

## CHAPTER 20

# FIXED ASSETS

### INTRODUCTION

20.1 This chapter contains the recommended accounting system for transactions relating to fixed assets for Urban Local Bodies (ULBs).

20.2 Fixed Assets represent those assets of the ULBs, which are meant for use over an extended period. These are the assets held for providing services and are not held for resale in the normal course of operations of the ULBs.

20.3 Fixed Assets may be constructed or acquired by or may be gifted or donated to the ULBs either for its own use or for public benefit. The accounting treatment in respect of Fixed Assets constructed by the ULBs has been described in Chapter 11 on “Public Works”, reference to which is invited.

20.4 This chapter covers the accounting procedures in respect of purchase/acquisition and disposal of Fixed Assets, including acquisition by way of gift or donation. This chapter also covers the accounting for revaluation of the assets and Depreciation on all the Fixed Assets of the ULBs including those covered by Chapter 11 on “Public Works” and Chapter 23 on “Special Transactions”. The accounting principles and procedures given in this chapter is based on specific references taken from Indian Accounting Standards (AS) 10 on ‘Accounting for Fixed Assets’ issued by the Institute of Chartered Accountants of India. In case of any other guidance/ clarifications, the same shall be obtained by referring to AS 10.

20.5 The Fixed Assets described in this chapter could be broadly classified as Infrastructure assets and Other assets and the list of these assets illustratively include:

- A. Infrastructure Assets
  - Roads and Bridges;
    - Bridges,
    - Causeways, etc.
  - Water Works;
    - Bore Wells,
    - Laboratory Equipment, etc.

- Sewerage and drainage;
    - Open Drains,
    - Underground Drains, etc.
  - Public Lighting;
    - Lamp Posts,
    - Luminary & Electrical Fittings, etc.
- B. Other Assets
- Land;
    - Land,
    - Grounds, etc.
  - Buildings;
    - Art gallery Buildings,
    - Auditorium Buildings, etc.
  - Furniture, fixtures, fittings and Electrical appliances;
    - Cabinets and cupboards,
    - Chairs, etc.
  - Office & other equipments;
    - Air Conditioners,
    - Computer - Hardware, etc.
  - Vehicles;
    - Ambulances,
    - Buses, etc.
  - Health related assets; and
    - Cold Storage Equipment,
    - Medical Equipment, etc.
  - The codes of Account for above and all other transactions are given in Part IV-chart of Accounts of this Manual.

20.6 A record shall be maintained for the immovable fixed assets in the relevant Register of Immovable Property in Form GEN-30 and for the moveable fixed assets in the Register of Moveable Property in Form GEN-31.

### **ACCOUNTING PRINCIPLES**

20.7 The following Accounting Principles shall govern the recording, accounting and

treatment of transactions relating to Fixed Assets:

- a. All Fixed Assets shall be carried at cost less accumulated depreciation. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the month of commissioning of the assets and other incidental and indirect expenses incurred up to that month.
- b. Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of fixed asset.
- c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, shall be recorded at nominal value of Re. 1/-.
- d. All assets costing less than Rs.5, 000 (Rupees five thousands) shall be expensed / charged to Income & Expenditure Account in the year of purchase.
- e. An increase in net book value arising on revaluation shall be credited to a reserve account under the Municipal fund as 'Revaluation Reserve Account'. A decrease in net book value arising on revaluation of fixed assets is charged to Income and Expenditure accounts.
- f. Revaluation of a class of assets shall not result in the net book value of that class being greater than the recoverable amount of the assets of that class.
- g. Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets.
- h. Depreciation shall be provided at the rates prescribed under the rules. Depreciation on all fixed assets is to be provided consistently on either Written Down Value or Straight Line Method (A task Force is being set up to prescribe life and rates of Depreciation for different type of assets of ULBs).
- i. Depreciation shall be provided at full rates for assets, which are purchased/constructed before October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are purchased/constructed on or after October 1 of an Accounting Year.
- j. Depreciation shall be provided at full rates for assets, which are disposed on or after October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are disposed before October 1 of an Accounting Year.
- k. Assets recorded in the register but not physically available shall be written off after a specified period as defined by the State/Municipal act or rules governing the ULBs. The authority levels for the same shall be as defined under the

respective Act or rules. However the specified period shall not exceed five years.

