WHITE PAPER

The Full Life of an Asset: Capitalisation, Shift-Based Depreciation & Disposal in ERPNext

How ERPNext runs an asset from purchase to retirement on one record — capitalisation, depreciation schedules, repairs, movement and disposal — and where the accounting stays honest.

For finance & operations leaders · **9 min read**

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EXECUTIVE SUMMARY

Every plant, vehicle, laptop and machine your business owns has a life — it's bought and capitalised, it depreciates, it gets repaired and moved, and eventually it's scrapped or sold. In most Indian businesses that life is tracked across a fixed-asset register in Excel, a maintenance log somewhere else, and a set of manual depreciation journals the auditor untangles once a year. ERPNext replaces all of that with a single Asset record that carries the whole story: how it was capitalised, its depreciation schedule, every repair and movement, any revaluation, and its final disposal. This paper walks the full lifecycle grounded in the real doctypes — Asset, Asset Depreciation Schedule, Asset Capitalization, Asset Repair, Asset Movement, Asset Value Adjustment and the shift-based depreciation engine (Asset Shift Allocation and Asset Shift Factor). It explains what the software automates, what still needs discipline, and where an experienced partner earns their keep — so your register, your depreciation and your books are one source of truth rather than three that never quite agree.

Why a spreadsheet asset register quietly fails

Almost every finance team starts with a fixed-asset register in a spreadsheet: a row per asset, a purchase value, a depreciation rate, and a running net block updated by hand. It works until it doesn't. The register lives apart from the accounts, so the depreciation you post and the depreciation the sheet says never quite reconcile. Nobody knows which laptop is with which employee, or which machine moved to the second plant. Repairs and improvements are expensed and forgotten, so the asset's real carrying cost drifts from reality. And when an asset is sold or scrapped, the gain or loss is worked out manually — if it's worked out at all.

The root problem is that a spreadsheet is a snapshot, not a system. It records numbers but not events, and an asset's cost is the sum of its events — bought, depreciated, repaired, revalued, moved, disposed. ERPNext's answer is to make the Asset a live record where each of those events is a real transaction that updates the value and posts the accounting at the same time. The register stops being a thing you maintain and becomes a by-product of running the asset.

- Register vs ledger drift — the spreadsheet's net block and the general ledger's asset accounts diverge over time.
- No custody trail — which asset is with which employee or location is a matter of memory, not record.
- Lost cost history — repairs and improvements are expensed and never attached to the asset they belong to.
- Manual disposal maths — gain or loss on sale/scrap is computed by hand, late, and often wrong.

The fixed-asset lifecycle in ERPNext, stage by stage

1 **Capitalisation**
the Asset is created from a Purchase Receipt/Invoice, or built from stock, assets and services via Asset Capitalization; its cost lands on a fixed-asset account.

2 **Depreciation**
an Asset Depreciation Schedule charges value down over the useful life (Straight Line, WDV, Double Declining or Manual), with shift-based adjustment for hard-run assets.

3 **Repairs & maintenance**
Asset Repair logs breakdowns and can capitalise life-extending overhauls; Asset Maintenance schedules preventive tasks.

4 **Movement**
Asset Movement records issue to employees, transfers between locations and returns, keeping a full custody trail.

5 **Value adjustment**
Asset Value Adjustment revalues or impairs the asset and posts the balancing journal entry.

6 **Disposal**
scrap writes off the remaining value; a Sales Invoice against the asset computes and posts the gain or loss, ending its life.

Capitalisation: how an asset comes into being

In ERPNext the Asset record is created at the moment of acquisition, not as an afterthought. The most common route is purchase: you mark an item as a fixed asset in its Item master, and when it arrives on a Purchase Receipt or Purchase Invoice, ERPNext creates the Asset record and books the cost to a fixed-asset account rather than expensing it. The Asset then carries its own identity — an asset name and code, its category, company, location, custodian, cost centre, purchase date and the available-for-use date from which depreciation begins.

