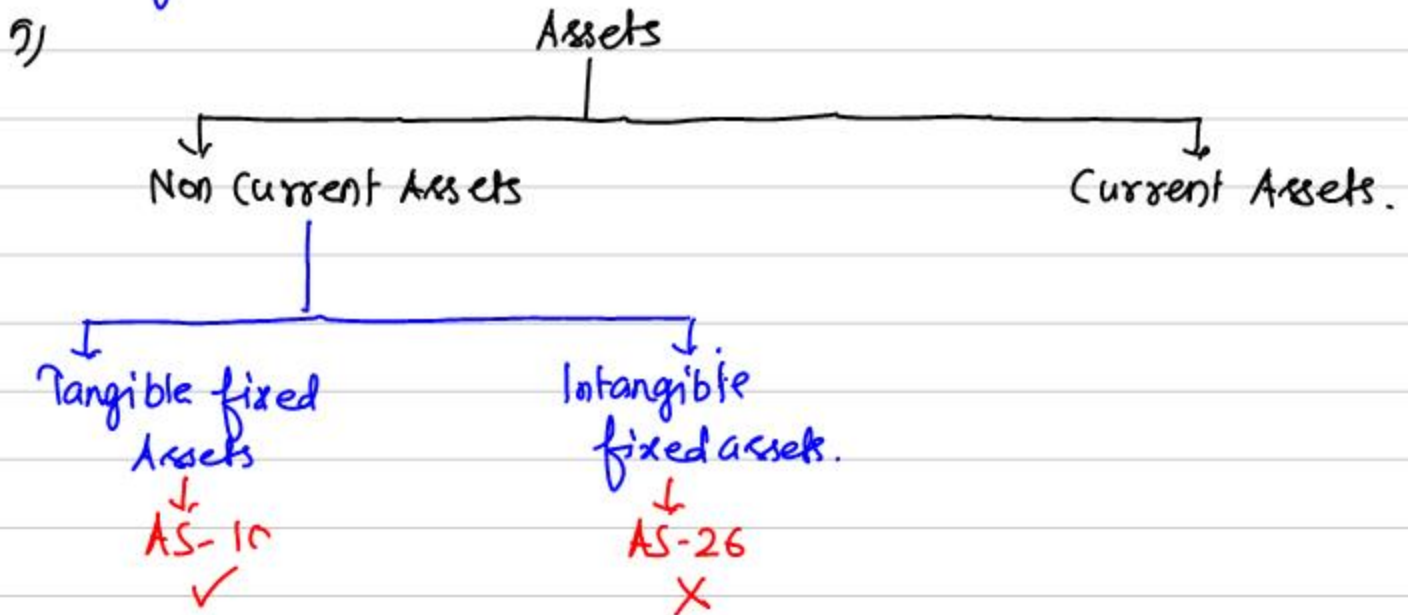


AS-10 Accounting for Fixed Assets.

- 1) This accounting standard is applicable to all entities.
- 2) Asset is a resource controlled by enterprise as a result of past events from which future economic benefits are expected to arise.
- 3) Control means we can derive the benefit from same and can restrict the others from doing the same.
- 4) It is anticipated that asset will be giving some benefits in future.



- 6) Fixed Assets are held with the intention of being used for the purpose of producing or providing goods and services but it is not held for resale.
- 7) This standard does not deal with.
 - a) Forest plantation and similar regenerative natural resources
 - b) Wasting assets including mining rights, Expenditure on exploration of oil & gas and similar non regenerative resources.

- c) Expenditure on Real Estate development $\leftarrow$ Live stock
- 8) Fair market value : It is price between knowledgeable and willing buyer $\leftarrow$ knowledgeable $\leftarrow$ willing seller in an arms length transaction.
- 9) Gross book value : Is historical cost or other amount substituted for historical cost in the books of account or financial statements.
In other words gross book value is total cost of fixed assets.
- 10) Net book value = Gross book value - Accumulated depⁿ

11) Accounting for fixed assets

- a) Fixed assets should be recognized in books of entity at its cost.
- b) Cost of fixed assets includes all expenses incurred to bring the asset to its present location and condition.

i) Purchase Price	xxx
ii) (+) Import duty	xxx.
iii) (+) Non refundable taxes	xxx
iv) (-) Discounts $\leftarrow$ rebates etc	(xxx)
Cost of fixed asset	<u>xxx</u>

c) Directly attributable costs

If an entity is developing a fixed asset then following cost should be included.