## **ACCOUNTING RECORDS AND PROCEDURES**

*20.8 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Fixed Assets. For the purposes of accounting of Fixed Assets all the forms applicable, are generally applicable in respect of the transactions of the ULBs including in respect of Fixed Assets.*

20.9 The procedure for accounting of fixed assets is briefly described below:

- a. Earnest Money Deposit (EMD) may be received from the bidders bidding for the tender as per the principles and procedures prescribed by the ULBs. On award of contract, EMD shall be refunded to the unsuccessful bidders.
- b. Contract for supply of requisite fixed asset shall be awarded to the successful supplier and a Purchase Order shall be issued to the supplier for supply of fixed assets specified therein.
- c. Advance may be provided to the contractor as per the terms and procedures of the ULBs and purchase agreement entered into with the contractor.
- d. On receipt of bill, the concerned department shall prepare a Payment Order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Department to make the payment after deducting the Security Deposit and any other deduction specified in the purchase agreement.
- e. As explained above in the accounting principles (Para 20.7) that all assets costing less than Rs 5,000 shall be charged to Income and Expenditure account in the period in which they were purchased.

### **Accounting for Earnest Money Deposit (EMD)**

20.10 Earnest Money Deposit may be collected from the bidders on such basis as determined by the ULBs at the time of submitting their tenders. A Receipt in Form GEN-8 shall be issued for the amount collected. The accounting for collection of EMD from the bidders, refund of EMD to the unsuccessful bidders and conversion of EMD of successful bidder into Security Deposit and its refund shall be the same as provided in the Chapter 11 on 'Public Works'.

### **Accounting for Security Deposit**

20.11 Where the terms of Agreement entered into with the supplier provide for collection of a certain percentage of Security Deposit in advance, a Receipt (Form GEN-8) shall be issued for the amount collected to the successful bidder. The procedure for accounting of Security Deposit received and refunded on successful execution of the order shall be the same as provided in Chapter 11 on 'Public Works'.

## Accounting for Advance

20.12 As per the terms of purchase agreement, advance may be paid to the supplier. The procedure to be followed for payment and accounting in respect of advance shall be the same as provided in the Chapter 11 on ‘Public Works’.

## Accounting for Acquisition/Purchase of Fixed Assets

21.13 Recording of purchase of Fixed Asset. The department which purchases/acquires the Fixed Asset shall prepare a Payment Order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Department. To record the purchase of the Fixed Asset, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Main Bank Account *	Dr.	200		Cash Book, Ledger
450- 41- (a)	To Asset Replacement Bank Account*	Cr.		200	

(a) Insert detailed head code of accounts

20.14 Recording of payment made. After obtaining approval of the concerned authority, the Accounts Department shall prepare a Bank Payment Voucher in Form GEN-5 and draw a cheque in accordance with the procedure provided in the Chapter 5 on General Accounting Procedures. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors-Suppliers account	Dr.	90000		Cash Book, Ledger
450- 41- (a)	To Main Bank Account*	Cr.		90000	

\* Specify name of the Bank and account number

(a) Insert detailed head codes of account as applicable

20.15 Any addition or improvement to the Fixed Asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of Fixed Asset. The procedure to be followed for accounting of any addition or improvement to Fixed Asset shall be the same as provided earlier in this chapter.

## Depreciation on Fixed Assets

20.16 At the end of the accounting year, depreciation shall be provided on each class of Fixed Asset at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost or written down value of Fixed

Asset as per the accounting principles of the ULB. An example of computation of depreciation is provided in Table 20.1 below. .

20.17 For Depreciation on Fixed Asset: For providing depreciation (refer e.g. in Table 20.1 below), the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
272-(a)	Depreciation on	Dr.	2100		Journal Book, Ledger
411-(a)	To Accumulated Depreciation	Cr.		2100	

a) Insert Minor & Detailed Head Codes of account as applicable

Note: Separate depreciation entry shall be passed for each class of fixed assets, such as Buildings, Vehicles, etc.