Not every asset arrives ready-made, though. Sometimes you build one from parts — a machine assembled from bought components, or a rig put together from stock, other assets and outside labour. That's what Asset Capitalization handles: it consumes stock items, existing assets and service items and rolls their combined value into a single new capitalised asset (a Composite Asset), so the finished asset's cost reflects everything that went into it. The reverse — decapitalisation — lets you break a composite asset back into its component items when that's what actually happens on the floor. Either way, the value that lands on the balance sheet is built from real, costed inputs, not a number someone typed.

- From purchase — an item flagged as a fixed asset creates the Asset from the Purchase Receipt or Invoice and capitalises the cost.
- Asset Capitalization — combine stock items, existing assets and service items into one new Composite Asset at their true rolled-up value.
- The Asset record's identity — category, company, location, custodian, cost centre, purchase date and available-for-use date all live on it.
- Decapitalisation — split a composite asset back into its component items when the physical reality changes.

Depreciation: schedules, methods and shift-based wear

Depreciation is where ERPNext saves the most manual effort. Turn on "calculate depreciation" on the Asset and, from the available-for-use date, the useful life and the method, ERPNext generates an Asset Depreciation Schedule — a row-by-row plan of every depreciation date, the amount for that period, and the accumulated depreciation to date. It supports the methods finance teams actually use: Straight Line, Written Down Value, Double Declining Balance and a Manual method where the system drafts the schedule and you fine-tune individual rows. Because assets live under a Finance Book, you can run more than one schedule on the same asset — one basis for your statutory books and another for, say, tax — without keeping a parallel register.

When each depreciation date arrives, ERPNext posts the depreciation journal entry against the asset (automatically if you enable that in settings, or on demand from the schedule row), so the charge hits the general ledger on time and the asset's carrying value steps down in lockstep. There's no month-end scramble to remember which assets to depreciate.

The subtler capability is shift-based depreciation, for assets whose wear depends on how hard they're run. A machine worked across three shifts ages faster than one run for a single shift, and ERPNext models that directly. You define shifts and their relative intensity as Asset Shift Factors, then use Asset Shift Allocation to record which shift an asset ran in each period; the depreciation schedule is adjusted so that heavier usage consumes the asset's value faster. For manufacturers running double or triple shifts, that turns a crude annual rate into a depreciation charge that tracks how the asset was actually used.

- Asset Depreciation Schedule — an auto-generated, row-by-row plan of dates, per-period amounts and accumulated depreciation.
- Real methods — Straight Line, Written Down Value, Double Declining Balance, and a Manual method you can fine-tune.
- Multiple Finance Books — run separate schedules on one asset (e.g. books vs tax) without a parallel register.
- Shift-based depreciation — Asset Shift Factor + Asset Shift Allocation adjust the schedule so hard-run assets depreciate faster.
- Journals on time — the depreciation entry posts to the ledger automatically or on demand, keeping value and books in step.

/ Assets / Asset / MacBook Partially Depreciated

Details | Depreciation | Other Info | Connections

No.	Finance Book	Depreciation Meth...	Frequency of Depr...	Total Number of D...	Depreciation Posti...
1		Straight Line	1	12	31-12-2025

Depreciation Schedule

No.	Schedule Date	Depreciation Amount	Accumulated Deprec...	Journal Entry
1	31-12-2025	₹ 419.35	₹ 419.35	ACC-JV-2026-00003
2	31-01-2026	₹ 1,000.00	₹ 1,419.35	
3	28-02-2026	₹ 1,000.00	₹ 2,419.35	
4	31-03-2026	₹ 1,000.00	₹ 3,419.35	
5	30-04-2026	₹ 1,000.00	₹ 4,419.35	
6	31-05-2026	₹ 1,000.00	₹ 5,419.35	
7	30-06-2026	₹ 1,000.00	₹ 6,419.35	
8	31-07-2026	₹ 1,000.00	₹ 7,419.35	
9	31-08-2026	₹ 1,000.00	₹ 8,419.35	
10	30-09-2026	₹ 1,000.00	₹ 9,419.35	
11	31-10-2026	₹ 1,000.00	₹ 10,419.35	
12	30-11-2026	₹ 1,000.00	₹ 11,419.35	
13	19-12-2026	₹ 580.65	₹ 12,000.00	

Comments

An Asset Depreciation Schedule in ERPNext — each row is a depreciation date with its period amount and running accumulated depreciation, generated automatically from the method and useful life.

