KNOWLEDGE CENTER · MJSIR.ORG

PRESENTATION · 10 PAGES

CapEx vs Fixed Asset — not the same

A fun, no-jargon guide to one of finance's most confusing pairs: what is spent, what is capitalised and what ends up on the balance sheet.



Mayank Jain
Project finance · renewables · platform management
mjsir.org · Edition October 2026

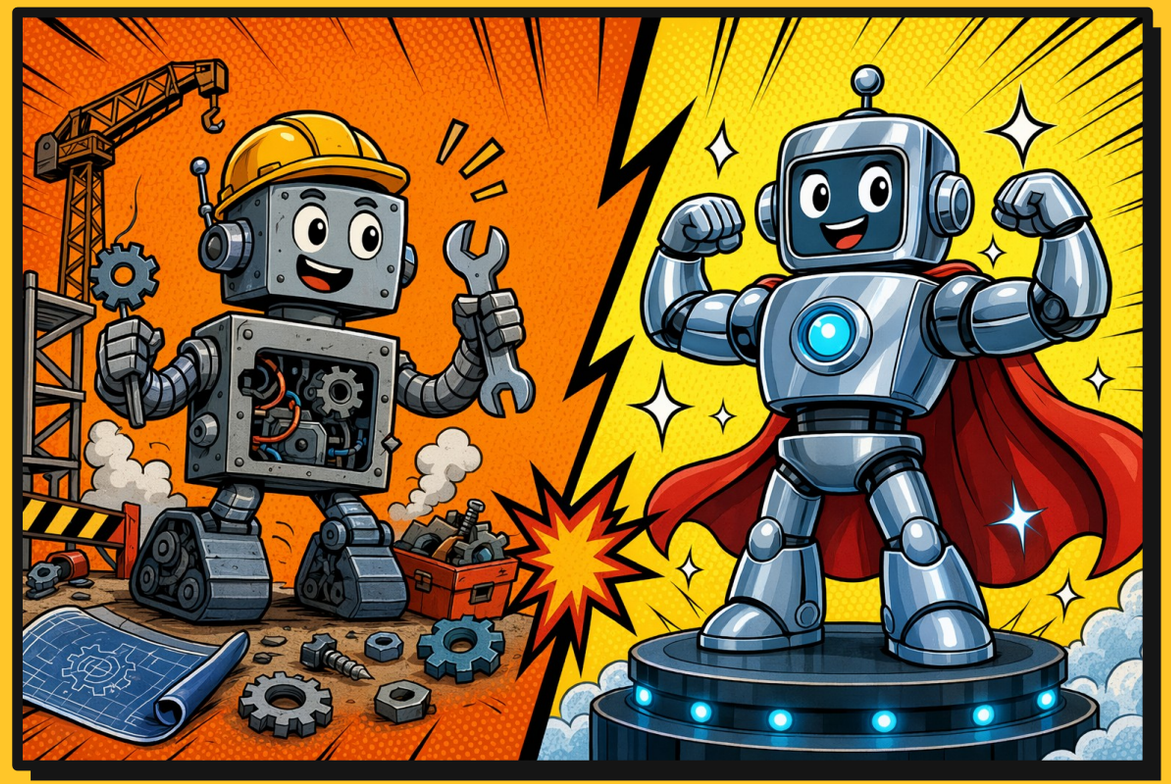
Free to read and share with credit to the author. For learning only — figures are illustrative; nothing here is financial, investment, tax or legal advice.

CAPEX

vs

FIXED ASSET

NOT THE SAME, BRO!



A fun, no-jargon guide to one of finance's most confusing duos.

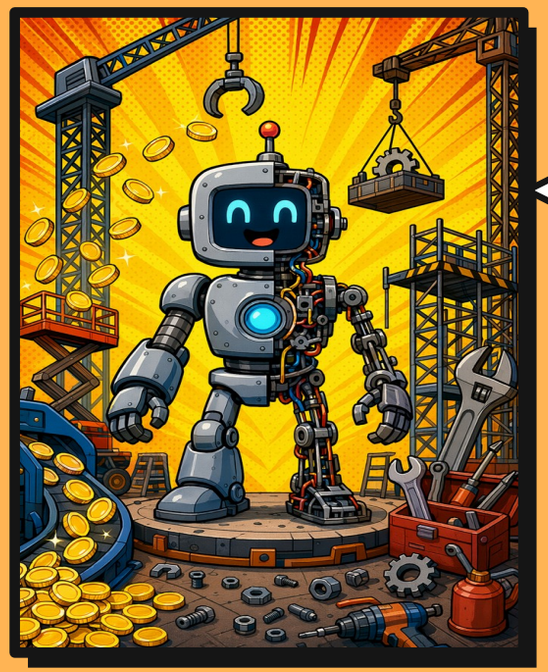
Developed by Mayank Jain

A Tale of Two Robots

Same project — two totally different life stages.

