ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

Office of the VC&MD,

C & B /274(1)/2012-13-FD. Mushirabad, Hyderabad,

Dated: 08/03/2013

Accounts Circular No.12/2012-13

Sub: - Accounting treatment on Withdrawal of Capital \ cost of Fully Depreciated/Dismantled /Relinquished Assets (Other than Vehicles) from the Books of Accounts-Regarding.

I. ACCOUNTAL OF FIXED ASSETS (Other than Vehicfes):-

Presently capitalisation of different types of fixed assets like computers/P&M/ F&F/Land & Buildings (other than vehicles) are being done at all the accounting units. For the assets procured through Head Office and Zonal Office, accountal is being done at the Regional Office based on the Debit advice/Form-A-Large Received from the respective units and the assets procured at the units are accounted at that unit level only. For capitalisation of different types of Fixed assets the following account heads are being used as per the Accounts classification.

SI.No.	Name of the Assets	ACCOUNT HEAD
1	Plant & Machinery	1631 to 1638
2	Buildings	1611 to 1628
3	Furniture & Fixtures including TIMS	1641 to 1655 (Except 1642)
4	Computers	1642

After capitalisation of the Fixed Assets, a statement showing the list of the Fixed assets capitalised at concerned regions/Zones/HO during the month are being sent to AO (Works) Head Office. But the fixed assets registers are not maintained at Depot/Regional/Zonal levels. Only T&P returns are being maintained.

Keeping in view of the above, the following guidelines are issued for
Capitalisation of different types of Fixed assets (other than Vehicles) in future
and also for already Capitalised assets

II. <u>Proposed System (Accounting of Fixed Assets):-</u>

- **Capitalisation of the Fixed Assets (other than vehicles) is to be done in'the units where the assets are put into use in the current Financial year 2012-13 and in future.**

- If the cost of the asset of any accounting unit is existing in another accounting unit the same has to be transferred to the concerned unit where the asset is existing and put into use. In the present system assets procured through Zonal/Head Office are being accounted" in* the Regional Office even though the assets are not being used in the Regional office. Now, it is proposed to transfer the cost of the assets existing in the books of Regions/Zones/HO to the concerned accounting unit through Debit advice. In future, the assets procured through. Head office/Zonal stores/Regional office for other units have to be transferred to the respective units by Form-A-Large where the assets are put into use . The assets procured at unit level have to be accounted in the same unit as is being done at present.

- If the assets are transferred from one unit to another unit through MTD-68-B, the historical cost of the assets is to be transferred through debit advice. The details of the Historical cost and WDV of the asset are also-to be furnished in the MTD-68-B to the receiving unit along with History card.

III. <u>Decentralisati on of Calculation and Accountal of Depreciation on Fixed Assets (Other than Vehicles):-</u>

Presently Depreciation on fixed assets (other than vehicles) is calculated by Head Office at the following prescribed rates.

SI. No	Name of the Assets	% of Depreciation
1	Plant & Machinery	7% (WDV)
2	Buildings	5% (WDV)
3	Furniture & Fixtures including TIMS	15% (WDV)
4	Computers	16.66% (Straight line Method)

Where as in the year of acquision of the depreciation is being calculated and accounted

IV. Proposed System (Depreciation):-

for the Financial year 2012-13 and 2013-14 depreciation will be calculated and accounted in the Head Office duly obtaining Historical value and Written down value from all the Regions/Zones/Head office as on 31st march every year.

Decentralisation of Depreciation on all fixed assets (except vehicles) at the Unit level can be done from the Financial year 2014-15 onwards or implementation of CIS project whichever is earlier.

V. WITHDRAWAL OF FIXED ASSETS:-

Presently the cost of Fixed assets (Other than vehicles) which were fully depreciated/dismantled/relinquished to other departments are not withdrawn from the books of the Corporation. The following are the guidelines for withdrawal of each type of fixed assets.

A. Tools & Plants Items:-

(Plant & Machinery, Furniture & Fixtures i.e., Assets accounted under AH-1631 to 1649 (except 1642 Computers & Printers) :-

For withdrawal of above assets including TIMs,

1) It is proposed to assess the Historical capital cost and written down value (WDV) of the physically available assets by nominating a committee internally at respective unit level.
2) At the unit level, if the assessed Historical cost of the physically available assets is more than the available balance in each Account Head, the difference has to be obtained from Regional office.
3) At the regional level, the balance amount (i.e. Balance available in the Books of accounts (-) Historical capital cost of the physically available assets of Regional office-Cost of fixed assets transferred to units in that Region) is to be withdrawn under each account head duly keeping the assessed Historical cost in Accounts as the details of assets accounted since inception of Corporation under above Account Heads are not available.
4) Cost of the assets below Rs.5000/- need not be considered for assessment of Historical cost of T&P items.

