

ANNEXURE FOR DEPRECIATION UNDER STRAIGHT LINE METHOD (SLM) PARA 219 OF FINANCE CODE - 1

DEPRECIABLE AMOUNT:

A column to be inserted in all the FARs except **FAR 1- LAND** and **FAR 13- CAPITAL WORK IN PROGRESS.**

Refer to the updated format of FARs.

The value will be Cost - 5% of Cost.

If the codal life of asset is over, then value in depreciable assets column will be **NIL.**

- All individual assets below ` 5,000.00 is to be charged to 100% depreciation in the year of purchase. Therefore Net book Value in such a case will be nil.
- In absence of any determinable cost, i.e., acquisition cost/historical cost because of inadequate and nonexistent record, asset shall be carried at Re. 1/- except for land which shall be valued as per the Appropriation Account for the year. (This shall be applicable only in case of preparation of Opening Balance sheet, i.e., first balance sheet while preparing financial statements as per accrual accounting system).
- When ownership of the **any land** is transferred free of cost from Government/individuals or has been received in donation under endowment for specific purposes or otherwise, then such land shall be recorded at a nominal value of Re. 1/-. Any development work done on that land shall be capitalized.

CODAL LIFE:

- Depreciation on the following Fixed Assets is charged over their useful lives as prescribed in Para 219 of Finance Code-1 under Straight Line Method (SLM):

SI No	Name of Asset	Useful life (in Years)
1	Bridge/Flyover/Tunnel/Subways	40 - 60
2	Office Equipment's	4 - 15
3	Vehicles	7 - 10
4	Plant, Machinery and Equipment	3 - 25
5	Computer and Peripherals	3 - 8
6	Medical Equipment	3 - 10
7	Plant, Machinery and Equipment (Signal)	3 - 28
8	Plant, Machinery and Equipment (Telecom)	3 - 25
9	Plant, Machinery and Equipment (Electrical)	4 years
10	Locomotive	36 years
11	Wagon	30 years
12	Coach	25 years
<p>The useful life of Rail, Sleeper & Other Track Fittings is taken as 20 years based on a technical estimation. Further, the useful life of the following assets which are not prescribed in the Finance Code-1, are taken on the basis of technical estimation:</p>		
1	Buildings	70 Years
2	Furniture & Fixtures	10 Years
3	Roads & Streets	5-15 Years
4	Ballast	10 years
5	Intangible Assets	5 years
<p><u>LEASES:</u> Leased Assets where substantially all the risks and rewards vest in the Indian Railways are classified as Financial Leases. Such leases are capitalized at the historical cost/cost of acquisition and liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year</p>		

CALCULATION OF NO. OF YEARS ASSET IN USE :

- **Years, month and date to be considered.**
- Example: Suppose asset was purchased on 15.06.2012. No. of years asset in use will be 2 years (01.04.2013-31.03.2014 & 01.04.2014-31.03.2015) + 9 months(July 2012 to March 2013)+ 15days.
- Therefore no. of years asset in use will be 2years 9months 15days.
- This duration to be shown in FAR in years. So given formula to be used.
- $=2+(9/12)+(15/365) = 2.79\text{years}$
- Correction required in all the sheets specified where year or date till asset is used is mentioned.

RATE OF DEPRECIATION :

Rate of depreciation is the percentage of useful life that is consumed in a single accounting period. Rate of depreciation can be calculated as follows:

Rate depreciation	of $\frac{1}{\text{UsefulLife}}$	x 100%
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e.g. rate of depreciation of an asset having a useful life of 8 years is 12.5% p.a.

$$= \frac{1}{8} \times 100 = 12.5\%$$

METHOD FOR CALCULATION OF DEPRECIATION:

Formula for **STRAIGHT LINE METHOD** of depreciation:

$$\frac{\text{Original Cost} - 5\% \text{ of Original Cost}}{\text{Life as per Codal Provisions}}$$

This is to be followed in case where Life of asset as per Codal provision is remaining.

- **Example:** An asset Thin Client Monitor with key board for ` 15,200.00 each is purchased on 03.12.2012. No. of units purchased is 5. Therefore total cost is equal to ` 76,000.00. The Life as per codal provisions is 3 years. The life asset is used is 2.33 years. Remaining life as per codal provisions is 0.67 years.
- Depreciation to be charged for year 31.03.2015
$$= \frac{76,000.00 - 3,800.00}{3} \times 0.67 \text{ years} = ` 16125.00$$

ACCUMULATED DEPRECIATION:

- If life of assets as per codal provisions is over and no depreciation is charged till date then 5% of cost will be shown in net book value and the difference of Original Cost and Net Book Value will be charged to accumulated depreciation.
- On the other hand, if life of asset as per codal provisions is remaining then accumulated depreciation to be charged will be calculated as follows:

$$\text{Accumulated depreciation} = \frac{\text{Original cost} - 5\% \text{ of cost}}{\text{Codal life}} \times \text{No. of years asset in use}$$

- In case value of asset is not available or indeterminate, the value in accumulated depreciation will be **NIL**.

NET BOOK VALUE OF ASSETS:

- If the useful life of asset is nil i.e. if the codal life of asset is over and it is in existence, the net book value will be **5% OF Original Cost.**

Example: An asset Almira was purchased for ` 5,500.00 on 20.08.2000. The life of asset as per codal provision is 10 years and no. of year asset in use is **14.61 years**

[14 years+(7months/12months)+(11 days/365 days)] years. In such a case Net book value shall be 5% of `5,500.00 i.e. ` 275.00 and balancing amount shall be charged to accumulated depreciation i.e. ` 5,225.00.