MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

ACCOUNTANT GENERAL'S OFFICE

GOU ASSET ACCOUNTING POLICIES AND GUIDELINES (AAPG)

ISSUED APRIL - 2023

MINISTRY OF FINANCE
PLANNING AND ECONOMIC DEVELOPMENT

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STEP 1
Gather Source Documents
STEP 2
Record Transactions
STEP 3
Post Journal Entries
STEP 4
Prepare Trial Balance
STEP 5
Reconcile Accounts
STEP 6
Post Adjusting Journal Entries
STEP 7
Generate Financial Reports
STEP 8
Close the Books
GOVERNMENT OF UGANDA
ASSET ACCOUNTING
POLICIES AND GUIDELINES

A. FOREWORD

Government of Uganda (GOU) has embarked on an exercise to strengthen the management of public assets. This has been necessitated as the next logical step in enhancing public financial management in pursuit of improving delivery of public services.

Strengthening asset management requires moving away from the traditional recording, accounting and reporting of assets on a cash basis of accounting. Assets must be fully recorded, accounted and reported based on accrual system of accounting. Currently GOU uses the modified cash basis of accounting. We have started a journey of moving towards accrual accounting. The approach will be in phases starting off with all the produced assets, some naturally occurring assets excluding natural resources that will be handled later as capacity is built to identify and value the natural resources.

These Guidelines are therefore prepared to manage and instruct stakeholders in recording, accounting and reporting on public assets. as Government moves to accrual accounting. The Guidelines define what constitutes public assets; the recording, utilization, safeguard, maintenance, replacement and disposal of assets; and the reporting of assets.

The Guidelines are based on the Public Finance Management Act 2015, Public Financial Management Regulations 2016, Treasury Instructions 2017, the Asset Management framework & Guidelines (AMFG) and any other directives that were issued by the PS/ST and this office. The Guidelines were prepared in line with GAAP and draw on the International Public Sector Accounting Standards (IPSAS).

The asset accounting policies and guidelines apply to all GoU votes. These comprise of ministries, agencies, departments, missions abroad, projects and local governments. For the avoidance of doubt, the guidelines shall apply to the lower local governments, health centers, and education institutions affiliated to the Local Governments. The Guidelines will not be used in Public Corporations and State-Owned Enterprises.

The Guidelines are a living document and will be updated by this office from time to time in respect of new developments and changes as we progress towards full accrual accounting.

The guidelines have been issued by this office and any queries or clarifications on the Guidelines shall be referred the Accountant General's office on; AMD@finance.go.ug or 0414707256.

The Guidelines take immediate effect.

L. Semakula
Accountant General

B. Preface

The objective of the asset accounting policies and guidelines is providing accounting policies and guidelines for all non-current assets based on **GAAP and the GoU legal framework.**

The policies and guidelines aim at consistence with the International Public Sector Accounting Standards (IPSAS) which have been referred to accordingly.

These polices and guidelines have been distributed in paper form, but are also published in an electronic format for access and download via the MOFPED website.

ACRONYMS

AG	Accountant General
AGO	Accountant General's Office
AM	Asset Management
AO	Accounting Officer
BOS	Board of Survey
CG	Central Government
CSO	Civil Society Organization
DIAG	Directorate of Internal Audit General
DP	Development Partners
DTSAM	Directorate of Treasury Services and Assets Management
FAM	Fixed Assets Module
FY	Financial Year
GOU	Government of Uganda
IAG	Internal Auditor General
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
IT	Information Technology
LG	Local Government
LGA	Local Governments Act
IPSAS	International Public Sector Accounting Standards
MALG	Ministries Agencies and Local Governments
MDA	Ministry, Department and Agency
MOFPED	Ministry of Finance, Planning and Economic Development
MOPS	Ministry of Public Service
NDP	National Development Plan
OPM	Office of the Prime Minister
PC&SE	Public Corporations and State Enterprises
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMA	Public Finance Management Act
PIM	Public Investment Management
PPDA	Public Procurement and Disposal of Public Assets Authority
PPE	Property, Plant and Equipment.
PSST	Permanent Secretary/Secretary to the Treasury
ST	Secretary to the Treasury
ToRs	Terms of Reference
UGX	Uganda Shillings

C. Glossary of Terms

Accrual accounting	Means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid)
Assets	Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
Borrowing costs	Interest and other expenses incurred by an entity in connection with the borrowing of funds.
Cash accounting	Means a basis of accounting where transactions are recognized when cash is received or cash is paid.
Class of property, plant and equipment (PPE)	A grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.
Cost	The amount of cash or cash equivalents paid, or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its estimated residual value.
Entity-specific value	The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
Exchange transactions	Transactions where one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
Fair value	The amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Impairment loss of a cash-generating asset	The amount by which the carrying amount of an asset exceeds its recoverable amount. Example: printing machines used for printing passports sold to citizens
Impairment loss of a non-cash-	The amount by which the carrying amount of an asset exceeds its recoverable service amount. Example: damage caused to a

generating asset vehicle which shortens its useful life.

Non-exchange transactions Transactions that are not exchange transactions. In a non-exchange transaction, the government entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Examples: transfers of assets to local government, a donated building or piece of equipment.

Property, plant and equipment Fixed assets that are:

(a) Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) Expected to be used during more than one reporting period.

Public corporations Means "(a) an authority or Act of Parliament other than a local government, which receives a contribution from public funds, or operations of which may, under the Act establishing it or any Act relating to it, impose or create a liability upon public funds; and (b) any public body which in a financial year receives any income from public funds".

Recoverable amount is The higher of:

(a) A cash-generating asset's fair value less the costs to sell it; and

(b) Its value in use.

Recoverable service amount The higher of:

(a) A non-cash-generating asset's fair value less the costs to sell it; and

(b) Its value in use.

Residual value of an asset is The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Service potential The use an entity makes of assets to deliver goods and services in accordance with an entity's objectives, but which do not directly generate net cash inflows.

State enterprises Means (a) a body corporate established under any Act other than the Companies Act or local government council; and (b) a company registered under the Companies Act in which the government or state enterprise is able to – (i) control the composition of the board of directors of the company; (ii) cast, or control the casting of more than fifty percent of the maximum number of votes that might be cast a general meeting of the company; or (iii)control more than fifty percent of the issued share capital of the company, excluding any part of the that issued share capital that carries no right to participate beyond a special amount in a distribution of either profits or capital"

Contents

1 INTRODUCTION

1.1 Background

Assets play a vital role in government's service delivery. They represent a significant investment and therefore warrant being properly recorded, maintained and safeguarded to ensure continued effective, efficient and economical services delivery. Providing comprehensive and consistent reporting on the value of a vote's assets is essential for effective asset management. This document defines the accounting policy relating to Non-current assets, the classification of which, is provided in the GOU Chart of Accounts, the GoU Asset Management Framework and Guidelines[1] and Annex 1 of these guidelines.

The primary objective of the asset management framework and guidelines is to enable the votes to create and maintain an asset portfolio that contains an appropriate mix of assets to efficiently meet the NDP program delivery objectives. A vote's program requirements will be outlined in its strategic plan, which will reflect its strategic goals.
Strategic asset management covers all phases of the asset life-cycle which can be summarized, as illustrated in Figure 1.

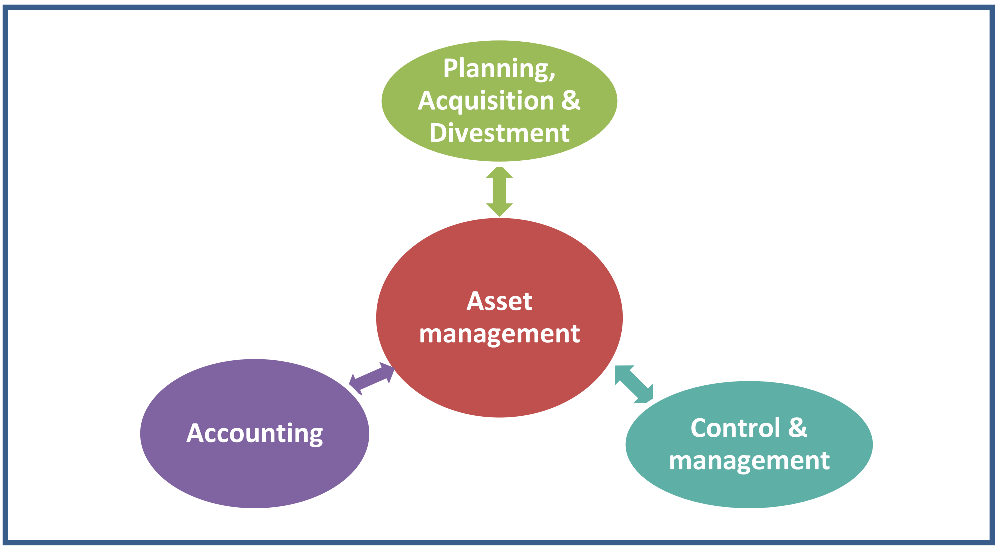


Figure 1. Asset management

Asset Planning, Acquisition and divestment	Strategic planning to determine the assets and resources required to achieve a vote's objectives and how these assets will be used in an effective and efficient manner to achieve service delivery; Prioritization of acquisitions from available funding; and Asset replacement, Maintenance and disposal plans.

[1] *These can be downloaded from* https://www.finance.go.ug/content/gou-asset-management-framework-guidelines-october-2020

Control and Management	Maintenance plans (refurbishments, enhancements) prioritized from available funding; Establishing a control environment to safeguard the asset; Asset performance monitoring; and Establishment of operational plans, guidelines and standards.
Accounting	Recording and reporting on asset transactions and changes in valuations and Accountability by requiring the vote controlling the assets, to report on their asset portfolios in a consistent manner.

1.2 Issuance

These Guidelines take immediate effect. They have been produced and issued in accordance with section 34(8) and 46(6) of the PFM Act 2015 as amended which empower the Accountant General to issue guidelines for the accounting, recording and reporting on government assets and on the accounting standards to be used respectively. Section 51(3)(a) also mandate the Accountant General to issue accounting instructions for the preparation of annual accounts of a vote in accordance with generally accepted accounting practices (GAAP) recognized by the Institute of Public Accountants of Uganda.

1.3 Legal basis

The Asset Management Accounting Policies and Guidelines supplement the GOU financial management laws, regulations, instructions, the AMFG and circulars. In case of any conflict, the laws, regulations, Treasury instructions and the AMFG take precedence over the Guidelines.

The Asset Management Accounting Policies and Guidelines emanate from the GOU legislation as indicated below.

- Constitution 1995;
- Public Finance Management Act (PFMA) 2015 as amended;
- Public Procurement and Disposal of Assets (PPDA) Act 2003 as amended;
- Public Private Partnerships Act (PPPs), 2015.
- The Public Finance Management Regulations 2016;
- Asset Management Framework and Guidelines (AMFG), 2020;
- Treasury Instructions 2017;

- Local Government Finance and Accounting Manual of 2007; and

- Circulars from the respective GOU officers.

Specifically, Section 34 of the PFMA requires Accounting Officers to be responsible for the management of assets pertaining to their Votes and for the Accountant General to issue guidelines for accounting, recording and reporting on government assets. Section 46(3)(a) further requires the Accountant General to specify the basis of accounting whilst schedule 5 of the Act requires preparation of statements of assets and balance sheets both at the level of the individual votes and the consolidated statements.

1.4 Roles and responsibilities

The Asset Management Accounting Policies and Guidelines are issued by the Accountant General under the Public Finance Management Act 2015 S 34 (8). The Accountant General is responsible for the update, maintenance, dissemination and interpretation of the Asset Management Accounting Policies and Guidelines.

1.5 Purpose and usage of the Asset Accounting Policies and Guidelines

The Guidelines are a one-stop reference for the accounting of GOU public assets and shall be used by Accounting Officers in recording, accounting and reporting of assets under their control. They cover the physical (tangible) assets such as land, buildings and structures, machinery and equipment, biological assets, intellectual property and intellectual property product; intangible assets like licenses, copyrights and concessions; and financial assets such as investments and deposits.

The Guidelines give guidance on recording and reporting of assets and asset related transactions. Additionally, the Guidelines identify and classify GOU assets and how best those assets are being applied to deliver GOU public services.

The Guidelines will also serve as a reference document for GOU staff involved in accounting for the acquisition, maintenance, replacement and disposal of GOU assets.

Maintaining asset information involves considerable effort and cost. However, up-to-date and relevant information on assets will enable Accounting Officers to exercise sound asset management, including:

- Assessing if assets controlled by a vote are adequately maintained and able to support the vote’s current and future activities;
- Planning for the future replacement or upgrading of assets;
- Identifying assets that are obsolete, surplus to requirements, underutilized or uneconomic to maintain, and plan for their disposal;
- More effectively managing the risks associated with ownership/control of assets;

- More accurately determining the costs of delivering a service (i.e. using accrual accounting principles).

Failure to adequately manage assets increases the risks of: misuse; pilferage; loss; less than optimal utilization; and incurrence of excessive maintenance costs.

The Guidelines will assist Accounting Officers in the transition from cash basis of accounting to accrual basis of accounting. The transition will be executed in a phased manner. In case of accrual accounting under the IPSAS framework, the policies and guidelines are prepared in line with GAAP as a transition towards accrual IPSAS accounting and cover all public assets within the scope of the applicable IPSAS standards and the GFS framework of 2014.

Guidance is given on the treatment of the various assets as they are capitalized instead of being expensed wholly on acquisition as is the case with cash basis of accounting.

Accounting Officers, supported by the Heads of Accounts and Chief Finance Officers, shall maintain their responsibility for managing and accounting for assets of their votes. They are therefore encouraged to seek clarification and assistance in the discharge of their duties in regard to assets management, recording, accounting for and preparation of financial statements. It is particularly critical that Accounting Officers maintain up to date Assets Registers as a precondition of capitalizing the assets in their votes.

All clarifications relating to or proposed corrections or improvements to the Accounting Guidelines will be addressed to the Accountant General on; AMD@finance.go.ug or 0414707256.

1.6 Scope of the Guidelines

The Asset Management Accounting Policies & Guidelines provide a summary of the accounting practices in the planning, acquisition, recording, safeguard, utilization, maintenance, replacement, accounting and disposal of GOU assets. The asset accounting policies and guidelines apply to all GoU. These comprise of Ministries, Agencies, Departments, Special funds e.g the petroleum fund, missions abroad, public universities, projects and local governments. For the avoidance of doubt, the guidelines shall apply to the lower local governments, health centres, and education institutions affiliated to the Local Governments. They cover physical, intangible and financial assets.

Public Corporations and State Enterprises are to apply their own asset accounting policies and guidelines as issued by their respective Boards of Directors or the relevant authorities.

The asset accounting guidelines do not cover other asset management practices such as the strategic planning for asset acquisition, maintenance, safeguarding or performance or decisions regarding asset insurance, disposal and replacement. These are provided in the AMFG, 2020 that should be referred to accordingly.

The Asset Accounting Policies and Guidelines have been prepared in accordance with GAAP and with reference to the relevant GoU laws, and aspects of IPSAS.

1.7 Departures and revisions to the Asset Accounting Policies and Guidelines

The Asset Accounting Policies and Guidelines may be updated as a result of the following:

- Changes in policies and standards;
- Implementation of the accrual IPSAS roadmap;
- Changes in the legal framework that affect financial and accounting operations; and
- Decisions from the Accountant General that may relate to accounting estimates.

A vote may suggest revisions to the accounting policies and guidelines and such suggestions shall be delivered in writing to the Accountant General for a review and necessary consideration.

1.8 Effective date of the Asset Accounting Policies and Guidelines and transitional provisions.

The GoU Asset Accounting Policies and Guidelines shall come into operation with effect from the financial year 2022/23. To allow for the smooth implementation of the Asset Accounting Policies and guidelines, the Accountant General may, through a roadmap developed under section 16.30 of the Treasury Instructions 2017, defer or stagger the implementation of any part(s) of these policies and guidelines.

1.9 Asset life cycle – linkage to layout of accounting policies and guidelines

ASSET LIFE CYCLE STAGE		CHAPTER IN THE MANUAL
Stage -1	Planning & Budgeting	**Refer to AMFG for management arrangements*;** **Ch 4 –** Planning for acquisition of Public Assets **S 5.2 – S 5.9:** Procurement/Acquisition/Construction/Donations/Transfers, etc
Stage -2	Procurement	
Stage -3	Acquisition/Construction	
Stage -4	Acceptance/Update Register	Recognition (2) Enhancement (2.8) Valuation (4)
Stage -5	Use / Consumption	Revaluation (5) Depreciation (6) Impairment (7) Transfer (8.5)
Stage -6	Disposal / Write-off	Derecognition (8)

- *Stages 1 – 3 do not have implications for any accrual accounting entries but the respective asset management procedures have been provided in the AMFG in the relevant sections and can be referred to accordingly.*

2 CHART OF ACCOUNTS CLASSIFICATION OF ASSETS AND ACCOUNTING TREATMENT OF ASSET TRANSACTIONS.

2.1 Introduction

2.1.1 The Chart of Accounts refers to the accounting codes used to record and report financial transactions. In simple terms it is a filing system for financial data. It tells where the funds are coming from and what they are used for plus facilitating the recording and reporting of assets, liabilities and equity (capital).

2.1.2 The chart of accounts (COA) is used to record, process and report financial information in a standard, structured and logical manner. The recording, processing and reporting on transactions in GOU assets shall follow the revised GOU chart of accounts (Issued in December 2021). A copy of the COA asset classification is provided in **Annex 2** for the necessary reference. The COA manual with the detailed descriptions for the sub-sub-sub items of all the asset categories is available on the Ministry of Finance website https://www.finance.go.ug

2.1.3 The GFSM 2014 economic classification identifies public assets as either non-financial or financial assets. Non-financial assets comprise of produced and non-produced assets with the produced assets further comprising of: Fixed assets; Inventories; and valuables. The financial assets include: Currency Deposits; Debt Securities; Loans; Equity; Investment Fund Shares/Units; Insurance, Pension & Standardized Guarantee schemes; Derivatives; and Accounts Receivable. These can be domestic or foreign financial assets.

2.1.4 The Accrual IPSAS framework classifies assets between current and non-current assets for presentation in the IPSAS financial statements; current assets cover both the financial assets and inventories. The Non-current assets relate to the non-financial assets excluding inventories.

2.1.5 The GoU Chart of Accounts classification of assets is primarily based on the GFSM 2014 structure and is as follows;

ITEM CODE	ECONOMIC CLASSIFICATION OF ASSETS
31	Fixed Assets
32	Inventories
33	Valuables
34	Non-produced assets
35	Financial assets

2.1.6 Accordingly, the Accrual IPSAS classifications can be derived from the GFSM 2014 economic classifications and the Chart of Accounts. Some detailed classifications required by IPSAS (e.g identification of leased assets, service concession assets, investment properties and heritage assets) shall also be met through system dimensions of the Government Financial Management systems comprising; IFMS, DMFAS, GAMIS, etc. The detailed asset classifications are provided in the Chart of Accounts manual that can be downloaded from the Ministry of Finance website**.**

2.2 Account classification for fixed assets (Account codes 31)

These are produced assets that are used repeatedly or continuously in production processes for more than one year. **Account items 311 to 314** are used for the transactions in fixed assets under the accrual basis of accounting. These transactions reflect budget inflows and outflows as well as other non-budgeted (non-cash) transactions, such as depreciation, impairment, revaluation and other adjustments. For fixed assets, there is a requirement to show on the face of the statement of financial position (balance sheet) the gross figures for cost, depreciation, etc. making up the net book value. As such, the gross amounts for these items are maintained gross across different financial periods. Netting off of balances is not permissible in this case. Gross balances are brought forward in the new financial period for each element of the net book value.

2.2.1 Assets Cost Balance brought forward - Cost (Account codes 311)

Account item 311 is used for the opening cost balances (cumulative historical costs) brought forward for the fixed assets account items of residential buildings, non-residential buildings, other structures and land improvements.

Account item 311 contains the following classifications at the sub-sub item level for the opening cost balances.

SUB-SUB ITEM CODE	ECONOMIC CLASSIFICATION OF COST BALANCE B/F ON FIXED ASSETS
3111	Building and Structures
3112	Machinery & Equipment
3113	Other Fixed Assets
3114	Weapons Systems

These accounts are non-budgetary and shall be used for the following asset transactions:

2.2.1.1 Opening cost balances (Cumulative historical costs)

Account item 311 is used for the opening cost balances (cumulative historical costs) brought forward for the fixed assets account items of residential buildings, non-residential buildings, other structures and land improvements. These accounts shall be useful for the migration of opening asset balances when accrual accounting for fixed assets is implemented.

2.2.1.2 Disposal of Produced Assets

Account item code 311 shall be used for the disposal of produced fixed assets and when the disposal is made the Cost Balance of the disposed asset is written off, of Item Code 311XXX, as well as the accumulated depreciation to date under Item Code 421XXX and the gain or loss is taken to Account code 282161 as illustrated below.

Disposal of Fixed Asset – Accounting Treatment					
Balance – cost	Cr	Cost b/f		ACC	311XXX
Balance – Acc Depn.	Dr	Acc Depn.		ACC	421XXX
Balance - Cost	Cr	Cost (Revaluation)		ACC	311XXX
Balance - Cost	Dr	Cost (Impairment)		ACC	311XXX
=Σ		**(net book value)**			
Sale Proceeds	Dr	Bank/Receivable		ACC	3521XX/3528XX
Gain/loss on Sale (Proceeds – NBV)	Cr	Gain disposal		ACC	282161
	Dr	Loss on disposal			

2.2.1.3 Revaluation of Produced Assets

Account Item Code 311 is to be used for the revaluation of all categories of fixed assets. Under IPSAS 17 Property, Plant & Equipment, if an item of PP&E (fixed asset) is revalued, the entire class of PP&E (i.e at Minor 2 level of the new asset classification: the Asset Sub-Sub class level) to which that asset belongs is revalued. Additionally, and to facilitate the transition to accrual accounting, assets may be valued/revalued individually without the need to revalue the entire class of the PP&E.

In accounting for revaluations, an increase in carrying amount of the asset shall be taken/credited directly to Reserves under Account Item Code 512001, Fixed Assets/Revaluation Reserves (i.e to net assets/equity) and recognized in the statement of financial performance to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in the statement of financial performance.

A decrease in carrying amount (Net Book Value) of a class of asset is recognized in the statement of financial performance; and debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

2.2.1.4 Impairment of Produced Assets

In accordance with IPSAS standards there is an impairment to an Asset when the Book value (carrying value) exceeds the (future) recoverable service amount. Such impairment of produced fixed assets shall be credited against Account item Code 311 charging the impairment expenses Account codes 232XXX in the statement of financial performance. Impairment relates to only operational service assets rather than investment assets, and therefore shall not pertain to: heritage and cultural assets; valuables; and investment property.

In line with the Asset Management Framework and Guidelines (AMFG), Votes are required to test their assets for impairment whenever there is an indication that the asset might be impaired. In practice this shall be carried out during the Boards of Survey.

2.2.1.5 Other Adjustments in Produced Assets

Account Item 311 shall also be used for “Other Adjustments” - other transactions not accommodated elsewhere. Such adjustments will include clearing differences arising out of losses or thefts of assets.

