

MOST IMMEDIATE ¹/₁₈

F. NO. 10/ 42 /2017-Bgt.I
Government of India/ Bharat Sarkar
Ministry of Home Affairs/ Grih Mantaralaya
(Budget-I Section)

Room No. 7, MDCN Stadium, India Gate,
New Delhi, Dated: 07 August, 2018

OFFICE MEMORANDUM


09 AUG 2018

Subject: Guidance Note on Accounting for 'Fixed Assets' -regarding.

The undersigned is directed to forward herewith a copy of O.M. No. 1(2)-B(AC)/2017 dated 19.7.2018 received from Budget Division, Department of Economic Affairs, Ministry of Finance on the subject captioned above for information and necessary action.

2. It is requested that the Guidance Note on 'Accounting for Fixed Assets' may be examined and comments/ difficulties / implementation issues, if any, be communicated by 26.9.2018 so that the same may be conveyed to Ministry of Finance in time, before the guidance note is considered by Ministry of Finance for being codified as part of General Financial Rules, 2017.

Encl: As above


(S.D. Meena)

Under Secretary to the Govt. of India
Tele: 23072232

To

1. RGI, New Delhi
2. All the Additional Secretaries in the Ministry of Home Affairs
3. All the Joint Secretaries in the Ministry of Home Affairs
4. As per standard list enclosed.

Copy forwarded for information and necessary action to :

1. The Under Secretary (Cash-I/II), Ministry of Home Affairs, New Delhi.
2. Under Secretary (Ad.III), MHA, North Block, New Delhi
3. Section Officer, Parliamentary Committee on Official Language, 11, Teen Murti Lane, New Delhi.
4. Shri D. K. Shami, Fire adviser & Head of Office, Directorate General of Civil Defence, East Block VII, Level VII, R.K. Puram, New Delhi – 66.
5. Shri Sanjay Kumar, Joint Director (Budget), O/o the Registrar General of India, 2/A, Man Singh Road, New Delhi.
6. Shri G. S. Saini, Director, National Civil Defence College, Ministry of Home Affairs, Nagpur – 440 001
7. Shri Ravindra Singh, Dy. Secretary, Inter State Council Secretariat, Vigyan Bhawan, New Delhi.
8. Shri Shamim, Director, National Fire Service College, Ministry of Home Affairs, Nagpur.
9. Section Officer, Dept. of Official Language, NDCC-II Building, Jai Singh Road, New Delhi.
10. Shri Maniklal Bhattacharjee, Senior Accounts Officer, National Human Rights Commission, Manav Adhikhar Bhawan, INA, New Delhi.
11. Shri Sudershan Kumar, Deputy Secretary, Zonal Council Secretariat, Jam Nagar House, New Delhi.
12. Shri J. K. S. Rawat, DIG, National Disaster Response Force, East Block No.7, Level 7, R. K. Puram, New Delhi.
13. The Under Secretary (Security), Cabinet Secretariat, North Block, New Delhi.
14. Shri A. K. Das, Under Secretary, Prime Minister's Office, South Block, New Delhi
15. Shri K. J. Sibichen, Under Secretary (Ad-I), Cabinet Secretariat, Rashtrapati Bhawan, New Delhi
16. Shri Ashish Panda, Under Secretary, O/o Principal Scientific Adviser, 310-A, Vigyan Bhawan Annexe, New Delhi
17. Shri R. K. Jain, Deputy Secretary, National Security Council Secretariat, 3rd Floor, Sardar Patel Bhawan, New Delhi
18. Shri Krishna Saluja, Section Officer (IIA Unit), President's Secretariat, New Delhi.
19. Shri B. R. Sharma, Chairman, Land Port Authority of India, Lok Nayak Bhawan, New Delhi
20. Shri Rajender Singh, DD (Finance), NATGRID, Shivaji Stadium Annexe, New Delhi.
21. Shri Nikhil J. Gupta, Deputy Director (Admn.), Sardar Vallabhbhai Patel National Police Academy, Ministry of Home Affairs, Hyderabad – 500 052.
22. Shri Limatenjen, Joint Director, North Eastern Police Academy (NEPA), Umsaw, Ri-Bhoi District, Shillong, Meghalaya – 793 123.
23. Shri S.N. Pandey, SP (Admn.), NIA, New Delhi.
24. Shri R. P. Wahane, Additional Deputy Director (Budget), IB, New Delhi.
25. Shri Rohit Katiyar, Deputy Director (Admn.), Narcotics Control Bureau, West Block No.1, Wing No.5, R.K. Puram, New Delhi.
26. Shri M.P. Sharma, Joint Assistant Director (Admn.), National Crime Records Bureau, West Block No.1, Wing No.5, R.K. Puram, New Delhi.
27. Shri Bhagwan Singh, Asstt. Commndt., CRPF, CGO Complex, New Delhi.
28. Shri Parvesh Kumar, Deputy Commandant, SAO (Fin.), Assam Rifles, Shillong,
29. Shri T.S. Muthu, Asstt. Commndt., BSF, CGO Complex, New Delhi.
30. Shri Ashok Saini, Account Officer, ITBP, CGO Complex, New Delhi
31. Shri J.C. Garkoti, Asstt. Director, CISF, New Delhi.
32. Shri Kapil Dev Meena, Dy. FA, NSG, New Delhi.
33. Shri A.V. S. Kaliyar, A.I.G. (Accounts), SPG, Sector VIII, Dwaraka, New Delhi.
34. Shri B. S. Jaswal, D.I.G. (Prov.), SSB, Block. No. V (East) R.K. Puram, New Delhi.
35. Shri Omkar Chand, Accounts Officer (Budget), SSB, New Delhi.
36. Shri Navneet Singh, FA to CP, Delhi Police, IP Estate, New Delhi.