CAPEX

During the Journey

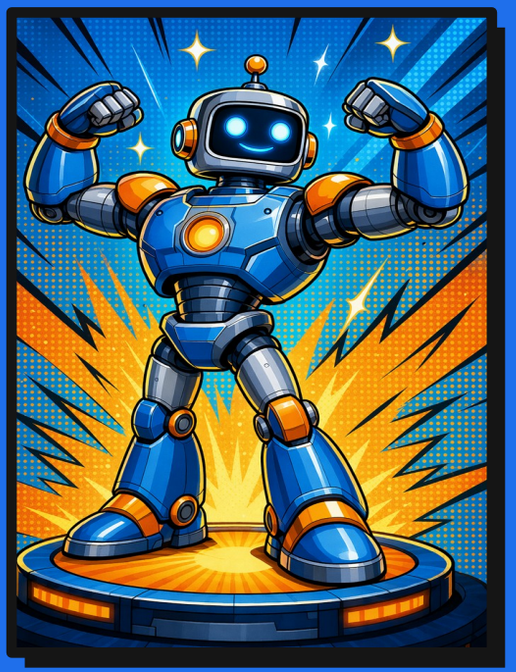


I'm spending money to bring this asset to life!

FIXED ASSET

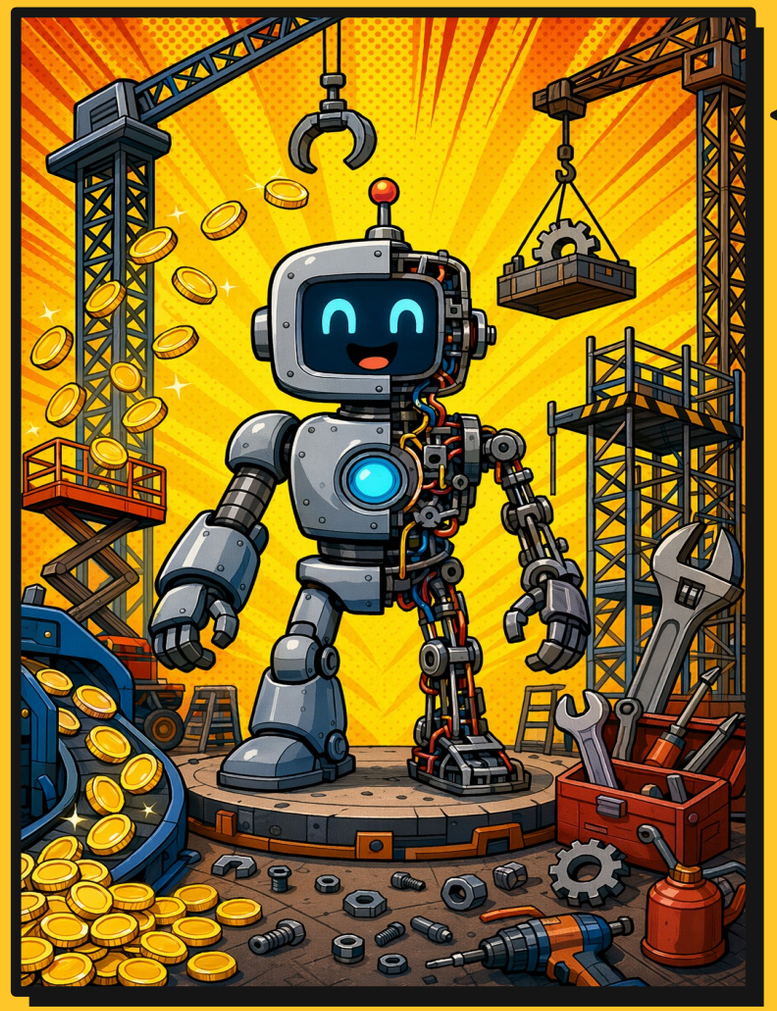
After the Journey

I'm on the Balance Sheet — ready to earn!



Developed by Mayank Jain

Meet CapEx — The Build Phase



Money I spend to BUILD or BUY a long-term asset!

What goes INTO the build?

- Purchase price of the asset
- Transportation & freight
- Installation & setup
- IDC — Interest During Construction

IT'S A CASH OUTFLOW — IT HITS THE CASH FLOW STATEMENT

CapEx can be tangible, intangible, or right-of-use — but intangible CapEx is parked under Intangible Assets.

Developed by Mayank Jain

Watch Out! The OpEx Trap



Annual maintenance? That's an EXPENSE (OpEx) — NOT CapEx!

Day-to-day running and repair costs are used up this year, so they're expensed now — they never become an asset.

CapEx

- ✓ Builds, buys or upgrades a long-term asset
- ✓ Capitalised, then depreciated over years
- ✓ Lives in the Cash Flow / Balance Sheet

OpEx

- ✗ Keeps the lights on day-to-day
- ✗ Expensed immediately in the P&L
- ✗ Salaries, fuel, routine repairs, utilities

Developed by Mayank Jain

The CWIP Checkpoint — LEVEL UP!