2.2.2 Acquisition of Produced Assets (Account code 312)

This provides for the classifications for the acquisition of all produced fixed assets including intangible fixed assets. These accounts relate to transactions in assets for budgeted outflows and are used to budget and capture the full cost of acquisition for each asset category as described under 311. During the year the balances are maintained gross to show the total acquisitions in the budget performance reports.

SUB-SUB ITEM CODE	Economic Classification of Acquisition of Fixed Assets
3121	Building and Structures
3122	Machinery & Equipment
3123	Weapons Systems
3124	Other Fixed assets

2.2.3 Major Repairs, Overhaul and Improvement to Produced Assets (account code 313)

Account item code 313 relates to accounts for major repairs, overhaul and improvement of fixed assets, which are of a capital rather than recurrent nature, and extend the service and/or performance of the asset. They are used as appropriation accounts and during the year the balances on these accounts are maintained gross to show the total investment in major repairs, overhaul and improvements in the budget performance reports.

SUB-SUB ITEM CODE	Economic Classification of Major repairs & overhaul of Fixed Assets
3131	Major repairs and improvement of Building and Structures
3132	Major repairs and improvement of Machinery & Equipment
3133	Major repairs and improvement of Weapons Systems
3134	Major repairs and improvement of Other Fixed Assets

Under IPSAS 17, any major repairs that improve the life span of the asset are capitalized and the balances against these accounts are included as part of the total of the asset (Stock balance).

2.2.4 Accumulated Depreciation/Amortization of Produced Assets (Account code 421)

Deprecation is a notional expense (Non-cash flow item) and is not included in the budget appropriations under cash-based budgeting. Under IPSAS accrual standards, depreciation is charged in the financial performance statements to reflect the future economic benefit or future service potential being consumed. It relates to operational fixed assets, including: buildings and structures, machinery & equipment and weapons systems (IPSAS 17); Produced Intangible Assets (IPSAS 31); Service Concession Assets (IPSAS 32).

Non-operational assets such as heritage and cultural assets and investment property are not depreciated and will therefore not be included in the balances of these accumulated depreciation accounts. The heritage assets, cultural assets and investment property have unique identifiers in the Asset Registers (IFMS FA Module) and depreciation is not applicable to these categories of assets. The in-year expenses for depreciation are charged to Account Item Code **23** and credited against Account Item Code **421**, reducing the book value of the respective assets. Account Item Code 421 is used for carrying the cumulative depreciation to date on the asset in the Statement of Financial Position (balance sheet).

SUB-SUB ITEM CODE	Economic Classification on Accumulated Depreciation on Fixed Assets
4211	Accumulated Depreciation on Building and Structures
4212	Accumulated Depreciation of Machinery & Equipment
4213	Accumulated Depreciation on Weapons Systems
4224	Amortization of Other Fixed Assets

2.2.5 Acquisition of Produced Assets on Merger of Entities (De-Merger of Entities), Donations and Transfers of Assets between Votes (Account code 314)

Account Item Code 314 is used for bringing assets into the books where two or another entity has been merged into an existing entity including transfers of assets between entities. This code shall also be used for asset donations. The account under this Account Item Code is debited and a credit is made in Reserves under Account Code 514001. In case of de-mergers or in the books of a transferring entity, Account Code Item 314 will be credited by debiting Account Code 514001. The detail relating to the asset categories below is provided in the COA manual. **Also see Annex 2**.

SUB-SUB ITEM CODE	ECONOMIC CLASSIFICATION ACQUISITION OF ASSETS ON MERGER/TRANSFERS /DONATIONS
3141	Acquisition on merger/transfers of Building and Structures
3142	Acquisition on merger/transfers of Machinery & Equipment
3143	Acquisition on merger/transfers of Weapons Systems
3144	Acquisition on merger/transfers on Other Fixed Assets

2.3 Accounting Classification for Inventories/Stocks and Stores (Accounts code 32)

2.3.1 Categories and purpose of maintaining inventories

In accordance with accrual accounting standards (IPSAS 12), Inventories are classified as current assets, in the IPSAS financial statements. Inventory may be held incidentally in relation to operations or held for strategic purposes. Strategic stocks may be procured under an appropriation in the budget and then sold through selected MDALGs to facilitate price stabilization and prevent shortages in key commodities, such as foodstuffs and fuel. MDALGs may procure inventories of goods to support effective implementation of activities, ensuring key items are always available at the correct time. In some instances, e.g. road building and maintenance materials and drugs and pharmaceuticals these inventories can be significantly material. These inventories will be managed through the use of an Inventory Management module of the GoU Asset Management Information System. Other inventories will be less material in the quantity and value of stocks maintained e.g. office consumables. Irrespective of the nature of the inventory, under accrual accounting principles, only the goods used (consumed) should be taken to expense, with purchases of goods being adjusted for opening and closing stocks.

2.3.2 Transactions in Inventories (Account codes 321 – 323)

Below are the transaction types in inventories and the corresponding Account item codes.

Transactions in Inventories	**Description**	**Applicable Account item codes**
Cost of inventory b/f	To capture opening and closing balances	321
Acquisition of Inventories	These are transactions for the acquisition of materials or supplies that are either to be consumed in the production processes or to be consumed or distributed in the delivery of public services, or held for sale or distribution or in the process of production for sale or distribution. The inventory purchases under Account code 322 reflect budgeted cash outflows and are captured in the budget performance reports at cost for the reporting period. **At the start of the new financial year, the Acquisition balances are cleared against Cost brought forward – Account Item 321.** **Under expense purchasing**, appropriation codes shall constitute multiple expenditure lines (See section 2.3.4 below)	322 22XX 24XX 27XX
Disposal, Sales and Issue of Inventory	Transactions for the Disposal/Sale of inventories", shall be handled through account code 321. When sales are made from inventories, they can be made at a price other than cost. It is therefore necessary to make an adjustment for costs of sales, so that the carrying balance reflects the net cost value. The Item 326 is used when posting the adjustment and recognizing the gain or loss on sale. It is also used for netting off and transferring the balance to the current assets at the end of the financial period.	321
Revaluation of Inventory	Generally, revaluation relates to non-current assets. However, and in line with IPSAS 12, Inventory is carried at the lower	321

	of cost and net realizable value[2], and where that value is reduced an adjustment should be made via Account Item 321, "Cost of inventory" with corresponding entries made to the Inventory reserves account 512201.	
Transfers of Inventory between Votes/donations	The accounts under this item are used to update the books of the affected/concerned votes for transfer of assets made by MDALGs. They are also used to capture donations. For a receiving entity, the account under this Account Item is Debited and a credit is made in Reserves under Item 513001 – Accumulated Funds. For the giving entity 323 will be credited by debiting the reserve account item 513001	323
Other Adjustments of Inventories.	Item 321, "Cost of Inventory" is to be used for all other adjustments not identified above such as writing off of inventory losses/thefts.	321

2.3.3 Options for Accounting for inventories

An Inventory module of the GoU Asset Management Information System

shall be implemented to support management of inventory under accrual accounting and transition from cash to accrual and all inventories to be managed through the system.

The system shall support two alternative accounting modalities for inventories as follows:

(a) Purchasing for expense items

(b) Purchasing for inventory

A vote may use separate modalities for different categories of inventory

2.3.4 Inventory under expense purchasing – Incidental Inventories

This accounting modality for inventories shall involve;

(a) Budget provides multiple expenditure lines – 22XX/24XX/27XX (*See Table 1 below*)

[2] *Inventories should be measured at the lower of cost and net realizable value except (i) when inventories are acquired through non-exchange transactions when cost is measured at the fair value at the date of acquisition and (ii) when inventories are to be distributed at no charge or for a nominal charged, they are measured at the lower of cost and current replacement cost.*

(b) Commitments and expenditures are made against the budget lines; In these instances, the purchase of goods shall be taken directly to the relevant expense item, e.g., office consumables, as previously used under the cash basis of accounting

(c) Inventory managed in memorandum form in inventory module [opening balances, new purchases, issues, closing balances]

(d) Expense accounts (22XX/24XX/27XX) are to be adjusted for opening and closing stock balances to achieve accrual basis; In other words, at the end of the financial period an adjustment is made to reflect the movements in opening and closing stock and expense the actual usage, as shown below:

Incidental Inventories – Accounting Treatment					
Opening stock	Dr	Expense (22XX/24XX/27XX)		Cr	Current Assets Inventory (321111)
New Purchases	Dr	Expense (22XX/24XX/27XX)		Cr	Trade/Account Payable (411722)
Closing stock	Cr	Expense (22XX/24XX/27XX)		Dr	Current Assets Inventory (321111)

Advantages for this accounting treatment include:

(a) Simpler to operate; avoids reconciliation challenges cash-based purchases and accrual-based issues (consumption)

(b) Best suited for smaller operational/incidental inventories

(c) CoA: Inventory balance account to be used for all expense items – 321111 Materials and Supplies

The Inventory under expense purchasing shall be established as follows: *(Inventories balances posted at year end)*

Purchases: Expense Line (Expense Budget Line)
Plus: Opening stock of expense item (credited to Inventory Account 321111)
Less: Closing stock of expense item (debited to Inventory Account 321111)
= Expense charge for 22XX/24XX/27XX accounts in Annual Financial Statements

2.3.5 Purchasing for Inventory – Operational & Strategic Inventories (OSI)

The accounting modality shall comprise;

(a) Budget providing multiple expenditure lines for the expense items as in Table 1 below;

Table 1: Appropriation accounting codes

• No	Account Code	Commitment Controls	Accounting	Transaction
1	322111	Yes	Yes	Budgeting, Acquisition and Reporting. All acquisitions from accounts on No. 7 – 21, should be transferred (Accounted for) to this account in the GL. Balances at year end should be moved to the respective stock code under 321xxx series as per the year end activities in Assets above. All direct acquisitions of Materials and supplies should be account for on this account together with transfers for 7 - 21.
2	322112	Yes	Yes	Balances at year end should be moved to the stock code. All directed acquisitions should be account for on this account.
3	322113	Yes	Yes	
4	322114	Yes	Yes	
5	322115	Yes	Yes	
6	322119	Yes	Yes	
7	224001	Yes	Yes	Allowed for budgeting procurement. Accounting should be done on 322111. The inventory module should Credit 322111 and (Debit) expense on the respective item in the 2 series here.
8	224002	Yes	Yes	
9	224003	Yes	Yes	
10	224004	Yes	Yes	
11	224005	Yes	Yes	
12	224006	Yes	Yes	
13	224007	Yes	Yes	
14	224008	Yes	Yes	
15	224009	Yes	Yes	
16	224010	Yes	Yes	
17	227004	Yes	Yes	
18	221010	Yes	Yes	
19	221011	Yes	Yes	
20	221012	Yes	Yes	
21	221007	Yes	Yes	
22	221008	Yes	Yes	

(b) Commitments against asset appropriation codes (inventory) - 32211X but tagged to the underlying expense accounts to facilitate the recording of inventory expenses when items are issued/consumed.

(c) Expense accounts charged based on consumption (stock issues)- 22XX/24XX/27XX account codes as shown in Table 1 above.

(d) Accounts 32111X are used for netting the transactional balances at the end of the financial period as illustrated below:

Operational & Strategic (OSI) – Accounting Treatment					
Opening stock	Dr	Cost b/f OSI (32111X)		Cr	Accumulated funds b/f (513001)
New Purchases	Dr	Acquisition OSI (32211X)		Cr	Trade/Account Payable (411722)
Stock Issues	Cr	Inventory (32111X)		Dr	Protective Gear (224010)
=Σ		**(net balance)**			
Period end adjustments/Year-end adjustment (closing stock)					
	Cr	Acquisition) OSI (32211X)			
	Dr/ Cr	Other Adj/disposal/Revaluation Write-off OSI (32111X) (transit entries)		Dr/Cr	Extra-Ordinary Items (Losses/Gains) - 282181
				Dr	Assets Inventory (32111X) **(net balance)**

Note: Above example is based on inventory of Protective Gear (Inventory issued at cost).

(e) This modality is best suited for large material inventory holdings and the Inventory Management Module shall have dimensions to tag different transaction types: Balance; Purchases; Issues; Revaluations; Write-Off

(f) The Inventory under inventory purchasing shall be arrived at as follows:

	Inventories - B/F
Plus:	Inventory – Purchases (Asset code Budget Line)
Less:	Issues and Transfers of Inventory (to Expense Accounts)
Less:	Sales of Inventory (Revenue Line)
Less:	Revaluation of inventories
Plus/Minus	Write off and other adjustments
	= Closing Inventory Balance

2.4 Accounting classification for valuables (Account codes 33)

Examples of valuables consist of paintings, sculptures, and other objects recognized as works of art or antiques jewelry of significant value fashioned out of precious stones and metals such as diamonds, nonmonetary gold, platinum, and silver that are not intended to be used as intermediate inputs into processes of production. Such includes valuables used to decorate government offices.

2.4.1 Cost of Valuables - b/f (Account code 331)

This account shall be used to record the opening balances for the cost of valuables.

2.4.2 Transactions in Valuables (Account codes 332 – 337)

Account Items 332 to 337 are used for the transactions in valuables under the accrual basis of accounting. These transactions reflect budget inflows and outflows as well as other non-budgeted (non-cash) transactions, such as transfers (Acquisition on Mergers/de-mergers) of valuables, revaluation and other adjustments.

For the valuables, there is a requirement under the accounting standards as it is for all non-current assets to show on the face of the statement of financial position (balance sheet) the gross figures for cost, depreciation, etc. making up the net book value. As such these items are maintained gross across different financial periods and never netted. Balances are brought forward gross in the new financial period for each element of the net book value:

	Cost b/f
Plus:	Acquisitions
Plus:	Major repairs/improvement/Overhaul
Less:	Disposals
Plus:	Revaluation
	Plus: Transfers of Valuables between Entities (Acquisition of Assets on merger of entities)
Plus/Minus:	Other Adjustments
=	**Net Book Value**

The detailed descriptions of the economic classification of transactions in valuables are as follows;

Account Item	Economic classification of transactions in Valuables	Description
332111	Acquisition of Valuables	This is an appropriation account and used to budget for the acquisition of valuables and reflect budgeted cash outflows and captured in the budget performance reports at cost for the reporting period. **At the start of the new**

		financial year, the Acquisition balances are cleared against Cost brought forward – Account Item 331111
333111	Major repairs/improvement/Overhaul of valuables	This is appropriation account used to budget for major repairs/improvements to assets held as valuables which are capitalized as required by the accounting standards. The balance on this account is reflected in the budget performance reports for the reporting period/financial year.
331111	Disposal of valuables	Disposal of valuables, is a budget item and relates to the cash proceeds from sale and is reflected in the revenue performance reports.
331111	Revaluation of Valuables	Accounts cover revaluation of valuables and accounting treatment is similar to that of fixed assets described under S **2.2.1.3** above in relation to the revaluation of produced fixed assets**.**
334111	Transfers of Valuables between Votes/donations	This account is used to update the books of the affected votes for transfer of assets made by MDALGs. For a receiving entity, this account is Debited and a credit is made in Reserves under Item 513001 – Accumulated Funds. For the giving entity account item 334111 will be credited by debiting the reserve account item 513001.
331111	Other Adjustments of Valuables	Account item 331111, is used for other transactions/ Other Adjustments of Valuables not accommodated by the other transactional account items above. This may for instance relate a

		write off of losses/thefts of valuables.

2.5 Accounting classification for non-financial non produced assets (Account codes 34)

These are naturally occurring Assets. Examples include Land, Mineral & Energy Resources, Non-cultivated biological resources, Water resources, Air space, Mountains and Rocks.

2.5.1 Cost of Non Produced Assets - b/f (Account codes 341)

Account item 341 is used for the historical cost in non-produced assets such as land under the accrual basis of accounting and for cumulative balances brought forward from the account items 342 and 343. These transactions reflect cumulative closing and opening balances as well as other non-budgeted (non-cash) adjustments, such as revaluation and other adjustments. Depreciation and Impairment will apply to these assets. As is with other non-current assets, accounting standards require to show on the face of the statement of financial position (balance sheet) the netbook value.

2.5.2 Acquisition of Non - Produced Assets (Account code 342)

This provides for the classifications for the acquisition of all non-produced fixed and intangible assets. These accounts relate to transactions in assets for budgeted outflows and are used to budget and capture the full cost of acquisition for each asset category as described under 341. During the year the balances are maintained gross to show the total acquisitions in the budget performance reports.

SUB-SUB ITEM CODE	Economic Classification of Acquisition of Non-Produced Assets
3421	Land
3422	Mineral Energy
3423	Other Naturally Occurring Assets

2.5.3 Acquisition of Non-Produced Assets on Merger of Entities (De-Merger of Entities), Donations and Transfers of Assets between Votes (Account code 343)

Account Item Code 343 is used for bringing assets into the books where two or another entity has been merged into an existing entity including transfers of assets between entities. This code shall also be used for donations of non-produced assets. The account under this Account Item Code is debited and a credit is made in Reserves under Account Code 514001. In case of de-mergers or in the books of a transferring entity, Account Code Item 343 will be credited by debiting Account Code 514001. The detail relating to the asset categories below is provided in the COA manual *(Also see annex 2).*

SUB-SUB ITEM CODE	ECONOMIC CLASSIFICATION ACQUISITION OF ASSETS ON MERGER/TRANSFERS /DONATIONS
3431	Land
3432	Mineral Energy
3433	Other Naturally Occurring Assets

2.6 Accounting classification for financial assets (Account codes 35)

2.6.1 Transactions in financial assets (Account codes 3522 – 3525)

Under accrual accounting principles, Class 35 Financial Assets include the double entry accounts for payment and receivable transactions, and now also incorporate the accounts for appropriated items in respect of lending, investment, etc. IPSAS 28 and IPSAS 29 provide relevant guidance on the presentation, recognition, measurement and disclosure of financial instruments. At initial recognition, the accrual IPSAS standards require that financial assets must be classified within one of the following four categories and this will be met through the Government CoA and Financial Management Systems.

- Loans and Receivables.
- Investments held-to-maturity.
- Investments available -for-sale.
- Financial assets at fair value through surplus or deficit e.g derivatives. e.g option values

The inflow and outflow transactions relating to lending and investment are undertaken through Account items 3522 to 3525. Under IPSAS accrual standards, the statement of financial position (balance sheet) must show the current portion of lending (under current assets) separate from the non-current portion (under non-current assets). The IFMS or DMFAS or other appropriate system of Government should allow to achieve this so that the IPSAS financial statements can be configured accordingly. The current portion is determined by calculating the amount due to be recovered within the following 12-month period.

The following transactions in financial assets may result in an increase or decrease in the financial asset balances;

- Acquisition of financial assets;
- Disposal of financial assets;
- Revaluation of financial assets;
- Impairment of financial assets;
- Transfers of financial assets between Votes
- Other Adjustments to financial assets for other transactions not accommodated by the above. This may for instance relate to a write off of losses/thefts of financial assets, handling gains/losses on revaluation/impairment/disposal of assets.

All the above transactions will be conducted using the same account code as it relates to the financial asset item as per the COA classification as follows;

SUB-SUB ITEM CODE	ECONOMIC CLASSIFICATION OF ACQUISITION OF NON-PRODUCED ASSETS
3521	Currency Deposits
3522	Debt Securities
3523	Loans
3524	Equity
3525	Investment Fund Shares or Units
3527	Derivatives
3528	Accounts Receivable

Increases in the asset balances shall be debited while decreases credited to the appropriate financial asset account code with appropriate corresponding entries.

2.7 Accounting treatment of transactions in assets and the financial statements.

The double entry under the accrual accounting framework for the various transactions in assets shall be as follows;

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
1. **Migration of opening balances** - journal vouchers shall be raised to capture the opening balances for the asset accounts upon the implementation of the accrual accounting framework. The full account code combination ID (CCID) shall be as per the asset configuration determined by the Accountant General.		
Statement of Financial Position	Dr – Cost/Value of produced assets	311XXX

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
Statement of Financial Position	Cr – Net assets/equity	513001
2. **Acquisition of assets on the budget –** accounting entries will be generated and posted automatically in the asset register and general ledger when the Goods Received Note is generated in the system and invoices processed and approved in the system**.** The full CCID for the debit entry shall be the charge budget line.		
Statement of Financial Position	Dr – Acquisition of produced assets	312XXX
Statement of Financial Position	Cr – Bank/Creditor	
3. **Enhancement of assets through major repairs -** accounting entries will be generated and posted automatically in the asset register and general ledger when the Goods Received Note is generated in the system for the repairs carried out and related invoices processed and approved in the system. The full CCID for the debit entry shall be the charge budget line.		
Statement of Financial Position	Dr – Improvement of produced assets	313XXX
Statement of Financial Position	Cr – Bank/Creditor	
4. **Mergers/Donations/Transfers of Assets - Increase of accumulated funds (Capital injection)** At the time of capturing the asset in the FA module, system should enable the user to select the correct account code combination to reflect the increase in accumulated funds (Net Assets/equity) – credit entry. For the debit entry, user should be able to select the applicable COA segment value except for the vote/cost center (Book) which should default automatically and not editable. The six-digit object/economic code should be as per the asset configuration data.		
Statement of Financial Position	Dr – Assets (acquired on Mergers/Transfers)	314XXX
Statement of Financial Position	Cr – Net assets/equity	513001
5. **Donations/Transfers of Assets - Revenue Recognition** At the time of capturing the asset in the FA module, system should enable the user to select the correct account code combination to reflect revenue/capital grant as the case may be (credit entries), received in the form of an asset.		