Repairs, movement and value adjustment: the middle years

Most of an asset's life is the unglamorous middle — it breaks, it moves, and occasionally its book value needs correcting. ERPNext tracks all three against the same record. Asset Repair logs a breakdown and its fix: the failure and completion dates, the downtime, the actions performed, any stock items consumed from inventory and the repair cost. Crucially, you can choose to capitalise a repair — an overhaul that genuinely extends the asset's life is added to its value and can increase its useful life, rather than being expensed as a routine fix. That distinction, so often fudged in a spreadsheet, is a deliberate choice on the document.

Asset Movement records custody and location changes — issuing an asset to an employee, transferring it between locations or branches, or receiving it back — so the answer to "where is this and who has it?" is always on the record, not in someone's memory. And Asset Value Adjustment handles revaluation: when an asset's carrying value needs to change (an impairment, or a correction), you record the current value, the new value and the difference, and ERPNext posts the balancing journal entry to the account you specify. Alongside these, Asset Maintenance lets you schedule and log preventive maintenance tasks against a maintenance team, so servicing is planned rather than

reactive. Every one of these events attaches to the asset and, where it touches money, posts the accounting — so the carrying value you see is the value the events actually produced.

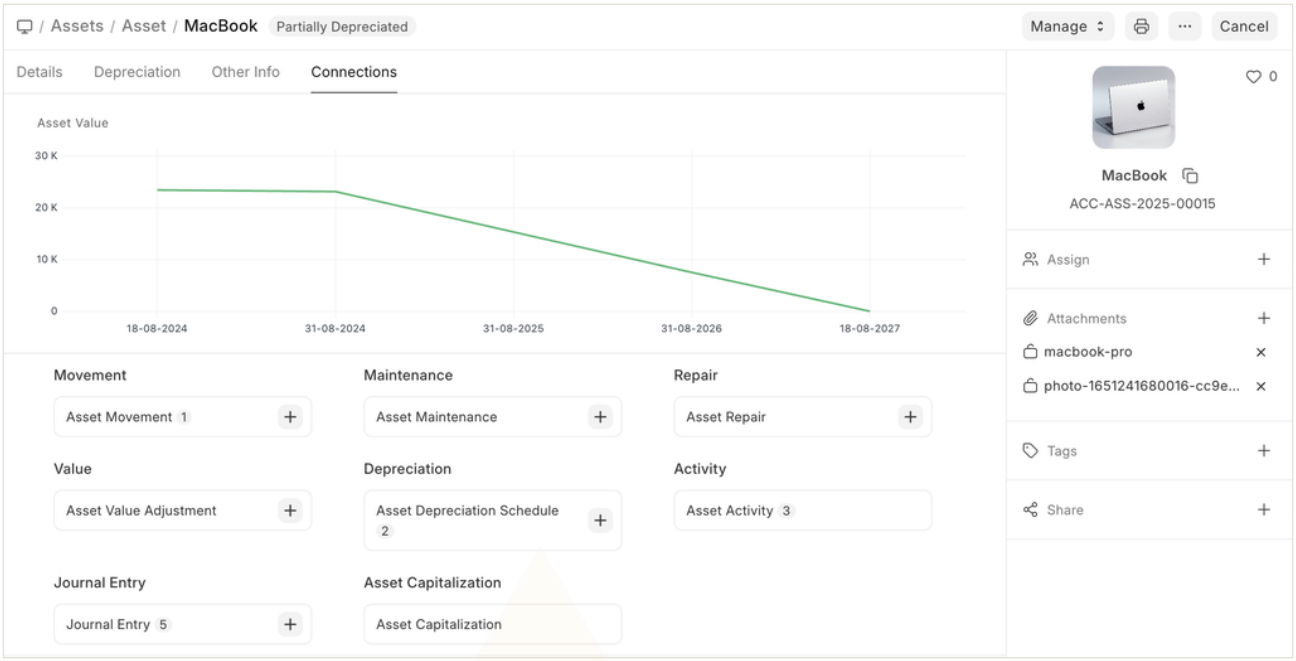
- Asset Repair — failure/completion dates, downtime, actions, consumed stock items and cost; capitalise a life-extending overhaul instead of expensing it.
- Asset Movement — issue to an employee, transfer between locations, or receive back, with a full custody and location trail.
- Asset Value Adjustment — revalue or impair an asset by recording current vs new value; ERPNext posts the balancing journal entry.
- Asset Maintenance — schedule and log preventive maintenance tasks against a maintenance team, so servicing is planned.

