Guidelines for Compilation of Fixed Assets Register

Fixed Assets, being a significant portion of the total asset base of any organization, call for an accounting treatment involving 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.

Definition of Fixed Assets

According to IGFRS 2 issued by GASAB on property, plant & equipment, the “property plant and equipment” are tangible assets that:

a. 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

b. Are expected to be used during more than one reporting period.

Recognition of Fixed Assets

An asset should be recognized in books of account when it is put to 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.

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. For the purpose of recognition of assets in books of accounts concept of control is important (refer note 1 as given below).

Note 1

Concept of Control

The concept of control of an asset’s economic benefit is the key issue in determining whether that asset should be reported in the financial statement of Indian Railways. This concept of control is what leads to non-owned assets like hire purchase assets, leasehold property to be recognized as assets. This concept is important because Governments are required to maintain control over public property in the fiduciary capacity and hence any loss of control is not only a financial but also a fiduciary loss.

To determine whether Indian Railways should be reporting an asset, it is necessary to look to the indicators of control. According to AS-26, ‘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.
Further, it is not prescribed in the IGFRS or AS, the unit of measure for recognition, i.e., what constitute an item of property plant and equipment. Thus 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.

Furthermore, spare parts and servicing equipment are usually carried as inventory and recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**Composition of Fixed Assets Register**

Apart from some specific information as applicable to each class of asset, following are the common details which are generally required in each class of asset:

i. **Description:** in this column description of asset is required to be mentioned. For example, in case of details of furniture, description will be forms of its nature e.g. table, chairs, almira or safe, etc. and in case of building description may be Station Building, Administrative Office, etc.

ii. **Stock Holder Code:** It denotes the custodian of assets. In Railways, units such as SSE may be treated as the custodian of assets.

iii. **Block Section:** Block section denotes *Between two stations*. It would help to trace the location of any asset in a convenient manner.

iv. **Cost of acquisition/construction:** Cost of acquisition shall also include, in addition to the cost incurred in acquiring/constructing the said assets, cost incidental to the acquisition/construction. For example, in case of acquiring land, cost of registry would also be part of cost of acquisition.

v. **Cost of improvements:** Any cost incurred for improvement of assets, which results in increasing the life or the utility of the asset, should be considered as an improvement cost. Expenses of a normal and routine nature incurred for the repairs and maintenance of assets should not be considered as an improvement cost. For example, in case of Vehicle, normal periodical services for smooth running of vehicle will not be treated as cost of improvement. However, if engine or chassis is replaced which results in increasing the life of vehicle will be treated as cost of improvement.
vi. **Date of acquisition:** The date of acquisition is the date on which the Property was legally vested. 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.

vii. **Mode of acquisition:** Mode of acquisition is required to be explained. For example if asset is received as gift then its mode would be ‘Gift’, if it is constructed than its mode of acquisition is ‘constructed,’ etc.

viii. **Reference of available title documents:** It has to be ensured that as far as possible the relevant documents like title deeds, contracts, invoices, etc., are available. A reference of the same may also be provided in the formats in the prescribed column. If documents are not available then same is also required to be mention.

ix. **Codal Life of Assets/Normal useful life:** 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 in order to calculate the rate of depreciation.

x. **Fund Allocation Code:** In Indian Railways, there are many sources of funds for acquiring/constructing new assets, e.g., DRF, Capital fund, RSF, etc. Source of fund is required to be mentioned, out of which an asset is created.

xi. **Rate of Depreciation:** Depreciation rate which is used for depreciating the asset is mentioned in this column. Depreciation rate is calculated from the codal/normal useful life of assets, i.e., cost of acquisition – 5% residual value divided by normal useful life/Codal life.

xii. **Accumulated Depreciation:** Accumulated depreciation is depreciation on asset from the date of acquisition to the Balance Sheet Date.

xiii. **Net book value/Written down value:** This value will be derived after deducting accumulated depreciation from the cost of acquisition.

xiv. **Remark:** If any other relevant detail is required to be mentioned in respect of any asset then same may be mentioned in ‘Remark’. For example – pending litigation in respect of any asset, any unauthorised use or encroachment on the assets, assets for condemnation, etc.

**Compilation of Fixed Assets Register**
Indian Railways Assets were classified into different classes of assets based upon their nature. On the basis of this classification, following fixed assets register formats were developed to compile the Fixed Assets Register:

i. **Land (FA-1)** – Details of all land belonging to IR will be collected in this format. Land may be vacant or any temporary construction made on it. Where assets such as buildings, roads, bridges, etc., are constructed on land, details of such lands would also be covered in this format.