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
For the debit entry, user should be able to select the applicable COA segment value except for the vote/cost center (Book) which should default automatically and not editable. The six-digit object/economic code should be as per the asset configuration data.		
Statement of Financial Position	Dr – Assets acquired on Mergers/Transfers	314XXX
Statement of Financial Performance	Cr – Grants - Capital	1312XX 1322XX 133XXX
6. **Revaluation of Assets (increase in value)** On revaluation of assets, the debit entry should be as per the stock CCID of the individual asset The credit entry for increase in the value of the asset should also be as per the asset configuration data. In other words, it will not be possible for the user to change this CCID		
Statement of Financial Position	Dr – Cost/Value of produced asset	311XXX
Statement of Financial Position	Cr – Fixed assets/Revaluation Reserve surplus	512001
7. **Revaluation of Assets (decrease in value)** On revaluation of assets, the credit entry should be as per the stock CCID of the individual asset For the debit entry for decrease in the value of the asset should also be as per the asset configuration data except for the economic code which should default to a pre-defined expense code under the 2 series accounts . it should be possible to change the economic code to 512001 if the amount involved is up to the credit balance of fixed assets revaluation reserve at minor 2 level of the asset category. Accordingly, it should be possible to generate from the IFMS a revaluation reserve ledger at minor 2 level of non-current assets to facilitate the processing of the journals.		
Statement of financial performance /Statement of Financial Position	Dr – Loss on revaluation OR Dr. Fixed Assets/Revaluation Reserve to extent of a credit balance of the asset class (Minor 2)	2XXXXX 512001
Statement of Financial Position	Cr – Cost/Value of produced asset	311XXX

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
8. **Impairment of assets (Loss)** On impairment of the asset, the debit entry shall be as per the asset configuration data. The credit entry shall be in line with the stock CCID of the individual asset.		
Statement of financial performance	Dr – Impairment of assets (select asset category)	232XXX
Statement of Financial Position	Cr – Cost/Value of produced asset	311XXX
9. **Depreciation of assets** On depreciation, the CCID for both the debit and credit entries shall be as per the asset configuration data.		
Statement of financial performance	Dr – Depreciation Expense	231XXX
Statement of Financial Position	Cr – Consumption of produced assets (Accumulated Depreciation)	421XXX
10. **Disposal of assets (with a gain)** ***Note***: *Costs for preparing an asset for disposal will need to be budgeted for as recurrent/administrative expenses and debited to appropriate expenditure accounts when incurred and will not be included in the computation of gain/loss of disposal of an asset* CCID Debit entries shall be as per the asset configuration data. CCID for the credit entry for cost/value of produced asset shall be in line with the stock CCID of the individual asset being disposed of. CCID for gain/loss on disposal will be as per asset configuration data.		
Statement of Financial Position	Dr – Bank/Debtor	
Statement of Financial Position	Dr – Acc Depn (Consumption of fixed asset	421XXX
Statement of Financial Position	Cr – Cost/Value of Produced asset	311XXX
Statement of financial	Cr – Gain on disposal	282161

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
performance		
11. Write-off of assets – creation of a provision for write off To write off an asset that is not sighted e.g during the Boards of Survey which is therefore deemed to be non-existent and pending approval of parliament or the Minister responsible for Finance (as the case may be), a provision for write- off is created. The CCID for the credit entry will be in line with the stock CCID of the individual asset		
Statement of Financial Position	Dr – Asset Provision for Write Off	3XXXXX
Statement of Financial Position	Cr – Cost/Value of produced assets	311XXX
12. Write-off of assets – clearing the provision for write off to recognize the asset losses. Upon approval of parliament or the Minister responsible for Finance (as the case may be), the provision for write- off is cleared by recognising the asset losses. The CCID Debit entries shall be as per the asset configuration data.		
Statement of financial performance	Dr – Extra ordinary items (losses/gains)	282181
Statement of Financial Position	Dr – Asset Provision for Write Off	3XXXXX
13. Close the appropriation account balances from the budget lines to the stock CCID as a year-end procedure This will be done in the ADJ period. Movement of balances should not affect the budget analysis reports Balances on the appropriation budget lines should be NIL at the beginning of the following financial year as is with the recurrent expenditure/expense budget lines. CCID for the debit entry will be as per the final budget line used on acquisition/maintenance of the asset except for the 6-digit economic code which should be the natural stock GL account code in accordance with asset configuration data. CCID for the credit entry will be as per the final charge (FA posting) budget line of the individual asset. CCID for the credit entry will be in line with the stock CCID of the individual asset		
Statement of financial position	Dr – Cost/Value of produced assets	311XXX

Primary financial statement affected	Accounting entries & Requirements	Applicable COA GL Codes*
Statement of Financial Position	Cr – Acquisition of produced assets/ OR Cr – Improvement of produced assets	312XXX OR 313XXX
14. **Close the Transfer/donations account balances at year end to the stock CCID as a year-end procedure** The procedure specified in 12 above shall generally apply.		

- **Posting of transactions shall be at the full CCID.**

2.8 Further discussion and illustration for the Accounting Treatment for transfer of fixed assets between votes/self-accounting projects

2.8.1 Updating of the primary and secondary asset registers and the trial balances of both the giving and receiving entities shall take place at the same time when the receiving entity acknowledges receipt of the asset. It is important to note that the trial balances of both entities shall only be affected under the accrual basis of accounting for assets. Under cash basis of accounting only the asset registers will be updated and appropriate disclosures included in the financial statements of the affected entities.

2.8.2 The accounting entries shall be as follows:

In the books of account for the receiving entity e.g Entebbe Municipal Council

Fund	*Funding Source*	*Program*	*Vote/Cost Centre*	*Project*	*Budget Outputs*	*Spare*	*Location*	*Economic/Account Code*	*Amount*	*Notes*
XX	XXX	XXXXXX	701XXXXXXX	0000	XXXXXX	0000000	XX	Dr:314XXX – Assets Acquired on Transfers	xxxxxxx	• The receiving entity will book the asset at the Net Book Value (Carrying Amount) as its acquisition cost. • The useful life of the asset shall be the remaining useful life • It should be possible to update the value and useful life of the asset through the “mass additions/manage asset updates” functionality • Under accrual accounting, the Trial balance should be updated with the NBV of the asset received
XX	000	000000	701XXXXXXX	0000	000000	0000000	00	Cr:513001- Net assets/Equity	xxxxxxx	

In the books of account for the giving entity e.g MoFPED

Fund	*Funding Source*	*Program*	*Vote/Cost Centre*	*Project*	*Budget Outputs*	*Spare*	*Location*	*Economic/Account Code*	*Amount*	*Notes*
XX	000	000000	008XXXXXXX	0000	000000	000000	00	Dr 421XXX – Acc Depn (Consumption of fixed asset	xxxxxxx	• It is assumed consideration shall be Nil and transferring amount is equal to the NBV. • The loss on the transfer shall be equal to the NBV to be debited to an expense account. • Under Accrual Accounting the suggested entries will close both the asset cost and accumulated depreciation accounts.
XX	000	000000	008XXXXXXX	0000	000000	000000	00	Dr 282161 – Loss on disposal	xxxxxxx	
XX	XXX	XXXXXX	008XXXXXXX	0000	XXXXXX	000000	XX	Cr 311XXX – Cost/Value of Produced asset	xxxxxxx	

2.9 Current accounting framework

2.9.1 As prescribed under the foregoing sections 2.1 – 2.8 , Government of Uganda recognises that the accrual basis of accounting is the ideal basis of accounting and this will require a transition from the current basis of accounting where and with the exception of Municipal Councils, expenditure on acquisition of non-current assets is generally not capitalised i.e assets are generally accounted for on a cash basis.

2.9.2 Following the IFMS re-implementation and with the revision of the Chart of Accounts, the accrual basis of accounting shall be followed by ALL VOTES for the accounting of public non-current assets with effect from the financial year 2022/23. The accrual accounting framework shall be based on Generally Accepted Accounting Principles (GAAP) as issued by the Accountant General in accordance with S 46(6) of the PFM Act, 2017.

2.9.3 Ultimately and in line with para 16.30.1 of the Treasury Instructions 2017, the Accountant General shall prepare a roadmap for the Government to fully transit to the accrual basis IPSAS from the Accrual Accounting Framewrok based on the GAAP principles issued by the Accountant General as specified in paragarph 2.9.2 above .

2.9.4 Pursuant to paragraph 2.9.2 above, the previous accounting framework ceased to apply in the preparation of the financials statements for the financial year ending 2021/22. Under this framework and with the exception of the Municipal Councils , noncurrent assets were expensed on acquisition and the wear and tear (depreciation) of those assets was not included in the financial statements of the votes. The accounting treatment for transactions in inventories shall continue to be on a cash basis.

2.9.5 As it was previously during the financial year 2021/23 and before, Municipal Councils shall continue to account for their Property, Plant and Equipment (physical assets or fixed assets) on an accrual basis in the preparation of the financial statements for the financial year ending 2022/23.

2.10 IPSAS disclosure requirements for non-current asset transactions and reporting

2.10.1 The table below provides for the accrual accounting IPSAS disclosure requirements that are to be met for the non-current assets and how these will be achieved.

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
1.	Intangible Assets	IPSAS 31	Useful life of assets	Asset useful lives have been prescribed in Annex 1 of these guidelines for reference by the votes. The asset useful lives have also been set up in the IFMS and are automatically picked.
			The amortization method used	This has been specified in AMFG and these guidelines as the Straight-Line Method (SLM)
			The gross carrying amount and accumulated depreciation at the beginning and end of the period	The CoA to automatically track original costs, incidental costs, depreciation/amortization expense, accumulated depreciation and net book values. ***(See also Annex 6(2) for schedules to be generated automatically from the IFMS FA module)***
			Reconciliation of movements in the carrying value of assets over the accounting period	As per the updated chart of accounts and enhancement of the IFMS, system to track the following transactions in intangible assets; • Acquisition costs • Major overhaul/repairs • Acquisition/Produced/transfers on merger • Disposals • Amortization/Depreciation • Impairment • Revaluation • Write-offs/writeback and other adjustments ***(See also Annex 6 (2) for schedules to be generated automatically from the IFMS FA module)***
			The aggregate amount of research and development expensed	To be obtained from the IFMS expenditure ledger account code – 224011: Research expenses IFMS to track capitalized R&D on the CoA codes:

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
				311421 search and Development - Stock 312421 search and Development - Acquisition 313421 search and Development - Improvement 314421 search and Development - Transfer
			For intangible assets of indefinite life-reasons for justification.	Votes to prepare and provide justification where indefinite useful life is specified (This will relate mainly to non-produced intangible assets). The assets involved should be tested for impairment annually.
2.	Property, Plant & Equipment (Fixed Assets)	IPSAS 17	Accounting Policy (Cost or revaluation)	The Treasury instructions and these guidelines provide for both valuation models and the IFMS permits capturing information using both models. Financial Reporting Templates also make explicit the accounting policies followed.
			Useful lives or depreciation rates of the tangible fixed assets	Asset useful lives and depreciation rates have been specified in the Asset Management Framework and Guidelines (AMFG) for reference by the votes. The asset useful lives have also been set up in the IFMS and are automatically picked.
			Gross carrying amount and accumulated depreciation at the beginning and end of the period.	The CoA to track original costs, incidental costs, depreciation expense, accumulated depreciation and net book values. ***(See also Annex 6(1) for schedules to be generated automatically form the IFMS FA module)***
			Key contractual information (e.g restrictions on title)	Information to be derived from contract documents and/or e-GP
			A reconciliation of the carrying amount at the beginning and end of the period	As per the updated chart of accounts and upgraded IFMS, system to track the following transactions in fixed assets; • Acquisition costs • Major overhaul/repairs • Acquisition/Produced/transfers on merger • Disposals • Amortization/Depreciation • Impairment • Revaluation • Write-offs/writeback and other adjustments ***(See also Annex 6 (1) for schedules to be generated automatically form the IFMS FA module)***

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
			If revaluation model is used, details of revaluations (E.g the methods and significant assumptions in determining the fair value, whether independent valuer was used and extent to which fair value is supported by market evidence)	IFMS to permit revaluation of assets. Guidelines issued on revaluation of assets and the valuation report will inform the disclosure note. All supporting documents are to be uploaded into the system for ease of reference.
3.	Agriculture/ Biological assets	IPSAS 27	Aggregate gain or loss on biological assets for changes in fair value Description of each group of biological assets The nature of entity's activities involving each biological asset Non-financial estimates of the physical quantities of each group of biological assets Methods and assumptions of estimating fair value. Fair value of agricultural produce	IFMS FA module to compute gain/loss automatically. COA provides for cultivated and no-cultivated plants and animals. Entity operational reports to provide the required information. IFMS FA Module (Asset Register) to provide information on non-financial estimates. Asset valuation guidelines issued.

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
			harvested during the period. Reconciliation of changes in the carrying amount of biological assets between the beginning and end of the period	As per the updated chart of accounts and upgraded IFMS, system to track all transactions in biological assets. ***(See also Annex 6 (1) for schedules to be generated automatically from the IFMS FA module)***
4.	Service concession assets	IPSAS 32	Service concession assets must be presented as a separate class. Description of the arrangement and the significant terms Nature and extent of rights to use specified assets and to expect the operator to provide specified services, service concession assets recognised during the period, rights to receive specified assets at the end of the arrangement, renewal and termination options, other rights & obligations, and obligations to provide the operator with access to service concession assets	Identifier set up in the IFMS FA module to ensure schedule in **in *Annex 6* is generated automatically from the IFMS FA module.** From the contract documents between grantor and operator (To be uploaded in the FA Module for ease of reference). From the contract documents

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
			or other revenue generating assets. Changes in the arrangement occurring during the period	From the contract documents.
5.	Capitalization of Borrowing Costs	IPSAS 5	Accounting Policy adopted for borrowing costs – GOU shall capitalize borrowing costs incurred in connection with the acquisition, construction, or production of a qualifying of asset that takes more than I year to get ready for use or sale.	Borrowing costs to be capitalized in line with the Treasury Instructions, 2017 and provisions of these guidelines.
			Amount of borrowing costs capitalized to disclosed (including capitalization rate to determine the amount of borrowing costs eligible for capitalization)	Schedules of the relevant information to be obtained from DMFAS
6.	Investment Property	IPSAS 16	Whether fair value or cost model is applied.	IFMS permits capturing information using both models and appropriate asset reports to generated to inform disclosure note.
			The methods and significant assumptions in determining the fair value, whether independent, experienced and qualified valuer was used and	IFMS permits revaluation of assets. To confirm all required information will be captured. Important to note that whether cost model, it is mandatory to disclose the fair value of the investment property; Guidelines issued on revaluation of assets and the valuation report will inform the disclosure note

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
			extent to which fair value is supported by market evidence	
			Rental Revenue and direct operating expenses from investment Property	IFMS to track revenues and O&M expenses relating to revenue generating assets with appropriate asset report generated. Refer to the AMFG
7.	Heritage assets	IPSAS 17	See above in connection with PPE	As above
			Identification of heritage assets	IFMS to identify heritage assets with a unique identifier in line with AMFG classification
			Option to make distinction between operational heritage assets that have service potential e.g historical buildings used as office accommodation and non-operational heritage assets that have limited-service value e.g non-functional bridges and buildings with only historical significance	IFMS to allow for distinction but as an optional field rather than mandatory.
8.	Leases	IPSAS 13	For both lessee and lessor, identification of types of leases; General description of leasing arrangements, including how contingent rents are determined,	Guidelines provided by AMFG and these guidelines to facilitate preparation of the required information. Information also to be derived from E-GP contracts and documentation.

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met
			if there are renewal terms, purchase options or escalation clauses and if the leases impose any restrictions	
			Contingent rents recognized in the statement of financial performance	GOU systems to track contingent rents
9.	Impairment of long-term assets	IPSAS 21 and IPSAS 26	Criteria developed by the entity to distinguish cash generating from non-cash generating assets	AMFG identifies revenue generating assets and IFMS to support this identification.
			The amount of (reversals of) impairment losses	IFMS to support capturing of impairment losses/reversals (in case impairment conditions are reversed). Refer to AMFG and these guidelines. IFMS to support adjustment of carrying amount and depreciation over the asset's remaining useful life. GL accounting rules/ set-ups in the IFMS General Ledger Module
10.	Inventories	IPSAS 12	Accounting policies adopted in measuring inventories including the cost formula used	Formula for measuring inventories specified in the Inventory Management Guidelines. Inventory Management Module to be implemented so that valuation of inventories is done automatically by the system.
11.			The total carrying amount of inventories and the carrying amount in classifications appropriate to entity	New Chart of Accounts specifies the adopted Inventory classifications; • Materials & Supplies • Work in Progress • Finished Goods • Goods for resale • Military Inventories • Other Inventories
12.	Financial Investments (Instruments)	IPSAS 28,29,30		

#	Type of Non-Current Assets/ Asset Accounting Area	Relevant IPSAS	Disclosure Requirements	How the requirements have been met

3 RECOGNITION OF ASSETS

3.1 Definition, recognition conditions and classification of assets

3.1.1 In line with Section 3.1 of the AMFG and Paragraph of 16.1.4 of the Treasury Instructions and pursuant to IPSAS 1, Presentation of Financial Statements assets as "*resources controlled by an entity as a result of past events and from which future economic benefit or service potential are expected to flow to the entity*". Assets are recognized in financial statements when they meet all elements of the above definition and the asset has a cost or other value that can be reliably measured.

3.1.2 GOU assets are classified according to similarity in nature or functions. The aggregated value for each group will appear as a single line in the financial statements. For more detailed monitoring and reporting, sub-classes have been specified.

3.1.3 Votes shall classify assets in line with the AMFG and according to Annex 1 ***of*** these guidelines and the GoU CoA asset classifications provided as Annex 2.

3.2 Recognition criteria for tangible non-current assets

3.2.1 Tangible non-current asset recognition conditions

3.2.1.1 A vote shall recognize an asset to be included in the asset register if an only if the conditions in figure 1 below are met: -

Figure 1 – Asset recognition conditions

A
- Must be controlled by GOU

B
- Must have economic benefits or service potential

C
- Must result from a past event or transaction

D
- Must have a cost or other value that can be reliably measured

3.2.1.2 Additionally, for a Vote to include the assets in its accrual based financial statements, the asset must meet the definition of a non-current asset regardless of the amount. **Non-current assets shall be those with future economic benefits and/or service value exceeding a period of 1 year upon acquisition**.

3.2.1.3 The above criteria for recognizing assets is demonstrated as follows;

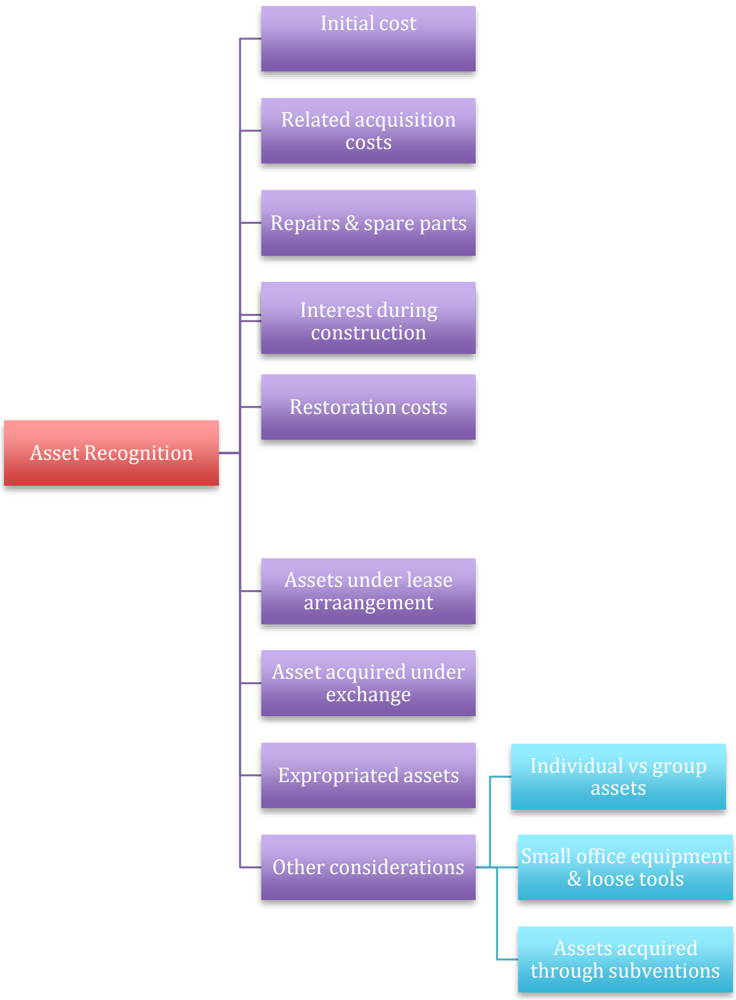
#	Condition	How it is demonstrated
1.	Control	This is demonstrated by the ability of a vote to: • use the asset to achieve its objectives; • obtain a benefit from the sale of the asset; • charge for the use of the asset; or • deny use of the asset to others.
2.	Future Economic Benefits/Service Value	There must a probability of at least 50% chance for the following benefits embodied in the asset to flow to the vote; • Cash or cash equivalents; • Revenue from future sales; • Cost savings; or • Benefits arising out of use of the asset
3.	Past transactions or events	Past transactions include purchase of an asset and examples of past events are transfer of assets between votes and donations. Transactions or events expected to occur in the future do not give rise to assets. For example, the intention to purchase an asset does not meet the definition of an asset
4.	Measurement	The cost of acquired assets can be reliably determined from evidence arising from the past transaction, for example, invoices, supporting documents for valuation of assets and other contractual documents

3.2.1.4 GOU currently does not formally recognize non-current assets in its books because it is applying the modified cash basis of accounting. However, GOU has taken a decision to recognise its assets as a way of acknowledging the importance of the assets in helping GOU to deliver public services. Currently the assets are recognised under the cash basis of accounting but will be fully accounted for in GOU books as it migrates from the cash basis of accounting to the accrual basis of accounting. All assets excluding natural resources will be capitalized and included in the balance sheet as assets as a first step towards implementation of accrual accounting. In subsequent years, consideration shall be made to capitalize natural resources as capacity to identify and value such assets increases.

3.2.1.5 GOU Accounting Officers shall apply the above criteria in deciding whether or not an item qualifies as an asset.

3.2.1.6 Figure 2 below provides for the asset recognition considerations:

Figure 2 – Asset recognition considerations



3.2.2 Initial Cost for recognition of tangible non-current assets and treatment of related acquisition costs

3.2.2.1 GOU votes will generally control a large number of low value items that meet the definition of an asset but if accounted for as individual assets would result in significant effort and cost to create and maintain in a manual asset register, without significant benefit. To avoid unnecessarily overloading the manual registers only assets with material values are recognized and therefore Asset recognition thresholds are required. However, in the case of GoU and following the upgrading of the IFMS that has automated key asset management processes and the updating of the asset registers for the votes, thresholds shall not be required and all non-current assets that meet the IPSAS definition of asset shall be capitalized. i.e. no capitalization threshold will be applied. **For small office equipment and loose tools, these will be expensed and treated as inventories (See also section 3.3.3)**

3.2.2.2 In accordance with section 3.1 of the AMFG and in compliance with *IPSAS 17 Property, Plant and Equipment*, all costs relating to an asset that are necessarily incurred to make the asset ready for use shall be capitalized. Such costs will normally have been identified at the planning and budgeting stage for the acquisition of an asset to ensure they are properly budgeted for under correct asset account codes. These costs include:

- Purchase price/construction cost
- Cost of site preparation
- Initial delivery and handling costs
- Installation costs
- Professional fees (architects, engineers, surveyors etc.)
- Dismantling costs
- Restoration costs
- Inspection costs

Illustration – recognition of initial cost of an asset:

Ministry of Health is constructing a Health Clinic in Katakwi. It has incurred the following costs:

Description	**UGX**
Land	165,000,000
Site Clearance	8,250,000
Architect fees	20,000,000
Materials	450,000,000
Labour	150,000,000

Other costs	850,000

The cost for the clinic will be UGX 629,100,000. This includes the cost of site clearance, architect fees, materials, labour and other costs. Land will be treated as a separate asset and be valued at UGX 165,000,000. *The double entry is:*

Debit Buildings 629,100,000
Debit Land 165,000,000
Credit Bank 794,100,000

Illustration – transistion to the accrual accounting framework

During the Annual Board of Survey conducted on 30 June 2021 at MOFPED, a photocopying machine is identified but has never been entered into the asset register. The invoice for the machine is traced and the following information is collected:

Date of purchase: 1 July 2017
Price: UGX 3,600,000

The GOU policy of is to depreciate ICT and other equipment over a 5 year period on a stratight line basis.

Currently GOU uses a modified accrual accounting framework where all non-current assets are expensed but inlcuded in the asset register. Upon the Board of Survey conducted on 30th June 2021 the photopocpying machine will be recorded in the asset register as follows:

(i) Cost of Photocopying machine	UGX 3,600,000
(ii) Accumulated depreciation	UGX 2,880,000
(iii) Net Book Value	UGX 180,000

Other details of the asset will also be captured in the register in line with Section 3.3 of the AMFG.

Journal entries to be passed upon transistion to accrual accounting shall be as follows:

Debit: Assets (Photocopier) UGX 3,600,000

Credit Accumulated Depreciation UGX 2,880,000

Credit Net assets/equity UGX 720,000

The above entries shall also be passed for all assets in the asset register on the migration to accrual accounting.