Disposal: scrap, sale and the end of the line

Every asset eventually leaves, and disposal is where manual registers make their most expensive mistakes — because it's where a real gain or loss lands in the P&L. ERPNext handles both exits from the Asset record. To scrap an asset, you record the scrapping and ERPNext writes off its remaining carrying value with the appropriate journal entry, moving the asset to a Scrapped status; if you scrapped it in error, it can be restored. To sell an asset, you raise a Sales Invoice against it, and ERPNext computes the gain or loss on disposal — sale proceeds versus the net book value at that date — and posts it automatically, marking the asset Sold.

The point is that the disposal isn't a separate calculation bolted onto the accounts. Because the asset's value has been maintained by every event in its life — capitalisation, depreciation, capitalised repairs, revaluations — the net book value at disposal is already correct, so the gain or loss falls out of the system rather than being reverse-engineered at year-end. The status trail (Draft, Submitted, Partially Depreciated, Fully Depreciated, Sold, Scrapped) means an asset's exact standing is never a guess.

- Scrap — write off the remaining carrying value with the correct journal entry; the asset moves to Scrapped and can be restored if done in error.
- Sell — raise a Sales Invoice against the asset; ERPNext computes and posts the gain or loss versus net book value automatically.
- Correct by construction — because every event maintained the asset's value, the net book value at disposal is already right.
- A clear status trail — Draft, Submitted, Partially/Fully Depreciated, Sold, Scrapped — so an asset's standing is always unambiguous.



One Asset record carries the whole life: the asset-value curve steps down over time, with every Movement, Repair, Value Adjustment, Depreciation Schedule and Capitalization linked in one place.

Audit, compliance and a register you can trust

The quiet payoff of running the whole lifecycle in one system is audit-readiness. Because purchase, depreciation, repairs, movements, revaluations and disposal are all transactions against the Asset — each with its own journal entry — the fixed-asset register and the general ledger are the same data, not two sources to reconcile. When an auditor asks how you arrived at the closing net block, the answer is a trail of documents, not a rebuilt spreadsheet.

ERPNext supports the structures Indian finance teams need for this. Asset Categories tie each class of asset to its default fixed-asset, depreciation and accumulated-depreciation accounts, so the postings are consistent by construction. Finance Books let statutory and tax depreciation coexist on the same asset. Standard asset reports give you the register and movement views for period-end and audit. What ERPNext does not claim to be, out of the box, is a India-specific tax-depreciation compliance engine (for example, Companies Act versus Income Tax Act treatment); that's a matter of configuration and, where the rules bite, the India Compliance app and a partner who has set it up before. The honest framing: ERPNext gives you a rigorous, event-driven asset ledger — getting it aligned to your statutory and tax depreciation policy is a setup decision worth making once, correctly.