**Custodian of the data on Land:** Primarily, Engineering Department is the Custodian of Land.

Further, it may be noted that, Value of land will be adopted from the appropriation accounts of concerned Zonal Railway. Accordingly, in FAR, wherever details are available, the available cost may be indicated against a particular piece of land, and lump sum balancing amount (land value as per Appropriation Account- available cost in FAR) may be adopted in FAR for land packets for which acquisition cost details are not available.

ii. **Building (FA-2)** – Details of all buildings such as office building, station buildings, workshop, etc., will be captured in this format. Each building is required to be identified separately.

A Building or office is a structure with a roof and walls standing more or less permanently in one place, such as a house or factory. Buildings may be of various sizes, shapes and functions; and have been adapted, throughout history, based on a number of factors, viz. building materials available, weather conditions, land prices, ground conditions, specific uses and aesthetic reasons.

**Custodian of the data for Building:** Primarily, Engineering Department is the custodian of Buildings.

iii. **Bridge/Tunnel/flyover/Subways (FA-3)** – Details of all bridges, tunnel, flyover, FOB are required to be captured here. In case of Indian Railways details of all bridges, tunnel, flyover, FOB (i.e. any structure that allows people or vehicles to cross an obstacle such as a river, canal or railway etc.) are required to be given in the format FA-3. However, detail of land on which Bridge/Tunnel/Flyover/Subway is constructed is to be given in the format FA-1 as given.

**Custodian of the data for Building:** Primarily, Engineering Department is the
iv. **Roads/Streets (FA-4)** - Details of all roads will be collected in this format. However detail of land on which road is constructed is to be captured under the details of Land (FA-1). A road is a thoroughfare, route, or way on land between two places that has been paved or otherwise improved to allow travel by foot or some form of conveyance, including a motor vehicle, cart, bicycle, or horse. Details of all roads may be given in FA-4 as given hereunder.

**Custodian of the data for Building**: Primarily, Engineering Department is the custodian of data of Bridge/Tunnel/Flyover.

v. **Railways Tracks (FA-5A, 5B, 5C and 5D)** - This format was initially designed to collect the Railway track data. However Track comprises various components and it was considered difficult to capture this data for each component in order to populate fixed assets register of Track. Later, it was decided that Track data will be extracted from Track Management System (TMS). New formats were designed to compile the FAR of Tracks separately for track components, i.e., Rails, Sleepers, Ballast and Other Track Fittings.

vi. **Furniture & Fixtures, Office Equipment, Computer & Peripherals (FA-6, FA-7, FA-10)**: Presently, Furniture and Fixtures, Office Equipments and Computer and Peripherals are Tools and Plant (T&P) items for Indian Railways and are recorded in T&P register maintained at each section which includes only quantitative details. These details can be obtained from the T&P register. Following points should also be taken into mind while filling information:

a. Furniture and fixture includes all types of tables, Chairs, Almirah, Inverter, Air Cooler, Water Cooler etc.

b. Office equipment includes scanner, Photo copier, etc.

c. Computer and Peripheral includes Computer, Printer, Laptop, Networking Equipments, etc. Wherever possible, a separate list should be prepared for each class of Furniture.

d. All items will be recorded on historical cost, i.e., cost of acquisition. However, it is very difficult to get the cost data as these items are expensed off at the time of purchase. Further, it may be noted that no self-assessed cost or hypothetical cost is required to be quoted while identifying items for preparation of fixed assets register.

e. Any identification number given in T&P register may be used as asset reference number to trace the asset easily.

f. Detail of these items may be collected section wise and further consolidated department wise and unit wise.
**Custodian of data:** The details of these items are available in T&P register as maintained at each section of every department.

vii. **Vehicles (FA-8)** - Vehicles include both heavy vehicles as well as light motor vehicles, such as trucks, staff bus, cars, jeeps, two wheelers, etc. Further, it may be noted that details of only those vehicles is required to given which belong to IR. However, in case vehicles are taken on hire, details are not required to be captured.

**Custodian of data:** The details of vehicles should be available with Commercial Department.

viii. **Plant, Machinery & Equipment (FA-9)** – Plant, machinery & equipment includes any plant and machinery which is being directly used by IR in connection with providing services. For example, machinery used in workshop for repair and maintenance of Loco/Coach/Wagons, machinery used for construction of tunnels, Track Machine, etc. *Further, Machinery related to Signalling and Telecom would not be included in this Format.*

ix. **Medical Equipment (FA-11)** – Medical equipment’s are designed to aid in the diagnosis, monitoring or treatment of patients. For such equipment’s which are being specially used for the medical purposes, details will be given in this format. Medical equipment includes all equipment which is being used in hospitals maintained by Indian Railways.

