

SUCCESSION

FIRE & INSURANCE

TAX AUDIT

Depreciation schedule

~~v1~~ ~~v2~~ ~~v3~~ ~~v4~~ **v5 · final**

Reopened by the fire, the insurance claim and the conversion.

One file. Three audits.

A fire. An insurance claim. A conversion into a company. All in one financial year.

Ankit Shah and Co.

Chartered Accountants · Surat · Since 2000

Three events. One year. One asset register.



DAY ONE

The fire

Machinery and stock damaged at Entity A.

THE MONTHS AFTER

The valuation

An item-by-item list of losses, built with the insurer.

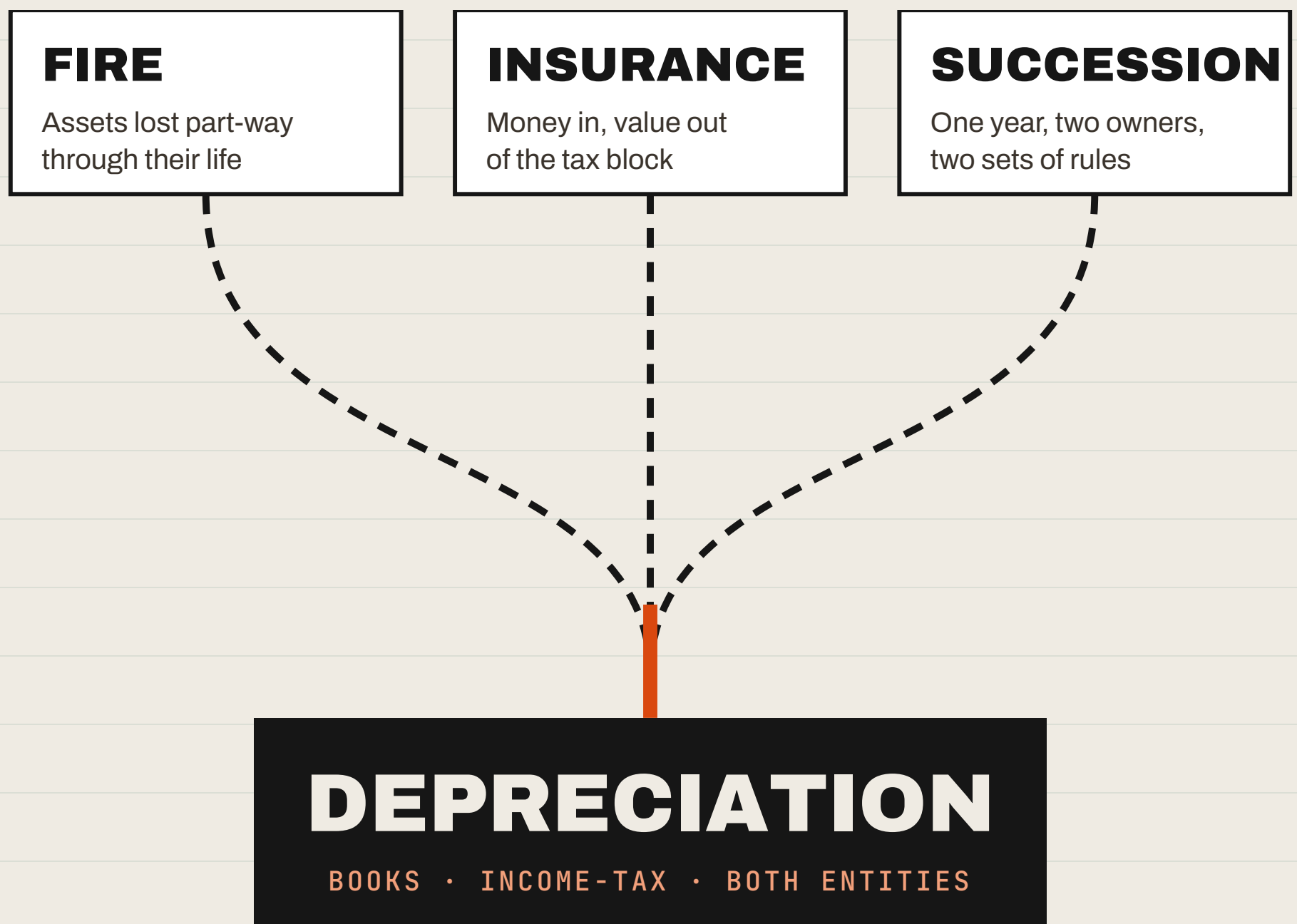
YEAR-END

Payout and conversion

The claim is paid. Entity A becomes Company A, a public limited company.