- One source of truth — register and ledger are the same transactions, so there's nothing to reconcile at audit.
- Asset Category accounts — each asset class maps to its fixed-asset, depreciation and accumulated-depreciation accounts for consistent postings.
- Statutory + tax on one asset — Finance Books keep parallel depreciation bases without a parallel register.
- Standard reports — register and movement views for period-end close and audit support.

Getting the asset module set up right

The asset module is powerful, but its value comes from being configured to match your policy before the first asset is booked — not patched after the first audit query. The foundations are the Asset Categories and their account mappings, the useful lives and methods per category, the Finance Book structure if you run statutory and tax bases, and, for manufacturers, the shift factors that make shift-based depreciation meaningful. Get those right and every asset that follows inherits correct behaviour.

As an official ERPNext partner working with Indian businesses, we set up fixed-asset management mapped to how you actually acquire, run and retire assets — the categories and account links, the depreciation methods and Finance Books, capitalisation of the assets you build in-house, and shift-based depreciation where machines run around the clock. The result is a fixed-asset register that isn't a spreadsheet someone maintains on faith, but the natural output of running your assets properly — one that your accounts, your auditor and your operations team can all trust.

KEY TAKEAWAYS

1. ERPNext replaces the spreadsheet asset register with one live Asset record where every event — capitalisation, depreciation, repair, movement, revaluation, disposal — is a real transaction that posts the accounting.
2. Assets are capitalised from a Purchase Receipt/Invoice or built from stock, other assets and services via Asset Capitalization, so their balance-sheet value reflects real costed inputs.
3. Depreciation runs on auto-generated schedules (Straight Line, WDV, Double Declining or Manual), with Finance Books for parallel statutory/tax bases and shift-based depreciation for hard-run machines.
4. Repairs (capitalise a life-extending overhaul), movement (custody and location) and value adjustment (revaluation/impairment) all attach to the asset and keep its carrying value honest.
5. At disposal, because the asset's value was maintained throughout, scrap write-offs and gain/loss on sale fall out of the system automatically — and register and ledger stay one source of truth for audit.

FAQ

Does ERPNext keep a fixed-asset register that ties to the general ledger?
Yes — and that's the core advantage over a spreadsheet. In ERPNext every asset event (purchase capitalisation, depreciation, capitalised repairs, revaluations, scrap and sale) is a transaction against the Asset record with its own journal entry, so the fixed-asset register and the general ledger are the same data. There's nothing to reconcile at period-end, and the closing net block is backed by a document trail rather than a rebuilt sheet.

What depreciation methods does ERPNext support, and can it handle shift-based depreciation?
ERPNext supports Straight Line, Written Down Value, Double Declining Balance and a Manual method where it drafts the schedule and you fine-tune rows. For assets whose wear depends on usage, shift-based depreciation lets you define shift intensities as Asset Shift Factors and record the shift an asset

ran in via Asset Shift Allocation, so a machine run across two or three shifts depreciates faster than one run for a single shift.

Can ERPNext handle both Companies Act and Income Tax Act depreciation for Indian statutory needs?

ERPNext's Finance Books let you run more than one depreciation schedule on the same asset — for example a statutory basis and a tax basis — without keeping a parallel register. ERPNext gives you a rigorous, event-driven asset ledger; aligning it precisely to Indian Companies Act versus Income Tax Act treatment is a configuration decision (and, where the rules bite, a matter for the India Compliance app and an experienced partner) worth getting right once at setup.

How does ERPNext calculate gain or loss when an asset is sold or scrapped?

Disposal happens from the Asset record. To scrap, ERPNext writes off the remaining carrying value with the appropriate journal entry and marks the asset Scrapped (restorable if done in error). To sell, you raise a Sales Invoice against the asset and ERPNext computes the gain or loss as proceeds versus net book value and posts it automatically, marking the asset Sold. Because the asset's value was maintained by every event in its life, the net book value at disposal is already correct.