



F & A CORPORATE ACCOUNTS DIVN.

April 1, 2015.

F&A/CA/Closing of a/cs /2014-15/2

Circular

Sub: Depreciation for the year 2014-15.

Consequent upon enactment of the new company act 2013 and replacement of Schedule II of the Companies Act of accounting for depreciation and amortization of fixed assets w.e.f. 01.04.2014, competent authority has approved revised accounting for depreciation and amortization of fixed assets w.e.f. 01.04.2014. Accordingly, the procedure for Accounting for depreciation is briefed as below:-

- i) The useful life of an asset shall be as per the useful life prescribed in Schedule II of the companies act 2013.
- ii) Residual value of an asset has to be maintained at 5% of the original cost of the asset.
- iii) Where the useful life for whole of the asset and useful life of a specific part of the whole asset having significant cost with respect to total cost of that asset is different, useful life of that significant part shall be determined separately.
- iv) In case of any addition/sale discard, demolish or destroy etc. of assets during the financial year, the depreciation on such assets shall be calculated on pro rata basis from the date of such addition or up to the date on which the asset has been sold or discarded etc. as the case may be.
- v) Depreciable amount is the cost of an asset, or the amount substituted for cost, less residual value.
- vi) The carrying amount of asset as on 01.04.2014
 - a) Shall be depreciated over the remaining useful life of the asset as per this Schedule.
 - b) However, where the remaining useful life of an asset is NIL as on 01.04.2014 and there is still some residual balance as on 01.04.2014, then after retaining the residual value, the balance shall be recognized in the retained earnings as on 01.04.2014.

- vii) The cost and residual value of the carrying amount of the assets as on 01.04.2014 has to be arrived at as per the above provisions and necessary adjustment for addition /deletion in the fixed asset during the F.Y. 2014-15 will be made for determination of depreciable amount and depreciation accordingly.
- viii) The accounting for revaluation of immovable properties has to be done as on 01.07.2014 as explained above and depreciable amount is to be determined as at (v) above.
- ix) The prescribed useful life of various fixed assets as per Companies Act,2013 vis.-a-vis. depreciation rates as per Companies Act 1956 on straight line method is given below:-

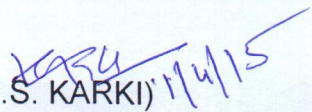
Assets	Useful life as per Schedule II of Companies Act 2013	Rates adopted by the company on SLM upto 31.03.2014
1. Buildings		
(a)Buildings (other than factory building) RCC Frame structure	60 years	2.50%
(b)Buildings (other than factory building) other than RCC Frame structure	30 years	2.50%
(c) Factory Buildings	30 years	3.34%
(d) Fences, Wells, Tube Wells	5 years	Covered in above
(e)Others Including (temporary structure etc.)	3 years	
2.Bridges, Culverts, Bunders etc.	30 years	2.50%
3.(a) Carpeted Roads		
(i) Carpeted Roads- RCC	10 years	2.50%
(ii) Carpeted Roads- Other than RCC	5 years	
(b) Non Carpeted Roads	3 years	
4. Plant & Machinery	15 years	10%
5. Furniture and fittings	10 years	10%
6. Motor Vehicles	8 years	20%
7. Railway Siding	15 years	12.50%
8. Office Equipment	5 years	12.50%
9.Computer and data processing units		
- Servers & network	6 years	40%
- End user devices such desktop, laptop etc.	3 years	40%
10.Electrical Installation and Equipment	10 years	Covered in Building
11. Warehouse	Covered in Building	4%

2014/15

12.Land-lease hold except perpetual	Over Lease period	Over lease period
13.Capital items purchased up to Rs. 5000/-	Will be covered under above categories	100%
14. Assets having W.D.V up to Rs. 5000/- at the beginning of the year	- Do -	100%

The above useful life of fixed asset will be applicable for asset purchased/acquired on or after 01.04.2014. However, remaining useful life of asset purchased/acquired prior to 01.04.2014 has to be worked out after reducing the already used life of the asset and depreciation for remaining useful life effective from 01.04.2014 onwards will be calculated accordingly.