Note: Under the current accounting framework (Modified accrual basis of accounting), - the above transaction would not be recorded because it was initially recorded when the machine was purchased by debiting the appropriate asset expense acccount with the total cost

3.2.2.3 For the period that GOU will be using cash basis of accounting, the IFMS will capture the non-current assets and give them separately as memorandum reports as addendum to the financial statements. As assets are being capitalized right away, they will be captured in the Fixed Assets Module (FAM) of the IFMS/GAMIS and be reported as assets in the financial statements.

3.2.2.4 The costs to be capitalized will include costs of purchase/acquisition or construction plus and any additional costs to make the asset ready for use. This is in accordance with *IPSAS 17 Property, Plant and Equipment*.

3.2.2.5 Construction costs relate to those costs including wages, materials and other costs directly incurred during the construction of the asset plus any overheads attributable to the construction of the asset. This is in compliance with the requirements of *IPSAS 15 Construction Contracts* and *IPSAS 17 Property, Plant and Equipment.*

3.2.2.6 For example, if the Ministry of Finance Planning and Economic Development (MOFPED) purchases a photocopier for UGX 9,000,000, incurs transportation costs of UGX 500,000 and installation costs of UGX 800,000. The photocopier will be recorded in the books of MOFPED at UGX 10,300,000. *The entry will be Dr Photocopier 10,300,000 and Cr Bank 10,300,000.*

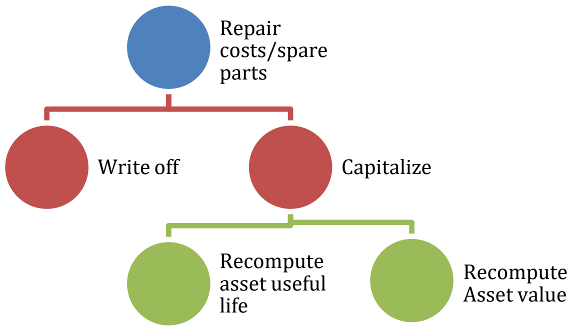
3.2.2.7 Once the asset is in use any further costs spent on it that will not increase its useful life, economic benefits or service potential must be expensed and not capitalized.

3.2.3 Expenditures subsequent to initial recognition – Treatment of major repairs and spare parts (Capitalisation versus expensing costs)

3.2.3.1 Costs incurred including restoration costs subsequent to initial recognition that are of a routine maintenance or repair nature must be expensed but repair or maintenance costs that will prolong the useful life of an asset, increase its potential future economic benefits or service potential must be capitalized. This treatment is in compliance with *IPSAS 17 Property, Plant and Equipment (Par 33)*. Accounting Officers will need to exercise judgement to decide what qualifies as repair costs or spare parts that shall be capitalized. Expert opinion where required to make an informed decision shall be sought.

3.2.3.2 Once a decision has been made, the additional costs arising from repairs or spare parts will be added to the carrying value of the asset to determine its new value. The estimated useful life of the asset will be reviewed as well in view of the additional cost and repairs. Depreciation will likewise have to be recomputed based on the value and estimated useful life of the asset.

Figure 4 – Treatment of repair costs and spare parts



3.2.3.3 The repair or spare parts costs shall be disclosed in the financial statements. The disclosure will include the nature, value and effect on the balance sheet and the statement of financial performance. This will be done by way of notes to the financial statements.

Illustration 1 – Repair of a bus involving the replacement of the engine – Accrual Accounting Framework

The cost of a new engine that is put into the school bus is an extraordinary repair and a major overhaul. This cost should be added to the cost of the bus and should be recorded in the asset register as an addition to the bus.

For example, Ministry of Health (MOH) bought a bus six years ago to transport its staff at a cost of UGX 140,000,000 and the accumulated depreciation as at 30 June 2021 was UGX 84,000,000 (net book value UGX 56,000,000 with a useful life of ten years). The engine of the bus has broken down and the cost of replacing the engine is UGX 32,000,000.

The cost of the bus should be adjusted upward and the asset register updated with the cost of the new engine to UGX 172,000,000 and be depreciated over the remaining useful life as follows:

Cost as at 30 June 2021	UGX	140,000,000
Addition; engine	UGX	32,000,000
Adjusted cost	**UGX**	**172,000,000**

Accumulated depreciation as at 30 June 2021	UGX 84,000,000
Depreciation charge after repair (172,000,000/4)	UGX 43,000,000
Accumulated depreciation as at 30 June 2022	UGX 127,000,000

Net Book Value as at 30 June 2022 (172,000,000 – 127,000,000) UGX 45,000,000

Note; Under the current accounting framework (Cash Basis), the repair cost will be expensed directly as is the case with any non-current asset

Illustration 2 – Upgrade of a Road from 4 km to 6 km

This is an 'improvement' and would need to be capitalised. However, when the 6 km road is capitalised the existing book value of the 4 km road would need to be eliminated from the asset register. No accounting entries are required under the current accounting framework (cash basis) for the elimination of the existing book value of the 4 km road.

Illustration 3 – Spares that can be used many times over, provided they are rehabilitated after each use, for example bus engines, electrical generators, and pumps. For example, replacement of an old engine (A) with a new engine (B)

These should be treated as capital assets and the asset register updated accordingly. The asset will be depreciated over its extended useful life, whereas the rehabilitated part will be depreciated over its expected duration of use. Thus, the engine taken out (A) of the asset should be fully depreciated in the asset register at the point of removal. The cost of the rehabilitation of the replacement (B) will be depreciated over the duration of use. The replaced engine (A) will be rehabilitated and then be ready to be rotated. The only accounting entries that will be required in this case will be the rehabilitation costs that are expensed as they are incurred.

3.3.1 Demolition costs

3.3.1.1 Demolition costs are usually incurred at the time that an asset is being decommissioned. Such costs, if they are provided for as part of the demolition of the old asset, shall be deducted from the proceeds of disposal of the old asset to give its net value. However, if the demolition costs are not provided for, they shall be considered as part and parcel of the site preparation for the new asset and must therefore be capitalized. Similarly, if there is a formal management commitment to demolish the old site before a new asset can be constructed, the demolition costs shall be capitalized. This treatment is in accordance with *IPSAS 17 Property, Plant and Equipment.*

3.3.2 Borrowing costs (Interest) during construction

3.3.2.1 Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

3.3.2.2 In accordance with *IPSAS 5 Borrowing Costs*, borrowing costs are generally recognized as expenses but where interest is incurred during the construction of an asset that, because of its nature, takes a long time to complete (e.g. large buildings or infrastructure projects) an entity can elect to capitalize the interest charges and the elected treatment shall be applied consistently to all interest costs attributable to such qualifying assets with long construction timeframes. Accordingly, votes shall capitalize borrowing costs for construction projects that take longer than one year to complete. Where projects are put on hold, concerned votes shall continue to capitalize the borrowing costs incurred.

3.3.2.3 Some development partners, in the loan agreements, acknowledge that interest charges shall not be expensed during construction and will allow those charges to be accrued and debited against the loan. It is suggested that interest charges shall be capitalized where they are chargeable against loan proceeds, and only for that element of interest that relates specifically to the qualifying asset (e.g. where project loans cover the non-capitalized costs of training, project implementation unit salaries etc., the interest related to these elements shall not be capitalized).

3.3.2.4 GOU will capitalize borrowing interest that relates to construction of long-term assets or that relates to long term loans. The capitalized interest will be included in the cost of the relevant assets.

Illustration – Treatment of borrowing costs under accural accounting framework
Ministry of Agricture has taken a bank loan for the construction of a water dam which will take three years to complete. The total interest on loan at the end of the three years is UGX 80 million spread across the three years. The total cost of constructing the dam (labour and material) is estimated to be UGX 1.2 billion.

Initial recognition: The total cost of the dam will be arrived at by adding the borrowing costs of UGX 80 million to the construction costs of UGX 1.2 billion; hence the dam will be measured at UGX 1.28 billion which shall constitute the carrying amount in the asset register and balance sheet of the Minsitry of Agriculture.

Current Accounting Framework: Borowing costs should be expensed accordingly but should also be capitalized and included in the asset register as part of the asset cost

3.3.3 Small office equipment and loose tools.

3.3.3.1 Small office equipment and loose tools shall include certain items which are non-current assets but with values that are not material. Examples may include things like kettles, spoons, forks, calculators, stapling machines, pen-holders, punches, paper trays, pin and staple holders, type writer etc. These assets shall not be capitalized and will be expensed directly on a/c 221012 and also treated as inventories. Accordingly, votes shall ensure that such items are properly budgeted for as expense items on the appropriate GL account code.

3.3.3.2 To prevent a risk of theft or loss of such items, office registers shall be maintained when the assets are in use.

3.3.3.3 For current assets in the form of inventories, GOU votes shall maintain separate inventory registers.

3.3.4 Assets acquired from subventions

3.3.4.1 A vote may make transfers to a subvented agency such as a public corporation for the acquisition of non-current assets. Such assets shall not be recognised and therefore will not be included in the asset register of the vote considering that they do not meet the control criteria as demonstrated under section 3.2.1.3 of these guidelines.

3.3.4.2 Section 3.3.4.1 above notwithstanding and for the purpose of full accountability and to ensure funds are utilized for the intended purpose, a vote may require a subvented agency to provide accountability for the subventions made in a manner and format determined by the Accounting Officer of the vote. Any verification and documentation provided under this section shall constitute memorandum records of a vote and therefore the assets involved will not be part of the asset holdings to be included in asset register and statement of financial position (balance sheet) of the transferring vote.

3.3.5 Individual versus Group Assets

3.3.5.1 Some assets e.g the small office equipment and loose tools referred to under section 3.3.3.1 above may have individual unit values that appear immaterial, but may have a significant value as a group (e.g. a computer network comprised of cabling, switches, servers and desktop equipment, or a computer training laboratory where individual desktop computers are relatively low value, but collectively they represent a significant asset). In such instances the assets may be grouped together and treated as a single asset with a combined value that should be capitalized. The Asset Management System shall ensure that subsidiary records are maintained to record and track the individual units.

3.3.5.2 The grouping of assets of units shall be assessed per transaction and Votes are required to recognize a group of similar individual units as a single asset (Group Asset) for capitalization and to be included in the asset register.

Example 1 - Assets are grouped:

In January X1, a vote negotiates one contract for the acquisition of 400 new chairs for 2 different departments. Two purchase orders are placed in February X1. 150 chairs are delivered and invoiced in April X1, whereas the remaining 250 chairs are delivered and invoiced in May X1 according to the terms of the purchase orders.

The 2 orders and invoices are grouped resulting into one transaction at the cost of the 400 new chairs. The depreciation begins on the first day of the month that the assets are available for use (i.e. April 1, X1 for the first lot and May 1, X1 for the second lot).

Example 2 - Assets are not grouped:

In February X2, a vote places an order for the acquisition of 200 new chairs delivered and invoiced in March X2. In April X2, the vote enters into another transaction for the acquisition of 100 new chairs delivered and invoiced in May X2.

To the extent that there are two independent transactions, they are not grouped but still these are capitalized since they meet the definition of a non-current asset. Similarly, to the previous example, the depreciation starts on the first day of the month the assets are available for use upon capitalization.

3.3.5.3 Examples of Group Assets for GOU include computers in computer laboratories, computer and printer networks in offices, surgical equipment in clinics and hospitals, mechanical tools in workshops, cleaning kits, plumbing kits etc

3.3.5.4 Group assets will be recorded in the financial statements but with a note to indicate that they comprise of a group of assets. They will be revalued at the end of each financial period to indicate the values that will be reported in the financial statements. The increase or decrease in the values of group assets will be treated in line with section 2.7(6) & (7).

3.3.5.5 As an example, a group asset had a value of UGX 11,000,000 at 30 June 2017 and a value of UGX 12,000,000 at the end at 30 June 2018. The group asset will be reported in the balance sheet at 30 June 2018 at UGX 12,000,000 and the fixed asset revaluation reserve will be increased by UGX 2,000,000 (the change in value since 30 June 2017). The change in value may consist of the appreciation or depreciation in value or additions or subtractions to the group asset during the year.

3.3.6 Donated Assets and other assets acquired in non-exchange transactions for nil or nominal consideration.

3.3.6.1 IPSAS requires that an asset be valued at cost, applicable on the date the asset was acquired. Where an asset is donated or acquired at nominal costs, the standards require it to be recorded at its fair value. Fair cost is explained as "the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction". The valuation may be based on open market value; market-based value; or depreciated replacement cost.

Asset donations (or any asset acquired in a non-exchange transaction for nil or nominal consideration) shall be recorded at a fair value to be determined at the time that the donation or asset is received in accordance with *Paragraph 10.19 Treasury Instructions 2017* and any other guidelines as may be issued by the Accountant General. Furthermore, GOU will advise its Development Partners of the minimum information it requires in respect of each donated asset, including the actual cost or estimate of fair value cost.

3.3.6.2 Once donated assets are recorded in GOU books they will be treated like any other asset.

3.3.7 Assets acquired under Lease Arrangement

3.3.7.1 A lease gives one party (the lessee) the right to use an asset over an agreed period in return to a payment to the lessor. There are two types of leases based on which party bears substantially the risks and rewards in relation to the leased asset and therfeore be considered the "economic owner' of the asset who should then inlcude it the statement of financial position.;

(a) **Finance lease**: Transfers substantially all the risks and rewards incidental to ownership of the asset from lessor to lessee. The substance of the transaction is that of actual instalments being made.

(b) **Operating lease:** does not transfers subtantially all the risks and rewards incidnetial to ownership from the lessor to lessee. The substance of the transaction constitutes an extension to a rental agreement.

3.3.7.2 The following are the key indicators and or differences to determine the classification of leases between a finance lease and an operating lease:

Fundamental elements	Finance Lease / Hire Purchase	Operating Lease
Ownership	Ownership of the asset might be transferred to the lessee at the end of the lease term.	An extended rental agreement where ownership is retained by the lessor during and after the lease term.
Lease criteria - Bargain Purchase Option	The lease has an option to buy the leased asset at the end of the lease term. It is priced in such a way that it is reasonably certain at inception that the lease will exercise the option.	The lease cannot contain a bargain purchase option.
Term	The lease term equals or exceeds 75% of the asset's estimated useful life	The lease term is less than 75 percent of the estimated economic life of the equipment
Present Value of lease payments	The present value of the lease payments equals or exceeds 90%	The present value of lease payments is less than 90 percent of the

Fundamental elements	Finance Lease / Hire Purchase	Operating Lease
	of the total original cost of the equipment.	equipment's fair market value
Risks and Benefits	Risks and benefits are transferred to lessee. Lessee pays maintenance, insurance and taxes.	Right to use only. Risk and benefits remain with lessor. Lessee pays maintenance costs
Accounting	Lease is considered as asset (leased asset) and liability (lease payments). Payments are shown in Balance sheet/Statement of Financial Position.	No risk of ownership. Payments are considered as operating expenses and shown in Profit and Loss statement/Revenue and Expenditure statement
Depreciation and direct expenses	Lessee is considered to be the owner of the equipment and therefore claims depreciation expense and interest expense	Lessee is considered to be renting the equipment and therefore the lease payment is considered to be a rental expense

3.3.7.3 Votes shall ensure **that an inventrory of all types of exsisting rents and lease contracts are maintained** and determine how each type of agreement is to be classified between an operating or a finance lease.

3.3.7.4 *Accounting treatment for Finance Lease (Hire Purchase)*

a) An asset held under a finance lease, shall be recognized as an asset, as the vote has control over such an asset even though it does not have legal title to it. The asset shall be recorded in the asset register and the corresponding liability for the lease payments will be recorded in memorandum records of the lessee.
b) The amount recognised as an asset and liability shall be the total of the principal lease payments upon acqusisition of the asset.
c) The purchase price/value of the asset shall be recorded in the asset register as the cost of the noncurrent leased asset
d) Hire Purchase (HP) installments shall be apportioned between the finance charge and the reduction of the principal outstanding. The reduction of the principal amount outstanding will be debited to the appropriate expense acccount for the asset item and the finance charge debited to the interest cost expense account.

e) The depreciation policy and rates for assets purchased under HP shall be consistent with that for owned assets.
f) Leasehold improvements should be recorded in the asset register and the cost amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Illustration – current accounting treatment : Modified Accrual Basis

The Ministry of Health (MOH) has been financed by a Bank to purchase a specialist medical equipment for the vote at a cost of UGX 120,000,000 and the total interest at the end of the 36 months (finance lease period) is UGX 36,000,000. The terms of the finance lease agreement state that the principal and interest shall be payable in monthly instalments of UGX 4,333,333.

The accounting entries shall be as follows:

At initial recognition

Capitalise the Medical Equipment in the asset register	UGX 120,000,000
Record : Deferred interest in Memorandum Records of	UGX 36,000,000
Record: Finance Lease Obligation in Memorandum Records of	UGX 156,000,000

(o/w UGX 36,000,000 relates to the deferred interest)

To record the cost of the medical equipment and the full finance lease obligation in the asset register and memorandum records accordingly. No accounting entries are to be passed in the books of account in this case.

Repayment of monthly lease instalments

Debit: Equipment expense A/C	UGX 3,333,333
Debit: interest expense A/C	UGX 1,000,000
Credit: Bank	UGX 4,333,333

Being the monthly lease repayments

Treatment under Accrual Accounting:

Debit : Equiment Asset cost A/C. **UGX 120,000,000**

Creadit: Hire Purchase laibility A/C. **UGX 120,000,000**

Repayment of monthly lease instalments

Debit: Hire Purchase Liabiity A/C	UGX 3,333,333
Debit: interest expense A/C	UGX 1,000,000
Credit: Bank	UGX 4,333,333

Being the monthly lease repayments

Additional considerations for finance leases:

1. The ownership of the medical equipment shall transfer to MOH at the end of

the lease term (at the end of 36 months).
2. The risk transfers to MOH and therefore MOH undertakes the responsibility of insuring and maintaining the equipment.
3. MOH has exclusive rights and control on the usage of the equipment.
4. The leased asset (the equipment) is specialised and only MOH can use it without major modifications.
5. MOH shall record the asset in the asset register and depreciate it over its useful life; The depreciation will be recognised in the finnacial statements.
6. As a national standard , no defferred interest expense will be recognised as the intereste expenses will be recorded upon lease payments being made
7. Lease payments to be captured in the FA module as memorandum recors clearly making a distiction between the principal and intrets amounts and indicating the stattus of the payments whether paid or not.

3.3.7.5 *Accounting treatment for Operating Lease – Lessor*

Where a vote is the lessor, assets subject to operating lease shall be recognized and presented in the statements of financial position according to the nature of the asset and in accordance of the COA asset classfication. These assets follow the same rules as the other assets of the vote of the same nature.

Lease revenue from operating leases shall be recognized as revenue on a straight-line basis over the lease term, unless there is another systematic basis that is more representative which can be used with the concurrence of the Accountant General.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease revenue.

3.3.7.6 *Accounting treatment for Operating Lease – Lessee*

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit.

Illustration

The Ministry of Health (MOH) has entered into a lease agreement with Leasing Finance Ltd Uganda for leasing a a special medical equipment for three years. The cost of the equipment is UGX 120,000,000. The lease rentals shall be payable in monthly instalments of UGX 2,000,000.

The accounting entries shall be as follows:

At initial recognition

- The asset is not capitalised in the asset register
- The asset is not recognised in the accounting records of MOH

Repayment of monthly lease rentals

Debit: Lease rentals/special medical equipment rental expenses UGX 2M

Credit: Bank	UGX 2M
Being the monthly lease rentals payments	

3.3.8 Assets acquired under exchange

3.3.8.1 There are cases where a vote may acquire some assets in exchange for some other assets like in the event of a "trade in" transaction or as a result of an insurance arrangment in settlement of an insurance claim. This can happen for instance, when old medical equipment is exchanged for a newer model or when a damaged asset is replaced by the Insurance company with a new one.

3.3.8.2 Where the assets exchanged are similar, the net book value of the asset (the medical equipment) which is exchanged should be taken, and to it the extra amount that is paid, if any, is added. If instead of an extra payment, a refund is involved, the necessary adjustment will have to be made. In case of dissimilar assets, the assets acquired should be recognized at its fair value.

3.3.8.3 Accounting Officers must ensure that all the relevant information including the condition of the asset, historical cost, number of years in use and the estimated useful lives of the assets being exchanged is ascertained.

Scenario 1: Treatment of the exchange transaction under the current accounting framework (Modified accrual accounting)

MOWT gives an old truck (UGX 40,000,000 cost, UGX 30,000,000 accumulated depreciation) for a boat (UGX 40,000,000 cost, UGX 26,000,000 accumulated depreciation). MOWT will consider the fair value of the old truck to be UGX, 14,000,000 (which is also deemed to be the fair value of the boat). Note that MOWT is ready to give up a lorry with a net book value of UGX 10,000,000 in exchange for a boat with a net book value of UGX 14,000,000 which is the consideration that MOWT gets in return for this exchange.

The asset register will be updated as follows;

(i) Remove the old truck from the register

Clear the Accumulated depreciation (truck)	UGX 30,000,000
Add: Exchange value of the Equipment (boat – fair value)	UGX 14,000,000
Clear: Cost of (old truck)	UGX 40,000,000
Record: Gain on exchange and removal of old truck from register	UGX 4,000,000

(ii) Concurrently, the register is updated with the fair value of the boat UGX 14,000,000

Being the cost of the boat recognised in exchange of the old truck

Note: In the books of account of MOWT, no accounting entries are to be passed since no payments or refunds were involved. The gain recognised in the asset register is a memorandum record only for purposes of closing and removing the old truck from the register.

Scenario 2: The exchange transaction may result into a loss

MOWT gives an old truck (UGX 40,000,000 cost, UGX.30,000,000 accumulated depreciation) for a boat (UGX 40,000,000 cost, UGX 34,000,000 accumulated depreciation). MOWT will consider the fair value of the old truck to be UGX 6,000,000 (which is also deemed to be the fair value of the boat). Note that MOWT is ready to give up a lorry with a net book value of UGX 14,000,000 in exchange for a boat with a net book value of UGX 6,000,000 which is the consideration that MOWT gets in return for this exchange.

The only difference from scenario 1 is the recognition of the loss of UGX 4,000,000 in the asset register to close and remove the old truck from the register. No accounting entries are passed by the entity under the current accounting farmework (cash basis accounting).

3.3.9 Accounting for expropriated assets

3.3.9.1 Where an asset has been expropriated it shall be measured at fair value as per section 16.5 of the Treasury Instructions.