**Table 20.1**  
**Computation of Depreciation at Year-end on an asset class**

Sr. No	Particulars	Amount (Rs.)
a.	Original Cost of Fixed Asset at the beginning of the year	10,000
b.	Less: Original Cost of fixed asset sold during the accounting year*	2,000
c.	<b>Original Cost of the fixed asset held at year-end</b>	<b>8,000</b>
d.	Annual Depreciation provision (@ 20%) for the financial year	1,600
	<b>Depreciation on fixed assets purchased during the year**</b>	
e.	Depreciation on the fixed asset purchased before October 1 of an accounting year (at full rate of 20% on Rs. 2,000/-)	400
f.	Depreciation on the fixed asset purchased after October 1 of an accounting year (at half the rate of 20% i.e. 10% on Rs. 1,000/-)	100
g.	<b>Total Depreciation charge for the year (d+e+f)</b>	<b>2,100</b>

\* Refer sale of fixed asset worth Rs 2000 in para 21.24 under section 'Sale/Disposal of Fixed Assets' below.

\*\* It is assumed that fixed assets worth Rs. 2,000 purchased before October 1 of an accounting year and fixed assets worth Rs. 1,000 purchased after October 1 of an accounting year.

20.18 Register of Immovable Property maintained in Form GEN-30, Register of Moveable Property maintained in Form GEN-31, and Register of Public Lighting System in Form GEN-36 shall be updated in respect of the depreciation provision made during an accounting year annually.

### **Maintenance of Sinking Fund**

20.19 ULBs may maintain sinking funds to invest the replacement of assets. In such cases the following procedures shall be adopted.

20.20 Recording of transfer of funds from Main Bank Account to Asset Replacement Bank Account. Immediately after the approval of Financial Statements by the ULBs, an amount equivalent to depreciation provision for the year shall be transferred from the Main Bank

Account to Asset Replacement Bank Account for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account *	Dr.	2100		Cash Book, Ledger
450- 21- (a)	To Bank Account*	Cr.		2100	

\* Specify name of the Bank and account number

(a) Insert detailed head codes of account as applicable

20.21 The amount so set aside shall be utilised only for the purpose of purchase or acquisition of the fixed assets pertaining to the asset class in respect of which the above depreciation has been provided.

20.22 Asset Replacement Register in Form GEN-35 shall be maintained asset class-wise to record the money set aside and shall be updated for deposits made to Asset Replacement Bank Account in respect of annual depreciation provision made during the accounting year and for utilisation of proceeds from the Asset Replacement Bank Account for the purpose of replacement by way of purchase / acquisition / construction of fixed asset.

20.23 Recording of transfer of funds from Asset Replacement Bank Account to Main Bank Account In case, where the payment in respect of any such fixed assets is made through the Main Bank Account, the Accounts Department shall transfer an amount equivalent to the cost of acquisition from the Asset Replacement Bank Account to the Main Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Main Bank Account *	Dr.	200		Cash Book, Ledger
450- 41- (a)	To Asset Replacement Bank Account*	Cr.		200	

### Sale/Disposal of Fixed Asset

20.24 The Fixed Assets may be transferred by way of sale either through auction or otherwise. The procedure for accounting of receipt of EMD from the bidders, refund of EMD to the unsuccessful bidders, conversion of EMD of successful bidder into Security Deposit and its adjustment shall be the same as provided in Chapter 11 on Public Works.

