

# **Deliberation on IFRS**

**IAS-1,2,,7, 8,10, 12,16,17,18,19,20, 23,  
24,27,28,31,32,36,37,38,39,40**

**IFRS -5,6,7, 8**

**by**

**CA. D.S. Rawat**

**Partner, Bansal & Co.**



**International  
Accounting Standards  
Board®**

# **IAS-16**

## **Property, Plant and Equipment**

# Property, Plant & Equipment [PPE]

PPE are tangible assets that –

- are held for use
- expected to be used more than one period

# What it covers

- Recognition of asset
- carrying amount
- Depreciation
- Impairment

# Measurement at recognition

Measure and items of PPE at initial  
recognition at its **Cost**

# Elements of cost

- Purchase price
- Costs directly attributable to bringing the asset to the location & condition
- *Initial estimate of the costs dismantling & removing the items & restoring the site on which it is located.*

# Measurement of cost

- Cash price equivalent at the recognition date
- if acquired in exchange for non-monetary asset – at fair value
- PPE held by a lessee under finance lease – as per IAS-17
- Carrying cost of PPE may be reduced as per IAS-20

# **Measurement after initial recognition** **– Accounting policy election**

- Cost model
- Revaluation model



# Cost Model

At cost

**less**

Any accumulated depreciation **less**

Any accumulated impairment losses

# Revaluation Model

Fair value

**less**

Subsequent accumulated depreciation

**less**

Subsequent accumulated impairment losses

# **Revaluation Model**

If an item of PPE is revalued, the entire class of PPE to which that asset belongs shall be revalued

# **Revaluation increase/ decrease**

- Increase shall be recognised directly to equity under the heading of revaluation surplus
- Decrease shall be recognised to profit or loss

## **Subsequent cost**

- Cost of day-to-day servicing are primarily repairs & maintenance and recognise in profit & loss as incurred.
- Added in carrying amount of PPE if recognition criteria is met

# **Impairment**

---

Whether an item of PPE is impaired, an entity applied IAS-36, “Impairment of Assets”

# **Compensation for Impairment**

An entity shall include in profit or loss compensation from third parties for items of PPE that were impaired, lost or given up only when the compensation becomes receivable.

# De-recognition

---

An entity shall derecognise of an PPE

- on disposal
- when no future economic benefits are expected from its use or disposal



# **Gain & loss on the recognition**

- The gain or loss arising from the de-recognition of an item of PPE shall be included in profit or loss
- Gain shall not be classified as revenue unless IAS-17 requires so.

# **Depreciation**

---

Each part of an item PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately

# Depreciable amount

- Allocate the depreciable amount of an asset on a systematic basis over its useful life
- Review the residual value and the useful life of an asset at least at each annual reporting date

# **Depreciation Method**

- The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity
- The depreciation method applied to an asset shall be reviewed at least at each financial year end

# Depreciation Method

- Change shall be accounted for as a change in an accounting estimate in accordance with IAS-8
- Methods includes the straight-line method, the diminishing balance method and Units of Production method

# Disclosure

- Measurement basis for the gross carrying amount
- Reconciliation of carrying amount
- Useful life, depreciation, depreciation rate
- Accumulated depreciation and impairment
- Disclosure of revaluation
- Other number of disclosures

***THANK***

***YOU***

**CA, D.S.RAWAT**

**Partner, BANSAL & Co.**