- x) Accounting for depreciation on revalued amount is to be dealt as per 'guidelines for accounting treatment for revaluation reserve of fixed assets' issued by ICAI. Accordingly, an equivalent amount of additional depreciation due to revaluation of fixed asset is to be withdrawn from revaluation reserve.
- xi) Impact due to these changes in the depreciation may be quantified and disclosed in the appropriate notes to the account.
- xii) For a smooth implementation of amended depreciation and amortization an example is given in the annexure for ready reference.


 (C.S. KARKI) 11/4/15
 DGM-F

All concerned.

1) Provision for depreciation on revalued amount for the period 01.04.2014-31.03.2015 and onwards has been ILLUSTRATED WITH AN EXAMPLE:-							
	Pre revised value as on 30.06.2014	Revalued amt. (Gross)	Addl. Amt upon revaluation				
Date of Purchase/Construction of Building (ASSUMED)	01-Apr-04						
Date of Implementation of Companies Act, 2013	01-Apr-14						
Total Useful life in years (earlier) (A)	40						
Depreciation charged in years up to 31.03.14 (B)	10						
Remaining useful life in years (earlier) (C) = (A - B)	30						
New Useful life in years as per Co's Act'2013 (D)	60						
Remaining useful life in years (E) = (D -B)	50		50				
Date of revaluation	30-06-2014						
Remaining life in years after Revaluation	49.75		49.75				
Gross Value as on 01.04.2014 (Purchase price) /01.07.2014	1,000.00	10,000.00					
Accumulated depreciation up to 31.03.2014 (as property was purchased 10 years ago and remaining life is 49 years 9 months as per Companies Act, 2013)	250.00	253.50	(250+ Deprecation for Q1 of 3.50)				
Net value as on 01.04.2014/ 01.07.2014	750.00	9,746.50					
Less : Scrap Value @5 % of original cost	50.00	50.00	(5% of Historical Value)				
Value to be depreciated over remaining useful life	700.00	9,696.50					
Rate of depreciation based on useful life in % (1/remaining useful life)	2.00	2.0101					
Depreciation for 01.04.2014 to 30.06.2014 (Depreciated Value divided by remaining life) for Q1	3.50						
Depreciation for 01.07.2014-31.03.2015 (depreciated value divided by remaining life) for Q2 to Q4	10.50	146.18	135.68				
Net Block as on 31.03.2015	736.00	9,600.32					
Depreciation on the original (pre revised) values of assets will be debited to the Profit & Loss account and credited to accumulated Depreciation account.							
Depreciation on the additional amount upon revaluation will be calculated on the remaining useful life of the individual assets.							
The depreciation on additional revalued amount will be withdrawn from revaluation reserve account. Thus it will have no impact on profit & loss account. General entries are illustrated as below:-							
Depreciation	Dr	146.18					
To Accumulated Depreciation			146.18				
Revaluation Reserve	Dr	135.68					
To Depreciation account			135.68				
2) Procedure to calculate amount to be transferred to Retained Earnings where useful life has expired & no further depreciation is to be charged.							
Date of Purchase/Construction of Air connditioner & office equipments (ASSUMED)	1/4/2008						
Date of Implementation of Companies Act, 2013	01-Apr-14						
Total Useful life in years (earlier) (A)	8						
Depreciation charged in years up to 31.03.2014 (B)	6						
Remaining useful life in years (earlier) (C) = (A - B)	2						
New Useful life in years as per Co's Act'2013 (D)	5						
Remaining useful life in years (E) = (D -B)	0						
Gross Value as on 01.04.2014 (Purchase price)	1000						
Accumulated depreciation up to 31.03.2014 (as property was purchased 6 years ago and remaining life is NIL as per Companies Act, 2013)	750						
Net value as on 01.04.2014	250						
Less : Scrap Value @5 % of original cost	50						
Value to be transferred to Retained earnings as the remaining useful life is NIL as per Co's Act 2013	200						