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Organization of Long-Term Asset Accounting on the Basis of International Standards

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Abstract: The primary purpose of International Financial Reporting Standards is to provide interested users with complete and reliable information about the entity's assets, operating results and cash flows. The elements of financial reporting that represent the economic categories associated with the formation of this data are assets, liabilities, income, expenses and capital. The article discusses the basics, basic requirements and specifics of the classification of long-term assets in accordance with international standards.

Keywords: elements of financial reporting, assets, liabilities, income, expenses and capital, reliable criteria for classification, financial statements.

INTRODUCTION

Let's look at the economic category of assets and their role in reporting. Sources of assets include:

- controlled by the business entity as a result of past events;
- the company is expected to benefit economically in the future. However, the following criteria are used to recognize an asset:
- the economic benefits associated with the asset are likely to flow to the entity;
- the asset must have a reliable measurable value.

Organizations independently create, acquire, or alienate various assets that may be classified for a variety of reasons in the course of their business. For example, IAS1, “Presentation of Financial Statements,” requires an entity to distinguish between current and long-term assets and to disclose information about them in its balance sheet [1-5].

The difference between short-term and long-term assets depends on the length of the operating cycle, that is, the period between the purchase and consumption of assets or their conversion into cash or cash equivalents. In cases where the prescribed cycle cannot be reliably determined, it is considered to be 12 months. For a report to reliably reflect property transactions, it is necessary to have reliable criteria for classifying an entity's assets, to know and successfully apply the characteristics of each type of property in the report [6-11]. To classify long-term assets, we distinguish the following features (criteria):

- form (tangible or intangible essence of the object);
- useful life;
- method of use (method of earning income).

Long-term assets are classified when they are recognized. The main criterion is the method of earning income from the use of assets. In particular, this criterion allows the allocation of fixed assets, investment property and reserves. Review the basic provisions of international standards governing issues that affect the classification of long-term assets [7-13].

Basic tools. This concept is based on IAS 16 rules. A distinctive feature of property, plant and equipment is the significant time interval between the acquisition, creation costs and economic benefits from their use. Three criteria allow an asset to be included in fixed assets, namely:

- material form;
- use for certain purposes;
- long-term use.

It should be noted that IFRS 16 also includes an additional indirect classification criterion that allows organizations not to recognize assets as property, plant and equipment formally consistent with the definition of property, plant and equipment. The standard stipulates that spare parts and ancillary equipment are generally accounted for as inventory and accounted for as profit or loss consumed [14-19]. However, large spare parts and replacement equipment are classified as property, plant and equipment if the entity expects to use them for more than one period (fiscal year).

Thus, this standard does not include a quantitative criterion for the initial cost of property, plant and equipment, but does include quality characteristics. These rules, which include concepts such as spare parts, ancillary equipment, and spare parts, but are not formalized, leave room for subjective assessment based on professional judgment.

The entity makes an independent decision as to whether the costs are included in property, plant and equipment or inventories. Of course, the value of an asset plays an important role in classifying an asset in order to include information about it in the financial statements. At the same time, it does not make sense to include in the structure of long-term assets objects that are formally consistent with the characteristics of the fixed asset but have insignificant value [20-26].

MATERIALS AND METHODS

Recognition of an item of property, plant and equipment is the basis for interested users to include in the financial statements information that the entity has a long-term source and can benefit economically from its long-term use. It is important to understand that all the characteristics of fixed assets depend on the subjective factors of doing business by a particular organization [27-31]. The same property can be classified and recognized by another organization in a completely different way.

Investment property. This concept is based on IAS 40 regulations. Investment property is a fixed asset characterized by a specific method of use: obtaining rental income and (or) obtaining income from an increase in their market value. Thus, as part of the core business, it is planned to generate revenue from the real estate market, not from the market in which the finished products produced using these fixed assets are traded.

Consequently, the future economic benefits to the organization are determined by the state of the real estate market and do not depend on the efficiency of production activities. If the property is on the company's balance sheet, part of it will be leased and the other will be used for production or administrative purposes. Under IAS 40 (IFRS) rules, if these parts can be sold or leased independently, they must be accounted for separately.

If this is not possible, only one item will be reflected in the account. In this case, if most of the object is leased, and only a small part is intended for production or administrative purposes, the object is considered an investment property. It is common for an organization to serve its tenants (for example, security, daily maintenance). If the volume of these services is insignificant, then it is reflected in the accounting and reporting as an asset investment property.

Otherwise (for example, hotel services), the company must register the property as a fixed asset. Thus, a professional evaluation is also required to determine the condition of the item. The criteria for this decision should be developed by the organization and reflected in the comments to the financial statements [31-35]. It should be noted that the revaluation of property, plant and equipment cannot be accounted for at fair value.

The main difference is that if property, plant and equipment are accounted for at revalued cost, the excess of the carrying amount of the asset over its fair value is an increase in the revaluation value of the property and is included in equity. According to the method of accounting for investment objects at fair value, all changes in this value are reflected in the income statement. However, the provisions of IAS 36 “Impairment of Assets” do not apply to investment property that is measured at fair value.

The choice of accounting method (at residual or fair value) is made by the entity independently and voluntarily. This decision should be reflected in the entity’s accounting policies. Long-term assets held for sale. This concept is defined in IFRS 5 (IFRS). Specific features of these assets:

- readiness to sell the asset in its current state immediately;
- high probability of selling assets;
- availability of an asset sales plan approved by the organization's management. It is very unlikely that the plan will be significantly changed or cancelled;
- Active work on finding a buyer, organizing the sale of the asset.