In the present system, Depreciation on TIMs is being charged @ 15% on Written down Value, whereas the life of the TIMs machine is only 3 to 4 years (Based on the type of TIM). **A separate Account Head i.e-Ah1656-F &F-TIMS is now prescribed exclusively for TIMs. The Historical cost of the existing TIMs is to be transferred to this Account Head in the F.Y. 2012 -13 and in future if**

TIMs are purchased the cost should be accounted in this Account Head Only.

For assessment of the Book value and Written Down Value (WDV) of the assets internally the following guidelines are proposed.

i. <u>DEPOT</u>:-

- The T&P register of the depot is to be audited by the Audit Inspector.
- Supervisors of Mechanical, Traffic, Personnel, Accounts & Stores of the depot should assess the date of acquisition /Historical cost and written down Value of the physically available assets under their custody. The acquisition/Historical cost of the assets has to be assessed based on history card or through Zonal stores or from fixed assets statements of the Region or by any other available means at their end. For arriving written down value (WDV) depreciation is to be provided at the above prescribed rates on written down value every year up to 31st March 2013 (An Example is shown in the Annexure). How ever, in the books of accounts, Acquisition/Historical cost of the existing assets has to be carried forward until the assets are fully depreciated. The Written down value (WDV) shall be used for calculation of depreciation at the prescribed rates. The assessed Book value and Written down value (WDV) as on 31.03.2013 should be certified by DM / Unit Officer.
- After assessment of the historical cost and Written Down .Value (WDV) Fixed assets register has to be maintained by the unit with both the values for each account head in the prescribed proforma. .
- The DM/Unit officers have to furnish the Fixed asset statement (Register) in the prescribed proforma to AO (F &A) to Regional office on or before 15.04.2013(hard copy &soft copy)

ii. Regional Office:-

- The T&P register of the region is to be audited by the Audit Inspector.
- Assessment of the Historical cost and Written down value (WDV) of the assets of the regional office including dispensaries as on 31.03.2013 in the above manner shall be done by the supervisors of the Accounts & Personnel departments of the Region and the same should be certified by the unit officer.

- AO (F&A) of Regional office have to receive the Fixed Asset register details from all the Depots and consolidate the Asset cost Account Head wise and transfer the Historical cost Account head wise to the concerned unit as stated at point V (A) (2).
- After assessment of the historical cost and Written down Value (WDV) fixed asset register has to be maintained by the AO (F&A) of the Region with both the values for each account head in the prescribed proforma.
- The Balance Amount available in the Books at Regional office Accounts, after transferring the cost to the respective Depots and retaining the cost pertains to Regional office is to be transferred to AO (W)/HO.

iii. <u>Zonal Office/Head Office/Training Centers/BBW:-</u>

The following committee members are proposed for assessment of Historical cost & Written down value of the assets as on 31.03.2013 existing in the Zonal office, training colleges & Head office including Tarnaka Hospital & BBW.

a) **Zonal Office:** - WM, COS & Dy.CAO

b) **Training Centers:** - ZSTC Principal, COS & Dy.CAO.

c) **Head Office**:-AO (stores), AO (C&B), Personnel officer (IV), Stores officer (CS).

d) BBW: - AO (BBW), Personnel Officer (PO), Stores officer (SO), AWM. (Accounting Entries with regard to the withdrawal of capital cost & depreciation fund of BBW shall be passed at BBW only, as the depreciation fund related to BBW assets are being maintained at BBW only.)

<u>Salient Points to be noted by Depots/Regions/Zonal Accounts wing:</u>

A) After assessment of the historical cost and Written down Value (WDV), fixed asset register has to be maintained by the unit with both the values for each account head in the prescribed proforma.

B) After assessment of the Historical cost &. Written down value (WDV) for all the above T & P items existing in the units by the respective committees in all the units, the Historical cost of the existing assets has to be brought forward and the remaining balances under each account head has to be withdrawn from the books of accounts assuming that the remaining assets are fully depreciated or DS8ed as per the accounting treatment suggested in the Annexure by the Regional office/Zonal office/Head office.

C) In future, if any assets are DS8ed, an accepted copy of the DS8ed voucher
shall be submitted to the concerned Accounts in charge by the Mechanical/Stores supervisor of that unit who in turn' should pass relevant accounting entries as suggested in the Annexure for withdrawal of Historical/Capital cost.

D) In case of premature scrapping of any asset, prior sanction of the competent authority has to be obtained before DS8ing the same asset. Relevant Accounting entries to be passed in case of premature scrapping are given in the Annexure.

E) Scrap value realised on DS8ed items to be accounted by **Z**onal stores as is being presently followed.

