

FOOD CORPORATION OF INDIA
HEAD QUARTERS : NEW DELHI

No. Accts/14(1)/92-93

Dated : 6.1.1993

CIRCULAR NO. 616/ACCTS.

SUB : Depreciation on Fixed Assets – Regarding

A reference is invited to Headquarters Circular No. 592/Accts. dated 4.3.92 issued under reference No. Accts/14(1)91-92 regarding charging of depreciation on fixed Assets for the financial year 1991-92 (Assessment year 1992-93). In the said circular, following provisions were stipulated for charging of depreciation on assets :-

- 1(a) Under Rule 5 of Income Tax Rules, 1962 depreciation allowance @ 50% is to be charged from the assessment year 1992-93 and onwards, if any asset falling within a block of assets is acquired by the assessee during the previous year and is put to use for the purpose of business or profession for a period of less than 180 days in that previous year. However, this limit is not applicable in case of Plant & Machinery whose cost of each item does not exceed Rs. 5,000/- as depreciation on such assets is to be charged at the rate of 100%.
- (b) If an asset is used for more than 180 days depreciation is to be charged in full at the rates prescribed for a block of assets. But, during the closing of accounts for the year 1991-92, it was observed that unit offices have not followed the above instructions scrupulously in charging of depreciation on assets used for less than 180 days particularly on 'Purely Temporary Erections', as some units have charged 100% depreciation on such assets. It is reiterated that depreciation is to be charged only at 50% even on 'Purely Temporary Erections' if they are put to use for less than 180 days. Again for the cost of cycle appearing under Block III & IV of fixed assets (Form No. X/3) always less than Rs. 5,000/-, 100% depreciation should be charged in the year of purchase, if put to use.

Due to such mistakes depreciation on that particular assets have been over/under charged with an impact on P&L A/cs.

This has attracted adverse audit comments both from the Statutory Auditors and Govt. Audit. In order to charge depreciation correctly & maintaining uniformity in the current year 1992-93 (Assessment Year 1993-94) the provisions laid down in the circular referred to above may be followed.

The receipt of this circular for strict compliance may please be acknowledged.

Sd/-
(A.K. CHAKRABORTY)
JOINT MANAGER (ACCOUNTS)