

Accounting for fixed assets and intangible assets

3 course 6 sem

Fixed assets

To carry out the process of production, commodity circulation, organizations acquire means of labor that repeatedly participate in the process of production and circulation, retaining their natural-material form.

The main tasks of accounting for fixed assets are:

- ▶ correct execution of documents and timely reflection in the accounting of the movement of fixed assets, their internal movement, disposal;
- ▶ a reliable determination of the results from the sale and other disposals of fixed assets;
- ▶ full determination of the costs associated with maintaining fixed assets in working condition (costs for technical inspection and maintenance, for all types of repairs);
- ▶ control over the safety of fixed assets accepted for accounting.

Conditions for acceptance for accounting as fixed assets:

- a) the object is intended for use in the production of products, in the performance of work or the provision of services, for the management needs of the organization or for provision by the organization for a fee for temporary possession and use or for temporary use;
- b) the object is intended to be used for a long time, i.e. a period of more than 12 months or a normal operating cycle if it exceeds 12 months;
- c) the organization does not assume the subsequent resale of this object;
- d) the object is capable of bringing economic benefits (income) to the organization in the future.

The main assets include:

buildings, structures, working and power machines and equipment, measuring and control instruments and devices, computers, vehicles, tools, production and household inventory and accessories, working, productive and breeding livestock, perennial plantations, on-farm roads and other relevant objects

Classification of fixed assets

The classification of fixed assets is carried out according to various criteria:

- ▶ by type - buildings, structures, machinery and equipment, vehicles, etc.;
- ▶ by functional purpose - production and non-production;
- ▶ according to the degree of use - those in operation, in stock, on conservation, at the stage of completion, additional equipment, reconstruction and partial liquidation;
- ▶ from existing rights to objects - on the right of ownership, in operational management or economic management, received by the organization for rent

Inventory object

- ▶ The accounting unit of fixed assets is an inventory item.
- ▶ **An inventory item of fixed assets** is an object with all fixtures and fittings or a separate structurally separate item designed to perform certain independent functions, or a separate complex of structurally articulated items that are a single whole and designed to perform a specific job. **A complex of structurally articulated objects** is one or more objects of the same or different purposes, having common devices and accessories, common control, mounted on the same foundation, as a result of which each object included in the complex can perform its functions only as part of the complex, and not independently.
- ▶ If one object has several parts, the useful lives of which differ significantly, each such part is accounted for as an independent inventory item.

Useful life

- ▶ The period during which the use of an item of fixed assets brings economic benefits (income) to the organization. For certain groups of fixed assets, the useful life is determined based on the amount of production (volume of work in physical terms) expected to be received as a result of using this object. The useful life of an item of fixed assets is determined by the organization when accepting the item for accounting.
- ▶ The useful life of an item of fixed assets is determined based on:
 - ▶ the expected life of this facility in accordance with the expected productivity or capacity;
 - ▶ expected physical wear and tear, depending on the operating mode (number of shifts), natural conditions and the influence of an aggressive environment, the repair system;
 - ▶ regulatory and other restrictions on the use of this object (for example, the lease term).

Types of valuation of fixed assets:

- ▶ initial;
- ▶ revalued value is the cost of reproduction of fixed assets in current current prices, which are determined as a result of their revaluation taking into account inflation or modernization;
- ▶ liquidation value.
- ▶ In the balance sheet by the difference between the initial (revalued) cost and the amount of depreciation of each fixed asset accounting object . It serves as the basis for calculating the tax on the property of the organization.

Fixed assets accounting

- ▶ Fixed assets are accepted for accounting at their original cost
- ▶ The initial cost of fixed assets acquired for a fee is the amount of the organization's actual costs for the acquisition, construction and manufacture, with the exception of value added tax and other refundable taxes (except for cases provided for by the legislation of the Russian Federation).
- ▶ The actual costs for the acquisition, construction and manufacture of fixed assets are:
 - ▶ the amounts paid in accordance with the contract to the supplier (seller), as well as the amounts paid for the delivery of the object and bringing it into a condition suitable for use;

Depreciation methods:

- ▶ **Depreciation** is the process of gradually transferring the cost of fixed assets as they wear out to the manufactured product or service in order to reimburse their cost and accumulate funds for the acquisition, repair, restoration of fixed assets
- ▶ linear way;
- ▶ reducing balance method;
- ▶ method of writing off the cost in proportion to the volume of products (works)

Accrual of depreciation charges

- ▶ Accrual of depreciation charges on an item of fixed assets begins on the first day of the month following the month of acceptance of this item for accounting, and is made until the full repayment of the value of this item or write-off of this item from accounting.
- ▶ Accrual of depreciation deductions on an item of fixed assets is terminated from the first day of the month following the month of full repayment of the cost of this item or write-off of this item from accounting.
- ▶ During the useful life of an object of fixed assets, the accrual of depreciation deductions is not suspended, except when it is transferred by decision of the head of the organization to conservation for a period of more than three months, as well as during the restoration of an object, the duration of which exceeds 12 months.
- ▶ The accrual of depreciation charges on fixed assets is made regardless of the results of the organization's activities in the reporting period and is reflected in the accounting of the reporting period to which it relates.