3.3.9.2 Accounting for expropriated assets shall be determined by whether;

i. the compensation is awarded in monetary terms; or
ii. an alternative land/building is given by the government to the determination of monetary compensation

Scenario 1: Compensation is awarded in monetary terms

Suppose Uganda Land Commission (ULC) agrees with Mpoma Primary School to pay the school UGX 80,000,000 based on an independent valuation as a just compensation of land in Namanve, this transaction will be entered in the asset register and will also be accounted for as follows:

Current accounting framework (Cash Basis):

Debit: Land Expense account	UGX 80,000,000
Credit: Bank	UGX 80,000,000

(Being compensation paid in cash to Mpoma Primary School in exchange of land)

Accrual Accounting Framework:

Debit: Land account	UGX 80,000,000

Credit: Bank UGX 80,000,000
(Being compensation paid in cash to a private investor in exchange of land)

Scenario 2: An exchange of alternative land for expropriated land

Suppose that in scenario 1, ULC reached at an agreement with Mpoma Primary School that the school be compensated with an alternative land in Mukono which has been recorded in the assets register with a net book value of UGX 40,000,000 (cost: UGX 48,000,000 and accumulated depreciation: UGX 8,000,000); The asset register shall be updated as follows:

(i) Remove the Land (Mukono) from the register by;

Clear: Accumulated depreciation – Land (Mukono)	UGX 8,000,000
Clear; Cost of Land (Mukono)	UGX 48,000,000
Record: Gain on Land (Mukono)	UGX 40,000,000

(ii) Record the Land (Namanve) in the asset register UGX 80,000,000

The accounting treatment will be as follows;

Current accounting framework – cash basis:
No accounting entries are to be raised.

Accrual Accounting Framework:

Debit: Land (Namanve)	UGX 80,000,000
Debit: Accumulated depreciation (Mukono Land).	UGX 8,000,000
Credit: Cost of land (Mukono)	UGX 48,000,000
Credit: Gain on land (Mukono).	UGX 40,000,000

(Being in respect of the compensation (Mukono land) exchanged for expropriated land in Namanve)

3.4 Recognition criteria for Intangible Assets

3.4.1 An intangible asset is *"an identifiable non-monetary asset without physical substance."* in accordance with the provisions of *IPSAS 31 Intangible Assets.* GOU has intangible assets that are of value and therefore need to be safeguarded by Accounting Officers. Examples of intangible assets include purchased or in-house developed computer software or programs, trademarks and licenses for use of assets, and certain development costs (e.g the cost to develop an ERP system or a certain technology)

3.4.2 Intangible assets are of value to government. They are used for the delivery of public services and sometimes are a source of revenue to GOU. Revenues from intangible assets make up a significant part of the GOU non-tax revenues. It is therefore important that intangible assets are recognized, tracked and recorded at appropriate values.

3.4.3 Because intangible assets have no physical substance like the tangible assets, they have additional recognition conditions as follows;

3.4.3.1 It is identifiable, i.e. either it is separable (i.e. it can be sold, transferred, rented, licensed or exchanged) or it arises from legal contractual or rights; In this regard Accounting Officers shall strive to ensure that acquired and identifiable intangible assets are registered with the Uganda Registration Services Bureau (URSB) with the asset records updated accordingly with the registration number issued.

3.4.3.2 For internally generated intangible assets, only costs incurred in the development phase of an asset and which meet strict criteria are capitalised and costs incurred in the research phase (prior to achieving the development phase) as well as in the maintenance phase (after the development is completed) must be expensed

3.4.4 Currently GOU intangible assets are not recognized as assets. This will change however, as GOU has now decided to recognize all its assets. As a first point in doing this will be to identify the intangible GOU assets. These include, amongst others, the purchased computer software, licenses that have been issued out to individuals and companies to exploit or utilize GOU resources or services e.g. aircraft landing rights, radio operation licenses. When a radio company is issued a transmission license, the license to broadcast is an asset to GOU. It will generate revenue for GOU and is therefore of value.

3.4.5 All intangible assets will now have to be captured and recorded in GOU books under the Intangible Assets classifications as specified in Annex 1. The value to be attached to the Intangible Assets will be the purchase price, if they are purchased or the total expected benefits from the asset as in the case of radio transmission licenses.

3.4.6 The value of the assets in the memorandum record will be the cost or expected future benefits minus the accumulated amortization. The accumulated amortization will be the total amortization calculated on a straight-line basis between the cost or total benefits divided by the expected useful life of the intangible asset. The useful lives for Intangible assets are provided under Annex 1 of these guidelines.

3.4.7 As GOU has now moved to accrual basis of accounting, intangible assets shall be recognized as assets in the books and will be part and parcel of the GOU assets reported in its financial position and will contribute to the GOU revenue reported in its financial statements. The intangible assets will be amortized over their useful lives. The amortization expenses will be included in the annual expenses for GOU in its financial statements. Intangible assets that are non-produced assets will have indefinite useful lives and will be tested for impairment at the end of the financial year and appropriate adjustments effected when necessary.

3.4.8 Accounting Officers are required to capture and report all intangible assets that are under their charge. Once the asset meets the recognition criteria for an intangible asset, then it will be initially valued at cost.

3.4.9 Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired.

3.4.10 The amortization period and the amortization method, for an intangible asset with a finite useful life, shall be reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and shall be treated as changes in accounting estimates.

3.4.11 The **process of valuing and recording of an intangible asset** depends on whether it is purchased or internally developed;

(a) **Purchased Intangible assets**: The cost comprises its purchase price, including any import duties and other taxes (excluding recoverable amount from the taxing authorities), and any directly attributable expenditure like professional fees for legal services etc. on making the asset ready for its intended use. Any trade discounts and rebates are deducted in arriving at the cost.

(b) Internally developed intangible assets: cost will comprise all expenditure that can be directly attributed or allocated on a reasonable and consistent basis to create the asset/software for its intended use. Such costs inlcude;

- Development costs;
- Salaries, wages and other employment related costs of personnel directly engaged in developing the asset; and
- Any other expenditure that is directly attributable to generating the asset.
  However, such costs are to exclude;
- Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to making the asset ready for use;
- Clearly identified inefficiencies and initial operating losses; and
- Expenditure on training the staff to operate the asset.

Development costs must meet the following criteria to be eligible for capitalization:

- technical feasibility of completing the asset;
- intention to complete the asset and use or sell it;
- ability to sell or use the asset;
- manner in which the asset will generate probable future economic benefits or service potential;
- availability of adequate technical, financial or other resources to complete the development and to use or sell the asset;
- ability to measure the cost of the asset reliably during its development

3.4.12 Votes must ensure that appropriate evidence is kept to demonstrate that the above criteria are met when development costs are capitalized. Ability to sell the intangible asset can be demonstrated by the existence of a market for the output of the intangible asset, while ability to use it internally can be demonstrated by its usefulness to the vote.

Illustration of measurement of intagible assets at initial recognition: Website costs

A vote may incur internal expenditure on the development of a website to effectively promote and create awareness of its services with the following costs involved:

The stages of developing a website are as follows:

1. Planning (UGX 120,000,000) —includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives, and selecting preferences.
2. Application and Infrastructure Development (UGX 200,000,000) —includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications, and stress testing.
3. Graphical Design Development (UGX 80,000,000) —includes designing the appearance of web pages.
4. Content Development (UGX 160,000,000) —includes creating, purchasing, preparing, and uploading information, either textual or graphical in nature, on the website before the completion of the website's development. Out of this, the cost of producing digital photographs was UGX 20,000,000.
5. Once development of the website has been completed, the operating stage begins. During this stage, The vote maintains and enhances the applications, infrastructure, graphical design, and content of the website. The total cost at this stage is UGX 60,000,000.

Accounting treatment

Current Accounting Framework – Modified Accrual Basis

All costs relating to intangible assets are expensed

Accrual Accounting Framework

A vote shall follow IPSAS 31 requirements for the accounting treatment for Intangible Assets as follows**;**

a) Expenditure incurred at the planning/research stage (UGX 120,000,000) is recognized as an expense when it is incurred.

b) The Application and Infrastructure Development stage, the Graphical Design stage, and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote the vote's own services, will be included in the cost of a website recognized as an intangible asset when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. **In this case, the cost will be UGX 220,000,000 (UGX 80,000,000 + UGX 160,000,000 – UGX 20,000,000).**

c) Expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote the vote's own services and products (e.g., digital photographs of products), is recognized as an expense when incurred. In this case UGX 20,000,000 which is incurred as part of the operating phase.

d) The Operating/maintenance stage begins once development of a website is complete. Expenditure incurred in this stage (UGX 60,000,000) is recognized as an expense when it is incurred.

The website will be valued at a total cost of UGX 220,000,000 that will be recorded as an intagible asset under accrual accounting.

For the votes, all costs relating to the intangible assets are currently being expensed under the current accounting framework and will not be capitalized and therefore not inlcuded in the Non-current assets of the respective votes. This is because once intangible assets are expensed they cannot be capitalized later on.

3.4.13 Gains or losses arising from derecognition/disposal of an intangible asset are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is derecognised.

3.5 Financial Assets

3.5.1 The Treasury Instructions, 2017 provide a lot of detail in the treatment of transactions in financial assets and should therefore be referred to accordingly.

3.5.2 Financial assets consist of assets that represent a contractual right to receive cash in the future. Examples include:

- Currency and Deposits
- Cheques
- Loans
- Accounts Receivable
- Special Drawing Rights
- Debt Securities
- Marketable Securities
  - Bonds
  - Notes and Shares

3.5.3 Financial assets must be recorded and included in the assets register as soon as they are acquired. The assets shall be recorded at their cost value.

3.5.4 The dividends and other returns received from the financial assets shall be recorded in the books of account. An analysis of the returns from the financial assets shall be carried out to gauge the performance of the asset.

3.5.5 The financial assets ought to be valued at year end to determine the value that will be included in the annual financial statements.

3.6 Inventory and stores

3.6.1 Accounting Officers are responsible for managing inventory and stores under their control. Inventory and stores are those assets usually of a current nature that are kept by a vote for purposes of fulfilling its mandate. Inventory and stores are important components of assets. Accounting Officers must decide what inventories and stores to hold, in what quantities and how they will be replenished.

3.6.2 The inventories and stores must be verified as part of the Boards of Survey at the end of the financial year to verify their existence, location and condition.

3.6.3 Reference should be made to Section 2.3 of these guidelines for the Inventory accounting treatment with further details provided in the Inventory and stores management guidelines.

3.7 Assets Registers

3.7.1 In line with section 3.3 of the AMFG, an asset register is a comprehensive schedule of assets owned or controlled by an entity. The maintenance of asset registers by every vote shall be carried out in accordance with the AMFG to facilitate the capitalization of assets and reporting under accrual basis of accounting.

3.7.2 Well maintained asset registers shall also provide Accounting Officers with vital information that will assist in the proper accounting for assets under the accrual accounting framework. To accomplish this, it is necessary to do the following:

- Record the assets in the register with identifiable audit trail;
- Regularly reconcile the asset register with the general ledger;
- Ensure that all acquisitions and disposals are duly authorized and updated;
- The condition and status of the assets are regularly checked;
- Assets are insured where necessary and in accordance with Section 6.2 of the AMFG;
- Proper titles and evidence of ownership are securely kept

3.7.3 GOU recognizes that there are existing specialist databases of for example, infrastructure, land and vehicle assets. These databases shall continue as the primary record source for the specific asset classes with summary data available for consolidation into the GOU master asset register for inclusion in the financial statements. The existing databases may require modifications to enable reporting suitable for the financial statements.

3.8 The Fixed Assets Module (FAM)

3.8.1 Accounting Officers shall maintain a database of the assets of their vote. The primary database is the Fixed Asset Module (FAM) in the IFMS which has been rolled out to all central government votes and some local government votes.

3.8.2 This is the module of the IFMS that is used for recording the GOU fixed assets. All fixed assets acquired by a vote once the module has been activated must be entered onto the Fixed Assets Module (FAM) immediately.

3.8.3 Missions Abroad have a fixed asset module running on the Navision Software.

3.8.4 The information in the FAM will be sufficient to enable the Accounting Officers to discharge their duties towards asset accounting. Furthermore, it is a requirement that each vote shall prepare its annual financial statements that will be submitted to the Accountant General for consolidation into the annual GOU financial statements.

3.8.5 The FAM will serve as the Assets Registers for the votes. The asset data will include asset identification details, age, condition, remaining useful life, level of use and the verification of the asset's controlling entity/ ownership etc.

3.8.6 The AG shall avail and support the Accounting Officers in setting up the necessary individual FAM.

3.9 Asset ownership issues

3.9.1 At the present time information/records are not comprehensive on assets that belong to GOU. An asset identification exercise will be carried out to establish those assets that are truly owned by GOU. As a first step in this endeavour AG is coordinating the exercise to list all possible GOU assets. Once the identification exercise has ended the next step will be to establish which assets belong to GOU and to others.

3.9.2 GOU officers from AGO, DIAG, OAG and Solicitor General will verify the ownership.

3.9.3 The Assets that are identified to belong to GOU must then be recorded as such and engraved. All future assets that are acquired by GOU must similarly be recognized and engraved immediately. Disposal of GOU assets, after complying with the appropriate procedures, must be removed from GOU records.

3.9.4 Documentation must be kept to prove ownership and existence of assets e.g. titles, certificates.

3.9.5 In some situations, assets may be owned jointly, and it may be necessary to identify ownership of assets between different Ministries, Agencies, Overseas Missions, Public Corporations and Local Governments. For example, a court house belonging to the Judiciary may be situated on land belonging to a local government. It will be necessary to differentiate between the ownership of the two assets: the local government will own the land and the Judiciary will own the court house building but not the land; Recognition and recording of assets in a vote's asset register will therefore be based on legal ownership and not economic ownership. The notes to the financial statements must clearly explain the ownership of the two assets.

4 COMPLEX ASSETS

4.1 Significant components

4.1.1 Each part of an item of PPE that (1) has a useful life that is different from those of the items of PPE to which they relate and (2) has a cost that is significant in relation to the total cost of the item shall be depreciated separately. A vote must allocate the amount initially recognized in respect of an item of PPE to its significant parts and depreciate each such part separately. For example, it may be appropriate to separately depreciate the lift and the structure of a building.

4.1.2 The recognition of components is influenced by factors such as:

(a) whether the component performs a separate function; and
(b) whether the component's useful life differs from that of other components and meets the definition of a non-current asset.

4.1.3 A significant part of an item of PPE may have a useful life that is the same as the useful life of another significant part of that same item of PPE. Such parts may be grouped in determining the depreciation charge.

4.1.4 To the extent that some parts of an item of PPE are depreciated separately, the remainder of the item is also depreciated separately. The remainder consists of the parts of the item that are individually not significant. If there are varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

4.1.5 Provided the recognition criteria are satisfied, replacement or renewal of a component is accounted for as the acquisition of a separate asset and the replaced asset is written-off.

4.1.6 Where it is not possible for any Government asset management system to support the depreciation of the significant component parts of a complex asset separately, the useful life of the main component shall apply for the deprecation of the entire asset.

4.2 Replacements

4.2.1 Parts of some items of PPE may require replacement at regular intervals. For example, a road may need resurfacing every few years or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of PPE may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement.

4.2.2 Under the above recognition principles, the government entity recognizes in the carrying amount of an item of PPE the cost (or when applicable, the fair value) of replacing part of such an item when that cost is incurred if the recognition criteria are met.

4.2.3 Any assets or components of assets which are replaced as part of an upgrade or improvement program need to be removed from the asset register and any other relevant records. Any carrying amount (book value) for such assets or components would need to be written-off at that point.

5. DEPRECIATION AND ARMOTIZATION

5.1 Depreciation refers to "the systematic allocation of the depreciable value of an asset over its useful life." [3]The allocation method of the depreciable value shall reflect the pattern in which the asset's economic benefits or service potential are consumed by government. In accrual accounting depreciation is recognized as an expense that reflects the reduction of the value of an asset. In cash basis of accounting depreciation is not directly recognized in the accounting transactions and records.

5.2 All GOU assets except those specified under section 5.14 must be depreciated or amortized (in the case of intangible assets.)

5.3 The depreciation of an asset will depend on two things:

(a) The depreciable value of an asset, and
(b) The useful life of an asset.

5.4 **Annex 1** provides the useful lives of GOU assets.

5.5 GOU non-current assets shall be depreciated or amortized on **a straight-line method**. Work in progress and assets acquired under operating leases shall not be depreciated.

5.6 An asset's useful life will depend on the following:

(a) Purpose of the asset
(b) Level of use
(c) Nature and maintenance
(d) Environment (including climatic conditions)
(e) Technical or commercial obsolescence
(f) Legal or similar limits on the use of the asset

5.7 The depreciable value of an asset consists of its cost less the residual value at the end of the useful life of an asset. The residual value of an asset is normally estimated at the time that the asset is acquired in order to compute the depreciation of the asset with the residual value involving judgement and may change over time. In the case of GOU however, all assets will have no residual value for the purpose of depreciation.

5.8 The Accounting Officer will depreciate all the non-current assets under his or her charge using the straight-line method. The Accountant General will review the depreciation methods regularly to ensure that they are realistic.

[3] IPSAS 17 Property, Plant and Equipment

illustration - depreciation of a non-current asset

A motor vehicle has been purchased at UGX 60,000,000 and a residual value of UGX 5,000,000. It has an estimated useful life of 10 years. The depreciation per year will be UGX 5, 500,000. The journal entry to make in the first year will be

Dr. Depreciation (motor vehicles) – UGX 5,500,000

Cr. Accumulated Depreciation - UGX 5,500,000

Where accrual basis of accounting is utilized the depreciation expense would be set against the revenue for the year. Under cash basis of accounting depreciation expense is not recognized as it does not involve cash payments.

At the end of the second year the balance sheet under the accrual basis of accounting would show:

In assets – "Motor Vehicles" at UGX 60,000,000

In liabilities/equity – "Accumulated Depreciation" at UGX 11,000,000

The carrying value of motor vehicle would therefore be UGX 49,000,000

5.9 Sometimes assets may be depreciated to zero value but remain in operation. Such assets are still useful to GOU and need to be safeguarded and kept track of. For such assets, it will also be necessary to revalue them and review the remaining useful life and reflect the expected future economic benefits and service value over the remaining useful life.

5.10 Depreciation will not be recorded under the cash basis of accounting, but a memorandum report will be produced by each Ministry, Agency, Overseas Missions, Public Corporations and Local Governments giving its assets and their values. As GOU moves to accrual accounting appropriate depreciation rates shall be in line those provided under Annex 1.

5.11 In the case of intangible assets, the term 'amortization' shall be used instead of depreciation. Both terms have the same meaning.The period of amortization for internally developed intangible assets shall be in accordance with the depreciation rates provided under Annex 1..

5.12 Periodically the Accountant General may review the depreciation rates as may be necessary.

5.13 The capitalized and armotized amounts of intangible assets shall be included in the asset register.

5.14 The following assets shall not be subject to depreciation or amortization;

- Land; it has unlimited useful life with some exceptions, such as quarries and sites used for landfill (IPSAS 17);
- Noncurrent assets classified as held for sale or while they are part of a disposal group classified as held for sale);
- Items held under an operating lease where the operating lease payments are treated as an expense because the title of the asset does not eventually transfer to the lessee (IPSAS 13);
- Intangible assets with indefinite useful life such as patents and copyrights since they have indefinite useful lives (IPSAS 31);
- Investment property which is accounted for under the fair value model (IPSAS 16);
- Heritage and cultural assets with indefinite lives i.e. where their service potential is not expected to diminish with time or use;
- Biological assets comprising of plants and animals; they are measured at fair value IPSAS 27); and
- Assets under construction, as depreciation only begins when an asset is available for use i.e. in the location and condition necessary for it to be capable of operating in the manner intended by management (IPSAS 17);

6. ADJUSTMENTS FOR PRIOR YEARS

6.1 Prior year adjustments are changes made to comparative amounts in the financial statements to correct errors or reflect changes in accounting policies or estimates that relate to prior periods. These adjustments shall be recognised in the current period's financial statements in accordance with *IPSAS* 3 *Accounting Policies, Changes in Accounting Estimates and Errors.*

6.2 Occasionally there are changes in the status of assets due to new facts becoming available on assets or possibly due to past errors. In those situations, the values of the assets have to be adjusted to reflect the new circumstances. The impact of the changes will depend on the nature and magnitude of the change.

6.3 The change may lead to an increase or decrease in the value of the asset. Where there is an increase the value of the asset may result in the capitalization of an expense that had been previously written off. The capitalization process will follow the procedures detailed in these Guidelines. The decrease in value could mean that the asset has to be written down.

6.4 The change in the circumstances of the asset must be recorded in the Assets Register together with the reason for the change. The same shall be done in the financial statements.

6.5 The accounting treatment for prior year adjustments shall be as follows:

(a) **Correction of Errors e.g mathematical mistakes, mistakes in applying accounting policies, oversights, misinterpretation of facts or fraud:** If the prior year adjustment relates to a correction of an error in the financial statements, it is recognized as an adjustment to the balance of the reserves for the current reporting period presented. **i.e Material prior period errors shall be adjusted prospectively without the need of restating the comparative figures**.

(b) **Changes in Accounting Policies e.g depreciation policy:** If the prior year adjustment relates to a change in accounting policy, the adjustment is recognized in the balance of the reserves for the current reporting period presented, and the financial statements for subsequent periods shall be presented as if the new accounting policy had always been applied. i**.e Changes in accounting policies shall be applied prospectively.**

(c) **Changes in Estimates e.g change in provisions, useful life of an asset:** If the prior year adjustment relates to a change in accounting estimate, the adjustment is recognized in the current period's statement of financial performance. i.e recognized prospectively by including the effects in the surplus or deficit in the period that is affected (the period of the change and future periods) considering that changes in accounting estimates frequently arise as part of the normal process of measuring assets and liabilities at the reporting date.

6.6 The following illustrations are applicable for the treatment of prior year adjustments

Illustration – Adjustments for prior years

Change in accounting policy

For example, assume a Municipal council was depreciating its fixed assets using the reducing balance method and the AMFG now requires the use of the straight-line-method starting the current financial year 2022/23, the following will be the effect of the change of accounting policy on the financial statements of the Municipal Council. Assume accumulated wear and tear over the years is reduced by UGX 10m from the change in the depreciation policy.

Account item	As previously reported	Adjustment	As restated in the current FY
Accumulated Depreciation	50m	(10m)	40m
Reserves (Accumulated Funds)	500m	10	510m

In this case, the adjustment for change of accounting policy is made to the balance of the accumulated funds (Reserves) for the current period presented i.e 2022/2023 FY as well as on surplus or deficit of this period and the subsequent periods.

Correction of errors:

Assume that a municipal council discovers an error in its financial statements for the FY 2018/2019 that relates to the omission of an investment property (building) in its financial statements, the following will be the effect of the error corrected in the current financial year 2022/23;

Account item	As previously reported	Adjustment	As restated in the current FY 2022/23
Investment property	-	100m	100m

Reserves (Accumulated Funds)	500m	100m	600m

In this case, the adjustment is taken prospectively on the balance of the accumulated surplus/deficit (Reserves) in the financial statements of the current financial year 2022/23 and the subsequent periods.

Change in accounting estimates

Assume that a Municipal Council applied an estimated useful life of one its assets at 10 years. At the end of the FY 2021/22 it re-evaluates the useful life to 5 years which it emerges that it understated the accumulated depreciation by 50m previously. The following is the effect of the change in accounting estimate on the financial statements;

Account item	As previously reported	Adjustment	As restated in current FY
Accumulated deprecation	100m	50m	150m
Reserves	500m	(50)m	450m

In this case, the adjustment for the change in accounting is recognized in the current financial year statement of financial performance **by debiting the depreciation expense and crediting the accumulated depreciation by 50m without a need to restate the comparatives.**

Any changes to assets in respect of adjustments to prior years must be reported immediately to the Accountant General giving their nature and circumstances so that these may be included in the financial statements

6.7 As a disclosure requirement, Accounting Officers shall as part of their financial statements disclose information concerning the nature, the reason, and impact of changes in accounting policies and prior period errors. The nature and amount of a change in accounting estimates shall also be disclosed.

