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(IFA WING)**

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• IFA INSTRUCTION NO. 14 of 2010.

No. IFA/250

Dated :- 26--10-2010.

To

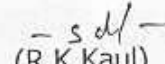
All Pr.CDA/CDA/PIFAs/IFAs (dedicated and nominated)/RTCs

Sub :- **Categorization of procurement as Capital Expenditure.**

There has been a confusion regarding classification of expenditure as Capital or Revenue due to different interpretations by IFAs of the instructions issued by the MoD (Finance) from time to time. There was some confusion regarding booking of expenditure in case of capital procurement following revenue route and also the definition of CFAs in such cases.

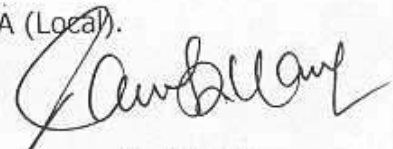
2. It is hereby clarified that fundamental classification between Capital or Revenue expenditure is mainly based on the definition of Capital Expenditure as per Rule 90 of GFR as "Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital Expenditure." Once this distinction is established the 'life time-cost concept of 10 years and 7 lakhs' is used to classify the expenditure as capital for booking purposes only and not for classification as capital or revenue. However, capital expenditure as classified in CHB & in various Govt sanction orders issued from time to time and also as per existing practice will continue to remain classified as capital. Regarding issue of capital procurement following revenue route the HQrs has already clarified that only those capital items specifically mentioned in Letters No. PC-11 (1)/Bud-I/2007 dated 25.09.2007 and letter No. PC-11(1)/Bud-I/2007 dated 21.10.2008 issued by the MoD(Fin) could be procured using procurement procedure as per DPM. The CFAs for such procurements would be those defined under various schedules for revenue procurement.

This has the approval of Jt.CGDA (IFA).


(R K Kaul)
ACGDA (IFA)

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1. AS & Addl FA(A), MoD(Fin)- for kind information.
2. JS & Addl FA (S), MoD(Fin) - for kind information.
3. ADGFP, AHQ. 4. ACNS (P & P), NHQ. 5. ACAS (Fin P), Air HQrs.
6. DDG, Coast Guard HQrs. 7. CC R&D, DRDO HQrs.
8. Boarder Roads Hqrs. 9. All RTCs. 10. All Jt. CGsDA (Local).
11. EDPS(Local) - for publishing in website.


(R K Kaul)
ACGDA (IFA)