20.25 Recording of Depreciation on disposal of Fixed Asset. Depreciation shall be provided at the prescribed rates on the asset class (in respect of fixed asset sold). The amount of

depreciation to be provided shall be computed by applying the depreciation rate to the cost of fixed asset upto the month of sale. For providing depreciation, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
272- (b)	Depreciation on _____ (please specify)	Dr.	100		Journal Book, Ledger
411- (b)	To Accumulated Depreciation	Cr		100	

(a) Insert Minor & detailed Head Codes of Account as applicable

20.26 Recording of disposal of Fixed Asset. In respect of the Fixed Asset to be sold, the Accounts Department shall compute the Written Down Value for that Fixed Asset. Written Down Value of an asset is calculated as Cost of the Fixed Asset – Accumulated Depreciation provided till the previous year - Provision for Depreciation made during the year till the month of disposal (computed in Table 20.2 below). The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410- 90- (a)	Fixed Assets -Assets under	Dr.	1,500		Journal Book, Ledger
411- (b)	Disposal # Accumulated Depreciation	Dr.	500		
410- (b)	To Fixed Assets	Cr.		2,000	

# This would be the same figure as the Written-Down Value of the Fixed Asset computed in Table 21.2 below as an example.

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

20.27 Recording of receipt of money on disposal of Fixed Asset On receipt of money, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- 21- (a)	Bank Account *	Dr.	2,000		Cash Book, Ledger
350-90-(a)	To Sale Proceeds from Assets	Cr.		2,000	

\* Specify name of Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

Note: This entry would be passed for the consideration amount at which the Fixed Asset is disposed

20.28 Recording of refund of Security Deposit After the completion of the disposal of the

fixed asset, Security Deposit (if any) received shall be refunded for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340- 10- (a)	From Suppliers/ Contractors – Security Deposit	Dr.	500		Cash Book, Ledger
450- 21- (a)	To Bank Account *	Cr.		500	

\* Specify name of Bank and account number

(a) Insert detailed head code of accounts as applicable

20.29 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its written down value, as provided in Table 20.2 which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of Fixed Asset sold shall be obtained from Register of Immovable Property (GEN-30).

**Table 20.2**  
**Computation of Profit or Loss on Disposal of Fixed Asset**

Sr. No	Particulars	Profit scenario Amount (Rs.)	Loss scenario Amount (Rs.)
a.	Original Cost of Fixed Asset	2000	2000
b.	Add: Cost of improvement/addition	0	0
<b>c.</b>	<b>Total cost of Fixed Asset (a+b)</b>	<b>2000</b>	<b>2000</b>
d.	Less: Depreciation provided from the year of acquisition till the previous financial year	400	400
e.	Less: Depreciation provided for the current financial year till the month of disposal	100	100
<b>f.</b>	<b>Total Depreciation provided on the Fixed Asset Disposed (d+e)</b>	<b>500</b>	<b>500</b>
<b>g.</b>	<b>Written down Value of the Fixed Asset at the time of transfer (c- f)</b>	<b>1500</b>	<b>1500</b>
h.	Less: Disposal value realised	2000	500
<b>i.</b>	<b>Profit or (loss) on transfer of Fixed Asset (h-g)</b>	<b>500</b>	<b>(1000)</b>

20.30 Recording profit on disposal of Fixed Asset: In case of profit on disposal of Fixed Asset (as per the example given above), the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds from Assets	Dr.	2,000		Journal Book, Ledger
410- 90- (a)	To Fixed Assets -Assets under Disposal	Cr.		1,500	
180- 30- (a)	To Profit on disposal of Fixed Assets	Cr.		500	

(a) Insert detailed head code of accounts as applicable

20.31 Recording loss on disposal of Fixed Asset. In case the asset is disposed at Rs. 500, i.e., a loss of Rs. 1,000 is incurred on disposal of fixed asset, the Accounts Department shall pass the entry referred to in para. 20.29 for Rs. 500 for recording, the money realised on disposal of fixed asset. For loss incurred on disposal of fixed asset, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds from Assets Loss on disposal of fixed asset	Dr.	500		Journal Book, Ledger
271-10- (a)	To Fixed Assets -Assets under Disposal	Dr.	1,000		
410-10- (a)		Cr.		1,500	

*Note: In practice, only one of the above two situations could happen.*

(a) Insert detailed head code of accounts as applicable

## REVALUATION OF FIXED ASSETS

20.32 Fixed assets may be revalued under the following circumstances such as:

- a) Commercial development of the fixed assets are taken up after the land use and architectural control have been approved by the competent authority;
- b) At the time of lease; or
- c) At the time of issue of municipal bonds.

