

COMPANIES ACT,2013

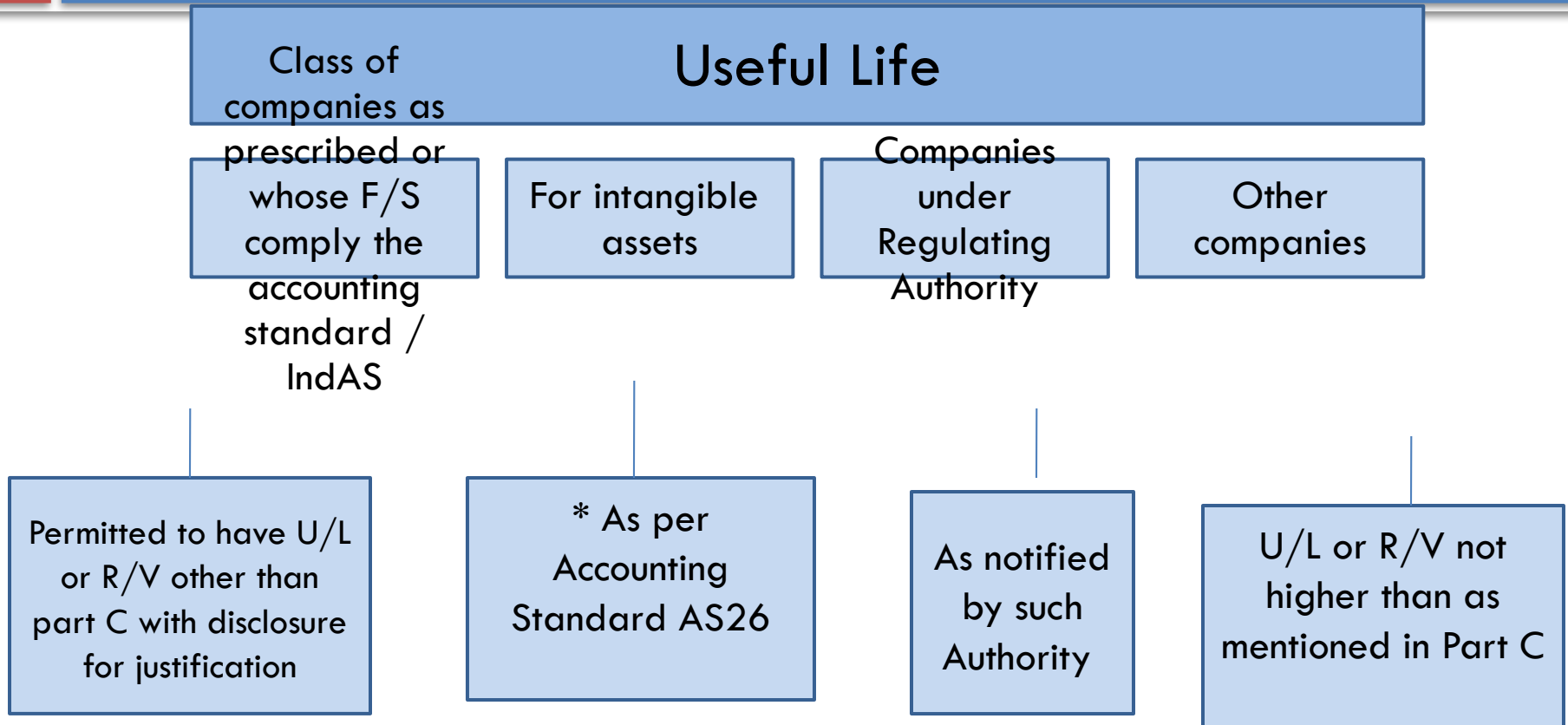
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Depreciation

Schedule II -- (Depreciation)

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- ❖ Depreciation : Systematic allocation of depreciable amount of an asset over its useful life.
- ❖ Depreciable amount : Cost of an asset less its residual value.
Residual value shall not be >5%
- ❖ Useful life of Asset : Period over which an asset to be available for use.



* MCA notification 31.03.2014:- amortization of intangible assets (Toll Roads) under BOT, BOOT, PPP as prescribed.

- ❖ Disclosure in financial statement.
 - ❖ Method of depreciation
 - ❖ Useful lives of asset if it is different from Part C with technical advise

- ❖ Justification for having residual value more than 5%.

Component Accounting

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- Mandatory from FY 15-16
- Useful life of significant parts of assets be determined separately.
- For example:
 - ▣ aircraft/ ship
 - ▣ building
- Accounting for entire block of assets as at 01.04.2014 / 2015 not only for new assets.