37. Shri Basant Swaroop, Director (Finance), National Technical Research Organisation, Block-III, Old JNU Campus, New Delhi – 16.
38. Shri Ravinesh Kumar, Financial Advisor, National Disaster Management Authority, A-1, Safdarjung Enclave, New Delhi – 110 029
39. Shri K. C. Sharma, Jt. Director (Admn.), DCPW, New Delhi.
40. Shri Jagir Chand, AD (Admn.), BPR&D, NH – 8 (Service Road), Mahipalpur, New Delhi – 110037.
41. Shri Sandeep Mittal, D.I.G. (Admn.), LNJP National Institute of Criminology & Forensic Science, Ministry of Home Affairs, Sector – 3, Outer ring Road, Rohini, Delhi-85.
42. Shri A.K. Ganjoo, Director-cum-Chief Forensic Scientist, DFSS, Block No.9, CGO Complex, N Delhi.
43. Dr. I. Haque, Senior Scientific Officer (FS), CFSL / DFS, New Delhi.
44. The Director, Central Forensic Science Laboratory (CBI), Block No.4, 4th Floor, CGO Complex, Lodhi Road, New Delhi
45. Dy. Director, LNJP National Institute of Criminology & Forensic Science, Sector-3, Outer Ring Road, Rohini, New Delhi – 110 085.
46. Shri Robin Jain, Sr. Accounts Officer (Pr.-A/cs), MHA, New Delhi.
47. Pay & Accounts Officer (Pr.), Ministry of Personnel, Public Grievances and Pensions, Lok Nayak Bhawan, New Delhi.
48. Pay & Accounts Officer (Cabinet Affairs), C-I Hutments, Dalhousie Road, New Delhi.
49. Shri Madan Lal, Sr. Accounts Officer (Pr.-Admn.), MHA, New Delhi.
50. Smt. Leshmy N. / Shri Mohit Sharma / Shri Avinash Yadav / Shri Anurag Bansal / Smt. Monika Dahiya, ASOs, Budget – I Section, MHA.
51. SO (IT), MHA for uploading on the website of MHA
52. PAO (Sectt.) / PAO (Assam Rifles) / PAO (BSF) / PAO (CISF) / PAO (CRPF) / PAO (ITBP) / PAO (NSG) / PAO (SSB) / PAO (SPG) / PAO (Delhi Police – HQ) / PAO (NIA) / PAO (IB) / PAO (DCPW)

53 20 spare copies.

Copy for information to :

SS & FA (Home) / Pr. CCA (H) / CCA (H) / CA (Budget) / Dir. (PF) / Dir. (Fin.-Home) / Dir. (Fin.-Pers.) / US (Budget-I) /

Sanjay
 (Sanjay Kumar)
 Section Officer (G B Cell)

25/7/18 4

F.No.1(2)-B(AC)/2017
Ministry of Finance
Department of Economic Affairs
(Budget Division)

Budget-1 Section
Ministry of Home Affairs
Dy. No. 1302779
Dy. C.A.(H) 25/7/18

Min Home Affairs
Dy. No. 300... New Delhi,
Date 25/7/18 19th July, 2018.

OFFICE MEMORANDUM

Subject: **Guidance Note on Accounting for 'Fixed Assets' - regarding.**

Government Accounting Standards Advisory Board (GASAB) in the office of the Comptroller & Auditor General of India has, after following the due process of detailed consultation with various stakeholders including Finance Departments of State and Union Governments, Controller General of Accounts and accounting units of non-civil Ministries, drawn up the guidance note on 'Accounting for Fixed Assets'. The guidance note on 'Accounting for Fixed Assets', which has the approval of Comptroller & Auditor General of India, is applicable, not only to accounting units, but also applicable to all field level administrative offices of Union Government for capturing and maintenance of information on fixed assets for better accountability and informed decision making.

2. At present, Rule 211 of General Financial Rules (GFR) prescribes different set of formats for maintaining (a) fixed assets such as plant, machinery, equipment, furniture, fixtures (b) consumables such as office stationery, chemicals, spare parts, etc. (c) assets of historical/artistic value held by museum/government departments. These formats are prescribed in GFR-22, GFR 23 and GFR 24 respectively. These formats are proposed to be replaced by the formats prescribed in the guidance note on accounting for fixed assets.

3. Accordingly, a copy of the guidance note on accounting for fixed assets, as drawn up by GASAB, is sent to all Ministries/Departments, which may be circulated among all field level administrative offices of Ministries/Departments. The guidance note on accounting for fixed assets may be examined and comments/difficulties/implementation issues, if any, be communicated to this Ministry by 30th September, 2018 before the guidance note is considered for being codified as part of General Financial Rules, 2017.