20.33 The procedure for accounting of revaluation of fixed assets are briefly described below:

- Recording for increase or decrease of the values of the Fixed Assets;
- Recording of amortisation of revaluation reserve;
- Recording of disposal of revalued assets.

a) Recording of increase in the value of assets: Increase in values arising on account of revaluation of the fixed assets shall be credited to a reserve account under General fund. The accounting entry for recording the increase shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410 – (b)	Fixed Assets	Dr.	10,000		Journal Book, Ledger and Fixed Assets Register
312- 60- (a)	To Reserves – Revaluation Reserve	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

b) Recording of decrease in the value of assets: Decrease in the value of fixed assets because revaluation shall be charged off in the Income and Expenditure Account. The accounting entry for recording the decrease shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-40-(a)	Assets Written Off/ Decline in value of Assets on Revaluation	Dr.	10,000		Journal Book, Ledger and Fixed Assets Register
410- (b)	To Fixed Assets	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

c) Recording of adjustment of depreciation against revaluation reserve: Revaluation reserve shall be adjusted /reduced by an amount equivalent to the depreciation charge on the revalued portion of the fixed assets. The accounting entry for recording the adjustment is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
312- 60- (a)	Revaluation Reserve	Dr.	3,000		Journal book, Ledger and Fixed Assets Register
272- (b)	To Depreciation on Fixed Assets	Cr.		3,000	

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

d) Recording of disposal of assets revalued: In case the assets revalued have been disposed off or written off, the revaluation reserve if any relating to those assets shall also be reversed.

20.34 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its

written down value, as provided in Table 20.3 which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of Fixed Asset sold shall be obtained from Register of Immovable Property (GEN-30).

**Table 20.3**  
**Computation of Profit or Loss on Disposal of Fixed Asset**

Sr. No	Particulars	Profit scenario Amount (Rs.)
a.	Original Cost of Fixed Asset	5,000
b.	Add: Increased on account of revaluation	2,500
c.	<b>Total value of the Fixed Asset (a+b)</b>	<b>7,500</b>
d.	Less: Depreciation provided from the year of acquisition till the previous financial year	3,500
e.	Less: Depreciation provided for the current financial year till the month of disposal	200
f.	<b>Total Depreciation provided on the Fixed Asset Disposed (d+e)</b>	<b>3,700</b>
g.	<b>Written down Value of the Fixed Asset at the time of transfer (a- f)</b>	<b>1,300</b>
h.	Less: Disposal value realised	6,000
i.	<b>Profit or (loss) on transfer of Fixed Asset (h-g)</b>	<b>4,700</b>

\* The accumulated depreciation at the beginning of the period and depreciation for the current period includes the depreciation provision on the portion of increase in the value of assets on revaluation. (i.e. Rs 2000)

i. Recording of transfer of assets and reversal of revaluation on disposal: In respect of the Fixed Asset to be sold, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410- 90- (a)	Fixed Assets -Assets under	Dr.	1,300		Journal Book, Ledger
312- 60- (a)	Disposal # Revaluation Reserve	Dr.	2,500		
411- (b)	Accumulated Depreciation	Dr.	3,700		
410- (b)	To Fixed Assets	Cr		7,500	

# This would be the same figure as the Written-Down Value of the Fixed Asset computed in Table 21.3 above as an example.

- (a) Insert Detailed Head Codes of Account as applicable  
(b) Insert Minor & Detailed Head Codes of Account as applicable

ii. Recording of profit or loss on disposal of revalued assets : The scheme of entries shall be same as explained in paras 20.30 & 20.31 for profit or loss respectively

### INVESTMENT FROM ASSET REPLACEMENT BANK ACCOUNT

20.35 Investments made from Asset Replacement Bank Account shall be entered in the Investment Register (Form IN-1) (provided in Chapter 19 on Investments). The accounting

procedures to be followed, the accounting entries to be recorded and accounting records to be updated in respect of investments of such funds are similar to those followed in respect of investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 19 on Investments.