While it's being built...

- All the spend waits in CWIP (Capital Work in Progress).
- CWIP sits on the Balance Sheet but does NOT depreciate yet.

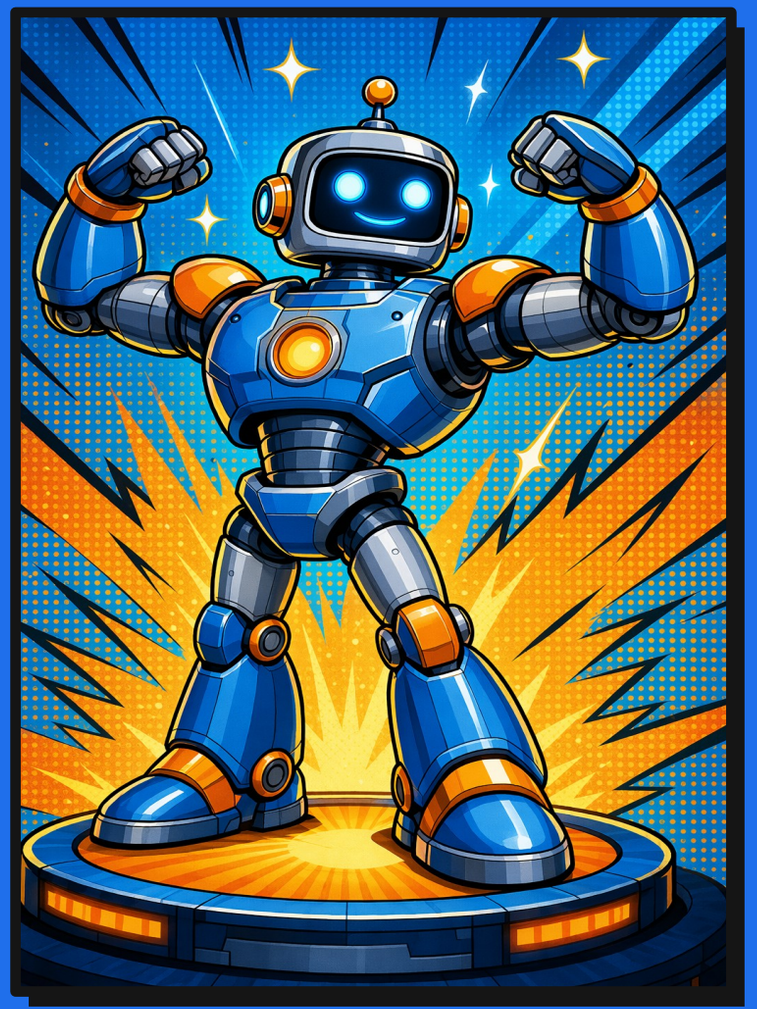
The moment it's READY TO USE...

- It transfers from CWIP into Fixed Assets.
- Now it depreciates and starts earning. Game on!

Developed by Mayank Jain

Meet Fixed Asset — Ready for Action!

I'm an asset now — let's make some money!



On the Balance Sheet I'm parked under Property, Plant & Equipment (PP&E).

I generate revenue I earn for the business across my whole useful life.

I work hard every year I depreciate — my cost is spread out year by year.

Carried at Net Book Value Net Book Value = Cost minus Accumulated Depreciation.

Exception: LAND never depreciates — it doesn't wear out.

Developed by Mayank Jain

Settle the Beef: Who's the Bigger Boss?

MYTH

"CapEx is the big umbrella, and Fixed Assets just sit inside it."

REALITY

- ✓ Neither one is inside the other — they're different things.
- ✓ CapEx is a FLOW (cash going out). A Fixed Asset is a STOCK (a balance you hold).
- ✓ You incur CapEx to HAVE a Fixed Asset. Action, then result.

Developed by Mayank Jain

Bonus Loot: Fixed Assets WITHOUT CapEx

Some assets join your balance sheet with NO matching cash CapEx. Sneaky!

Leased Gear

Right-of-Use assets (IFRS 16) — you recognise them without buying them.

Glow-Up

Revaluation / appreciation lifts an asset's value with zero cash spent.

Free Drops

Government grants or donated assets — not funded by your own CapEx.

Boss Loot

Assets & goodwill picked up in an M&A deal, recorded at fair value.

Developed by Mayank Jain

GAME OVER — YOU WIN!

The 5 things to remember

1. CapEx is the VERB (cash going out). A Fixed Asset is the NOUN (what you own).

2. You incur CapEx to HAVE a Fixed Asset — neither sits inside the other.

3. Spend + IDC waits in CWIP, then becomes a Fixed Asset once it's ready to use.

4. Fixed assets can grow without CapEx: leases, revaluation, grants, M&A & goodwill.

5. Both are independent of how the business is funded.

Developed by Mayank Jain