B. **<u>Computers, Printers, Ups, Keyboard, Modems & Speakers:-</u>**

The above assets are accounted under AH1642 as per circular no.3/2006. The present life of the asset is considered as 6 years and the same are being fully depreciated in 6 years. The assets booked under AH 1642 before 2005-06 (upto 31.03.2006) are to be withdrawn completely treating the assets as fully depreciated in the Financial year 2012-13. In case, even after, 6 years the assets under this head continue to exist physically, the Historical cost withdrawal entry to be passed only at the time of DS8/Replacement. Since in general the life of Computers and its accessories have a life up to 6 years, , at the end of each accounting year, it should be ensured that cost of assets which are physically existing beyond 6 years are also to be retained in the Books of Accounts apart from the assets which have not completed 6 years of life.

C. **<u>Buildings:-</u>**

Presently capitalization of Building is being done in the Executive Engineers Offices. Buildings Register is to be maintained in the EE's Office with the following details for all the existing Buildings and Buildings which will be constructed in future.

1. Type of Building
2. Year of capitalization & AH used at the time of capitalization.
3. Construction Cost of the Building.
4. Written down value (WDV) of the Building at the end of every year

<u>Accountal of Buildings taken on free of cost:-</u>

If Buildings are taken on free of cost from any other Government Department or any other Bodies or Society or Individuals, the building has to be shown in the

books of accounts with nominal value of one Rupee as per the Accounting standard-12, Accounting for Government Grants and the same has to be disclosed
as notes to accounts. Depreciation need not be provided on such Buildings.
The following entry has to be proposed at that time

1611 to 1627 a/c Dr 1
To 0320 a/c 1

DISMANTLING OF BUILDINGS:-

If any of the capitalised buildings were dismantled in the past due to various reasons in any unit of the Corporation, the acquisition/construction cost of the building has to be withdrawn from the books of Accounts, if the required accounting entries are not passed so far. The remaining balance, under AH 1611 to 1628 should tally with the acquisition/construction cost of the existing Buildings. Dy.CAO/AO of the Zone should monitor the same. For withdrawal of the capital cost of dismantled building the accounting treatment entries to be followed are given in annexure.

D. LANDS:-

Presently capitalisation of Lands is being done in the Executive Engineers Offices. Lands Registers is to be maintained in the EE's Office with the following details for all the existing Lands and also for the lands which are to be acquired in future.

1. Type of Land
2. Year of capitalization & AH used at the time of capitalization.
3. Acquisition Cost of the Land.

Accountal of Lands Taken on free of cost:-

If Lands are taken on free of cost from any other Government Department or any Other Body/Society/Individual the Land has to be shown in the books of accounts with nominal value of one Rupee as per the Accounting standard-12, Accounting for Government Grants and the same has to be disclosed as notes to accounts.
The following entry has to be proposed at that time

1601 a/c Dr 1
To 0320 a/c 1

Relinquishment of Lands:-

If any Corporation Land is relinquished to any Other department/Other Body/Society/Individual in the region/Zone previously, the capital cost of the Land has to be withdrawn from the books of Accounts, if the required accounting entries are not passed so far. The remaining balance, under AH 1601 to 1609should tally with the acquisition cost of the existing Lands. Dy.CAO/AO of theZone should monitor the same. The accounting entries for withdrawal of thecapital cost of relinquished lands, with or with out compensation, are given in annexure

VI). <u>Conclusion:-</u>

A) **After withdrawal of the cost of Fixed assets (other than vehicles) from the books of accounts by each unit, the "same has to be transferred to the AO (W)/HO with details through debit advice for withdrawal of the same from Depreciation fund by 25.04.2013 positively. The accounting entries to be proposed at the time of withdrawal for each type of asset are given in the annexure (Except BBW).**

B) **After withdrawal of capital cost of Fixed assets, the remaining balance under each Account Head should tally with the Historical cost of all the existing assets accounted in that Account Head**

C) **Further Dy;CAO/AO's of the Head Offiee/Zones/regions should forward the details of the existing assets Account Head wise with historical cost and Written down value as on 31.03.2013 to the** AO **(W) head office including Executive Engineer's office, training colleges, Hospitals/ dispensaries and any other unitunder their control for providing depreciation on all the assets except vehicles at Head office for the Financial year 2012- 13 onwards. For the Financial year 2012-13, the above information should reach to AO (W)/HO by 25.04.2013 positively.**

Financial Advisor & Chief Accounts officer.

Copy to: All officers of the Corporation.
Resident Audit Officer-AG Audit for information.

ANNEXURE:-

I. Entries to be proposed in the Accounting Units:-

Capital cost withdrawal & Transfer to AO (W)/HO (Entry to be passed in ail units)

1. T&P f Plant & Machinery, F&F) (AH-1631 to 1649).

3281 a/c (out side debit advice)

Dr

To 1631 to 1649 (Type of asset with Historical Cost).