T. Uthaya Kumar
(T.Uthaya Kumar)
Additional Budget Officer

Encl: Guidance Note on Accounting for 'Fixed Assets'

Secretary/Financial Adviser of all Ministries/Departments
Controller General of Accounts, Ministry of Finance, Department of Expenditure
Financial Adviser (Defence Services), Ministry of Defence
Financial Commissioner, Ministry of Railways
Member (Finance), Department of Telecommunications
Director General (Accounts), Office of the C&AG of India.

1302779
25/7/18
25/7/18
CA(H)
HS busy/on leave/on tour
25/7

O/c CCA (HOME)
DY. NO. 388
DATE IN. 26/7/18
DATE OUT. 27/7/18
CS & FB
CCA (W)

25/7/18

27/8/18
30/8/18
31/8

O/c Pr. CCA (Home)
Dy. No. 556
In. 26/7/2018
Out. 26/7/2018
MDCNS, New Delhi-110002

A. Uthaya Kumar
3-Mobility

1/10
S. K. Chatterjee

not tracked
31/8/18

GUIDANCE NOTE ON ACCOUNTING FOR FIXED ASSETS

5

1. Introduction

1.1. The Finance Accounts of the Union, States and the Union Territories with Legislatures, reflect information on capital expenditure as well as on financial assets and liabilities of the Government. However, the information on the fixed assets¹ of the entity, is not captured in the present system of cash basis of accounting as such, information is presented merely as capital expenditure. Fixed assets are valuable resources of the entities. It is, therefore, essential that the government entities have complete information about their fixed assets for better accountability. This Guidance Note would facilitate the availability of information on Capital Expenditure under Primary Units of Appropriation (PUA) as well as information on the fixed assets that have been acquired or inherited over the years in standardized disclosures.

1.2. The Twelfth and the Fourteenth Finance Commissions had proposed, inter alia, that additional information in the form of Statements should be appended to the existing statements in the Finance Accounts to enable informed decision making. The Fiscal Responsibility and Budget Management (FRBM) Act prescribes the preparation of Asset Register by the entity. The Expenditure Management Commission constituted in September 2014 also recommended that the "Government should move towards an IT-enabled e-Asset Register". Further, as per *International Public Sector Accounting Standard: Financial Reporting under Cash Basis of Accounting*, an entity is encouraged to disclose information about its fixed assets.

1.3. The fixed assets in various government entities are of diverse nature. This Guidance Note recommends detailed classification of fixed assets as compared to that provided under the extant PUA² (Object Heads), while leaving sufficient flexibility for entities to add additional sub-classes of fixed assets in keeping with their nature of operations. Similar flexibility is sought to be made available to departments and ministries to disclose "strategic" assets in the Fixed Assets Register as per the extant policy of government to safeguard national security.

2. Present System

2.1. The present system of cash basis of accounting in Government discloses capital expenditure up to the Minor Head/ Sub Heads in the Finance Accounts. The existing Statements provide some information on both the current and cumulative capital expenditure on both financial and physical assets of the Governments.

2.2. It is seen that complete details of fixed assets owned/under construction/constructed/purchased/acquired by a Government entity are not available in the Finance Accounts. Further, fixed assets like computers, furniture etc., booked under revenue object heads viz., Office Expenses and Other Administrative Expenses are currently not captured as capital expenditure. In addition, heritage, intangible and leased assets are not recognized and therefore not included in the Asset Registers. Further, no de-recognition of asset takes place even after the asset is no longer in use.

2.3. In the present system of cash basis of accounting, if the purchase and payment happen in different accounting periods, recognition of asset remains a problem, to the extent that the asset fails to be recognized in the Asset Register till payment is made, even if the asset has been delivered and put to use. In some cases, the asset corresponds only to the capital expenditure incurred and does not reflect the true value to the extent of the unpaid liability.

2.4. Due to the fact that the present system of cash basis of accounting does not recognize fixed assets as such, but recognizes them merely as capital expenditure, Capital Works-in-Progress (CWIP) is

¹ Definition of Fixed Assets at 5.1.6

² As per the prevailing Delegation of Financial Power Rules (DFPR), there are only 3 Object Heads

6

subsumed in the capital expenditure booked and both the accounts and the existing Asset Registers do not separately depict Capital Works-in-Progress.

2.5. Details like bill/voucher numbers are also not linked, so the information in the existing Asset registers is not transaction driven.

3. Objective

3.1. The objective of this Guidance Note is to prescribe the disclosure requirements for fixed assets for reporting under present system of cash basis of accounting. Compliance with the disclosure requirements laid down in this Guidance Note would enable comprehensive and transparent financial reporting with regard to capital expenditure and provide information about entity's fixed assets including changes therein. Hence, the objective is twin fold, viz.,

3.1.1. Preparation of transaction linked Fixed Asset Registers by the Departments (Annexures 1 and 2). These Registers would enable providing of detailed information on the recognition and derecognition of an asset, measurement of its cost by an entity and depiction of various classes of assets, viz. land, building, plant & machinery etc. with an inherent flexibility for entities to add additional sub-classes of fixed assets keeping in view their nature of operations.

3.1.2. Insertion of a separate annual Statement on Capital Expenditure for Acquisition of Fixed Assets in the Finance Accounts. This statement would be prepared by aggregating the information at the level of PUA (Annexure 3). The information will flow from accounts and have direct concordance with extant PUA. It should depict annual additions to the capital expenditure and the resultant cumulative total.