### **TREATMENT OF CERTAIN TYPE OF ASSETS**

#### **Assets under dispute/litigation**

20.36 All the fixed assets accounted in the books of ULBs which are under dispute or litigation shall be disclosed in the financial statements along with notes/remarks that these are under dispute and also the status of the legal case as at the reporting date of the financial statements.

#### **Assets in Register not yet physically identified**

20.37 The details of assets, which are in the register but not yet physically identified/traced, shall be disclosed in the financial statements in the form of a note. However, the assets were which are not traced within a specific period of time, shall be written off. The Acts/rules governing the ULBs shall define the period and authorisation for writes off. However it is recommended that the maximum period shall not exceed beyond five years. Accounts Department shall pass the following entry for recording of write off.

<b>Code of Account</b>	<b>Accounting Entry</b>	<b>Dr./ Cr</b>	<b>Debit Amount (Rs.) Illustrative figures</b>	<b>Credit Amount (Rs.) Illustrative figures</b>	<b>Books to be entered into</b>
270- 40- (a)	Assets written off –Fixed Assets	Dr.	2,000		Journal Book, Ledger
411- (b)	Accumulated Depreciation	Dr.	3,000		
410- (b)	To Fixed Assets	Cr.		5,000	

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

### **PERIOD END PROCEDURES**

20.38 Recording of liability for fixed assets purchased for which payment has not been made At period end, the concerned departments shall ensure that for bills in respect of all the fixed assets received before the last date of the accounting period are processed and sent to the Accounts Department for accounting and payment within 15 days from the end of the accounting period. Based on the bills received, the Accounts Department shall pass the same entry as what is described in para. 20.13 above.

20.39 Provision for Depreciation: Provision for depreciation on fixed assets shall be calculated for the full year and accounted on pro-rata basis at the period ends. For example if

the total depreciation for full year is Rs. 1,000, the depreciation provision for the current year for the 3 months ended 30<sup>th</sup> June shall be Rs.250. However, the depreciation calculation sheet shall be updated for all additions and deletions during the period under reporting and accordingly the additional provisions for subsequent periods are accounted.

20.40 For Fixed Assets purchased in terms of any financial assistance or grant received or the cost of which is met from funds set aside in a Special Fund, period-end entries as described in Chapter 16 on ‘Grants’ and Chapter 18 on ‘Special Funds’ respectively, shall be recorded.

### **INTERNAL CONTROLS**

20.41 The following internal controls shall be observed by the ULBs:

- a. At the time of award of new contract, the concerned department shall ensure the availability of adequate budget allocation after considering all commitments made against that budget allocation before purchasing any new fixed asset.
- b. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall carry out quarterly reconciliation of the balance as per the Deposit Register maintained at the concerned department with the Deposit Ledger accounts.
- c. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Any discrepancies with the Fixed Assets Register should be reconciled.
- d. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall ensure that the amount set aside in the Asset Replacement Bank Account consequent to depreciation provision made, is utilised only for the purpose of purchase or acquisition of fixed asset for which depreciation has been provided.
- e. Before releasing payment to the supplier, the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall ensure that the fixed assets acquired are recorded in the Register of Immovable Properties. Further, it shall be ensured that the Payment Order provides reference to the Register of Immovable Properties where the entry for receipt of fixed assets is recorded.
- f. At the time of computing depreciation provision for the period, the Executive Officer/Secretary & in case of Municipal Corporation the Head of the

Accounts Department shall ensure that the accumulated depreciation (including current period' s depreciation provision) provided on any fixed asset does not exceed its cost of acquisition

- g. Commissioner/Executive Officer/Secretary of the ULBs may specify appropriate MIS reports for monitoring.

20.42 All Reconciliation Statements shall be certified by the E.O./Secretary & in case of M. Corporation the Head of the Accounts Department

### **PRESENTATION IN FINANCIAL STATEMENTS**

20.43 The various heads of account used for the accounting of Fixed Assets shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULBs. All such Financial statements and schedules shall be affixed with signature/seal of the Commissioner or any authority authorised by him in this behalf and in case of other ULBs the Executive Officer/Secretary.