The sale is expected to take place within one year from the date the asset is recognized. In fact, it is possible to extend the sales period by more than a year. For example, the state of the relevant commodity market does not allow for at least minimal compensation for an asset. In this case, the asset cannot be classified as sold. These assets are not depreciated.

Long-term securities. This concept is defined in IAS2. If an entity purchases an item for resale or creates it for customers in the ordinary course of business, those items should not be classified as property, plant and equipment, regardless of the type of resource being created (including real estate, equipment, etc.). For example, an organization that manufactures manufacturing equipment should only classify assets that are engaged in income-generating activities as property, plant and equipment.

At the same time, the objects that are the result of production activities and mainly correspond to the characteristics of the fixed asset have a useful life of one financial year. So, they would only resort to this as a last resort.

RESULTS AND DISCUSSION

Thus, the method of use of fixed assets and the economic benefits from their use differ in the planned period. Intangible assets. This concept is defined by the rules of IAS 38 (IFRS). The tangible attribute is used to separate fixed assets and intangible assets. The database is always on any storage medium (for example, a floppy disk with the appropriate software, a CD, a memory card). The underlying entity must be identified to classify the assets in the financial statements. If an entity acquires a computer, not for the information recorded on the disk but to use it as a tool, it should use the recognition of intangible assets and intangible assets in the financial statements rather than as a fixed asset.

Incomplete construction. An object of accounting, such as an unfinished construction, should be considered separately. IFRS does not have a standard for the recognition, measurement and disposal of assets under construction. However, since these items relate to property, plant and equipment, they are subject to IAS 16. According to IAS 40, a construction that is recognized as an investment property upon completion is considered in accordance with this standard. This rate came into force on January 1, 2009. Therefore, if an unfinished construction is accounted for at fair value, the income and expenses from its change should be included in the current profit and loss, not in equity.

The principle of the supremacy of substance over form is of great importance in IFRS, according to which business transactions should be reflected not only in legal form but also in statements in accordance with their essence and economic reality. For example, if an asset under construction at the reporting date is ready for use but has not been documented for use, it is already an item of property, plant and equipment for IFRS purposes.

The preparation of financial statements following IFRS should take into account not only the costs incurred in constructing the facility, but also the amount of future economic benefits to be derived from its use. Accordingly, if we can say with sufficient confidence that some objects of unfinished construction will not be completed, they will not bring economic benefits and should be written off.

Properly classified allows an organization to:

- apply the relevant rules set out in the standards;
- Representing the asset on the relevant balance sheet item in the financial statements in the appropriate monetary form.

For clarity, we will consider the principles of accounting and reporting the types of assets under consideration.

Table 1. Buxgalteriya hisobi va hisobotida aktivlarni aks ettirish tartibi

Long-term asset	*Reflection in the report*
Basic tools	Carried out at residual value or revalued amount, excluding subsequent depreciation and impairment losses
Investment property	A residual value, less any subsequent depreciation or impairment losses or fair value
Long-term assets held for sale	Excluding the cost of selling them, their carrying amount and fair value are made lower.

Intangible assets	A residual value, excluding subsequent depreciation and amortization losses or recalculated depreciation and amortization losses.
Securities	Valued at less than two values: cost and possible net realizable value (probable selling price excluding revaluation and resale costs)

Reclassification of assets. In carrying out business activities, an entity may be required to reclassify assets. This transaction is possible only if the use of the asset, which is confirmed by certain facts, changes. For example, the following facts can be included in such cases:

- the beginning of the use of the asset for its own needs - the transfer of the asset from the category of investment property to the category of fixed assets;
- the end of the use of the asset for its own needs and the beginning of its operational lease - the transfer of the asset from the category of fixed assets to the category of investment property;
- start preparing the asset for sale - transfer of the asset from the category of investment property to the category of inventory.

Conclusion

In the case of property, plant and equipment and investment property, consider the problems that an entity may face in reclassifying assets.

1. The following sequence of steps should be used when transferring fixed assets to investment property using the fair value model:

- before the asset is used, IAS 16 (IFRS) rules apply, according to which the carrying amount of the asset is determined.
- In accordance with the rules of IAS 16 (IFRS), the fair value of property, plant and equipment is determined in the reclassification.
- The difference between the carrying amount of an item of property, plant and equipment and its fair value is accounted for as a revaluation in accordance with IAS 16 (IFRS).

2. Transfer of investment property to fixed assets.

If the fair value model is used to account for an investment property, the use of the subsequent accounting reclassification under IAS 16 is the fair value at the date of the change, ie the transfer is made at the fair value transfer date. If the cost model is used to account for an investment property, transfers between the investment property and the owners are made at book value.

3. It should be noted that the transition from the category of investment property to the category of inventories is possible only if there is evidence that the asset is ready for sale. If an enterprise decides to sell investment property without additional preparation, there is no reason to reclassify it. The entity continues to classify and account for it as an investment property until it has completed its recognition (until it is derecognized). Similarly, if an entity commits to further development of an existing investment property but expects it to continue to be used as an investment property, the reclassification will not take place.

It is necessary to clarify the nuances associated with the revaluation of investment property by analyzing the errors associated with the revaluation of fixed assets. Until the investment property is recognized, the revaluation is accounted for in accordance with IAS 16. After the reclassification of the investment property, the revaluation is recognized as profit or loss. This does not mean that the revaluation recorded in its own funds under the revaluation surplus should also be written off against profit or loss.

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