4. Scope

4.1. This Guidance Note applies to Governments at Union level, State level and to the Union Territories with Legislature. The entity that prepares and presents Finance Accounts under present system of cash basis of accounting should apply this Guidance Note through its Administrative and Accounting Authorities to prepare Fixed Asset Registers and the annual Statement on Capital Expenditure for Acquisition of Fixed Assets for insertion in the Finance Accounts. This Guidance Note applies to all fixed assets including the following except those specified in paragraph 4.2:

- (i) Infrastructure Assets;
- (ii) Heritage Assets;
- (iii) Capital Works in Progress (CWIP);
- (iv) Intangible Assets except those mentioned in paragraph 4.2 (iv);
- (v) The disclosure on Strategic Assets is applicable as per extant government policy.

4.2. This Guidance Note does not apply to:

- (i) Biological assets e.g. plants and living animals;
- (ii) Natural resources, minerals, oil, natural gas and similar non-regenerative resources and spectrum, etc.;
- (iii) Fixed assets obtained on short term lease of less than 3 years; and
- (iv) Internally generated intangible fixed assets, except computer software and patents.

5. Definitions

7

5.1. The following terms are used in this Guidance Note with the meanings specified for the preparation of the Statement on Capital Expenditure for Acquisition of Fixed Assets (for inclusion in the annual Finance Accounts) and the Fixed Assets Registers, to the extent relevant:

5.1.1. **Book Value** is the amount at which an asset is reflected in the Statement on Capital Expenditure for Acquisition of Fixed Assets in the Finance Accounts and the Fixed Assets Registers.

5.1.2. **Capital Works-in-Progress (CWIP)** is the expenditure on fixed assets that are in the process of construction or completion i.e. not ready for intended use at the time of incurring of expenditure.

5.1.3. **Custodian** is an authority in the entity that is entrusted with the responsibility of the fixed asset.

5.1.4. **De-recognition** is elimination of an item of fixed asset in the Fixed Assets Registers at the time of disposal e.g. transfer/sale/ dismantling of obsolete assets/write-off of asset etc.

5.1.5. **Entity** is the Department/ Ministry/ Field Unit for which accounts are prepared.

5.1.6. **Fixed Asset** is an asset held for use in the production or supply of goods or services for rental to others, or for administrative purposes and is expected to be used for more than 12 months.

5.1.7. **Heritage Assets** are fixed assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, such as antiques, books, historic buildings and archaeological sites.

5.1.8. **Historical cost** is cost incurred to acquire, purchase or construct an asset including the cost incurred to make them ready for intended use.

5.1.9. **Improvement/Up gradation** means additional expenditure on the assets which enhances their utility by increasing their useful life and/or capacity.

5.1.10. **Intangible Assets** are identifiable, non-financial assets without physical substance eg. computer software.

5.1.11. **Lease** is an agreement whereby one entity (lessor), in return for a payment or series of payments, agrees to transfer the right to use an asset to another entity (lessee) for an agreed period of time.

5.1.12. **Legal Ownership** of a fixed asset vests with an entity in whose name the asset is registered or is owned by virtue of the sovereign rights of the Government.

5.1.13. **Primary Units of Appropriation** is the unit of accounting (Object Heads) in respect of a Grant or Appropriation for charged / voted expenditure.

5.1.14. **Useful life** of a fixed asset is the period over which an asset is expected to be used by the entity.

6. Recognition

6.1. An item of fixed asset acquired or constructed should be recognized as explained hereinafter in the Fixed Asset Register as and when:

6.1.1. It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and

6.1.2. cost of the asset can be measured reliably except where Guidance Note recommends measurement of the assets at nominal value of ₹ 1.

6.2. Items of fixed asset costing less than the threshold value of ₹ 5,000 (Rupees five thousand) and/or having useful life of less than 12 months from the date of acquisition should be recognized as revenue expenditure.

6.3. Land should be recognised as a fixed asset irrespective of its value and should be recorded in the Fixed Asset Register. Land component should be recognized separately from the built-up structure on it wherever they have been acquired separately or where the break-up is readily available. *Ordinarily land has an unlimited useful life.*

6.4. Items such as spare parts, stand-by equipment and servicing equipment are recognized as fixed assets in accordance with this Guidance Note when they meet the definition of a fixed asset. Otherwise such items are to be classified as Revenue Expenditure. Where such an item qualifies to be recognized as fixed asset (including consideration of threshold value of ₹ 5000), it should be recorded as a separate item along with the relevant item of fixed asset in the Fixed Assets Register in the field unit. At the time of consolidation of fixed assets at Department/Ministry/State level, cost of all spare parts should be combined with the cost of the main asset in the Fixed Asset Register.

6.5. **Capital Works- in-Progress (CWIP)** - The expenditure on fixed assets/projects that are in the process of construction or completion and are not ready for intended use on the reporting date, for example, construction of a building or hydro electric power project, should be recorded under CWIP in the Fixed Asset Registers in the given column of the relevant class of fixed assets. On completion or commissioning of the fixed asset/project, the total expenditure of that asset/project should cease to be depicted in CWIP column. In cases, where parts of a CWIP project are independently ready for intended use, the related/ proportionate cost of such project should be removed from CWIP. The Executive Authority in the entity should conduct an annual review (including physical verification) of all projects under CWIP to assess their readiness for intended use and their removal from CWIP.