6.8 Accounting Officers are responsible for ensuring that assets are registered at their correct values. It is therefore necessary to carry out regular reviews of all classes of assets in a vote to be able to establish their correct values. The review and valuation of assets shall be carried out as prescribed under chapter 7 of these guidelines.

6.9 Accounting Officers will seek professional advice where necessary in making adjustments for prior years.

7. REVALUATION OF ASSETS

7.1 Revaluation refers to instances where the book value of an asset is formally altered in recognition of a change in its expected future economic benefits or service potential. The change in value may be a result of several factors including improved status of an asset. For example, land in a certain locality may improve in value due to installation of utility facilities nearby. Revaluation could result in positive or negative adjustment to the book value.

7.2 In order to appropriately account for and report assets of GOU it is necessary to regularly review their values to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Asset revaluations for accounting purposes shall be carried out in accordance with guidelines issued by the Accountant General pursuant to section 34(8) of the PFM Act as amended.

7.3 Subject to any guidelines issued by the Accountant General under section 7.2 above and for accounting and financial reporting purposes (this is different from the process for the valuation of assets for disposal), Accounting Officers shall constitute internal valuation teams which shall comprise of technical officers in charge of operating and managing the assets, the procurement officer who is conversant with the market prices and the accountants. The Accounting Officer may co-opt a competent authority to assist in the valuation exercise. In conducting the valuation process, the teams shall follow the criteria prescribed under section 16.15 of the Treasury Instructions, 2017.

7.4 Where internal teams are not capable to carry out the valuation, (for example in the case of complex assets) an external valuation can be carried out by a competent authority or by the use of a qualified external valuer.

7.5 The frequency of periodic revaluations shall be carried out in accordance with section 16.16 of the Treasury Instructions 2017.

7.6 Notwithstanding the provisions of section 16.16 of the Treasury Instructions 2017, Accounting Officers shall ensure that revaluations of assets are carried out in any of the following circumstances;

(a) When assets are fully depreciated and still in use with the vote continuing to derive economic benefits or service value;
(b) For assets acquired over the years and have no values;
(c) Donations acquired at nominal values or without supporting documents for their acquisition cost/ values.
(d) Where there is adequate evidence that the carrying amount of the asset differs significantly from its fair value.

7.7 For the purpose of 7.6, a Board of Survey may recommend the revaluation of assets for the consideration and action by the Accounting Officer.

7.8 The revaluation will establish changes in the expected useful life of an asset or its expected future economic benefits. The changes to the useful life of an asset or its expected economic benefits will be made to those existing on the records. The new values of the assets must be recorded in both the asset register and in the financial statements together with an explanation regarding the nature and reason for the changes in values of the assets. Depreciation will be adjusted in accordance with the new values. Accounting for the increase or decrease in the value of an asset shall be carried out as specified under section 2.7 of these guidelines.

Illustration: Accounting treatment for Revaluation under the Accrual Accounting Framework

The Accountant General's Office has photocopier which is shown in the books on 30 June 2017 as follows:

Photocopier

Cost UGX 7,500,000

Residual value - Nil

Accumulated Depreciation UGX 3,000,000

Remaining useful life 5 years

Net Book Value UGX 4,500,000

The asset is revalued on 3 July 2017 at UGX 6,000,000 (

Revaluation increase will be UGX 1,500,000 (6,000,000 – 4,500,000)

The following entries will be made:

Debit: Asset Cost - UGX 1,500,0000

Credit Fixed asset revaluation reserve - UGX 1,500,000

The revaluated asset will be depreciated over the remaining useful life at a rate of UGX 1,200,000 per year (I,e UGX 6m/5 years)

Note: Under the current accounting framework, no accounting entries are to be raised for revaluations.

7.9 The above example refers to situations where accrual basis of accounting is being implemented. Under the cash basis of accounting the revalued assets will be reported at their new revalued figures in the memorandum reports. Depreciation does not apply under the cash basis of accounting.

7.10 The revaluation may be routine based on the regularity that GOU will have chosen to review each class of assets. It could also arise from an event that may have called for a review of an asset's useful life or its expected future economic benefits e.g. invention of new equipment.

7.11 GOU requires that all its classes of assets must be revalued regularly. The relevant Accounting Officer must communicate the results of the revaluation and their effect on the asset records and accounts to the Accountant General immediately following the valuation.

8. IMPAIRMENT

8.1 Impairment means that the asset has lost its ability to deliver the expected future benefits or service potential. The loss is of an unusual nature resulting from some unforeseen event e.g. a building may lose its utility if a fire or an earthquake destroys or damages part of it.

8.2 Impairment to an asset happens when there is a decline in the future economic benefits or service potential of an asset over and above what is represented by depreciation. This usually means that the recoverable amount of the asset is less than it's carrying value. When an asset is impaired its value must be written down to a realistic figure and a loss must be recognized.

8.3 Impairment is an important event in an asset's life and must therefore be recorded in GOU books if the asset values are to remain relevant. The impairment, which is the difference between the recoverable amount of the asset and it's carrying value, shall be written off and thereafter the asset shall be recorded at its recoverable value. The Accounting Officer may have to seek professional assistance in determining the value of impairment.

8.4 Impairment is usually indicated by damage to an asset, technological obsolescence or an asset remaining idle for a long time.

8.5 The value of the impairment which is the difference between the recoverable value/service amount of the asset (which is the higher of asset's fair value less costs to sell and its value in use) and its carrying amount shall be written off to the surplus or deficit of the vote as a loss. i.e. impaired assets shall be written down to their recoverable service amounts.

8.6 Impairment will be an indication of the decline in the revenue that the vote will receive from an asset where the asset is revenue generating. It is therefore important after recognizing the impairment to revise the future revenues to be expected from an asset. The revenue flows will have an impact on future GOU revenue estimates.

8.7 Impairment shall also apply to the non-revenue generating asset which may require the vote to plan for the replacement of the asset because the impairment will probably shorten the useful life of the asset unless the condition for impairment is expected to reverse. It is therefore important when reviewing the impairment to be mindful of its impact on the asset's useful life.

8.8 Asset impairment reviews shall be carried out regularly. It is advisable that the reviews are carried out at the same time that the assets are being revalued in order to save costs.

8.9 Accounting Officers shall always be alert to possible impairment of assets under his or her control. The impairment and its treatment shall be reported immediately to the Accountant General.

8.10 Accounting Officers must immediately write off the losses arising from impairment of the asset after ascertaining the value of the impairment. The Accounting treatment is provided under section 2.7(8). After the recognition of the impairment loss, the depreciation of the asset is adjusted prospectively to distribute the asset's new carrying amount over its remaining useful life.

8.11 When an asset has been impaired, the impairment nature and its reasons shall be reported in the financial statements.

8.12 Where the condition for impairment is reversed, the value of the asset will be written back accordingly taking into account the fair value of the asset.

9. TRANSFER OF ASSETS

9.1 Transfer of an asset refers to situations where an asset is transferred from one vote to another within GOU, within a vote or from a project to a vote. A transfer may also refer to a rare occurrence when an asset is transferred from one class of an asset to another. The transfer usually does not result in the change of value of the asset.

9.2 The transfer must be properly authorized before it can take place. It must be authorized by the Accounting Officer of the transferring vote.

9.3 The receiving vote shall record the asset at its carrying value and record all the other details of the asset as specified in the asset register. The transfer shall usually not warrant change in the values of an asset unless the transfer involves expenses that warrant capitalization. If the cost of the asset is known, it will be used to record the asset. In case the cost is not known, a proxy cost will be determined and used. The proxy will be the market price or replacement value. Where it is necessary a valuer will be engaged to determine the cost of the asset. Alternatively, an asset may be valued by government accredited staff using government valuation guidelines and templates that will be developed to guide staff on the valuation of GOU assets. The vote from which the asset is transferred shall dispose of the asset from its records including the register.

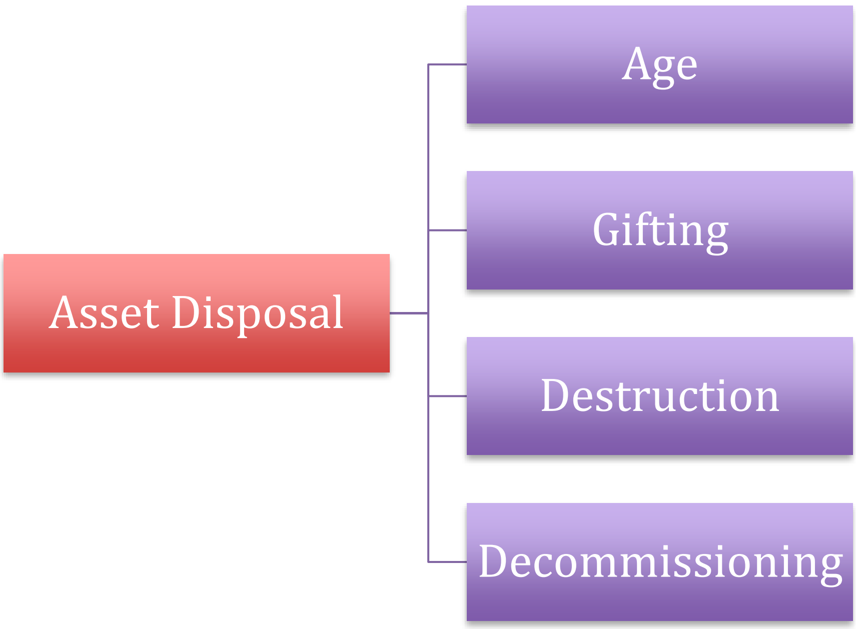
9.4 The transferring vote shall transfer all the accounting records relating to the asset to the receiving vote. The records will include all the information in the asset register as stated above. The information will also show the cost, accumulated depreciation, written down value etc. of the asset. On receipt of this information, the receiving vote will now account for the asset as its own using the information received from the transferring vote. The receiving vote shall record the asset with the same data and information received from the transferring vote.

9.5 The Accounting Officers of the donating and receiving vote shall communicate the asset transfer to the Accountant General immediately.

10. DISPOSAL OF ASSETS

10.1 Disposal of an asset occurs when an asset ceases to be recognized in the books of government due to its useful life or usage coming to an end through age, loss, gifting, decommissioning or destruction. The government therefore no longer needs to account for the asset and must remove it from the asset register.

Figure 5 – instances of asset disposal



10.2 The disposal of an asset must be properly authorized before it can take place. This must comply with the PPDA and the Treasury Instructions. The disposed of asset shall then be removed from GOU books including the asset register. Any gain or loss on disposal must be recorded as revenue or expense respectively.

10.3 A gain on the asset will occur when the disposal proceeds exceed the carrying value or written down value of the asset. **Costs incurred to sell the asset e.g. advertising and other preparation expenses to have the asset sold will be expensed and will therefore need to be budgeted for**. On the other hand, a loss occurs when the sale proceeds of the disposed of asset are less than the carrying value or written down value of the asset.

10.4 The revenue proceeds from the disposed of asset will be included in the revenue for the vote in the period in which the asset is disposed of. If the gain or loss on disposal of the asset is significant, it shall be disclosed and explained in the notes to the financial statements because it is an unusual item. The explanation will be useful to the readers of the financial statements.

10.5 Costs for preparing an asset for disposal will need to be budgeted for as recurrent/administrative expenses and debited to appropriate expenditure accounts when incurred and will not be included in the computation of gain/loss of disposal of an asset

10.6 The disposal of the asset will be removed from the books of the vote following the accounting entries specified under section 2.2.1.2 of these guidelines:

Illustration

Under the current framework – Cash basis

Disposed assets should be removed from the assets register and the disposal proceeds recognized as income (proceeds from disposal of assets).

Debit: Bank
Credit: Proceeds from disposal of assets
No accounting entries are to be passed when assets are donated , transferred or derecognized due to initial error in recording of the asset.

Under Accrual Accounting Framework

A generator is sold for UGX 8,000,000. The cost of that generator is UGX 20,000,000 and its accumulated depreciation is UGX 16,000,000.

To record the disposal of an asset:

Debit: Bank	UGX 8,000,000
Credit: Sale Proceeds (Revenue)	UGX 8,000,000

(To record derecognition of the asset and its removal from the asset register.)

Debit: Accumulated Depreciation	UGX 16,000,000
Credit: Asset	UGX 20,000,000
Debit: Sale Proceeds (different a/c to above).	UGX 8,000,000
Credit: Loss/Gain on Sale of Asset (gain)	UGX 4,000,000

(Being gain on sale of a generator)

The loss or gain is the difference between the proceeds and the carrying amount of the assets (cost less accumulated depreciation).

Note: A debit represents a loss while a credit represents a gain.

10.7 The Accounting Officer must inform the Accountant General immediately once an asset has been disposed of.

11. VERIFICATION OF ASSETS/BOARDS OF SURVEY (BOS)

11.1 Boards of Surveys (BOS) of assets will be undertaken on a regular basis in order to verify the existence of the assets of a vote.

11.2 The frequency of the asset verification procedure will be decided after considering the risk profile and materiality of each class of assets. Verification of the assets shall be done annually except for the riskier assets which would be done more regularly. Where it is deemed necessary specific verifications may be carried out on an ad hoc basis. The annual verification m be combined with asset revaluations and impairments. The Accounting Officer shall oversee the asset verification and BOS.

11.3 During BOS assets shall be sighted. Those assets that are not sighted shall be deemed not to exist and shall be written off in the year that the verification occurs. The write off, its nature and reasons thereof, shall be documented and reported to the Accountant General.

11.4 Where a vote identifies assets that require to be written off and in line with S 35 of the PFM Act 2017 (As amended), prior approval of the parliament (and in case of losses not exceeding ten million shillings that of the Minister responsible for Finance) shall be been obtained. Pending the approval of Parliament or the Minister, as the case may be, the asset carrying amount shall be written down and the asset losses involved debited to an **"asset provision account for write-off"** which will be cleared to recognize the assets losses once the necessary approval is obtained.

Illustration - For example, to write off an asset that is not sighted which has therefore been deemed to be non-existent, the following entries will be made in the books of the vote.

To close off the asset account but pending parliamentary approval of the minister responsible for finance in case of amounts not exceeding UGX 10m.

- Debit the asset provision for write off Account
- Credit the asset cost account

To close off the accumulated depreciation account

- Debit the Accumulated Depreciation Account
- Credit the asset provision for write off Account

Upon approval by Parliament or the Minister of Finance as the case may be, the following entries shall be made;

Debit: Extraordinary items(losses)

Credit: asset provision for write off Account.

11.5 The Accounting Officer shall produce an asset verification report that will be submitted to the Accountant General. The report will be used by the Accounting Officer to update the Asset Register and for reporting assets in the financial statements.

11.6 Land, buildings and infrastructure are not usually subjected to stock take. A conditional assessment of their state can be performed instead.

12. ASSETS UNDER CONSTRUCTION

12.1 *Construction* occurs where instead of procuring a completed asset GOU chooses to procure several input items that will be combined to make a complete asset. The new asset will consist of the acquired input items plus any labour and other costs incurred by government to bring the asset into a state to be operated for its intended purposes. The cost of the new asset will comprise the total of the input expenses plus any additional costs that are incurred by GOU to bring the asset into its present state of operation.

12.2 Assets under construction refer to those assets that are in the process of being erected, installed, assembled, expanded, improved or replaced; they will not have reached the stage of completion where they are recognized as assets in their own right. Because the construction will have involved substantial costs there is need to recognize these "assets in progress". The assets under construction are not very much different from the completed assets it is just that they are at a pre-completion level, the costs are incomplete, ownership may not have formally transferred from contractor to government and they do not yet contribute to service delivery.

12.3 The cost of a self-constructed asset shall be determined using the same principles as for an acquired asset. All direct and indirect production costs are capitalised. Overheads shall not be included in the cost of a self-constructed asset unless they are incremental (directly attributed to the asset). Borrowing costs for assets that take long to complete shall be capitalized and included in the cost of the asset.

12.4 It is important to recognise assets under construction because they are valuable to GOU and they will eventually become part and parcel of its stock of assets. It is therefore crucial that they are treated like other assets. The costs that have gone into their construction must be meticulously identified and consolidated so that their true value is established. Their classification, location, ownership etc. will be important as well and must be identified and monitored.

Illustration – recognition and recording of assets constructed by votes

In a case where a vote constructs an asset itself (school building, primary health clinic, etc.), the cost of construction of that building and other costs which are directly attributable should be taken into consideration in arriving at the value of the building. This means that all the material costs of construction, payments made to the various contractors, etc., should be included.

For example, the Minsitry of Agriculture completed the construction of a water dam and incurred the following expenditure:

Expenditure	**Supplier**	**UGX**
Excavation costs	Earth Movers Ltd	7,400,000

Survey costs	Kampala surveyors Limited	11,200,000
Consultancy fees	KPMG	11,000,000
Salaries and wages	Construction workers	24,000,000
Concrete and ballast	Multiurpose Limited	136,000,000
Supply of pumps	PK & Sons Limited	100,000,000
Total		**289,600,000**

Accounting treatment

Supplier	**UGX**	**UGX**
Debit: Water dam	289,600,000	
Credit: Earth Movers Ltd		7,400,000
Credit: Kampala surveyors Limited		11,200,000
Credit: KPMG		11,000,000
Credit: Construction workers		24,000,000
Credit: Multipurpose Limited		136,000,000
Credit: PK & Sons		100,000,000

Being capitalisation of costs incurred on the construction of the water dam.

Note: Under the current modified accrual accounting framework, the above costs incurred are expensed but should be capitalized and included in the asset register as Work in Progress. Upon completion the asset classification moves from Work in porgress to the appropriate asset class.

12.5 Under the cash basis of accounting it is not necessary to have detailed accounting transactions in relation to assets under construction. It will only be important to note their existence. However, under the accrual basis of accounting detailed accounting transactions must be recorded for the identification of the assets under construction. Their cost must be reported and they must be shown in the assets register and financial statements. It must be pointed out that they are work in progress and it may be necessary to give more information on the work in progress assets so that the users of financial statements are well informed about them.

12.6 The Accounting Officer will be interested to note the status of the work in progress assets in order to fulfil his or her safeguard and management roles towards assets of his or her vote. The records kept on the assets under construction will help determine whether, for example, the asset has been constructed within the budgeted resources and time.

12.7 Assets under construction over a period of time shall be reported and recorded under the “Work in Progress” asset class in GOU. They must not be depreciated until the asset is completed and available for use, where after the work- in-progress shall be appropriately capitalised as an asset. In this regard a non-depreciable group shall be created in the assets register labelled “work-in-progress” to record all the costs associated with the construction and a separate file where the certificates of completion that have been obtained from the contractor are filed for verification. The certificates may also be uploaded in the system.

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12.8 Accounting Officers shall ensure that progressive costs incurred are recorded until the assets are complete and ready for use. Maintaining detailed records for capital projects shall be vital for traceability of costs and ease of initial valuation. Where a vote undertakes a number of significant capital projects that result in different assets being constructed concurrently, the assets resulting from the complex capital projects shall be recognised separately in the assets register, for example building a stadium with many assets including roads, building and electrical assets.

Illustration – Accounting treatment for Work in Progress and completion of the work under the Accrual Accounting Framework.

A piece of land was bought for the development of an administration block for the Jinja Hospital. The project starts on 1 July 2018 and is completed on the 30 June 2021. During this time payments were made for the land at UGX 400, 000,000, professional fees at UGX 20,000,000 and building materials totalling UGX 1,200 ,000 000 spread over the three years. An elevator system was installed in the building at a cost of UGX 320,000,000 while the air conditioning system installed cost UGX 80,000,000.

The above transactions were accounted for during the project by crediting the bank and debiting work in progress as follows (note that this is a summary of all the transactions that were carried out over a period of three years that involve the individual payments to suppliers and contractors):

Debit: Appropriate expenditure budget item	UGX 2,020,000,000
Credit: Bank	UGX 2,020,000,000

(Being cash paid to individual suppliers for supply of material and services. All payments being recorded in the asset register as work in progress)

At the end of the project, the work-in-progress amounts to UGX 2,020,000,000 and the completed asset is distributed into the individual asset items in the asset register from work in progress are as follows:

(i)	Land	UGX 400,000,000
(ii)	Office building	UGX 1,220,000,000
(iii)	Elevator system	UGX 320,000,000
(iv)	Air conditioning system	UGX 80,000,000

(Being transfer of competed works from work in progress to completed assets in the asset register)

In the asset register, the completed asset should be captured in the same categories as those above, with the elevator system and air conditioning forming components of the building. Land should be recorded separately, but linked to the building built on it.

Land shall not be depreciated. Depreciation on the building and its components will only start on the 1 July 2021 in accordance with the useful lives, as per the depreciation policy specified in Section 5.5 of these guidelines . During the period of construction, no depreciation will be calculated on the work in progress. As payments are made, the cost for each component should be noted and accumulated under work in progress for the eventual transfer to the apprpriate asset class in the asset register.

13. FINANCIAL REPORTING OF ASSETS

13.1 Votes are required to produce several reports in the course of a financial year. The reports include the following:

(a) Assets divestment plan to be included in the annual budget. A template for the plan is given in **Annex 3**.

(b) An asset report to be included in the Ministerial policy Statement. The report currently includes an asset register and a vehicle utilization report in accordance with S13(15)(h) &(i) PFMA 2015. A template for the proposed report is given in **Annex 4**.

(c) At the end of each financial year every Accounting Officer is required to produce a balance sheet that includes the assets for the vote in accordance with S 51 & Schedule 5 (2) of the PFMA 2015. A template for the statement of the assets is given in **Annex 5**.

13.2 Upon the transition to the IPSAS accrual accounting framework and in line with section 2.9 of these guidelines, votes shall prepare reports/schedules in **Annex 6** for the disclosure notes required in support of the balances of the non-current assets included in the entity’s statement of financial position (balance sheet).

14. SPECIAL CLASSES OF ASSETS

14.1 Service concession assets

14.1.1 Introduction

14.1.1.1 The Government of Uganda (GoU) considers that private sector can play a pivotal role in supporting the accelerated delivery of strategic national investments via Public Private Partnerships (PPPs). PPPs can benefit the economy by providing quality infrastructure services and help in attaining GoU's goals in Vision 2040 and the Third National Development Programme (NDP III).

14.1.1.2 Service concession assets may arise out of Service Concession Arrangements and Public Private Partnerships and this section provides guidance on the recording, accounting, and reporting on the assets arising out of contracts for such arrangements in the government financial statements.

14.1.2 Typical Features of Service Concession Arrangements

14.1.2.1 The typical features of service concession arrangements shall include.

(a) The grantor is a public entity (vote);
(b) The operator is responsible for at least some of the management of the service concession asset and related services and does not merely act as an agent on behalf of the government;
(c) The arrangement sets the initial prices to be levied by the operator and regulates price revisions over the period of the service concession arrangement;
(d) The operator is obliged to hand over the service concession asset to the government in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it; and
(e) The arrangement is governed by a binding arrangement that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes.

14.1.2.2 The different types of service concession arrangement shall include;

(a) **"build-operate-transfer" arrangement**. Under this type of arrangement, an operator constructs the infrastructure to be used to provide a public service, and it operates and maintains that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. A contract sets out performance standards, pricing mechanisms, and arrangements for arbitrating disputes.

(b) **"rehabilitate-operate-transfer" arrangement**. In this case, the operator may upgrade the existing infrastructure and maintain and operate the upgraded infrastructure.

