

Case Study - 1

A Lathe Machine has been purchased at the cost of INR 50,000 in the year of 2016. New similar lathe machine is available at INR 60,000 as on date of valuation.

The Valuer's findings are as below.

- As per companies Act, 2013 the useful life of such machinery is 10 years.
- Salvage Value is 5% of Replacement Cost New
- Other cost/charges/taxes/duties/loadings are included.
- The date of valuation is 31st March 2018.

1. What is Acquisition cost of the Lathe Machine in INR?

- a. 50,000
- b. 60,000
- c. 1,00,000
- d. 40,000

2. What is Current Replacement Cost of the Lathe Machine in INR?

- a. 50,000
- b. 60,000
- c. 1,00,000
- d. 40,000

3. What is the Salvage Value of Lathe Machine in INR?

- a. 18,000
- b. 3,000
- c. 12,000
- d. 10,000

4. What is the balance useful life of Lathe Machine using Life as per companies Act, 2013?

- a. 10 Years
- b. 2 Years
- c. 8 Years

d. 12 Years

5. What is the amount of accumulated depreciation considering straight line method in INR?

- a. 60,000
- b. 57,000
- c. 50,000
- d. 11,400

6. What is the Depreciated Replacement Cost of the Asset in INR?

- a. 48,600
- b. 40,500
- c. 11,400
- d. 60,000

Case Study - 2

Company ABC has established a Ceramic Production Unit in the year 2014. In 2014, the company purchased new Kiln, manufactured in the year of 2014. The said asset has been capitalized in the assets register at the Acquisition cost of 1.5 Crore. The company has started commercial production in the year of 2016.

The Valuer's findings are as below.

- Index for Ceramic Production Line in 2014=100.3, in 2016=79.9, in 2018=79.2
- As per companies Act, 2013 the useful life of such machinery is 15 years.
- Salvage Value is 5% of Replacement Cost New
- Other cost/charges/taxes/duties/loadings are included.
- The date of valuation is 31st March 2018.

1. What is Gross Block of the Kiln in INR?

- a. 2.0 Crores
- b. 1.18 Crores
- c. 1.5 Crores
- d. 1.68 Crores

2. What is Current Replacement Cost as New of the Asset?

- a. 2.0 Crores
- b. 1.18 Crores
- c. 1.5 Crores
- d. 1.68 Crores

3. What is the Salvage Value of the asset?

- a. 5.75 Lakhs
- b. 5.6 Lakhs
- c. 4.8 Lakhs
- d. 5.9 Lakhs

4. What is the balance useful life of the asset in books of the company?

- a. 13 Years
- b. 11 Years
- c. 15 Years
- d. 10 Years

5. What is the amount of depreciation considering straight line method of depreciation as per Companies Act, 2013? (Salvage Value = Residual Value)

- a. 14.95 Lakhs
- b. 16.95 Lakhs
- c. 29.89 Lakhs
- d. 19.00 Lakhs

6. What is the Net book value as per Companies Act, 2013?

- a. 82.00 Lakhs
- b. 108.49 Lakhs
- c. 131.00 Lakhs
- d. 96.05 Lakhs

Case Study - 3

CNC Turning Centre Machine purchased from Italy in the year of 2014. As per the copy of Invoice, CIF Value of the said machine is 25,000 EURO. Other charges at the time of purchase are capitalized as INR 2,50,000 in the FAR for the said asset.

The Valuer's findings are as below.

- The same machine from same supplier is available after negotiation at the CIF value of 28,000 EURO as on date of valuation.
- Transport Charges from Manufacturing Unit of CNC Machine to the port of Import is 200 EURO. Sea Freight is INR 1,00,000. Transport charges from Port of Discharge to the factory location is INR 20,000
- Applicable Taxes and Duties are 26.85% on CIF Value.
- Loading and Unloading Charges at the port is INR 10,000.
- Installation & Commissioning cost of Machinery is INR 1,00,000.
- Exchange Rate: in 2014 1 EURO = 60 INR and 1 EURO = 81 INR as on date of valuation
- Other cost is included if any.
- The date of valuation is 31st March, 2018.

1. What is the Acquisition Cost of the machine in INR?

- a. 19,30,000
- b. 17,50,000
- c. 20,30,000
- d. 22,68,000

Ans. (b) Acquisition Cost is EURO 25,000 x 60 = INR 15,00,000 + INR 2,50,000 = 17,50,000

2. What is the payable amount of Taxes and Duties to import the same machine on the date of Valuation?

- a. 3,00,000

- b. 4,51,080
- c. 6,08,958
- d. Cannot be determined

Ans. (c) Taxes & Duties are 26.85% of CIF value EURO 28,000 * 81 = 22,68,000. Payable amount on Taxes and Duties = 22,68,000 * 26.85% = INR 6,08,958

3. What amount buyer pays as freight charges in INR to import the machine purchased at CIF value as on date of Valuation?

- a. 20,000
- b. 1,20,000
- c. 1,00,000
- d. 1,36,200

Ans. (a) Only Transport charges from Port of Discharge to the factory location can be considered which is INR 20,000.

4. What is the cost of replacement of the machine in INR?

- a. 29,06,958
- b. 30,06,958
- c. 29,96,958
- d. 29,76,958

Ans. (b) Replacement Cost = CIF Value + Freight + Taxes + Loading & Unloading + Inst. & Comm. = 28,000 * 81 + 20,000 + 6,08,958 + 10,000 + 1,00,000 = INR 30,06,958.

5. If factory is placed in SEZ and benefited by 100% relief from Taxes and Duties. What should be the cost of replacement of machine?

(a) 22,98,658, (b) 23,98,000 (c) 24,98,658 (d) 22,68,000

Ans. (b) Replacement Cost = CIF Value + Freight + Loading & Unloading + Inst. & Comm. = 28,000 * 81 + 20,000 + 10,000 + 1,00,000 = INR 23,98,000