6.6. **Items of fixed assets may be required for safety or environmental reasons.** The acquisition of such fixed assets, although not directly increasing the future economic benefits or service potential of any particular existing items of fixed asset, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets (e.g. entity's requirement of a retro-fit new sprinkler system for compliance with fire safety regulations). Such items of fixed assets qualify for recognition as fixed assets, because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired.

6.7. **Infrastructure Assets** e.g. Roads, Bridges, usually display some or all of the following characteristics. They are:

- (i) part of a system or network;
- (ii) specialized in nature and do not have alternative uses;
- (iii) immovable; and
- (iv) in some cases subject to constraints on disposal.

6.8. **Heritage assets** are of cultural, environmental or historical significance e.g. historical buildings and monuments, archaeological sites, conservation areas, and works of art. Their value is unlikely to be fully reflected in financial terms as they are irreplaceable. It may also be difficult to estimate their useful lives. Governments may have acquired many heritage assets by various means, including purchase, donation, bequest etc.

6.9. **Internally generated intangible assets, viz., computer software** shall be recognized when it is ready for use and patents shall be recognized at the time of registration with the relevant authority.

6.10. Recognition criteria as above should be applicable *mutatis mutandis* for preparation of the Statement on Capital Expenditure for Acquisition of Fixed Assets.

7. Classification of Fixed Assets

7.1. Fixed assets should broadly be classified as per the classification recommended hereinafter, for inclusion in the Fixed Asset Registers (including CWIP) (Annexures 1 and 2), so that cost of the existing asset could prima-facie flow from the accounts and there is uniform depiction of the assets across

government organizations. It is recommended to have a broad concordance with the Object Heads into the Fixed Asset Register at the Field Level (Annexure 1) and Consolidated Fixed Assets Register at the Department/ Ministry level (Annexure 2). The Statement on Capital Expenditure for Acquisition of Fixed Assets, however, should have a direct concordance with the extant Primary Units of Appropriation (Annexure 3).

7.2. The following broad classification of fixed assets should be adopted in the Fixed Asset Registers depending upon the operations of the entity, duly ensuring that an individual asset does not find a mention in more than one class.:

- I. Land
- II. Buildings
- III. Infrastructure Assets including Roads, Bridges, Culverts, Pipelines, Permanent Way etc.
- IV. Machinery
- V. Furniture, Fixtures and Fittings
- VI. Motor Vehicles including Ships, Railway Rolling Stock, Aircraft, Heavy Armory etc.
- VII. Equipment including IT related equipment
- VIII. Intangible Assets such as Software etc.
- IX. Heritage Assets

7.3. An entity may further sub-classify the assets to capture further details where appropriate. For example, under 'Buildings', the details of all buildings such as office buildings, workshop/factory buildings, etc., may be provided as per the requirements and operations of that entity.

7.4. While preparing the Consolidated Fixed Assets Register at the Ministry/Department level, the assets of ₹ 2 lakhs and above should be presented separately and those below ₹ 2 lakhs should be clubbed under 'Others' for each class of assets.

8. Measurement of Cost at Initial Recognition for Preparation of Fixed Asset Registers

8.1. An item of fixed asset which qualifies for recognition should be measured at its historical cost. If the full value has not been paid and the asset is ready for intended use, fixed asset is recognized at the amount paid only, and the pending amount should be disclosed in the relevant column. Advances paid towards constructing/ acquiring/ purchasing an asset should also be disclosed in CWIP and any refund/ adjustment should be accounted for in the year of receipt/ adjustment.

8.2. Where cost of a fixed asset (including land) is not ascertainable, it should be measured at nominal value of ₹ 1.

8.3. Where a Fixed Asset is acquired without any consideration (such as gifts, donations, sequestration) it should be measured at nominal value of ₹ 1.

8.4. The CWIP should be measured to the extent of amount paid. In case parts of a CWIP project are independently ready for intended use, the related/proportionate paid costs of such projects should be removed from CWIP.

8.5. Assets obtained on long term lease as a lessee, should be recognized at the time of and to the extent of the amount paid and disclosed separately under the relevant class of fixed assets. The remaining amount of unpaid lease installments should be disclosed in the relevant column of Annexures 1 & 2. The interest component of lease payments, wherever separately available, should be recognized as revenue expenditure.

8.6. Land acquired through purchase should be recorded at the purchase price (pending amount disclosed separately) and other incidental costs incurred to bring the asset to its present condition should be included in the cost of land.

8.7. All heritage assets should be identified and measured at historical cost where records are available otherwise at nominal value of ₹ 1.

8.8. Intangible assets such as computer software should be measured at cost, after completion. For intangible fixed assets still under-development, through an external agency, the asset should be disclosed at the amount paid and the pending amounts should be disclosed separately, unless asset is acquired free of cost in which case it shall be measured at nominal value of ₹ 1. However, internally generated intangible assets, viz., computer software and patents should be recognized at nominal value of ₹ 1.