20.44 The schedules of Income and Expenditure Statement in respect of Fixed Assets are provided below.

#### **Schedule I-9: Schedule of Other Income**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
180-30-(a)	Profit on Disposal of Fixed asses		
	<b>Total of Income of Fixed Assets to be shown as part of Other Income Schedule</b>		

(a) Insert Detailed Head Codes of Account as applicable

#### **Schedule I-17: Miscellaneous Expenses**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
271-10-(a)	Loss on disposal of Assets		
271-30-(a)	Decline in the Value of Fixed Assets on Revaluation		
	<b>Total of Expense of Fixed Assets to be shown as part of Miscellaneous expenses Schedule</b>		

(a) Insert Detailed Head Codes of Account as applicable

20.45 The Balance Sheet abstract in respect of Fixed Assets is provided below.

**Schedule B-3: Reserves**

Code No.	Particulars	Opening balance (Rs.)	Additions during the year(Rs.)	Deductions during the year	Total (Rs.)	Balance at the end of the current year (Rs.)
1	2	3	4	5 (3+4)	6	7 (5-6)
312-60-(a)	Revaluation Reserve					
	<b>Total</b>					

(a) Insert Detailed Head Codes of Account as applicable

**Schedule B-7: Deposits Received**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
340-10-(a)	From Contractors & Suppliers- EMD		
340-10-(a)	From Contractors & Suppliers- Security Deposits		
	<b>Total</b>		

(a) Insert Detailed Head Codes of Account as applicable

**Schedule B-9: Other Liabilities (Sundry Creditors)**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-10-(a)	Suppliers Account- Fixed Assets		
350-90-(a)	Sale Proceeds of Fixed Assets		
	<b>Total</b>		

(a) Insert Detailed Head Codes of Account as applicable



## Schedule B-11: Fixed Assets

Amount in Rs

Code No	Particulars	Gross Block (410)				Accumulated Depreciation (411)				Net Block	
		Opening Balance	Additions during the period \$	Deductions during the period	Cost at the end of the year	Opening Balance	Additions during the period	Deducti ons during the period	Total at the At the end of the year	At the end of of current year	At the end of the previous year
410-10	Land										
410-20	Buildings <i>Infrastructure Assets</i>										
410-30	Roads and Bridges										
410-31	Sewerage and drainage										
410-32	Water ways										
410-33	Public Lighting <i>Other assets</i>										
410-40	Plants & Machinery										
410-50	Vehicles										
410-60	Office & other equipment										
410-70	Furniture, fixtures, fittings and electrical appliances										
410-80	Other fixed assets										
	<b>Total</b>										

\$ - Additions include fixed assets created out of Earmarked Funds and Grants transferred to Urban Local Body' s fixed block as referred to in Schedule B-2 and B-4 in Chapter 31.  
Additional disclosures to the Schedule

- (1) Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.
- (2) The details & value of assets, which are not yet physically identified/traced, shall be disclosed separately.
- (3) Details and value of assets under leases and hire purchase needs to be disclosed as a note

Note:

- i. Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1<sup>st</sup> April 2004 shall be equal to the closing asset balance as on 31<sup>st</sup> March 2004.
- ii. Land includes areas used as and for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, godowns etc.
- iii. Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
- iv. Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
- v. Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.
- vi. Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission & distribution system, etc.
- vii. No depreciation is to be charged on "Land"(01)





**Schedules B-17: Schedule of Cash & Bank Balances**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
450-10-(a)	Cash Account		
450-21-(a)	Bank Account		
	<b>Total</b>		

(a) Insert Detailed Head Codes of Account as applicable

**Schedule B-18: Schedule Loans, advances and deposits**

<b>Code No</b>	<b>Particulars</b>	<b>Opening Balance at the beginning of the year(Rs.)</b>	<b>Paid during the current year (Rs.)</b>	<b>Recovered during the year(Rs.)</b>	<b>Balance outstanding at the end of the year(Rs.)</b>
460-40-(a)	Advance to Suppliers and Contractors				
	<b>Sub -Total</b>				
461-(b)	Less: Accumulated Provisions against Loans, Advances and Deposits				
	<b>Total</b>				
	<b>Net Total Loans, advances, and deposits</b>				

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable