

## FIXED ASSETS

The break up of this account is given below:

	Notes	Rupees
<u>30-06-2012</u>		277,819,167/-
<u>30-06-2013</u>		265,169,141/-
<u>30-06-2014</u>		255,254,341/-

During the course of our audit, we observed that the operating fixed assets of the society have not been adequately coded. In the absence of distinctive marking of fixed assets, it is difficult to exercise custodian and/or accounting controls over fixed assets.

The society is not maintaining fixed asset register which allows to keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets. It also keeps track of the correct value of assets, which allows for computation of depreciation and for tax and insurance purposes.

The following information should be maintained in the register of fixed assets as the minimum, for each asset

- (i) Identification number (if available) and location
- (ii) Description
- (iii) Date of acquisition / date of placed into operation
- (iv) Original cost
- (v) Accumulated Depreciation
- (vi) Custodian
- (vii) Depreciation method to be applied
- (viii) Depreciation rate

The implementation of fixed asset register will lead to improve accuracy of accounting records for fixed assets and for the efficiency of the operation.

The depreciation method used by the society is not consistent with the International Accounting Standard AS 16 "Property, Plant and Equipment". Society has charged full year depreciation in the year of purchase and no depreciation in the year of disposal. By following this practice, the society charge depreciation of an asset even that particular asset is disposed off during the year. Similarly, an asset is over depreciated if that particular asset is purchased during the year. This practice may not lead the financial statements to present true picture of its assets. We recommend that society should charge full month depreciation in the month of purchase and no depreciation in the month of disposal.

The balance sheet for the year ended 30 June 2013 is depicting a comparative figure of Rs. 277,819,167 of fixed assets but the comparative figure appearing in fixed assets schedule is Rs. 275,815,230, showing a difference of Rs. 2,003,937. The reason of this difference has not been explained to us.

An asset appearing in fixed assets schedule with the name of "Construction of Infrastructure" amounting Rs. 103,733,185 had been transferred from account head appearing in balance sheet with the name of "Cost of development" to "fixed asset schedule" in the comparative figures of financial statements for the year ended 30 June 2013. In this regard, comparative financial statements are not re-stated and no depreciation has been charged in the comparative financial statements for the year ended 30 June 2013. According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", that was an error and its adjustment should have been made retrospectively. In this regard, the depreciation of Rs. 2,074,664 should have been charged in the comparative figures of financial statements for the year ended 30 June 2014.

Fixed asset schedule depicting an account head with the name of "consultancy charges" amounting Rs. 2,694,187. As per IAS 16 "property, plant and equipment", this account head does not meet the criteria of an asset. Therefore, this amount should have been expensed out. With this wrong treatment, assets of the society are overstated by Rs. 2,694,187 and expense of the society are understated with the same amount.