8.9. Elements of cost- the cost of an item of fixed assets (tangible/intangible) comprises:

8.9.1. Its purchase price, including import duties and non-refundable purchase prices after deducting discounts and rebates;

8.9.2. Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

8.9.3. Examples of directly attributable cost are:

- a) Installation and assembling cost;
- b) Initial delivery and handling cost;
- c) Cost of testing the equipment;
- d) Cost of employee benefits arising directly from the construction or acquisition of fixed asset;
- e) Cost of site preparation;
- f) Professional fee;
- g) Registration charges, stamp duty etc. in case of purchase of land;
- h) Compensation paid in case of compulsory acquisition of land, cost of development of land, rehabilitation and resettlement cost necessarily incurred in case of compulsory acquisition of land;

8.9.4. Examples of cost that are not included in the cost of fixed assets:

- a) Cost of opening a new facility;
- b) Cost of introducing a new product or service (including cost of advertising and promotional activities);
- c) Cost of providing service in a new location or with a new class of users;
- d) Administration cost (including cost of staff training) and other general overhead cost; and
- e) Costs incurred after the asset is ready for use but not put to use.

8.10. Some receipts may occur in connection with the construction or development of a project/asset. Such receipts insofar as they relate to ongoing capital expenditure accruing during the process of construction of a project, should be utilized in reduction of capital expenditure. After commencement of commercial production or use for services they are ordinarily recognized as revenue receipt, except under special rule or order of government which should require them to be adjusted in the cost³.

³ As per Rule 101 of GFR, 2017

11
8.11. The amount of compensation received from third parties for items of fixed assets that were lost, destroyed or given up is recognised as revenue receipts;

8.12. Interest on amounts borrowed for constructing the asset, until the asset is ready for intended use, is recognised as component of cost of constructed item of fixed asset.

8.13. The Statement on Capital Expenditure for Acquisition of Fixed Assets depicts entire capital expenditure incurred on each PUA. Therefore, measurement criteria listed above should be applicable *mutatis mutandis* on the Statement on Capital Expenditure for Acquisition of Fixed Assets.

9. Measurement of Cost Subsequent to Initial Recognition

9.1. Entities incur certain costs of day-to-day servicing of an item e.g. the cost of labour and consumables. Under the recognition principle in paragraph 6, an entity recognises such costs as revenue expenditure and is often described as 'repair and maintenance expenditure'.

9.2. Costs incurred subsequent to initial recognition for enhancing the utility of an existing fixed asset e.g. expenditure incurred on surfacing a road every few years, are to be included in the cost of the relevant fixed asset in case they meet the recognition criteria specified in the Guidance Note. This principle is applicable even in case of those fixed assets which are initially measured at nominal value of ₹ 1. The threshold criterion of ₹ 5000/- is also applicable for such subsequent costs.

9.3. The Statement on Capital Expenditure for Acquisition of Fixed Assets depicts entire capital expenditure incurred on each PUA. Therefore, measurement criteria listed above should be applicable *mutatis mutandis* on the Statement on Capital Expenditure for Acquisition of Fixed Assets.

10. Derecognition

10.1. A fixed asset should be deemed to have been de-recognised from the Fixed Asset Registers of an entity

- on disposal;
- when no future economic benefits or service potential is expected from its use, e.g., on being donated or transferred to any other entity; dismantled/ destroyed on being declared as obsolete or abandoned; or
- lost or destroyed in natural calamity or accident like cyclone, tsunami, fire, public riots, theft etc.

10.2. A fixed asset should be de-recognised after following the due administrative/ legal process and approval of the competent Authority in the Fixed Asset Registers only.

11. Disclosures

11.1. The entity should disclose the following minimum information for each class of fixed assets in the Fixed Asset Registers at the field level:

- i. Class of Fixed Asset
- ii. Date of Acquisition/ construction & Bill No.
- iii. Nature of Acquisition (Purchased/ Donated/ Leased/ Granted)
- iv. Vendor/ Donor
- v. Location (Pin Code)
- vi. Unique identification number
- vii. Custodian

- viii. Relevant Unit of Measurement
- ix. Useful Life of Asset
- x. Opening Balance as on 01.04.....
- xi. Additions (amount paid during the year)
- xii. Cost of asset disposed/ de-recognised
- xiii. Closing Balance as on 31.3....
- xiv. Unpaid amount as on 31.3...
- xv. Amount under CWIP
- xvi. Remarks, if any

11.2. The Consolidated Fixed Asset Register should be composed of the following minimum information:

- i. Class of Fixed Asset
- ii. Relevant Unit of Measurement
- iii. Opening Balance as on 01.04.....
- iv. Additions (amount paid during the year)
- v. Cost of asset disposed/ de-recognised
- vi. Closing Balance as on 31.3....
- vii. Unpaid amount as on 31.3...
- viii. Amount under CWIP
- ix. Remarks, if any

The threshold limit to capture assets in the Consolidated Fixed Asset Register at the Ministry/Department level should be ₹ 2 lakhs. All assets below ₹ 2 lakhs listed in the Consolidated Fixed Asset Register should be clubbed under the sub-head 'Others' under each class of fixed asset.

11.3. The Statement on Capital Expenditure for Acquisition of Fixed Assets (for inclusion in the annual Finance Accounts) should present the following information:

- i. Capital Expenditure Head as per the extant PUA (Object Heads)
- ii. Opening balance as on 01.04.....
- iii. Additions During the year
- iv. Closing balance at 31.03.....

