No. I.12/FAP/Implementation/2013   Dated 15.02.2014

<p align="center">Circular No. 18/2014</p>

<p align="center">Sub: Accounting of Fixed Assets through FAP</p>

The Fixed Assets module has been reviewed and following procedure needs to be followed for accounting of Fixed Assets Transactions in FAP.

1. Uploading of Opening balances:

   a) An asset book for each unit has been created in the Fixed Assets module having naming convention as "Unit Code Asset Book" e.g EA11 Asset Book.

   b) All the unit offices shall provide the data for Fixed Assets in the prescribed data template for uploading in FAP. A monthly calendar has been prescribed for Fixed Assets transactions. However, for the ease of use of end users it has been decided that the opening balances data would be uploaded by Headquarters in the calendar month of Feb13-14 with date place in service as 01 April 2013 so that depreciation is calculated from 01 April 2013.

   c) The field offices upon uploading of the data by Headquarters shall verify the opening balance data by using Fixed Assets Addition report for its correctness. The Addition Type parameter should be selected as "OB".

2. Addition of new Assets:

   a) In case of a purchase of new assets, the transactions shall be entered in Accounts Payables module as usual and the appropriate assets account shall be taken in the distribution of invoices. It shall also be ensured the field "Track as Asset" is also checked in all Fixed Assets transactions. Different lines shall be entered in the invoice for creating different lines for fixed assets.

   b) Upon completion of all the fixed Assets transaction entry through Payables module, the field offices shall run "Create Mass addition" program with the GL date as 28-Feb of each year.

c) After completion of the Mass addition program, the users shall "Prepare Mass addition" and create the new assets in the Fixed Assets module by entering the requisite details as explained in user guide. Different lines shall be entered in the payables invoice for creating different lines for fixed assets. However the Mass additions lines can be split or merged as per the requirement to create correct assets.

d) It shall be ensured that the depreciation upto January each year has been run and the new assets purchased from 01 April to 28 February are added only in the calendar month of February. The assets purchased in the month of March shall be added in the month of March.

e) While adding the assets, the "Date Placed in Service" shall be actual date on which the assets were put to use so that correct depreciation is calculated by the system from the date placed in service.

f) After completing the mass addition lines the same shall be posted by following the user guide to create the assets.

g) The "Fixed Assets Addition report" shall be used to verify the assets added.

3. Sale/retirement of Fixed Assets:
   a) All the assets sold or retired during 01 April to 31 March shall be retired from the Fixed Assets module in the calendar month of March.

   b) It shall be ensured the depreciation for the month of February has been run before retiring any assets from the Fixed Assets module.

   c) The Fixed Assets can be retired through "Assets Workbench" by selecting the assets to be retired. The user guide shall be followed to retire the assets. The retirement date shall be taken as actual date of sale or retirement of the assets. The proceeds of sale would be actual sales proceeds received from the sale of assets.

   d) The receipt of the actual sale proceeds shall be entered in the receivables module by creating a standard receipt in the name of the customer and by creating a standard invoice with revenue account as Proceeds of sales Account (A/C head 2421).

   e) The Gain or Loss on sale of assets would be calculated by the FA module automatically. The following accounting entry would be created by Fixed Assets module on retirement of Fixed Assets.

   Depreciation Reserve Account   Dr.
   Proceeds of sales Account (A/C head 2421)   Dr.
   Loss on sale of Account   (A/C head 2416)   Dr.
   Gain on sale of Assets Account   (A/C head 2411)   Cr.

Fixed Asset Account   Cr.

    f) The retired assets can be verified from the "Assets Retirement report".

4. Transfer of Fixed Assets:
    a) Transfer Out of Fixed Assets:
       i. For Transferring an asset from one unit to another unit, the asset shall be retired by the unit transferring the assets as per the procedure to be followed for retirement of assets given as above. In case of transfer of assets, the status transferred shall be used in DFF with the unit code to whom the asset is transferred.

       ii. The proceed of sales shall be taken as the net book value of the asset (Cost-accumulated depreciation reserve) so that no Gain or loss on retirement is recognized by the Fixed Assets module.

      iii. The following journal entry shall be passed for transfer out of an asset:

IOAT – Cost of Assets Account (Account Head 0971)	Dr.	
IOAT – Depreciation reserve account(Account head 0972)		Cr.
Proceeds of Sales Account (A/C Head 2421)		Cr.

(Two accounts of IOAT saperately for Cost of Assets and accumulated depreciation reserve have been prescribed to ensure that the unit offices are taking correct cost and accumulated depreciation while adding the assets in the new unit.)
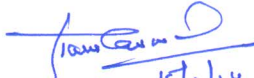
    b) Transfer In of Fixed Assets:

       i. The assets received from other units shall be added as new assets through quick additions in the fixed assets module. The Asset type should be taken as transferred alongwith the Unit code from whom the asset has been transferred.

       ii. The Cost of Assets and the Accumulated depreciation shall be taken correctly as per the details received in the IOAT.

      iii. The following journal entry shall be passed for transfer in of an asset:

Fixed Assets Account	Dr.	
IOAT – Depreciation reserve account (Account head 0972)	Dr.	
IOAT – Cost of Assets Account (Account Head 0971)		Cr.
Depreciation Reserve Account		Cr.

    c) The report for transfer out and transfer in of assets can be verified from assets addition report or assets retirement report by selecting the asset type parameter as "transferred".

5. Depreciation Accounting:

   a) The depreciation has to be run by the each unit month wise as part of period closure activity.

   b) The depreciation for the month of February and March shall be run by the unit offices after ensuring that all the transactions related to the Fixed Assets module has been entered and verified for its correctness.

   c) The depreciation month once closed cannot be reverted. Hence the period shall be closed by the field offices very cautiously.

6. The following reports have been provided for use by the field offices/Headquarters.
   a) Fixed Assets addition report
   b) Fixed Assets retirement report
   c) Fixed Assets register
   d) Fixed Assets schedule as per Companies Act.
   e) Fixed Assets schedule as per Income Tax Act.
   f) CIP addition report

(R R Aggarwal) 15/8/14
General Manager (FAP)

Distribution:

1. CGM (Cost/Fin./A/Cs/IA/Funds/CPF) in Headquarters

2. All CGM/GM (F&A) in Zonal offices

3. The Director, IFS, FCI, Gurgaon, Haryana.

4. All Dy. GM (F&A)/ Asstt. GM (A/cs) FCI, Regional Offices.

5. All Area Managers.