Note: - Scrap value/Buy Back amount realised if any to be accounted as Misc. income as the assets were DS8ed at Zonal workshops or purchase under Buy-back scheme.

2. Buildings: (Entries to be proposed at EE's Office):

a) Capital cost withdrawal & transferred to AO(W)/HO:-

3281 a/c (outside Debit advice)
To 1611 to 1628 a/c (Type of Building with Historical Cost).

b) On realization of scrap value: (In case of scrap realization):-

Cash/Bank a/c Dr
To **8711** S/S other assets

c) Transfer of Scrap value through Advice to AO(W):-

8711 s/s other asset
To **3282** (out side Credit advice)

Note:- For already dismantled asset scrap realised need not be considered as the same was accounted to Misc. income in that year.

3. LAND: - (Entries to be proposed at EE's Office):-

a) If lands relinquished to other department for compensation:

i) If compensation received is more than the acquisition cost:

Cash/Bank a/c Dr
To 1601 to 1609 (Type of land with acquisition Cost)
To 9226 (Misc. Income).

ii) If compensation received is less than the acquisition cost

Cash/Bank a/c Dr
8712 (Loss on sale of other Fixed assets)

To 1601 to 1609 (Type of land with acquisition Cost)

b) if lands relinquished to other department for Free of Cost:-

(New AH) 7373 a/c loss on relinquishment of lands Dr

To 1601 to 1609 (Type of land with acquisition Cost).

NOTE: - The lands relinquished to other departments on free of cost will be disclosed as Notes to Financial Statements.

<u>II. Entries to be proposed at AO(W)(Head Office):-</u>

a) <u>Acceptance of advice:-</u>

1611 to 1649 (based on the type of asset with Historical Cost) Dr

To 3281 (outside debit advice).

b) <u>i) Depreciation Fund Withdrawal (If the asset is fully Depreciated)</u>

0209 to 250 (based on type) Dr

To 1611 to 1649 (Based on type of asset with Historical Cost).

(Or)

ii) <u>Depreciation Fund Withdrawal (If the asset is premature scrapping):-</u>

0209 to 250 (based on type)Dr

8712 (s/s-Loss on sale of other Fixed assets)

Dr

To 1611 to 1649 (Based on type of asset with Historical Cost).

b) <u>Depreciation Fund Withdrawal in case</u> of bulidings:-

i) <u>Acceptance of scrap realised advice:-</u>

3282 (out side Credit advice) Dr

To 8711 s/s other assets

ii) <u>Depreciation Fund Withrirawal:-</u>

a) Income on dismantling of Bulidings:-

0209 to 250 (Based on type of asset with Historical Cost) Dr

8711 s/s other asset Dr

To 1611 to 1628 (Based on type of asset with Historical Cost)

To 9226 (Misc. Income)

b) Loss on Dismantling of Bulidings:-

0209 to 250 (based on type) Dr

8711s/s other asset

Dr

8712(s/s-Loss on sale of other Fixed assets)

To 1611 to 1628 (Based on type of asset with Historical Cost).

Written down Value:- Acquisition cost -Cumulative Depreciation.

Written down Value calculation:

Example:

Acquisition cost: 10, 00,000/-Depreciation:

@15% on WDV.

Depreciation for first year = Acquisition cost * Depreciation rate*50%

= 10,00,000*15%*50%=75,000/-

Written down value (WDV) at the end of 1st year=Acquisition cost-1st year depreciation

=10, 00, 000-75,000=9,25,000/-

Depreciation for second year =WDV at the end of 1st year * Depreciation rate

= 9,25,000* 15%=1, 38,750/-

Written down value (WDV) at the end of 2nd year = WDV at the end of 1st year - 2nd year depreciation

=9,25,000-1, 38,750=7, 86,250/-

Written down value (WDV) at the end of 3rd year = WDV at the end of 2nd year -3rd year depreciation and so on.

Fixed Assets Register Proforma :

Centre Code:------------

Details of Fixed Assets accounted Up to March ………..

Account Head	Description	Name of the Asset	Date of Acquisition	Qty	Acquisition Cost of the Asset	Total Acquisition cost	Depreciation Rate	Method of depreciation (WDV/SL)	Depreciation for the year	Cumulative Depreciation	Written Down Value (WDV)	Custodian of the asset	Remarks
1	2	3	4	5	6	7 (5*6)	8	9	10	11	12 (7-11)	13	14

Note:

1) **In the year of acquisition 50% of the depreciation is to be calculated.**

2) **The above register is to be maintained Account head wise duly tallying the acquisition cost with the Account current figures every month.**

3) **The above register is to be maintained for all the assets accounted above Rs.5000/- .**

4) **Sub-totals Account Head wise for Acquisition cost every month to be made.**

5) **Depreciation is to be calculated at the end of every year.**