11.4. The entity should also disclose the following in the Remarks column of Annexures 1, 2 & 3:

- i. Transfers to or from other entities, which may be additions or deletions;
- ii. The existence and amount of restrictions on fixed assets including on title;
- iii. Fixed assets given as securities for liabilities;
- iv. Encroachment on land/building;
- v. In case of land, the existing circle rate from the land revenue department; and
- vi. Cost of rehabilitation and resettlement in case of land acquired and interest paid on loans, that is capitalized as part of the cost of asset.

11.5. The fact that certain existing fixed assets have been included in the Fixed Asset Registers at nominal amount of ₹ 1 and not drawn from the accounts should be disclosed by way of a footnote.

12. Effective Date

This Guidance Note will be effective from the date notified by the Government of India.....

13. Way Forward

13.1. The Guidance Note envisages a robust IT system for capturing of complete information at the time of preparation of accounts with least manual interface. It is suggested that the linkages with the accounting procedure be built-in, in the system so that the information on assets flows from the point of acquisition in respect of procurement of an asset.

13.2. Extant rules need to be revisited to facilitate the disclosures e.g. including the process of de-recognition and deletion of obsolete assets to arrive at a listing (progressive capital expenditure) of only the existing assets in the books of account. Thus, post-notification of this Guidance Note, the corresponding rules should be amended by Government, wherever required.

1. ACCOUNTING OF CAPITAL EXPENDITURE INCURRED FOR ACQUISITION OF FIXED ASSETS AND FIXED ASSET REGISTERS

1.1. Preparation of Fixed Asset Registers (Annexures 1 & 2)

The Fixed Asset Registers should be prepared at two levels, the Field Unit Level and the Consolidated Register at the Departmental Level. The compilation of complete information on the fixed assets owned/controlled by the government entities following present system of cash basis of accounting should be implemented in two phases for which two separate fixed assets registers should be maintained initially:-

1.1.1 for the assets identified through physical verification which were acquired in the past. The cost of these assets should be duly assigned from available records/ vouchers or measured at nominal value of ₹ 1; and

1.1.2 for the fixed assets acquired after notification of the Guidance Note. This Asset Register should be without an Opening Balance in the first year.

On completion of physical verification of existing assets (acquired before notification) as per 1.1.1 above, the values obtained against each class of assets in the Asset Registers should form the opening balance for the Asset Registers prepared post-notification leading to amalgamation of the two asset registers.

The above two phases are further elaborated as follows:

A) The transition phase where the existing fixed assets owned and acquired in the past that are expected to have future economic benefits or service potential should be identified through physical verification. These should be identified and listed under the given classes as per paragraph 7 (in accordance with the PUA). The primary requirement of the government is to obtain complete information on the listing of the assets. The value should be assigned at the historical cost from the existing records. Where records are not available, the fixed assets should be measured at nominal value of ₹ 1. Existing fixed assets booked under Revenue Expenditure like Furniture, Fixtures & Fittings, Heritage assets, Office equipment, Computers data processing units & peripherals and Electrical Installations & Equipment above the threshold limit, should be listed after verification. The existing fixed assets should be reflected in the Fixed Asset Registers (Annexures 1 & 2) at the amounts as aforesaid. Preparation of the list of the assets at the field level after due physical verification should be a joint exercise of the Executive Authority and Accounting Authorities. This information should be consolidated in a generic way at the higher levels as per paragraph 7.4. This phase should entail the following processes :

- i. Identification of Assets
- ii. Listing of all fixed assets that have been identified.
- iii. Classification of all assets as per paragraph 7.
- iv. Measurement of all fixed assets at paid cost or nominal value of ₹ 1 as per the principles laid down in this Guidance Note.
- v. Fixed Asset Registers should be prepared at two levels, viz., Field and Consolidated levels. At the Field level, the item-wise Fixed Asset Registers should be maintained by the Custodian in the entity as per Annexure 1. Thereafter, consolidation of assets should be done at the Department level, in the format given at Annexure- 2 of the Guidance Note. The Fixed Asset Register should be prepared by the Custodian. The detailed proforma in Annexure-1 should be submitted to the Executive Authority on a periodical basis for monitoring and reporting purposes. At the Department level, Consolidated Fixed Assets Register should be prepared in Annexure-2. While consolidating the details in Annexure-2, the individual items of value above ₹ 2 lakhs of each class of assets should be disclosed and all the residual items upto ₹ 2 lakhs should be clubbed and amount should be depicted under 'Others' below each class of asset.

15

B) Post Notification/ Implementation phase: Both the Field and Consolidated Asset Registers should capture the information on fixed assets acquired/constructed/purchased from the accounts, in accordance with the principles laid down in this Guidance Note. Thus, the Fixed Asset Registers need to be transaction based and linked with vouchers. The format of vouchers would need modification to clearly specify whether the expenditure is towards Capital Works-in-Progress or completed fixed assets. This phase should entail the following processes :

- (i) Classification of all assets.
- (ii) Measurement of all fixed assets at the paid cost or nominal value of ₹ 1 as per the principles laid down in this Guidance Note.
- (iii) Preparation of Fixed Asset Registers.