14.1.2.3 Outsourcing the operation of an entity's internal services (e.g., employee restaurant, building maintenance, accounting, or IT functions) shall not constitute a service concession arrangement.

14.1.2.4 Service concession arrangements may apply to a broad range of concession arrangements, such as contracts for the:

(a) Road and water treatment concession arrangements
(b) Provision of transport services;
(c) Construction and operation of waste treatment plants;
(d) Provision of public airport services;
(e) Construction and maintenance of hospitals;
(f) Generation of renewable energy;
(g) Production of electricity; and
(h) Construction and operation of public transport systems, schools, prisons etc.

14.1.3 Recognition of a Service Concession Asset by a vote

14.1.3.1 A vote shall recognize an asset as a service concession asset (and therefore included in the asset register) and the related liability if the following conditions are met:

(a) The vote controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
(b) The vote controls—through ownership, beneficial entitlement or otherwise— any significant residual interest in the asset at the end of the term of the arrangement. For a "whole-of-life" asset, only the conditions under sub- paragraph 14.1.3.1(a) above need to be met. Only assets provided by the operator (existing asset of the operator, constructed or developed, purchased or an upgrade to an existing asset of the government) are recognized. Existing assets of the government (other than upgrades thereto) used in a service concession arrangement are reclassified as service concession assets—no additional asset and related liability are recognized in such cases.
(c) If the conditions for asset recognition of the PPEs and intangible assets are also met.

14.1.4 Treatment of the Liability

14.1.4.1 The type of liability a vote shall recognize in respect of service concession arrangements shall depend on how the entity compensates the operator.

14.1.4.2 The vote may compensate the operator for the construction, development, acquisition, or upgrade of a service concession asset and service provision **by making a predetermined series of payments** to the operator. In this case the liability will **be treated as a financial liability**.

14.1.4.3 It may also be possible for the vote to compensate the operator for the construction, development, acquisition, or upgrade of a service concession asset **by granting the operator the right to earn revenue from third-party users of the service concession asset or another revenue-generating asset**. This shall constitute an exchange transaction that involves dissimilar assets (a service concession asset for the government and an intangible asset for the operator) that gives rise to revenue for the vote.

14.1.4.4 However, as the service concession arrangement covers a period of time, the vote shall not recognize the revenue immediately.

14.1.4.5 The vote shall recognize` a liability for any portion of the revenue that is not yet earned.

14.1.5 Recording and accounting of transactions in respect of service concession arrangements – current accounting framework.

14.1.5.1 No accrual accounting entries shall be raised in respect of service concession assets and the related liabilities until such a time when the government implements the full accrual IPSAS framework, in which case IPSAS 32; Service concession arrangements - Grantor shall apply.

14.1.5.2 The service concession assets shall however be recorded in the fixed asset register and a corresponding liability captured in an appropriate memorandum record by the concerned vote against which future payments shall be allocated to reduce the liability.

14.1.6 Disclosures of service concession agreements to be included in the financial statements of vote.

14.1.6.1 Regardless of the basis of accounting, the following shall be disclosed by way of notes to the accounts of a vote in respect of service concession arrangements:

(a) Full description of the arrangement
(b) Parties to the PPP including operator, grantor and grantee;
(c) Duration of the PPP;
(d) Investment value of the PPP including cash flows over the duration, outstanding financial liability;
(e) Conditions; and

(f) Changes in the arrangement occurring in the reporting period.

14.1.7 Accounting procedures for the recording of transactions relating to service concession agreements/PPP contracts – current accounting framework.

14.1.7.1 The following procedures shall apply in the recording of the concession assets and corresponding financial liabilities in the memorandum records of a vote:

(a) Ensure proper documentation of all service concession agreements/contracts.
(b) Record the concession assets in the fixed asset register;
(c) Record corresponding liability in appropriate memorandum records to be updated by future payments to reduce the liability.
(d) From the concession agreements determine ways of compensating the operator for using the concession asset.
(e) To make payments to the operator using the "financial liability model";
- Raise payment vouchers/orders to effect payment by debiting appropriate expenditure item and crediting Cash/Bank; and
- Simultaneously update the liability memorandum accounts with the payments made.

(f) To grant the operator access to revenue (Grant of right to the Operator Model) – generating asset for the operator's use:
- Update memorandum records with the revenue generated by the service concession; and
- Simultaneously update the liability memorandum accounts with the revenue generated to adjust the liability.

(g) For the combination of the Financial Liability Model and Grant of a Right to the Operator Model (that is, compensating the operator partly by making the payment and partly by the grant of a right to the operator, the procedures in each of the models shall apply.
(h) For upgrade of the existing asset, reclassify the asset and update the fixed asset register.

14.1.8 Accounting treatment for service concession agreements/PPP contracts – accrual accounting framework

14.1.8.1 Service concession assets are measured initially at fair value. In particular, fair value is used to determine the cost of a constructed or developed service concession asset or the cost of any upgrades to existing assets, on initial recognition. After initial recognition or reclassification, service concession assets are accounted for as a separate class of assets as Property, plant & equipment or intangible asset as appropriate.

14.1.8.2 On reclassification the original service concession asset is measured at its fair value and any difference between its fair value and its book value is recognised in the Statement of Financial Performance.

14.1.8.3 If the terms of the arrangement require the Government to compensate the operator for the concession asset by making payments (either through a financial liability model or Grant of a Right to the Operator Model) and the payments are separable between the asset and service portions of the payment then the fair value of the original service concession asset is the sum total of the asset portion of the payments.

14.1.8.4 The following entries shall be passed on reclassification of asset from other PPE asset categories to a service concession asset and upon the signing and enforcement of a service concession agreement:

(a) Payments made to the operator arrangement:

Upon signing of the service concession agreements

Debit: Service concession **asset (reclassified from other PPE category)**

Debit/Credit: Difference between carrying amount and the total principal payments under the service concession arrangement (recognised in the statement of financial performance)

Credit: Liability Account (Operators name)

As payments are made to the operator

Debit: Liability Account (Operators name)

Credit: Bank

(b) Operator granted right to access of revenue

Debit: Service concession **asset (reclassified from another PPE category)**

Debit/Credit: Difference between carrying amount and the total principal payments under the service concession arrangement (recognised in the statement of financial performance)

Credit: **Liability (**Operators name)

As revenue is received by Operator;

Debit: Liability

Credit: Revenue

14.2 Investment properties

14.2.1 Investment property shall comprise land or buildings (or parts of buildings) or both held by government entities, as the owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Recognition criteria for investment properties are similar to those for property, plant and equipment.

14.2.2 Investment property are recorded in the assets register in the same manner as other assets, but the assets register should be able to distinguish them and identify them as such.

14.2.3 Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

14.2.4 Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are not depreciated.

14.2.5 Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

14.2.6 The following disclosures are to be made:

(a) A reconciliation – relating to that investment property separately – of the carrying amount at the beginning and end of the period
(b) A description of the investment property
(c) Whether fair value or cost model is applied.
(d) An explanation of why fair value cannot be determined reliably
(e) If possible, the range of estimates within which fair value is highly likely to lie
(f) On disposal of investment property not carried at fair value

14.3 Heritage Assets

14.3.1 Heritage assets refer to assets of a historical, environment or cultural nature[4]. The assets are valued because of their unique features and are not usually held for sale. It is not usually necessary to attach a value to them because they do not have a market and some of them are irreplaceable. Examples include historical sites, nature reserves, museums, historical paintings, historical buildings, monuments etc. It is however, important that these assets are recorded and kept track of by GOU.

14.3.2 The value attached to Heritage assets will vary from case to case. It is unusual to value them in the traditional sense unless they have been purchased and additionally their expected economic benefits are not readily available as some of them may last indefinitely. It may suffice to just keep a record of heritage assets at a nominal value for purposes of identifying and tracking them. However, where heritage assets generate revenue through having a service potential a value shall be attached to them based on their service potential like any other property, plant or equipment.

14.3.3 Generally, heritage assets shall not be depreciated unless they have economic future benefits that can be reliably measured. A historical building may be rented out for example. In this case benefits are gotten from the building. If the building has an estimated life span, its cost may be distributed over its lifespan to match the cost of the building with the revenues to be derived from it.

14.3.4 IPSAS 17 does not require the disclosure of heritage assets but leaves the decision to the reporting entity's discretion. However, where heritage assets are recognized, the provisions of IPSAS 17 shall be applied.

14.3.5 In view of the difficulty in assessing fair values for many heritage assets and the likelihood that those values will never be realized, it is suggested that recognizing heritage assets in the financial statements will not be considered a priority (although comprehensive inventories of such assets will remain an essential tool for management and stewardship) by GOU. Heritage asset shall therefore be recognized in the financial statements if their value can be determined reliably.

[4] IPSAS 17 Property, Plant and Equipment

14.4 Libraries

14.4.1 GOU has several libraries where a collection of books and manuscripts are kept for research, educational and training services. Libraries hold important and valuable assets that shall be recognized, safeguarded and reported by GOU.

14.4.2 Libraries refer to the structures where the books and documents are kept. Libraries are of value because of their services to the community. Library services are generally free or charge a nominal fee. For this reason, libraries shall be recorded for purposes of acknowledging their existence and not as a store of value. Libraries shall therefore be recorded at nominal value and shall not be subjected to depreciation.

14.4.3 Books are valuable assets but because of their large numbers, it is not practicable to keep track of each individual book. It will therefore suffice to have a stock inventory of various types of books. You could have a stock record of each category of books e.g. reference, training and textbooks. The Accounting Officer will review the stock from time to time to ensure that the books are safeguarded. The books will not need to be depreciated. They will not be reported in the financial statements either.

14.4.4 Libraries and books have been recognized as a separate class of asset for GOU

14.5 Biological Assets

14.5.1 Biological assets refer to those assets of a biological nature like animals and plants. GOU owns several biological assets that include ranches, fish farms and forests. This excludes those used for research, education, transportation, entertainment, recreation, customs control or in any other activities that are not agricultural activities. GOU needs to account for these assets for reporting and management purposes. Votes shall recognise a biological asset or agricultural produce when and only when:

(a) The vote controls the asset as a result of past events;
(b) It is probable that future economic benefits or service potential associated with the asset will flow to the vote; and
(c) The fair value or cost of the asset can be measured reliably

14.5.2 In regard to reporting, the biological assets are valuable and shall therefore be shown in the GOU books. Some of the assets do not have obvious expected future benefits. Such assets include natural forest reserves that will not be sold or rented out. The natural forest reserve will be reported in GOU books at nominal value just for purposes of keeping a track of it by GOU.

14.5.3 On the other hand, GOU may own a ranch or a fish farm. The ranch or fish farm will generate revenue for GOU. In that case GOU needs to recognize them as assets in its books. The value at which they will be recorded will be in accordance with *IPSAS 27 Agriculture.*

14.5.4 IPSAS 27 requires that biological assets be recorded in the first instance at their cost of acquisition and subsequently at their fair value at each of the subsequent reporting dates. Any changes in the fair value of the biological assets will be taken directly to surpluses or deficits.

15. *Annex 1 – Classes of Assets[5] and their useful lives*

#	Asset Class (Major)	Asset Sub-class (Minor 1)	Asset Sub-sub-class (Minor 2)	Depreciate (Yes/No?)	Depreciation Method	Economic life for Depreciation in Years	Salvage Value
1	BUILDINGS AND STRUCTURES	STRUCTURES	ROADS AND BRIDGES	Yes	STL	25	0
2	BUILDINGS AND STRUCTURES	STRUCTURES	AIRPORTS AND AIRFIELDS	Yes	STL	25	0
3	BUILDINGS AND STRUCTURES	STRUCTURES	RAILWAYS AND SUBWAYS	Yes	STL	50	0
4	BUILDINGS AND STRUCTURES	STRUCTURES	OIL PIPELINES RESERVOIRS	Yes	STL	50	0
5	BUILDINGS AND STRUCTURES	STRUCTURES	WATER SUPPLY SYSTEMS	Yes	STL	33.3	0
6	BUILDINGS AND STRUCTURES	STRUCTURES	POWER LINES STATIONS PLANTS	Yes	STL	20	0
7	BUILDINGS AND STRUCTURES	STRUCTURES	ICT NETWORK LINES	Yes	STL	20	0
8	BUILDINGS AND STRUCTURES	STRUCTURES	OTHER STRUCTURES	Yes	STL	20	0
9	BUILDINGS AND STRUCTURES	DWELLINGS	RESIDENTIAL BUILDINGS	Yes	STL	50	0
10	BUILDINGS AND STRUCTURES	DWELLINGS	OTHER DWELLINGS	Yes	STL	50	0
11	BUILDINGS AND STRUCTURES	BUILDINGS OTHER THAN DWELLINGS	NON RESIDENTIAL BUILDINGS	Yes	STL	50	0
12	BUILDINGS AND STRUCTURES	BUILDINGS OTHER THAN DWELLINGS	BUILDINGS OTHER THAN DWELLINGS	Yes	STL	50	0
13	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	HEAVY VEHICLES	Yes	STL	10	0
14	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	LIGHT VEHICLES	Yes	STL	5	0
15	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	WATER VESSELS	Yes	STL	10	0
16	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	AIRCRAFTS	Yes	STL	20	0
17	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	TRAIN ENGINES AND WAGONS	Yes	STL	30	0
18	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	CYCLES	Yes	STL	5	0
19	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	OTHER TRANSPORT EQUIPMENT	Yes	STL	5	0
20	MACHINERY AND EQUIPMENT	ICT EQUIPMENT	LIGHT ICT HARDWARE	Yes	STL	5	0
21	MACHINERY AND EQUIPMENT	ICT EQUIPMENT	HEAVY ICT HARDWARE	Yes	STL	5	0
22	MACHINERY AND EQUIPMENT	ICT EQUIPMENT	TELEVISION RADIO TRANSMITTER	Yes	STL	5	0
23	MACHINERY AND EQUIPMENT	ICT EQUIPMENT	OTHER ICT EQUIPMENT	Yes	STL	5	0
24	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	OFFICE EQUIPMENT	Yes	STL	5	0
25	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	ELECTRICAL MACHINERY	Yes	STL	5	0
26	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	MED LAB RESEARCH APPLIANCES	Yes	STL	5	0
27	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	PRECISION OPTICAL INSTRUMENTS	Yes	STL	5	0
28	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	FURNITURE AND FITTINGS	Yes	STL	5	0
29	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	MUSICAL INSTRUMENTS	Yes	STL	5	0
30	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	SPORTS EQUIPMENT	Yes	STL	5	0
31	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	ROAD FURNITURE	Yes	STL	5	0
32	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	PLANT MACHINERY	Yes	STL	10	0
33	WEAPONS SYSTEMS	CLASSIFIED ASSETS	CLASSIFIED ASSETS	No	STL	10	0

[5] *The new asset classes are up to the level of minor 3 (asset sub-sub-sub classes) which is the level of the item master provided separately.*

#	Asset Class (Major)	Asset Sub-class (Minor 1)	Asset Sub-sub-class (Minor 2)	Depreciate (Yes/No?)	Depreciation Method	Economic life for Depreciation in Years	Salvage Value
34	WEAPONS SYSTEMS	NON-CLASSIFIED	NON-CLASSIFIED	N/A	N/A	N/A	N/A
35	OTHER FIXED ASSETS	BIOLOGICAL ASSETS	CULTIVATED ANIMALS	No	STL	5	0
36	OTHER FIXED ASSETS	BIOLOGICAL ASSETS	CULTIVATED PLANTS	No	STL	5	0
37	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY PRODUCTS	RESEARCH AND DEVELOPMENT	Yes	STL	5	0
38	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY PRODUCTS	MINERAL EXPLORATIO EVALUATION	Yes	STL	5	0
39	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY PRODUCTS	COMPUTER SOFTWARE	Yes	STL	5	0
40	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY PRODUCTS	COMPUTER DATABASES	Yes	STL	5	0
41	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY PRODUCTS	ENT LIT ARTISTIC ORIGINALS	Yes	STL	5	0
42	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY RIGHTS	COPY RIGHT NEIGHBOURING RIGHTS	Yes	STL	5	0
43	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY RIGHTS	PATENTS OR UTILITY MODEL	Yes	STL	5	0
44	OTHER FIXED ASSETS	INTELLECTUAL PROPERTY RIGHTS	TRADE SECRETS	Yes	STL	5	0
45	OTHER FIXED ASSETS	GOODWILL AND MARKETING ASSETS	GOODWILL AND MARKETING ASSETS	Yes	STL	5	0
46	OTHER FIXED ASSETS	GOODWILL AND MARKETING ASSETS	OTHER INTELLECTUAL PROPERTY PR	Yes	STL	5	0
47	VALUABLES	VALUABLES	NATIONAL TREASURES	Yes	STL	50	0
48	MINERALS AND ENERGY RESOURCES	MINERALS AND ENERGY RESOURCES	MINERALS	No	N/A	5	N/A
49	MINERALS AND ENERGY RESOURCES	MINERALS AND ENERGY RESOURCES	OIL AND NATURAL GAS	No	N/A	5	N/A
50	MINERALS AND ENERGY RESOURCES	MINERALS AND ENERGY RESOURCES	ENERGY RESOURCES	No	N/A	5	0
51	MINERALS AND ENERGY RESOURCES	MINERALS AND ENERGY RESOURCES	OTHER MINERAL AND ENERGY RESOU	No	N/A	5	0
52	LAND	LAND	LAND	No	N/A	50	0
53	NATURALLY OCCURRING ASSETS	NON CULTIVATED BIOLOGICAL	WILD ANIMALS	No	N/A	5	0
54	NATURALLY OCCURRING ASSETS	NON CULTIVATED BIOLOGICAL	PLANTS	No	N/A	5	0
55	NATURALLY OCCURRING ASSETS	WATER RESOURCES	LAKES	No	N/A	5	0
56	NATURALLY OCCURRING ASSETS	WATER RESOURCES	RIVERS AND STEAMS	No	N/A	50	0
57	NATURALLY OCCURRING ASSETS	WATER RESOURCES	SWAMPS AND WETLANDS	No	N/A	5	0
58	NATURALLY OCCURRING ASSETS	WATER RESOURCES	OTHER WATER RESOURCES	No	N/A	5	0
59	NATURALLY OCCURRING ASSETS	AIRSPACE	RADIO SPECTRUM	No	N/A	5	0
60	NATURALLY OCCURRING ASSETS	AIRSPACE	AVIATION AIRSPACE	No	N/A	5	0
61	NATURALLY OCCURRING ASSETS	NON CULTIVATED NON BIOLOGICAL	MOUNTAINS AND ROCKS	No	N/A	50	0
62	NATURALLY OCCURRING ASSETS	NON CULTIVATED NON BIOLOGICAL	OTHER NATURAL RESOURCES	No	N/A	5	0
63	INTANGIBLE ASSETS	INTANGIBLE ASSETS	MARKETABLE OPERATING LEASES	No	N/A	5	0
64	INTANGIBLE ASSETS	INTANGIBLE ASSETS	PERMITS NATURAL RESOURCES	No	N/A	5	0
65	INTANGIBLE ASSETS	INTANGIBLE ASSETS	SPECIAL PERMITS	No	N/A	5	0
66	INTANGIBLE ASSETS	INTANGIBLE ASSETS	FUTURE ENTITLEMENTS	No	N/A	5	0
67	INTANGIBLE ASSETS	INTANGIBLE ASSETS	GOODWILL AND MARKETING ASSETS	No	N/A	5	0
68	INTANGIBLE ASSETS	INTANGIBLE ASSETS	OTHER INTELLECTUAL PROP PDTS	No	N/A	50	

16. Annex 2 - Chart of Accounts Asset Classification

Assets Summary

3	**ASSET SUMMARY**
31	**Fixed Assets**
311	**Stock / Value Of Produced Assets**
312	**Acquisition / Budgeting of Produced Assets**
313	**Major Overhaul/Improvement of produced Assets**
314	**Acquisition of produced Assets on Merger /Transfer/Donation**

Buildings And Structures

Dwellings

311111 Residential Buildings - Stock
312111 Residential Buildings - Acquisition
313111 Residential Buildings - Improvement
314111 Residential Buildings - Transfer

311119 Other Dwellings – Stock
312119 Other Dwellings - Acquisition
313119 Other Dwellings - Improvement
314119 Other Dwellings - Transfer

Buildings other than dwellings

311121 Non-Residential Buildings - Stock
312121 Non-Residential Buildings - Acquisition
313121 Non-Residential Buildings - Improvement
314121 Non-Residential Buildings - Transfer

311129 Other Buildings other than dwellings - Stock
312129 Other Buildings other than dwellings - Acquisition
313129 Other Buildings other than dwellings - Improvement
314129 Other Buildings other than dwellings - Transfer

Structures

311131 Roads and Bridges - Stock
312131 Roads and Bridges - Acquisition
313131 Roads and Bridges - Improvement
314131 Roads and Bridges - Transfer

311132 Airports and Airfields - Stock
312132 Airports and Airfields - Acquisition
313132 Airports and Airfields - Improvement

314132 Airports and Airfields - Transfer

311133 Railways and subways - Stock
312133 Railways and subways - Acquisition
313133 Railways and subways - Improvement
314133 Railways and subways - Transfer

311134 Oil Pipelines & reservoirs - Stock
312134 Oil Pipelines & reservoirs - Acquisition
313134 Oil Pipelines & reservoirs - Improvement
314134 Oil Pipelines & reservoirs - Transfer

311135 Water Plants, pipelines and sewerage networks - Stock
312135 Water Plants, pipelines and sewerage networks - Acquisition
313135 Water Plants, pipelines and sewerage networks - Improvement
314135 Water Plants, pipelines and sewerage networks - Transfer

311136 Power lines, stations and plants - Stock
312136 Power lines, stations and plants - Acquisition
313136 Power lines, stations and plants - Improvement
314136 Power lines, stations and plants - Transfer

311137 Information Communication Technology network lines - Stock
312137 Information Communication Technology network lines - Acquisition
313137 Information Communication Technology network lines - Improvement
314137 Information Communication Technology network lines - Transfer

311139 Other Structures - Stock
312139 Other Structures - Acquisition
313139 Other Structures - Improvement
314139 Other Structures - Transfer

Land Improvements

311141 Irrigation and drainage Channels - Stock
312141 Irrigation and drainage Channels - Acquisition
313141 Irrigation and drainage Channels - Improvement
314141 Irrigation and drainage Channels - Transfer

311142 Flood barriers - Stock
312142 Flood barriers - Acquisition
313142 Flood barriers - Improvement
314142 Flood barriers - Transfer

311149 Other Land Improvements - Stock
312149 Other Land Improvements - Acquisition
313149 Other Land Improvements - Improvement

314149 Other Land Improvements - Transfer

Machinery And Equipment

Transport equipment

311211 Heavy Vehicles - Stock
312211 Heavy Vehicles - Acquisition
313211 Heavy Vehicles - Improvement
314211 Heavy Vehicles - Transfer

311212 Light Vehicles - Stock
312212 Light Vehicles - Acquisition
313212 Light Vehicles - Improvement
314212 Light Vehicles - Transfer

311213 Water Vessels - Stock
312213 Water Vessels - Acquisition
313213 Water Vessels - Improvement
314213 Water Vessels - Transfer