DEPRECIATION

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Example

- Useful life schedule II 12yrs
- management' view 10yrs
(can be 10 yrs with justification)
- Schedule II 10yrs
- management' view 12 yrs
(option for 10 or 12 yrs option must be
consistent with justification)

DEPRECIATION

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Factors to be considered for useful life

- ❑ expected usage (capacity/output)
- ❑ expected wear & tear (Depends on No. of shifts)
- ❑ Technical/commercial obsolesce
- ❑ legal or similar limits on use of assets (expiry date)
- ❑ Companies policies to dispose of assets

DEPRECIATION

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Double/ triple shifts

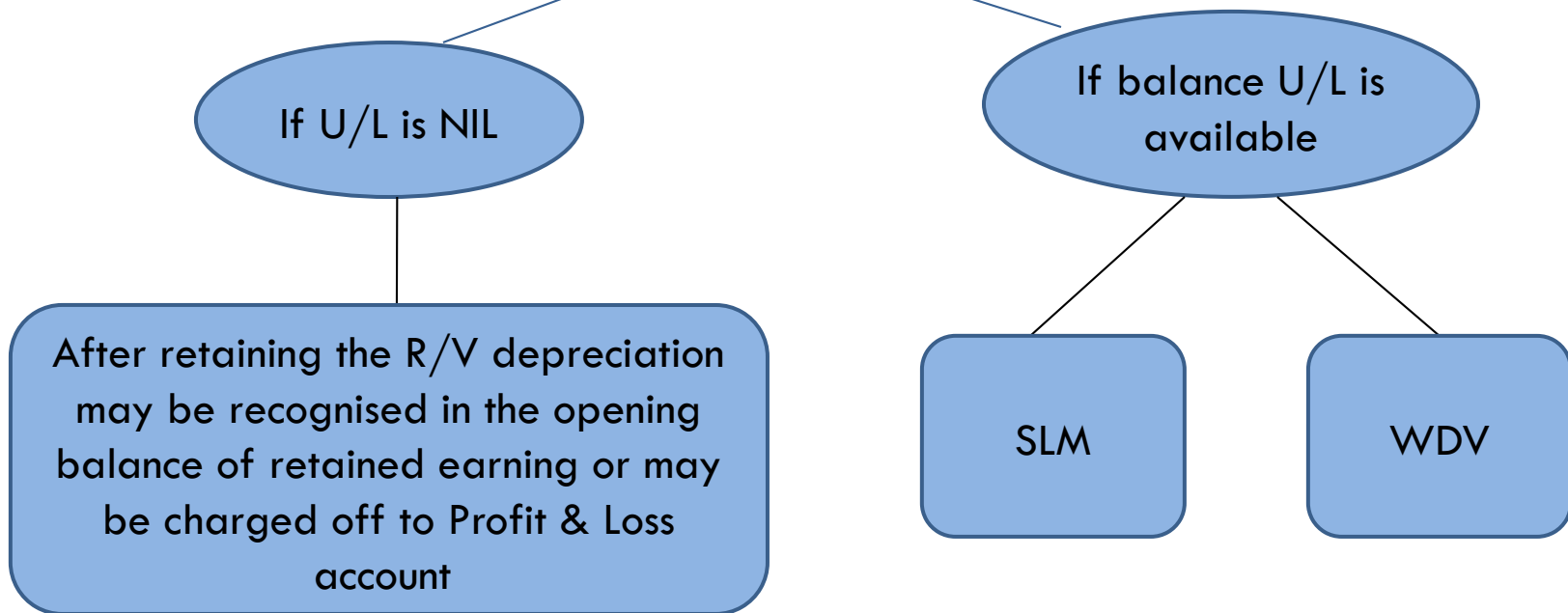
- no separate Useful Life.
- Depreciation shall be increased by 50% & 100% for double/triple shifts respectively.
- **Depreciation of Pro-rata basis:-**
Depreciation on assets purchased or sold during the year shall be calculated on pro-rata basis.

DEPRECIATION

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Depreciation during Transitional period

- Assets as on 1st April, 2015 shall be depreciated in remaining useful life of an Assets.



Charging of Depreciation in case of Revaluation of assets

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□ Under Companies Act, 1956

Depreciation is to be provided on original cost.

As per ICAI, Guidance note additional depreciation on account of upward revaluation of fixed assets is to be transferred from the revaluation reserve to the statement of profit and loss account.

□ Under Companies Act, 2013

Depreciation is to be provided on historical cost or amount substituted for historical cost.

Charging of Depreciation in case of Revaluation of assets

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- Now in case of revaluation , a company needs to charge depreciation based on the revalued amount and the depreciation (including additional depreciation) will be charged to the statement of Profit & loss Account.



THANK YOU