Further, the entity should physically verify all fixed assets over a period of not more than 3 years and discrepancy, if any, be recorded. For the purpose of deleting the amount under CWIP, there should be an annual physical verification of all CWIP projects, jointly by the Administrative and Accounting Authority of the entity. At the time of transfer of the Custodian, there should be a formal handover of the assets.

1.2. Preparation of a Statement on Capital Expenditure for Acquisition of Fixed Assets (for inclusion in the annual Finance Accounts—Annexure 3)

The Finance Accounts presents information on capital expenditure of the Union, States and Union Territories with Legislature. The existing Statements in the Finance Accounts include the current and cumulative capital expenditure on both financial and physical assets of the Governments up to the Minor Head/Sub-Head. There is no aggregation of this expenditure at the PUA (nature of expenditure) level.

The Statement on Capital Expenditure on Acquisition of Fixed Assets as recommended in this Guidance Note proposes to capture expenditure directly from the extant PUA to clearly disclose the nature and class of asset being acquired. For the purpose of drawing a concordance between the Statement and the Fixed Asset Registers, some of the principles of recognition of capital expenditure cannot be applied as extant rules need modification. For instance, rules will require modification to address the following cases:

- i. to bring in the concept of recognition of CWIP and fixed assets, rather than merely capturing capital expenditure;
- ii. to include items of expenditure above the threshold value of ₹ 5,000/- (Rupees five thousand) as capital expenditure and assets with life of more than a period of twelve months only. The items below this amount and consumable within a year should be treated as revenue expenditure;
- iii. to recognise and measure assets acquired without incurring expenditure, e.g. for land received free as gift, it will be necessary to create a 'capital reserve head' and depict the asset at a nominal value of ₹ 1/;
- iv. to recognize assets hitherto being recognized as revenue expenditure e.g., furniture & fixtures and computers, as capital expenditure;
- v. to have direct concordance between the classification depicted in paragraph 7 for the Fixed Asset Register and the extant PUA in this Statement. It is recommended that as far as possible the PUA should match the classification of assets suggested in paragraph 7;
- vi. to bring in the principle of de-recognition to the government accounts;
- vii. to require Disclosures as specified in paragraph 11 above in the Statement.

16
Annexure 1: Fixed Assets Register in the Field Unit

Class of Fixed Asset	Date of Acquisition / construction & Bill No.	Nature of Acquisition (purchased/ Donated/ Leased/ Granted/inherited/vested)	Vendor/ Donor	Location (Pin Code)	Unique identification number	Custodian	Relevant Unit of Measurement*	Useful Life of Asset	Opening balance as on 01.04.....	Additions (amount paid during the year)	Cost of asset disposed/ de-recognised	Closing Balance as on 31.3.....	Unpaid amount as on 31.3.....	Amount included as CWIP	Remarks, if any
1	2	3	4	5	6	7	8	9	10	11	12	13 = (10 + 11 - 12)	14	15	16
I. Land															
II. Buildings															
III. Infrastructure Assets															
IV. Machinery															
V. Furniture Fixtures and fittings															
VI. Motor Vehicles															
VII. Equipment															
VIII. Electrical Installations and Equipment															
IX. Heritage Assets															
X. Intangible Assets															
XI. Other fixed assets															

*In Metric System wherever applicable.

Notes:

1. The format is indicative only, showing the minimum requirements. Thus, sub-classes may be added under the above classes e.g. under Buildings, sub-classes of 'Residential' and 'Non-residential' can be disclosed as per the requirements of the entity. The entities also retain the flexibility of adding columns as per their requirement.
2. All assets of strategic nature should be disclosed as per the extant government policy.
3. The Object Heads in the extant DFPR should have a direct concordance with the classes of fixed assets as far as possible.
4. Assets ready for use but remaining unused may be indicated in the remarks column.
5. Extent of completion of verification of assets should be certified in the fixed assets register annually.
6. Derecognition of assets during the year should be depicted in the relevant column along with sanction number.
7. Column numbers 14, 15 & 16 are for additional information only.

Annexure 2: Consolidated Fixed Asset Register at the Department/Ministry /State Level

17

1 Class of Fixed Asset	2 Relevant Unit of Measurement * 01.04.....	3 Opening balance as on 01.04.....	4 Additions (amount paid during the year)	5 Amount disposed/derecognised	6 Closing Balance as on 31.3..... (3+4-5)	7 Unpaid amount as on 31.3....	8 Amount included as CWIP *	9 Remarks, if any
I. Land								
II. Buildings								
III. Infrastructure Assets								
IV. Machinery								
V. Furniture Fixtures and fittings								
VI. Motor Vehicles								
VII. Equipment								
VIII. Electrical Installations and Equipment								
IX. Heritage Assets								
X. Intangible Assets								
XI. Other fixed assets								
TOTAL								

*In Metric System wherever applicable.

Note:

1. This register is compiled from the Field Level Asset Registers. Individual assets above ₹ 2 Lakhs or more should only be disclosed separately.
2. In order to capture all assets below ₹ 2 lakhs, listed in the Field Level Asset Registers, a sub-class, 'Others' should be created under each class for clubbing such assets at the level of compilation.
3. Column 7, 8, & 9 are for additional information only.
4. Assets ready for use but remaining unused should be indicated in the Remarks column.