**Custodian of data:** The detail of medical equipment is available with Medical Department/Railway Hospital under concerned Zonal Railways.

x. **Loco/Coach/Wagon (FA-12)** – Loco/Coach/Wagon is also known as **Rolling Stock.** Apart from Railway Track, Rolling Stock is one of the major assets of Indian Railways. Presently, major part of rolling stock of Indian Railways is financed by Indian Railway Finance Corporation (IRFC) and leased to Indian Railways. In consideration, Indian Railways pays lease charges consisting of interest and principal. Details of all coaches, locos, and wagons will be collected in this format. *Fixed Assets Register of rolling stock will be compiled by Central Team of ICAI-ARF in due consultation with Concerned Zonal Railways*

xi. **Capital Work-in-Progress (FA-13)** – Capital work-in-progress (CWIP) is also a major category of Fixed Assets. This includes cost of constructing fixed assets before construction is substantially complete. However, at present there is no concept of CWIP in Indian Railways. Any amount spent is booked to final head irrespective of whether the work is completed or not. The identification of an item of construction as
CWIP means that the item is intended to be capitalized once it is complete. Following should also be kept in mind while computing CWIP in Railway:

a. As there is no concept of CWIP in IR, determination of CWIP is difficult. This information will be available in the Works Registers maintained in each unit. Further, the pink book may also be a reference point for this purpose.

b. In case of CWIP of Track, caution will be required to avoid double accountal of data updated in TMS and thereby included in FAR of Track as well as in CWIP.

xii. **Plant, Machinery & Equipment (Signal) (FA-14)** – All equipment/machinery which are specifically being used for signalling purpose will be covered in this format.

**Custodian of data:** Signal Department

xiii. **Plant, Machinery & Equipment (Telecom) (FA-15)** – All equipment/machinery which are being used for telecom purpose will be recorded in this format.

**Custodian of data:** Electrical Department

xiv. **Electric Equipment & Fittings (FA-16)** – Details of electrical equipment such as power stations, DG sets, motor pump, etc., is to be given in this format.

**Custodian of data:** The details of vehicles should be available with Commercial Department.

xv. **Intangible Assets (FA-17)** – “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”. Intangible assets include software, patents, copy rights, goodwill, etc.

xvi. **Details of OHE (FA-18A to FA-18D)** – Details of all assets of electrified traction, i.e., overhead equipment will be covered in these format. These is classified into following four category:

   a. FA-18A (Conductors/Wires)
   b. FA-18B (Transformers)
   c. FA-18C (Mast and Portals)
**General Guidelines while Compiling Fixed Assets Register**

The general guidelines/step to be taken for collecting information relating to fixed assets and compiling FAR are summarized as under:

i. The first step is to identify all the assets. Identification of fixed assets includes listing of all fixed assets of Indian Railways including land, building, Railway Tracks, etc. IR’s assets are spread over a wide geographical area. Therefore, an effort is required for identifying all the assets. The first step in identification of assets is to collect the information relating all the assets owned as on the date of the Opening Balance Sheet. Identification of assets assumes importance as it would help the IR in compilation of a reliable asset register for all types of assets.

ii. It is highly likely that due to paucity of records and documents there would be a need for physical verification of the actual items to be included in Fixed Assets Register and the opening balance sheet. Indian Railways can either by themselves (by forming a dedicated team) or by hiring an external agency carry out the physical verification of fixed assets on need basis.

iii. As far as possible, details relating to assets should be collected Division/Workshop/Units wise and then consolidated to give an overall picture for the entire IR.

iv. Separate teams may be formed who would be responsible for collecting information in the prescribed format within a specific timeframe.

v. A inter-departmental committee may be formed for monitoring this exercise.

vi. The information collected should be cross verified with existing records maintained.

vii. Only those assets whose ownership vests with Indian Railways, shall be considered for arriving at the list of assets of the IR.

viii. Details of assets that are lease hold should be provided separately for each asset.

ix. Every asset initially be measured at its cost (Historical Value) i.e., cost of acquisition. Following will also become the part of cost of the asset:

   a. Cost of acquisition includes its purchase price, any import duties and non-refundable purchase taxes. However, any trade discounts and rebates will
be deducted;

b. Any costs 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;

c. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period;

d. Costs of site preparation;

e. Initial delivery and handling costs;

f. Installation and assembly costs; and

g. Professional fees directly attributable to the assets.

x. An asset may not have a determinable cost because of inadequate or non-existent record. For example, a historic building of national significance may have been acquired several hundred years ago and no record of its acquisition cost may be available. In Railways there is also several Building which were either acquired or constructed more than hundred years ago and cost data may not be available. Where an asset does not have a determinable cost, a nominal value of Re. 1/- may be taken for financial statements’ purposes. But it may be noted that this option is the last alternative.