Every road led back to depreciation.

We planned three separate workstreams. Each one ended up rewriting the same schedule.



Each time we closed the schedule, one of these reopened it.

One year's depreciation. Two owners to share it.

ONE FINANCIAL YEAR

Entity A · before conversion

Company A · after

Not to scale

Full-year depreciation on the block
× days each entity used the assets ÷ total days

DISPOSALS

Sold after conversion: the sale value left the block before the year was split, so neither entity claimed depreciation on it.

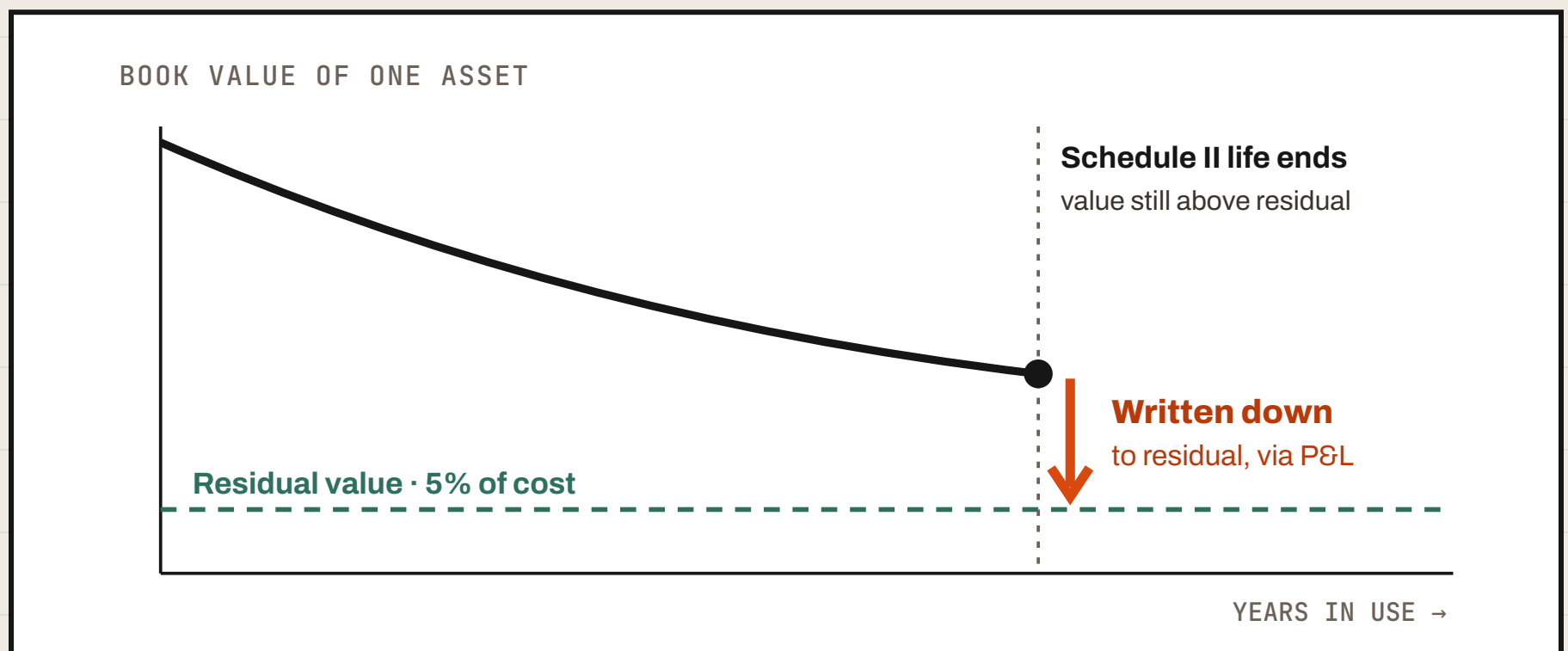
ADDITIONS

Bought after conversion: used under 180 days, so half-rate depreciation, all of it Company A's.

Simple to state. Every asset still had to be traced through it.

Schedule II met assets whose lives had already run out.

As a company, Company A had to follow Schedule II useful lives on WDV, with residual value at 5% of cost. Its categories are broad, so many machines had to be classified by hand.



We only wrote values **down**. Assets already below residual value were left as they were.

THE DECISION • WHERE DOES COMPANY A START?

From Entity A's closing values. Each rate was recomputed from the asset's remaining life and charged only for Company A's days.

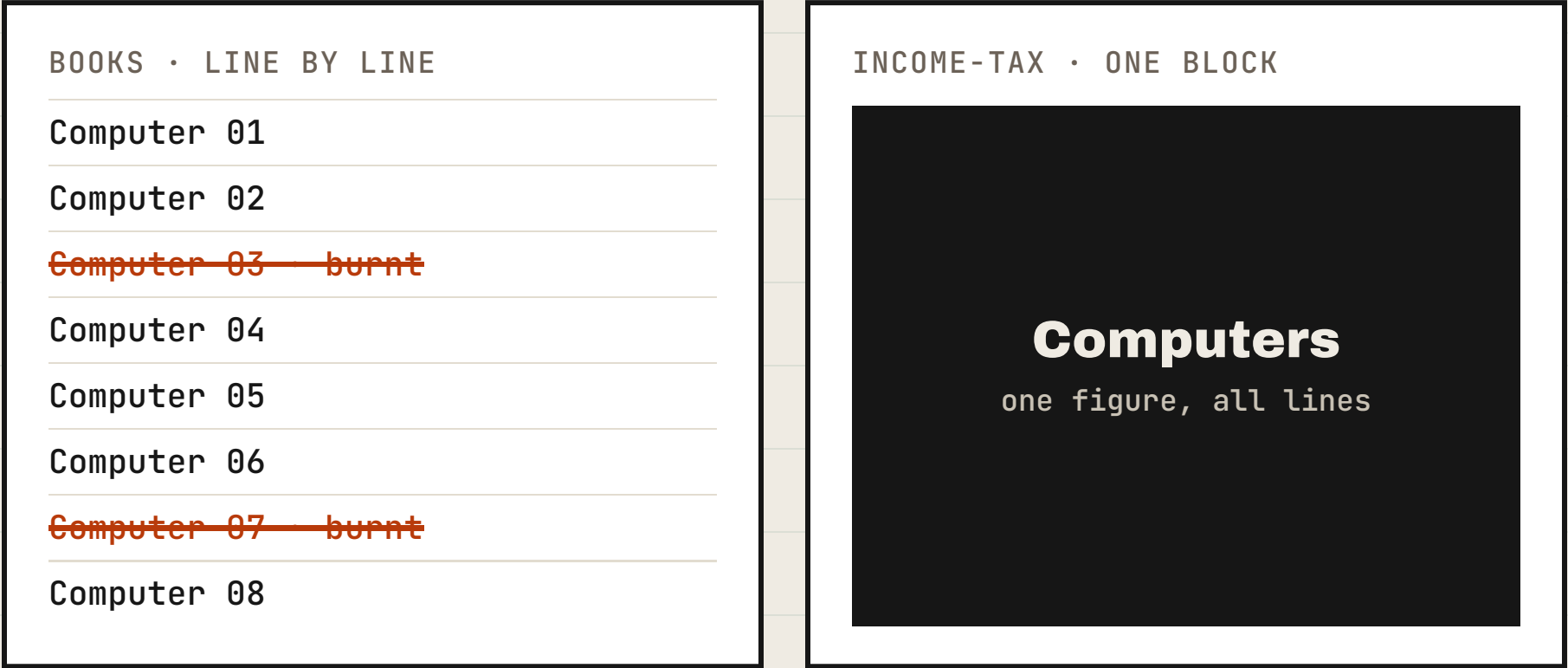
The software kept one chart. The year needed four.

	ENTITY A	COMPANY A
INCOME - TAX	Block, by days before conversion	Block, by days after conversion + additions
BOOKS	Earlier policy up to conversion	Schedule II remaining life, after conversion

ASSET	PUT TO USE	LIFE	LIFE LEFT	RATE	DAYS
... one row per asset, worked by hand in Excel				× 500+	

Every rate went back to a purchase bill. Slow, but defensible line by line.

A tax-style entry can hide a real loss.



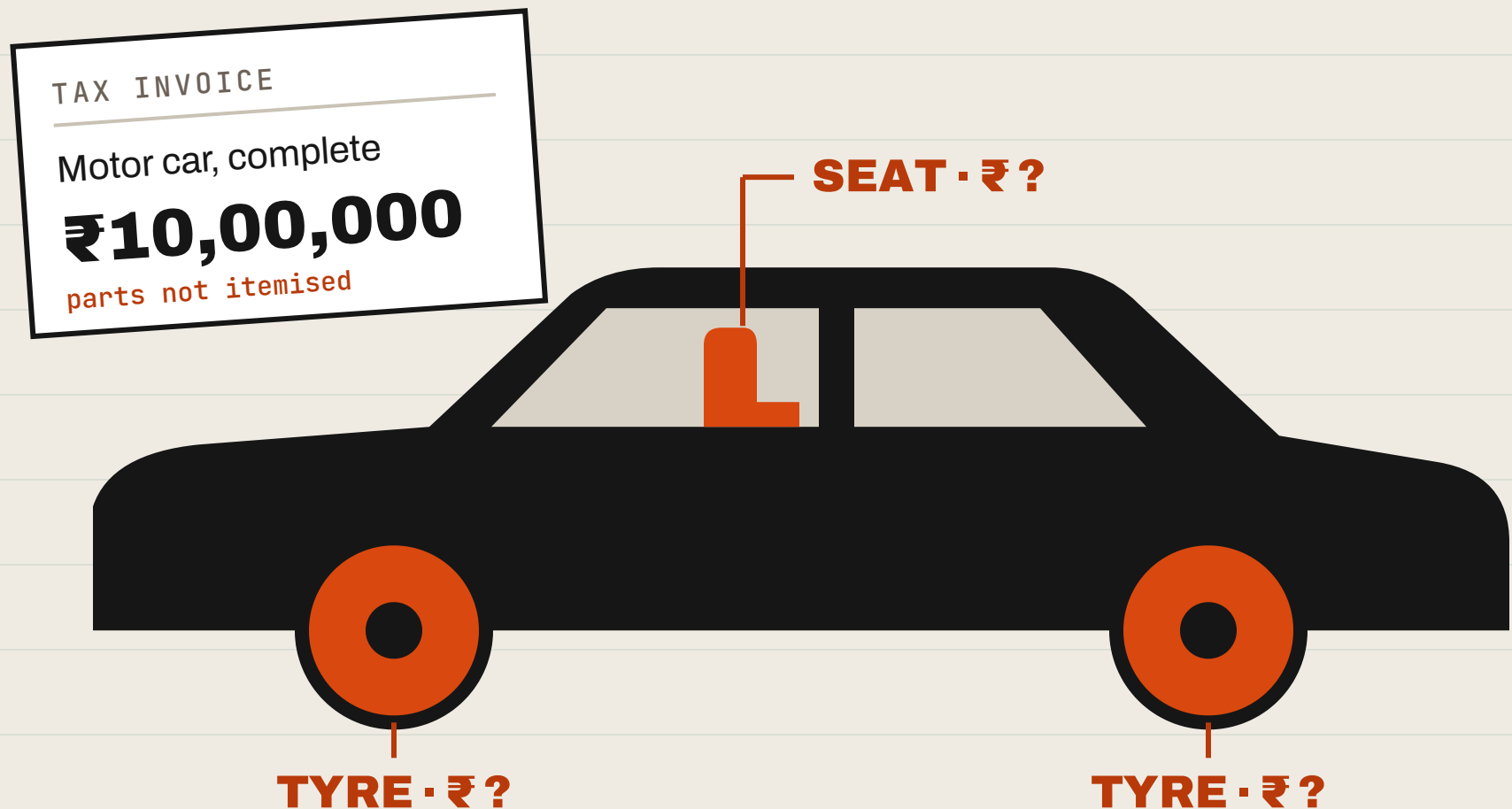
Income-tax works on blocks; books work line by line. If a fire loss is simply deducted from the asset and the claim added back, the P&L never sees what was lost.

THE TREATMENT WE APPLIED

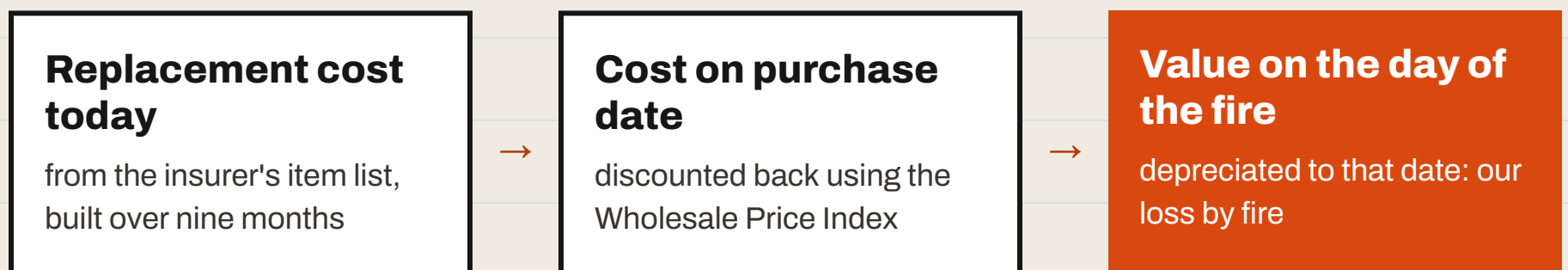


Replacements bought after the fire were capitalised at actual cost.

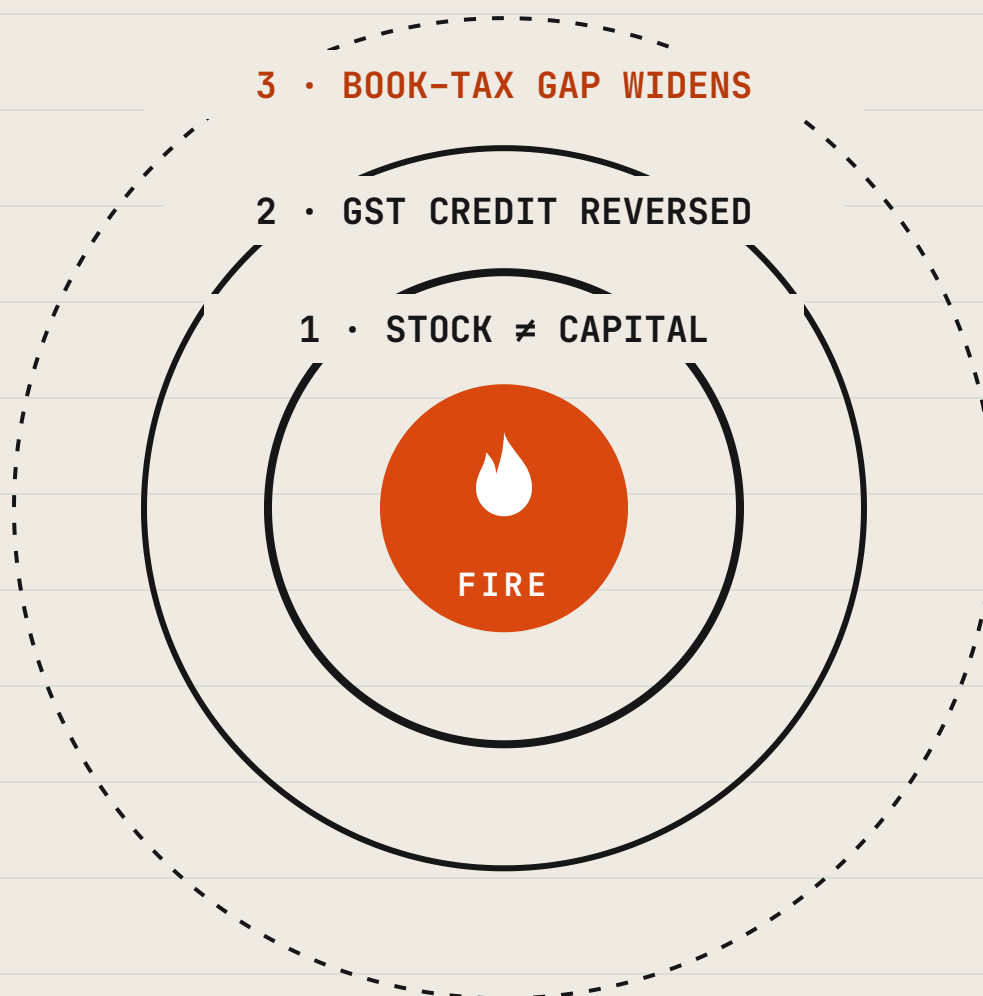
The invoice says ₹10 lakh. What did the fire burn?



An invoice prices the whole asset, never its parts. Our machines had thousands of parts and years of improvements. So we built the number in three steps:



One fire. Ripples through every schedule.



-
- 1 Stock lost and capital assets lost follow different treatments, in the books and under income-tax.
 - 2 Input tax credit reversed on destroyed stock, and on machinery in use for less than five years.
 - 3 Books added the actual repair cost; tax used the insurance received per block as disposal value. Back to depreciation, again.
-

No figure stood alone.

1 Build the audit around the event.

Not around last year's template.

2 Don't trust the software blindly.

In an exceptional year, a parallel working is worth every hour.

3 Follow each event to every number it touches.

On both sides of the conversion, in the books and for tax.

Ankit Shah and Co.

Chartered Accountants · Surat · Since 2000

Project Finance · Accounting · Audit · Taxation · Compliance

Based on an actual engagement. Names, dates and figures withheld to protect client confidentiality. Shared for knowledge purposes only; not professional advice.