



COMPONENT ACCOUNTING

...Continued

Procedure for Component Accounting:

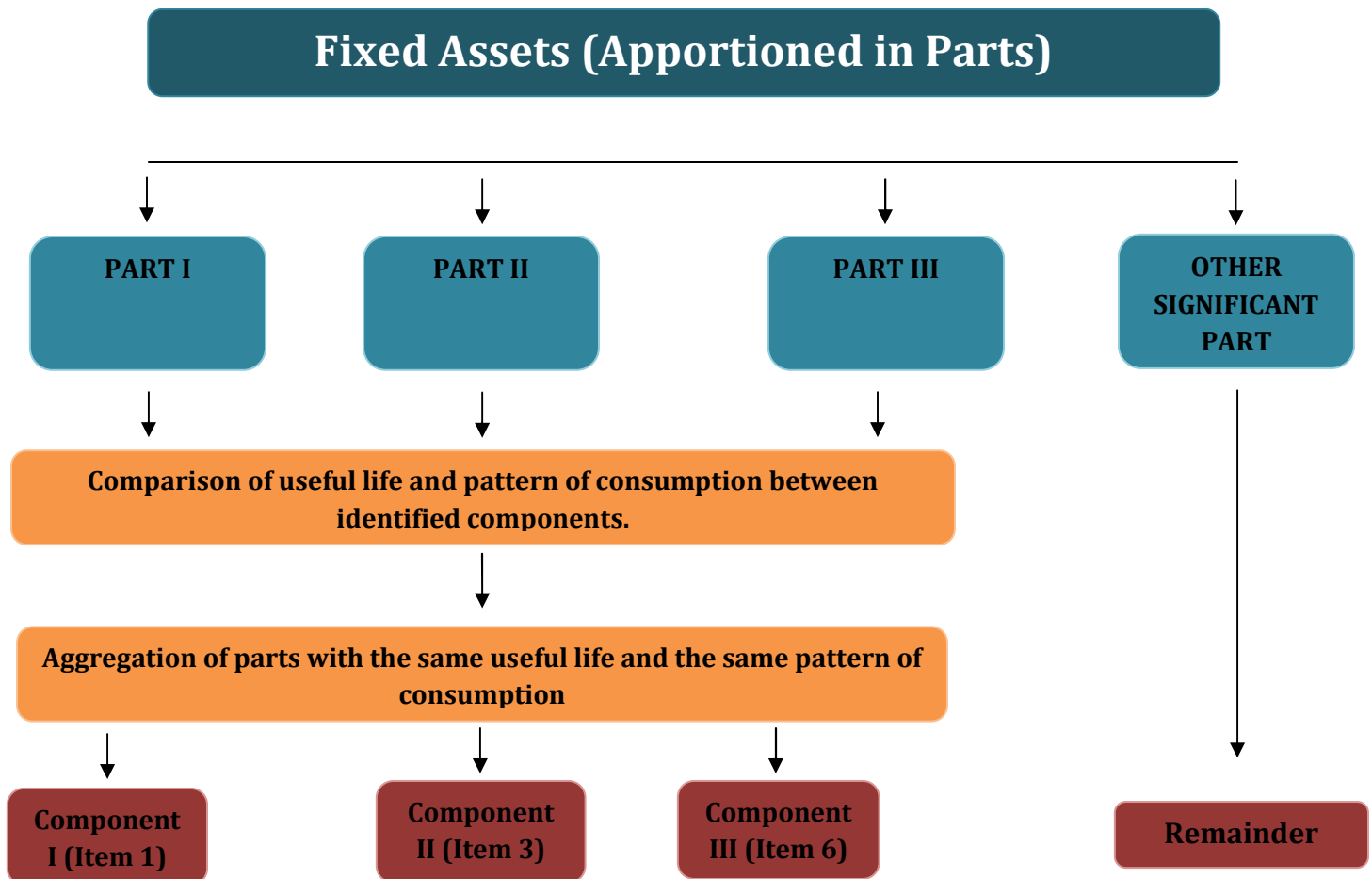


Illustration: X Ltd., a steel manufacturing industry commissioned a power plant at its steel plant at a cost of Rs700/- crore. The cost break up of Rs700/- crore is as follows:

Components	Cost (In crore)	Useful life
Erection, fabrication & construction of Building Structure	100	30



JAYESH SANGHRAJKA & CO. LLP

CHARTERED ACCOUNTANTS

Electrical Panels Installation	50	10
Plant & Equipment's (Boiler, Turbine, Generator, condenser etc.)	500	40
Transformer, grids	50	10

As per Earlier Provision: The entire cost would be depreciated under Building as below -

$$\text{Depreciation} = \frac{700 * 95\%}{30} = 22.17$$

Under Component Accounting:

(In Crores)

Components (I)	Cost (II)	Useful Life (III)	Depreciable Amount (II*95%)	Depreciation V = IV/ III
Erection, fabrication & construction of Building Structure	100	30	95.00	3.17
Plant & Equipment's (Electric Panel Installations treated as remainders) – Suitable note to be given for the treatment.	550	40	522.50	13.06
Transformer, grids	50	10	47.50	4.75
Total	700			20.98