311214 Aircrafts - Stock
312214 Aircrafts - Acquisition
313214 Aircrafts - Improvement
314214 Aircrafts - Transfer

311215 Train Engines and Wagons - Stock
312215 Train Engines and Wagons - Acquisition
313215 Train Engines and Wagons - Improvement
314215 Train Engines and Wagons - Transfer

311216 Cycles - Stock
312216 Cycles - Acquisition
313216 Cycles - Improvement
314216 Cycles - Transfer

311219 Other Transport equipment - Stock
312219 Other Transport equipment - Acquisition
313219 Other Transport equipment - Improvement
314219 Other Transport equipment - Transfer

Information, Computer and Telecommunications Equipment

311221 Light ICT hardware - Stock
312221 Light ICT hardware - Acquisition
313221 Light ICT hardware - Improvement
314221 Light ICT hardware - Transfer

311222 Heavy ICT hardware - Stock
312222 Heavy ICT hardware - Acquisition
313222 Heavy ICT hardware - Improvement
314222 Heavy ICT hardware - Transfer

311223 Television and radio transmitters - Stock
312223 Television and radio transmitters - Acquisition
313223 Television and radio transmitters - Improvement
314223 Television and radio transmitter - Transfers

311229 Other ICT Equipment - Stock
312229 Other ICT Equipment - Acquisition
313229 Other ICT Equipment - Improvement
314229 Other ICT Equipment - Transfer

Other Machinery and equipment (other than Transport or ICT Equipment)

311231 Office Equipment - Stock
312231 Office Equipment - Acquisition
313231 Office Equipment - Improvement
314231 Office Equipment - Transfer

311232 Electrical machinery - Stock
312232 Electrical machinery - Acquisition
313232 Electrical machinery - Improvement
314232 Electrical machinery - Transfer

311233 Medical, Laboratory and Research & appliances - Stock
312233 Medical, Laboratory and Research & appliances - Acquisition
313233 Medical, Laboratory and Research & appliances - Improvement
314233 Medical, Laboratory and Research & appliances - Transfer

311234 Precision and optical instruments - Stock
312234 Precision and optical instruments - Acquisition
313234 Precision and optical instruments - Improvement
314234 Precision and optical instruments - Transfer

311235 Furniture and Fittings - Stock
312235 Furniture and Fittings - Acquisition
313235 Furniture and Fittings - Improvement
314235 Furniture and Fittings - Transfer

311236 Musical instruments - Stock
312236 Musical instruments - Acquisition
313236 Musical instruments - Improvement
314236 Musical instruments - Transfer

311237 Sports Equipment - Stock
312237 Sports Equipment - Acquisition
313237 Sports Equipment - Improvement
314237 Sports Equipment - Transfer

311238 Road Furniture - Stock
312238 Road Furniture - Acquisition
313238 Road Furniture - Improvement
314238 Road Furniture - Transfer

311239 Plant Machinery - Stock
312239 Plant Machinery - Acquisition
313239 Plant Machinery - Improvement
314239 Plant Machinery - Transfer

Weapon's Systems

Classified Assets

311311 Classified Assets - Stock
312311 Classified Assets - Acquisition
313311 –
314311 Classified Assets - Transfer

Non Classified

311321 Non Classified - Stock
312321 Non Classified - Acquisition
313321 Non Classified - Improvement
314321 Non Classified - Transfer

Other Fixed Assets

Biological Assets

311411 Cultivated Animals - Stock
312411 Cultivated Animals - Acquisition
313411 Cultivated Animals - Improvement
314411 Cultivated Animals - Transfer

311412 Cultivated Plants - Stock
312412 Cultivated Plants - Acquisition
313412 Cultivated Plants - Improvement
314412 Cultivated Plants - Transfer

Intellectual Property products

311421 Research and Development - Stock

312421 Research and Development - Acquisition
313421 Research and Development - Improvement
314421 Research and Development - Transfer

311422 Mineral Exploration and Evaluation - Stock
312422 Mineral Exploration and Evaluation - Acquisition
313422 Mineral Exploration and Evaluation - Improvement
314422 Mineral Exploration and Evaluation - Transfer

311423 Computer Software - Stock
312423 Computer Software - Acquisition
313423 Computer Software - Improvement
314423 Computer Software - Transfer

311424 Computer databases - Stock
312424 Computer databases - Acquisition
313424 Computer databases - Improvement
314424 Computer databases - Transfer

311425 Entertainment, Literary and Artistic Originals- Stock
312425 Entertainment, Literary and Artistic Originals - Acquisition
313425 Entertainment, Literary and Artistic Originals - Improvement
314425 Entertainment, Literary and Artistic Originals - Transfer

Intellectual Property Rights

311431 Copy Rights and Neighboring Rights - Stock
312431 Copy Rights and Neighboring Rights - Acquisition
313431 Copy Rights and Neighboring Rights - Improvement
314431 Copy Rights and Neighboring Rights - Transfer

311432 Patents / Utility Modes - Stock
312432 Patents / Utility Modes - Acquisition
313432 Patents / Utility Modes - Improvement
314432 Patents / Utility Modes - Transfer

311433 Trade Secrets - Stock
312433 Trade Secrets - Acquisition
313433 Trade Secrets - Improvement
314433 Trade Secrets - Transfer

Goodwill and marketing assets

311441 Goodwill and marketing assets - Stock
312441 Goodwill and marketing assets - Acquisition
313441 Goodwill and marketing assets - Improvement
314441 Goodwill and marketing assets - Transfer

311449 Other Intellectual Property products - Stock
312449 Other Intellectual Property products - Acquisition
313449 Other Intellectual Property products - Improvement
314449 Other Intellectual Property products - Transfer

32 Inventories (Stock And Stores)
321 Inventory Stock / Value
322 Inventory Acquisition
323 Inventory Transfer

Inventory

321111 Materials and supplies - Stock
322111 Materials and supplies - Acquisition
323111 Materials and supplies - Transfer

321112 Work in progress - Stock
322112 Work in progress - Acquisition
323112 Work in progress - Transfer

321113 Finished goods - Stock
322113 Finished goods - Acquisition
323113 Finished goods - Transfer

321114 Goods for resale - Stock
322114 Goods for resale - Acquisition
323114 Goods for resale - Transfer

321115 Military Inventories - Stock
322115 Military Inventories - Acquisition
323115 Military Inventories - Transfer

321119 Other Inventories - Stock
322119 Other Inventories - Acquisition
323119 Other Inventories - Transfer

33 Valuables

331 Stock/ Value Of Valuables
332 Acquisition of Valuables
333 Improvement of Valuables
334 Transfer of Valuables

Valuables

331111 National treasures - Stock
332111 National treasures - Acquisition
333111 National treasures - Improvement
334111 National treasures - Transfer

34 Non-Produced Assets
341 Stock / Value Of Non Produced Assets
342 Acquisition of Non Produced Assets
343 Transfer of Non Produced Assets

Land

341111 Land - Stock
342111 Land - Acquisition
343111 Land - Transfer

Mineral And Energy Resources

341211 Minerals - Stock
342211 Minerals - Acquisition
343211 Minerals - Transfer

341212 Oil & Natural Gas - Stock
342212 Oil & Natural Gas - Acquisition
343212 Oil & Natural Gas - Transfer

341213 Energy resources - Stock
342213 Energy resources - Acquisition
343213 Energy resources - Transfer

341219 Other Mineral and Energy Resources - Stock
342219 Other Mineral and Energy Resources - Acquisition
343219 Other Mineral and Energy Resources - Transfer

Other Naturally Occurring Assets
Non-Cultivated Biological resources

341311 Wild Animals - Stock
342311 Wild Animals - Acquisition
343311 Wild Animals - Transfer

341312 Plants - Stock
342312 Plants - Acquisition
343312 Plants - Transfer

Water resources

341321 Lakes - Stock
342321 Lakes - Acquisition
343321 Lakes - Transfer

341322 Rivers and Streams - Stock
342322 Rivers and Streams - Acquisition
343322 Rivers and Streams - Transfer

341323 Swamps and Wetlands - Stock
342323 Swamps and Wetlands - Acquisition
343323 Swamps and Wetlands - Transfer

341329 Other Water resources - Stock
342329 Other Water resources - Acquisition
343329 Other Water resources - Transfer

Airspace

341331 Radio Spectrum - Other Natural Resources - Stock
342331 Radio Spectrum - Other Natural Resources - Acquisition
343331 Radio Spectrum - Other Natural Resources - Transfer

341332 Aviation Airspace - Stock
342332 Aviation Airspace - Acquisition
343332 Aviation Airspace - Transfer

Non-Cultivated Non Biological

341341 Mountains and Rocks - Stock
342341 Mountains and Rocks - Acquisition
343341 Mountains and Rocks - Transfer

341349 Other Natural Resources (Not classified elsewhere) - Stock
342349 Other Natural Resources (Not classified elsewhere) - Acquisition
343349 Other Natural Resources (Not classified elsewhere) - Transfer

Intangible assets

341401 Marketable operating leases – Contracts, leases and Permits - Stock
342401 Marketable operating leases – Contracts, leases and Permits - Acquisition
343401 Marketable operating leases – Contracts, leases and Permits - Transfer

341402 Permits to use natural resources – Contracts, leases and Permits - Stock
342402 Permits to use natural resources – Contracts, leases and Permits - Acquisition
343402 Permits to use natural resources – Contracts, leases and Permits - Transfer

341403 Permits to undertake specific activities – Contracts, leases and Permits - Stock
342403 Permits to undertake specific activities – Contracts, leases and Permits - Acquisition
343403 Permits to undertake specific activities – Contracts, leases and Permits - Transfer

341405 Entitlement to future goods and services on an exclusive basis - Contracts leases and Permits - Stock
342405 Entitlement to future goods and services on an exclusive basis - Contracts leases and Permits - Acquisition
343405 Entitlement to future goods and services on an exclusive basis - Contracts leases and Permits - Transfer

341406 Goodwill and marketing assets - Stock
342406 Goodwill and marketing assets - Acquisition
343406 Goodwill and marketing assets - Transfer

35 Financial Assets
351 Monetary Gold and SDRs

352 Financial Assets
3521 Currency Deposits
352101 Consolidated Fund
352102 Contingency Fund account
352103 Petroleum Fund Account
352104 TSA Holding account
352105 Expenditure Accounts
352106 Project Accounts
352107 Revenue Accounts
352108 Collection Accounts
352109 Cash-In-Transit
352110 Cash at Hand – Imprest
352149 Other Holding accounts

Debt Securities

352201 Bonds
352202 Promissory Notes
352203 Debentures
352204 Cash in Banks – Time Deposits
352299 Other Debt Securities
Loans
352301 Government lending -State Enterprises
352302 Government lending - Private Entities
352399 Other Government lending
Equity

352401 Shares in public corporations
352402 Shares in private entities

Investment Fund Shares or Units

352501 Petroleum Revenue Investment Reserve
352599 Other Investment Fund Shares or Units

Insurance, Pension & Standardized Guarantee schemes

Derivatives

352701 Forwards
352702 Futures
352703 Options
352704 Swaps

Accounts Receivable

352801 Transfers to other Government Units
352802 Staff Advances
352803 Other Advances
352804 Taxes Receivable
352805 Other Revenue receivable
352806 Trade debtors
352807 Sundry Debtors
352808 Pre-payments

Clearing Grants

352901 Sector Conditional Grant (Wage)
352902 Sector Conditional Grant (Non-Wage)
352903 Support Services Conditional Grant (Non-Wage)

ACCUMULATED DEPRECIATION ASSET ACCOUNTS

42	**Consumption of Assets**
421	**Accumulated Depreciation/Amortization- Produced Assets**
4211	**Buildings And Structures**
42111	***Dwellings***
421111	Residential Buildings
421119	Others Dwellings
42112	***Buildings other than dwellings***
421121	Non-Residential Buildings
421129	Others Buildings other than dwellings
42113	**Structures**
421131	Roads and Bridges
421132	Airports and Airfields
421133	Railways and subways
421134	Oil Pipelines and reservoirs
421135	Water Plants, pipelines and sewerage networks
421136	Power lines, stations and plants
421137	Information Communication Technology network lines
421139	Other Structures
42114	**Land Improvements**
421141	Irrigation and drainage Channels
421142	Flood barriers
231149	Other Land Improvements
4212	**Machinery And Equipment**
42121	**Transport equipment**
421211	Heavy Vehicles
421212	Light Vehicles

421213	Water Vessels
421214	Aircrafts
421215	Train Engines and Wagons
421216	Cycles
421219	Other Transport equipment
42122	**Information, Computer and Telecommunications Equipment**
421221	Light ICT hardware
421222	Heavy ICT hardware
421223	Television and radio transmitters
421229	Other ICT Equipment
42123	***Other Machinery and equipment (other than Transport or ICT Equipment)***
421231	Office Equipment
421232	Electrical machinery.
421233	Medical, Laboratory and Research appliances
421234	Precision and optical instruments
421235	Furniture and Fittings
421236	Musical instruments
421237	Sports Equipment
421238	Road Furniture
421239	Plant Machinery
4213	**Weapon's Systems**
42131	**Classified Assets**
421311	Classified Assets
42132	**Non Classified**
421321	Non Classified
4214	**Amortization of Other Fixed Assets**
42141	**Biological Assets**
421411	Cultivated Animals

421412	Cultivated Plants
42142	**Intellectual Property Products**
421421	Research and Development
421422	Mineral Exploration and Evaluation
421423	Computer software
421424	Computer databases
421425	Entertainment, Literary & Artistic Originals
42143	**Intellectual Property Rights**
421431	Copy Rights and Neighboring Rights
421432	Patents / Utility Modes
421433	Trade Secrets
42144	**Goodwill and marketing assets**
421441	Goodwill and marketing assets
421449	Other Intellectual Property products
4215	**Other Fixed Assets**
42151	**Other Fixed Assets**
421511	**Other Fixed Assets**

DEPRECIATION/ARMOTIZATION AND IMPAIRMENT OF ASSETS - EXPENSE ACCOUNTS

23	**CONSUMPTION OF FIXED ASSETS**
231	***Depreciation/Amortization***
2311	**Buildings And Structures**
23111	***Dwellings***
231111	Residential Buildings
231119	Other Dwellings
23112	***Buildings other than dwellings***

231121	Non-Residential Buildings
231129	Other Buildings other than dwellings
23113	***Structures***
231131	Roads and Bridges
231132	Airports and Airfields
231133	Railways and subways
231134	Oil Pipelines and reservoirs
231135	Water Plants, pipelines and sewerage networks
231136	Power lines, stations and plants
231137	ICT network lines
231139	Other Structures
23114	***Land Improvements***
231141	Irrigation and drainage Channels
231142	Flood barriers
231149	Other Land Improvements
2312	**Machinery And Equipment**
23121	***Transport equipment***
231211	Heavy Vehicles
231212	Light Vehicles
231213	Water Vessels
231214	Aircrafts
231215	Train Engines and Wagons
231216	Cycles
231219	Other Transport equipment
23122	***Information, Computer and Telecommunications Equipment***
231221	Light ICT hardware
231222	Heavy ICT hardware
231223	Television and radio transmitters

231229	Other ICT Equipment (TVs, Radios, Videos, Digital cameras, telephone sets)
23123	***Other Machinery and equipment (other than Transport or ICT Equipment)***
231231	Office Equipment
231232	Electrical machinery
231233	Medical and Laboratory appliances
231234	Precision and optical instruments
231235	Furniture and Fittings
231236	Musical instruments
231237	Sports Equipment
231238	Road Furniture
231239	Plant Machinery
2313	**Weapon's Systems**
23131	***Classified Assets***
231311	Classified Assets
23132	***Non Classified***
231321	Non Classified
2314	***Amortization of Other Fixed Assets***
23141	***Biological Assets***
231411	Cultivated Animals
231412	Cultivated Plants
23142	***Intellectual Property products***
231421	Research and Development
231422	Mineral Exploration and Evaluation
231423	Computer software
231424	Computer databases
231425	Entertainment, Literary and Artistic Originals
23143	***Intellectual Property Rights***

231431	Copy Rights and Neighboring Rights
231432	Patents / Utility Modes
231433	Trade Secrets
23144	***Goodwill and marketing assets***
231441	Goodwill and marketing assets
231449	Other Intellectual Property products
232	**IMPAIRMENT OF ASSETS**
2321	**Buildings And Structures**
23211	***Dwellings***
232111	Residential Buildings
232119	Other Dwellings
23212	***Buildings other than dwellings***
232121	Non-Residential Buildings
232129	Other Buildings other than dwellings
23213	***Structures***
232131	Roads and Bridges
232132	Airports and Airfields
232133	Railways and subways
232134	Oil Pipelines and reservoirs
232135	Water Plants, pipelines and sewerage networks
232136	Power lines, stations and plants
232137	ICT network lines
232139	Other Structures
23214	***Land Improvements***
232141	Irrigation and drainage Channels
232142	Flood barriers
232149	Other Land Improvements
2322	**Machinery And Equipment**

23221	***Transport equipment***
232211	Heavy Vehicles
232212	Light Vehicles
232213	Water Vessels
232214	Aircrafts
232215	Train Engines and Wagons
232216	Cycles
232219	Other Transport equipment
23222	***Information, Computer and Telecommunications Equipment***
232221	Light ICT hardware
232222	Heavy ICT hardware
232223	Television and radio transmitters
232229	Other ICT Equipment (TVs, Radios, Videos, Digital cameras, telephone sets)
23223	***Other Machinery and equipment (other than Transport or ICT Equipment)***
232231	Office Equipment
232232	Electrical machinery
232233	Medical and Laboratory appliances
232234	Precision and optical instruments
232235	Furniture and Fittings
232236	Musical instruments
232237	Sports Equipment
232238	Road Furniture
232239	Plant Machinery
2323	**Weapon's Systems**
23231	***Classified Assets***
232311	Classified Assets
23232	***Non Classified***
232321	Non Classified

2324	**Other Fixed Assets**
23241	***Other Fixed Assets***
232411	Other Fixed Assets
2325	**Impairment of Financial Assets**
23251	***Debt Securities***
232511	Bonds
232512	Promissory Notes
232513	Debentures
232519	Others
23252	**Loans**
232521	Government lending -State Enterprises
232522	Government lending - Private Entities
232529	Other lending
23253	**Equity**
232531	Shares in public corporations
232532	Shares in other entities
23254	**Investment Fund Shares or Units**
232541	Petroleum Revenue Investment Reserve
232549	Other Investment Fund Shares or Units

17. *Annex 3 - Divestment Plan*

Asset	Original asset value	Method of Disposal	Location of Asset	Quantity	Reserve Price	Date of approval by AO

18. Annex 4 - Asset Report – Ministerial Policy Statement

Property (Plant/Equipment/Intangible/Financial/Stock and Inventory)							
Assets Classes		**Land**	**Buildings**	**Roads**	**Vehicles**	**Animals**	**Etc.**
Balance at Beginning of Financial Year	Units						
Additions	Units						
Disposals	Units						
Balance at the End of the Financial Year	Units						

19. Annex 5 - Assets Report – Balance Sheet

Category/ Description	Opening balance 1 July 2020 (UGX)	Additions during the year 30 June 2021 (UGX)	Disposals during the year 30 June 2021 (UGX)	Cumulative As at 30 June 2021 (UGX)
Land				
Buildings & Structures				
Non-Residential buildings				
Residential buildings				
Roads and bridges				
Other structures				
Transport Equipment				
Light Vehicles				
Heavy Vehicles				
Water vessels				
Railway locomotives				
Aircrafts				
Cycles				
Other transport equipment				
Machinery & Equipment				
Office equipment				
Medical equipment				
ICT Equipment				
Laboratory and research				
Other Machinery & equipment				
Other Physical Assets				
Furniture and fittings				
Classified Assets				
Cultivated Assets				
Others				
Non-Physical Assets				
Cultivated Assets				
Other Natura Occurring Assets				
Intangible-Non-Produced Asset				
Other Assets				
Classified Assets				
Cultivated Assets				
Total Units				

Accounting Officer [Names & Signature

20. Annex 6 – Report/schedule for IPSAS disclosure notes for Non-current assets

1. Property, plant and equipment

	Land, Buildings and structures	Infrastructure assets	Transport equipment	Classified	ICT equipment,	Other machinery and equipment (Excl. IT Equipment)	Concession assets	Heritage assets	Investment properties	Total
	UGX	UGX	UGX	UGX	UGX	UGX	UGX	UGX	UGX	UGX
20X6										
Cost:										
As at 1 July 20X5	X	X	X	X	X	X	X	X	X	**X**
Additions	X	X	X	X	X	X	X	X	X	**X**
Disposals	X	X	X	X	X	X	X	X	X	**X**
Transfers/Adjustments/Mergers	X	X	X	X	X	X	X	X	X	**X**
As at 30 June 20X6	X	X	X	X	X	X	X	X	X	**X**
Accumulated depreciation:										
As at 1 July 20X5	X	X	X	X	X	X	X	X	X	**X**
Depreciation for the year	X	X	X	X	X	X	X	X	X	**X**
Impairment	X	X	X	X	X	X	X	X	X	**X**
Disposals	X	X	X	X	X	X	X	X	X	**X**
Transfers/Adjustments/Mergers	X	X	X	X	X	X	X	X	X	**X**
As at 30 June 20X6	X	X	X	X	X	X	X	X	X	**X**
Net carrying amount:										
As at 30 June 20X6	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	X	**X**
20X5										
Cost:										
As at 1 July 20X0	X	X	X	X	X	X	X	X	X	**X**
Additions	X	X	X	X	X	X	X	X	X	**X**
Disposals	X	X	X	X	X	X	X	X	X	
Transfers/Adjustments/Mergers	X	X	X	X	X	X	X	X	X	**X**
As at 30 June 20X5	X	X	X	X	X	X	X	X	X	**X**
Accumulated depreciation:										

As at 1 July 20X0	X	X	X	X	X	X	X	X	X	**X**
Depreciation for the year	X	X	X	X	X	X	X	X	X	**X**
Impairment	X	X	X	X	X	X	X	X	X	**X**
Transfers/Adjustments/Mergers	X	X	X	X	X	X	X	X	X	**X**
As at 30 June 20X5	X	X	X	X	X	X	X	X	X	**X**
Net carrying amount:										
As at 30 June 20X5	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	X	**X**

2. Intangible assets

	Intellectual Property Products	**Intellectual Property Rights & Permits UGX**	**Goodwill & Mkting assets UGX**	**Total UGX**
20X6				
Cost:				
As at 1 July 20X5	X	X	X	X
Additions	X	X	X	X
Transfers/Adjustments/Mergers	X	X	X	X
As at 30 June 20X6	X	X	X	X
Accumulated amortisation:				
As at 1 July 20X5	X	X	X	X
Amortisation for the year	X	X	X	X
Impairment	X	X	X	X
Transfers/Adjustments/Mergers	X	X	X	X
As at 30 June 20X6	X	X	X	X
Net carrying amount:				
As at 30 June 20X6	X	**X**	**X**	**X**
20X5				
Cost:				
As at 1 July 20X0	X	X	X	X
Additions	X	X	X	X
Transfers/Adjustments/Mergers	X	X	X	X
As at 30 June 20X5	X	X	X	X
Accumulated amortisation:				
As at 1 July 20X0	X	X	X	X
Amortisation for the year	X	X	X	X
Impairment	X	X	X	X
Transfers/Adjustments/Mergers	X	X	X	X
As at 30 June 20X5	X	X	X	X
Net carrying amount:				
As at 30 June 20X5	X	**X**	**X**	**X**

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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