[Summary]

Fixed Assets Valuation

Subject:	Business Economics
Course:	B.A., 1st Semester, Undergraduate
Paper No. & Title:	Paper – 103 Fundamentals of Business & Accounting
Unit No. & Title:	Unit – 3 (IV) Fixed Assets Valuation
Lecture No. & Title:	Lecture – 4 Fixed Assets Valuation

Summary

Fixed assets are assets that are intended to be used for carrying out the business but are not meant to be held for resale and have an expected life of more than 1 year. As per AS-10, the fixed assets can be valued at historic cost or revaluation price. Historic cost includes the costs that are directly attributable towards the asset to bring it into a workable condition. Revaluation price is approximately near to the net recoverable amount of the asset from the market.

If expenditure incurred is expected to bring increase in the future benefits from the fixed asset, the same shall be added to the book value of asset. However if no future benefits are expected from the expenses on repairs, the cost of the same shall be charged to P & L A/c.

Gain / Loss on sale of fixed asset shall be credited / debited to the Profit and Loss A/c. Asset may be disposed off if the life of asset has come to an end. In case the asset which is disposed off was revalued, then the loss on sale of asset shall be first written of against the revaluation reserve and the balance amount if any in revaluation reserve shall be credited to profit and loss a/c. Whereas if there is profit, the same shall be directly credited to profit and loss a/c. If the asset is withdrawn from active use, the same will be shown at lower of net book value and revalued price.

Mandatory disclosures included:

I. Gross book value, at beginning and ending of accounting period.
II. Expenses incurred on construction or acquisition of assets.

When asset is revalued, the revaluation price method by which asset is revalued, whether asset is revalued by external valuer.