- i) Employee cost
- ii) cost of site preparation.
- iii) Initial delivery & handling cost
- iv) Installation & assembly cost
- v) Professional fees etc.

Note: Above costs can be capitalized till the date asset is not ready to put to use. (Actual use is not necessary)

d) Following costs should not be capitalized.

- i) Administration cost
- ii) other general overheads

unless they are specifically attributable to construction or forming part of cost of fixed assets.

Note: Borrowing costs ^{may} ~~should~~ be included in costs of fixed asset to the extent specified in AS-16 borrowing cost

eg X Ltd is setting up a factory which ready for commercial production on 31.12.15. But Co. is not able to get licence for production upto 31.3.16 what should be treatment for expenses between 1.1.16 to 31.3.16.

Ans : Expenditure incurred between 1.1.16 to 31.3.16
Can not be capitalized with cost of factory and
it should be transferred to P & L acc

12) Fixed asset acquired in exchange of other asset.

If a fixed asset is acquired in exchange of other asset then value of fixed asset acquired will be

a) fair value of asset acquired or

b) fair value of asset given

whichever is more evident.

e.g A Ltd acquires a computer system and in exchange of that gives a software recently developed by Co. What should be value of computer system.

Ans Suppose value of computer system in similar recent transaction was ₹ 2,00,000, but software is recently developed by entity. ∴ value of computer system in recent transaction is more evident + should be considered.

e.g. Machine acquired by issue of shares

Ans In such cases asset acquired is recorded at

— F.M.V. of asset acquired or

— F.M.V. of asset given

whichever is more clearly evident.

13.

Measurement after initial recognition.

Cost model		Revaluation model.	
↓		↓	
Cost of asset	xxx	Revalued amount	xxx
(-) Accumulated depreciation	xxx	(-) Accum. Dep ⁿ	xxx
(-) Impairment loss	xxx	(-) Impairment loss	xxx
WDR of asset	xxx		xxx

14. How revalued amount is determined.

It can be determined by following methods.

- on the basis of report of competent valuer or
- on the basis of tenderation or
- with reference to current price.

15

Revaluation.

Upward Revaluation	Downward Revaluation.
↓	↓
Value of FA is increased	Value of F.A. is decreased.

Situation 1: No revaluation has taken place earlier

Case a: Upward revaluation

FA Dr
To Revaluation reserve.

Case b % Downward revaluation

P & L are
To FA are

e.g. Gross book value of asset £ 1,00,000
Accum. depⁿ 25,000

Asset is now revalued at £ 1,50,000

<u>Ans</u>	WDV of F.A. (1,00,000 - 25,000)	₹ 75,000
	Revalued amount	₹ 1,50,000
	∴ Revaluation reserve	<u>75,000</u>

Journal entry

F.A. au	Dr	75,000	
To Revaluation reserve			75,000

Presentation in books of account

Particulars	If no revaluation taken place	Revaluation taken place.
-------------	-------------------------------	--------------------------

Gross block	1,00,000	1,50,000
(-) Accum. Dep ⁿ	<u>25,000</u>	<u>—</u>
Net block	<u>75,000</u>	<u>1,50,000</u>

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Situation 2 : Earlier downward revaluation and now upward revaluation

FA	au	Dr (By revaluation amount)
To P & L au		(To the extent of loss booked earlier)
To Revaluation Reserve		(Balancing figure)

Situation 3 : Earlier upward revaluation & now downward revaluation.

Revaluation Res au	Dr (To the extent available)
P & L au	Dr (Balancing fig.)
To FA au	

e.g @ 2013-14

Gross block	1,00,000
Accum Dep ⁿ	25,000

Asset is revalued to ₹ 50,000 during the year

2014-15

Asset revalued to ₹ 1,25,000

Ans
2013-14

P & L au	Dr	25,000
To FA au		25,000

(WDV 75,000 - 50,000)

2014-15

FA au (1,25,000 - 50,000)	Dr	75,000
To P & L au		25,000
To Revaluation Reserve		50,000

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class Notes

e.g 2013-14

Gross block

1,00,000

Accum. Depⁿ

25,000

F.A was revalued to £ 1,25,000 during the year.

2014-15

FA is revalued to ₹ 50,000

Ans 2013-14

f_A are

Dr 50,000

To Rev. Res an.

50,000

$[1,25,000 - \text{WDR } 75000]$

2014-15

Rev. Rev. au

Dr 50,000

pel an

Dr 25,000

To FA are

75,000

$$[125,000 - 50,000]$$

Fixed Assets

