

## Frequently Asked Questions on Compilation of Fixed Assets Register

### 1. What is a Fixed Asset?

As per Indian Government Financial Reporting Standard-2(IGFRS-2), "Property plant and equipment's" are tangible assets that:

- *Are held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purpose; and*
- *Are expected to be used during more than one reporting period.*

### 2. Why Fixed Assets Register is prepared?

Fixed Assets, being a significant portion of the total assets of any organization, the accounting thereof involves proper classification, segregation, recording and presentation for the purpose of reflecting the financial status and determining the level of efficiency of the organization in relation to the cost incurred on the assets. The financial statements of any organization will not show true picture of financial position unless Fixed Assets are shown correctly. Therefore, it is essential to record all the assets in the books of accounts and make provision for depreciation not only in a commercial environment, but also for entities that do not operate for profit. All the fixed assets that are in existence as at the end of the year, i.e., before adopting the accrual system of accounting shall have to be brought to the Fixed Assets Register.

### 3. When will an asset be recognized in the Books?

An asset should be recognized in books of account when it is ready for use and also when it is probable that the future economic benefits associated with the asset will flow to the organization and the cost of the asset to the organization can be measured reliably. For the purpose of recognition of assets in books of accounts concept of control is important

*To determine whether Indian Railways should be reporting an asset, it is necessary to look to the indicators of control. According to AS-26 issued by ICAI, 'control' is identified when the enterprise has the power to obtain future economic benefits flowing from the underlying resources and also can restrict the access of others to those benefits.*

### 4. Is there any monetary limit for recognition of Fixed Assets?

IGFRS-2 or relevant Accounting Standard issued by ICAI does not prescribe any monetary limit or unit of measurement for recognition of fixed assets, i.e., what constitute an item of property plant and equipment. As far as possible all the assets should be recognized. Judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals and small items of equipment, and to apply the criteria to the aggregate value.

### 5. At which value assets will be shown in a FAR?

All the assets are required to be shown in FAR on their **Historical Cost/Cost of Acquisition**.

**6. What is historical cost/cost of acquisition?**

**As per IGFRS- 2** "Historical cost/cost of acquisition is the amount of cash or cash equivalent paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction".

- **Cost of asset if asset is acquired:**

In this case, Cost of fixed assets comprises of its purchase price, import duties and other non-refundable taxes or levies and any other directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

- **Cost of asset if asset is Self Constructed:**

All the directly attributed costs which are incurred to construct the asset will form part of cost of asset.

**7. If Historical cost of asset is not available then how will the asset be valued?**

If historical cost of asset is not available, asset will be valued as per the valuation norms prescribed in IGFRS-2. *(For more details please refer Chapter 5 of Accrual Accounting Implementation Manual).*

**8. Is hypothetical cost/self-assess cost acceptable?**

No, Hypothetical cost/self-assess cost is not acceptable.

**9. An asset is received as a Gift, whether need to be shown in FAR?**

Yes, any asset which is received as gift is also required to be shown in FAR. Further, it is prescribed in IGFRS-2, gifted assets should be valued at Nominal value, i.e., at Re. 1/-. *(For more details please refer Chapter 5 of Accrual Accounting Implementation Manual)*

**10. What is the cost of improvement?**

Any cost incurred for improvement of assets, which results in increasing the life or the utility of asset, is considered as cost of improvement. Expenses of a normal and routine nature incurred for repairs and maintenance of assets should not be considered as an improvement cost. For example: Periodical maintenance services of a vehicle will not be considered as cost of improvement. On the other hand, any replacement of engine or chassis of vehicle which results in increasing life of vehicle will be considered as cost of improvement.

**11. What is date of acquisition/construction?**

The date of acquisition is the date on which the Property was legally vested in the entity. For instance, in case of civil structure, date of completion would be taken as date of acquisition while in case of other assets such as office equipment, furniture etc., and actual date of purchase may be taken as date of acquisition.

**12. How will assets be classified according to the Formats?**

Following table shows the illustrative list (not exhaustive) of assets covered in a particular format:

<b>FA. No.</b>	<b>Name of Assets</b>	<b>Illustrations</b>
FA-1	Lands	Details of Land as well as land relating to Buildings, Roads, Bridges, etc., are covered in this format.
FA-2	Buildings	Residential building, staff quarters, station building, LC gate, water hut, Overhead tank, tube well, open well, etc.
FA-3	Bridge/Flyover/Tunnel/ Subways	All kind of Bridge/Flyover/Tunnel/ Subways like Road Under Bridge (RUB), Road Over Bridge (ROB), etc.
FA-4	Road/Street	Details of all Roads/Streets which pertain to Indian Railway.
FA-5A to 5D	Railway Tracks	Details of Rails, Sleepers, Ballast and other track Fittings.
FA-6	Furniture and Fixtures	Fan, UPS, Tables, Cupboards, AC, Coolers, Invertors, etc.
FA-7	Office Equipments	Fax machines, Xerox machines, Typewriter, projector, etc.
FA-8	Vehicles	Truck, Cars, Ambulance, Jeep, etc.
FA-9	Plant, Machinery & Equipment	DG set, Solar hot water plant, Lift, escalators, etc.
FA-10	Computers and Peripherals	Computer, Laptop, Printer, Routers, Thin cabinet, Networking equipments, etc.
FA-11	Medical Equipments	X-ray machine, Eye scan Biometer, etc.
FA-12	Loco/Coach/Wagons	Details of all Loco/Coach/Wagons.
FA-13	Capital work in progress	Running civil construction works
FA-14	Plant, Machinery & Equipment (Signal)	Point machines, Signal, Relay room, Track circuits, Panel, etc.
FA-15	Plant, Machinery & Equipment (Telecom)	VHF sets, Display boards, LCD Monitor, etc.

FA-16	Electrical Equipments and Fittings	Transformer, Pump, Battery charger, etc.
FA-17	Intangible assets	Software, Copyrights, Patents, etc.
FA-18A to FA-18D	OHE assets	Mast, Portals, Transformers, Conductors, etc.

**13. Whether land detail will also be provided in the formats of Building, Roads, Bridges, etc?**

No, details of all land is required to be provided in the format of land only and not in any other format. For instance, any land on which any Building is constructed or Railway Track is laid will be covered in the format of land.

**14. How will date of acquisition/construction be determined if it is not available?**

If the cost of acquisition/construction is not available, it will be presumed that useful life of assets has expired. *(For more details please refer Chapter 5 of Accrual Accounting Implementation Manual).*

**15. What is useful life/Codal life of assets?**

Useful life of assets is the period of time over which an asset is expected to be used by the entity. In IR, life of most assets has been prescribed in the code/manuals. Life of assets is required to calculate the rate of depreciation.

**16. What is Depreciation?**

Depreciation means a fall in the value of an asset because of usage or with efflux of time or due to obsolescence or accident. As per IFRS-2, "Depreciation of an asset begins when it is available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management."

As per Accounting Standard – 6 "Accounting for Depreciation" issued by Institute of Chartered Accountant of India, Depreciation is *a systematic allocation of an asset's cost over its useful life.*

**17. What is an Intangible asset?**

AS -26 describes "An intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes". Some examples of Intangible assets are Software, Patents, Copy Rights, Goodwill, etc.

**18. Whether Fixed Assets Register required to be updated each year?**

Yes, Fixed Assets Register will be updated in every financial year with the amount of all new assets constructed/purchased during the year. Further any asset which is condemned/sold/scrapped during financial year will be removed.