Documentation of the movement of fixed assets

- ▶ Apply unified (specially established) forms of primary documentation for accounting for fixed assets.
- ▶ These include:
 - ▶ 1. *The act (invoice) –of acceptance - transfer of fixed assets* - is drawn up for each object, in 2 copies, indicating the time of entry into operation, date of manufacture, initial cost and depreciation amount). It is accompanied by technical documentation (passport, instruction manual, warranty card).
 - ▶ 2. *Invoice for the internal movement of fixed assets* –for transfer to materially responsible persons in departments.
 - ▶ 3. *Inventory card for accounting for the fixed assets* object - to account for the availability and movement of fixed assets within the organization, it is opened in the accounting department, filled out on the basis of primary documents.
 - ▶ 4. *Inventory book of accounting for fixed assets* - in cases of a small number of fixed assets - in pharmacy organizations.
 - ▶ 5. *Act on the write-off of fixed assets* –for accounting and registration of the write-off of fixed assets that have become unusable. It is drawn up by the commission, the technical condition of the fixed asset and the reason for its write-off are indicated in 2 copies, approved by the head. One copy is transferred to the accounting department for entering data into an inventory card or book, the other remains with the person responsible for the safety of fixed assets. Responsible persons keep records of fixed assets in the Inventory list of fixed assets (at the location and operation of fixed assets). At the end of the month, the financially responsible person draws up a report on the movement of fixed assets.

Fixed assets retirement

- ▶ The cost of an item of fixed assets that is retired or is not capable of bringing economic benefits (income) to the organization in the future is subject to write-off from accounting.
- ▶ Disposal of an object of fixed assets takes place in the event of: sale; termination of use due to moral or physical wear and tear; liquidation in case of an accident, natural disaster or other emergency; transfers in the form of a contribution to the authorized (share) capital of another organization, a mutual fund; transfer under an exchange agreement, donation; making contributions to the account under a joint activity agreement; identifying shortages or damage to assets during their inventory; partial liquidation during the performance of reconstruction works; in other cases.
- ▶ If a fixed asset is written off as a result of its sale, then the proceeds from the sale are accepted for accounting in the amount agreed by the parties in the contract.

- ▶ At the end of the disposal procedure, the residual value of fixed assets is written off in correspondence with accounts 91 “Other income and expenses” and 99 “Profit and losses” (loss).
- ▶ - Reflects the fact of write-off of fixed assets at residual value. The accounting entry looks like:
 - ▶ Credit account 01 Debit of account 91 "Other income and expenses".
 - ▶ - The result of the write-off (residual value residual value) is reflected - loss.
 - ▶ The accounting entry looks like:
 - ▶ Debit (Dr) of account 99 "Profit and loss" (loss). Credit (Cr) of account 91 "Other income and expenses".
 - ▶ Operations on the account are thus closed.

Synthetic accounting of fixed assets

- ▶ Account 01 "Fixed assets" is intended to summarize information on the availability and movement of fixed assets of the organization. The account is active. Debit balance. The Debit turnover of the subsidiaries reflects the acceptance of fixed assets for accounting at their original cost.
- ▶ Changes in the initial cost (revaluation, modernization) are reflected in correspondence with Credit of account 83 "Additional capital".
- ▶ The accounting entry looks like:
 - ▶ Debit of account 01 "Fixed assets". Credit of account 83 "Additional capital".
- ▶ The credit turnover of the reflects the disposal of the Fixed Assets (sale, gratuitous transfer, write-off).
- ▶ For these purposes, sub-account 01.1 "Retirement of Fixed Assets" can be opened:
 - ▶ --- the debit turnover of the subsidiaries reflects the value of the retiring item of fixed assets;
 - ▶ - the amount of accumulated depreciation is reflected in the credit turnover

Conditions for acceptance by accounting as an intangible

- ▶ a) the object is capable of bringing economic benefits to the organization in the future, in particular, the object is intended for use in the production of products, in the performance of work or the provision of services, for the management needs of the organization;
- ▶ b) the organization has the right to receive economic benefits that this object is able to bring in the future (including the organization has properly executed documents confirming the existence of the asset itself and the right of this organization to the result of intellectual activity);
- ▶ c) the possibility of separating or separating (identifying) an object from other assets;
- ▶ d) the object is intended to be used for a long time, that is useful life, lasting more than 12 months or normal operating cycle, if it exceeds 12 months;
- ▶ e) the organization does not intend to sell the object within 12 months or the normal operating cycle if it exceeds 12 months;
- ▶ f) the actual (initial) cost of the object can be reliably determined;
- ▶ g) the object does not have a material form

Accounting for intangible assets

- ▶ works of science, literature and art; programs for electronic computers;
 - ▶ inventions;
 - ▶ useful models;
 - ▶ selection achievements;
 - ▶ production secrets (know-how);
 - ▶ trademarks and service marks.
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- ▶ **Goodwill that arose in connection with the acquisition of an enterprise as a property complex (in whole or in part) is also taken into account as part of intangible assets .**

Inventory object

The inventory object of intangible assets is recognized as a set of rights arising from one patent, certificate, agreement on the alienation of the exclusive right to the result of intellectual activity or to a means of individualization or in another manner prescribed by law, intended to perform certain independent functions. A complex object that includes several protected results of intellectual activity (movie, other audiovisual work, theatrical and entertainment performance, multimedia product, single technology)

Assessment types:

An intangible asset is accepted for accounting at the actual (initial) cost determined as of the date of its acceptance for accounting.

Useful life

- ▶ Useful life is the period, expressed in months, over which an entity expects to use an intangible asset to generate economic benefit.
- ▶ The useful life of an intangible asset is determined based on:
- ▶ the period of validity of the organization's rights to the result of intellectual activity or means of individualization and the period of control over the asset;
- ▶ the expected period of use of the asset, during which the entity expects to receive economic benefits (or use in activities aimed at achieving the goals of creating a non-profit organization).
- ▶ The useful life of an intangible asset cannot exceed the life of the organization.

Depreciation methods:

- ▶ linear way;
- ▶ reducing balance method;
- ▶ method of writing off the cost in proportion to the volume of products (works).

Depreciation deductions

- ▶ Depreciation deductions for intangible assets begin on the first day of the month following the month of acceptance of this asset for accounting, and are accrued until the full repayment of the cost or write-off of this asset from accounting.
- ▶ During the useful life of intangible assets, the accrual of depreciation charges is not suspended.
- ▶ Depreciation deductions for intangible assets are terminated from the first day of the month following the month of full repayment of the cost or write-off of this asset from the accounting records.

Write-off of intangible assets

- ▶ The cost of an intangible asset that is disposed of or is not capable of bringing economic benefits to the organization in the future is subject to write-off from accounting.
- ▶ The disposal of an intangible asset takes place in the event of:
 - the termination of the organization's right to the result of intellectual activity or means of individualization;
 - transfer under an agreement on the alienation of the exclusive right to the result of intellectual activity or to a means of individualization;
 - transfer of the exclusive right to other persons without an agreement (including in the order of universal succession and in the event of foreclosure on this intangible asset); termination of use due to obsolescence; transfers in the form of a contribution to the authorized (share) capital (fund) of another organization;
 - transfer under an exchange agreement, donation;
 - identifying shortages of assets during their inventory.

Business reputation

- ▶ For accounting purposes, the value of acquired business reputation is determined by calculation as the difference between the purchase price paid to the seller when acquiring an enterprise as a property complex (in whole or in part) and the sum of all assets and liabilities in the balance sheet as of the date of its purchase (acquisition).
- ▶ **Goodwill** should be treated as a price premium paid by the buyer in anticipation of future economic benefits in connection with the acquired non-identifiable assets and accounted for as a separate inventory item.
- ▶ **Negative goodwill** should be seen as a price discount given to the buyer due to the lack of factors of stable buyers, reputation for quality, marketing and sales skills, business connections, management experience, staff qualifications, etc.

Depreciation

- ▶ Acquired goodwill is amortized over twenty years (but not more than the life of the organization).
- ▶ Goodwill depreciation is determined on a straight-line basis
- ▶ Negative business reputation in full amount is attributed to the financial results of the organization as other income.

Synthetic accounting of Intangible assets

- ▶ Account 04 "Intangible assets", active, initial and final debit balance;
- ▶ +Dr (debit circulation/turnover) –means registration of an Intangible Assets object;
- ▶ -Cr (credit circulation/turnover) - disposal from the accounting of the object of intangible assets.
- ▶ Account 05 "Amortization of Intangible Assets" –contractive (passive account, but located in the Asset of the balance sheet), therefore, the balance sheet currency reflects the residual value of the Intangible assets.

**Thank you
for your attention!**