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**VITAL PROBLEMS OF FIXED
ASSETS' ACCOUNTING**

**(On the example of The State Unitary
Enterprise "Yermulkkadastr").**

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Brief contents

- 1. The economic essence of fixed assets' category**
- 2. The composition of fixed assets – Land factor and ways of its valuation**
- 3. Problems of calculating depreciation for fixed assets**

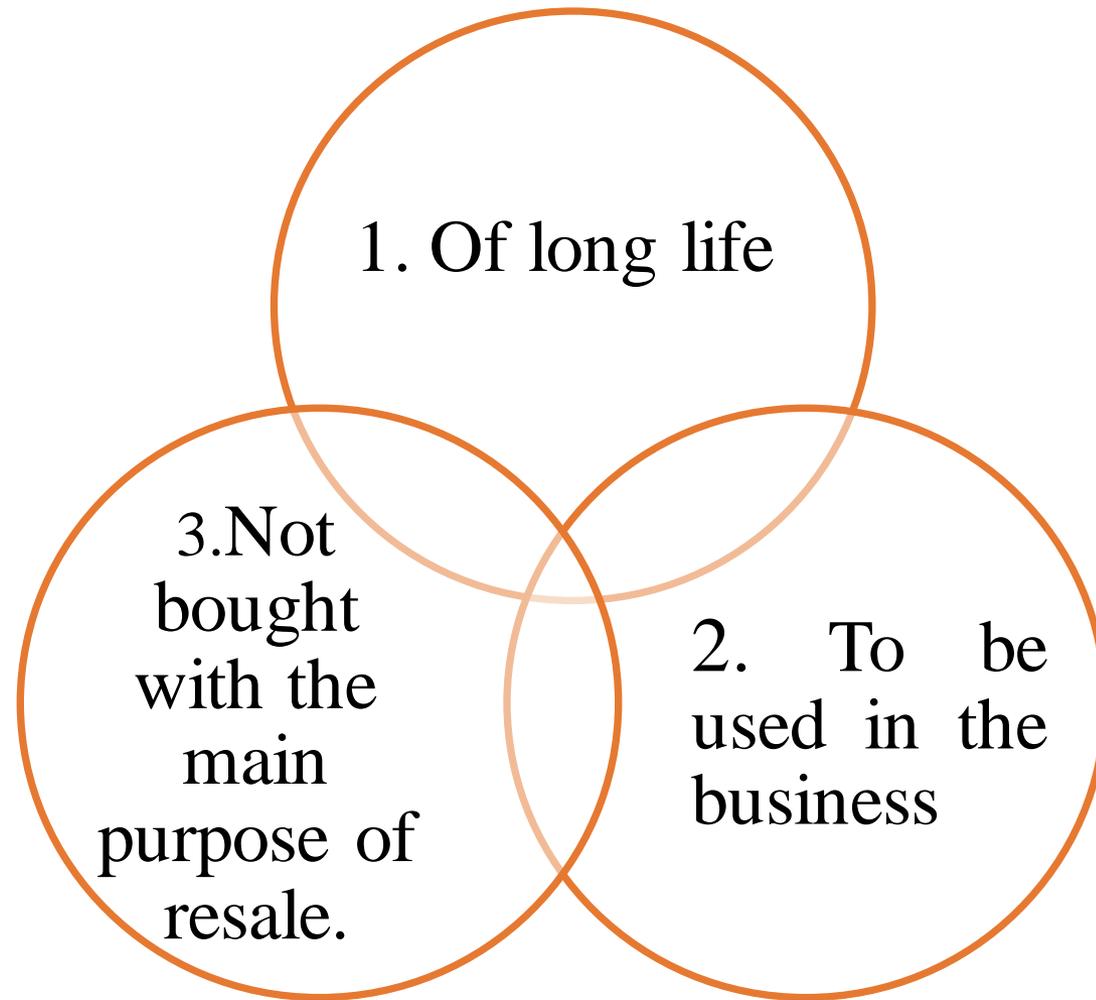
Conclusion



THE FOLLOWING TASKS HAVE BEEN PUT:

- Research the theoretical aspects of the fixed assets;
- Characterize importance, significance and role of fixed assets in the modern conditions of accounting;
- Reveal the problems and contradictions in the accounting of fixed assets;
- To analyze particular organization's legal documented movements of fixed assets, synthetic and analytical accounting, and definition of financial results on disposal of fixed assets;
- Study the sources of information and methodological principles of accounting of fixed assets;
- To give practical proposals on increasing of modernization of economy.

FIXED ASSETS ARE THOSE ASSETS OF MATERIAL VALUE WHICH ARE:



THERE ARE THREE GENERAL RULES AND PRINCIPLES FOR VALUING FIXED ASSETS:

The enterprise should be considered as a going concern, unless the facts indicate to the contrary. For this reason, their historical cost is regarded as the most objective measure of value. Historical cost includes the original purchase price and, in addition, all other costs incurred in rendering the asset ready for use.

Changes in the market value of fixed assets are traditionally ignored in the valuation process.

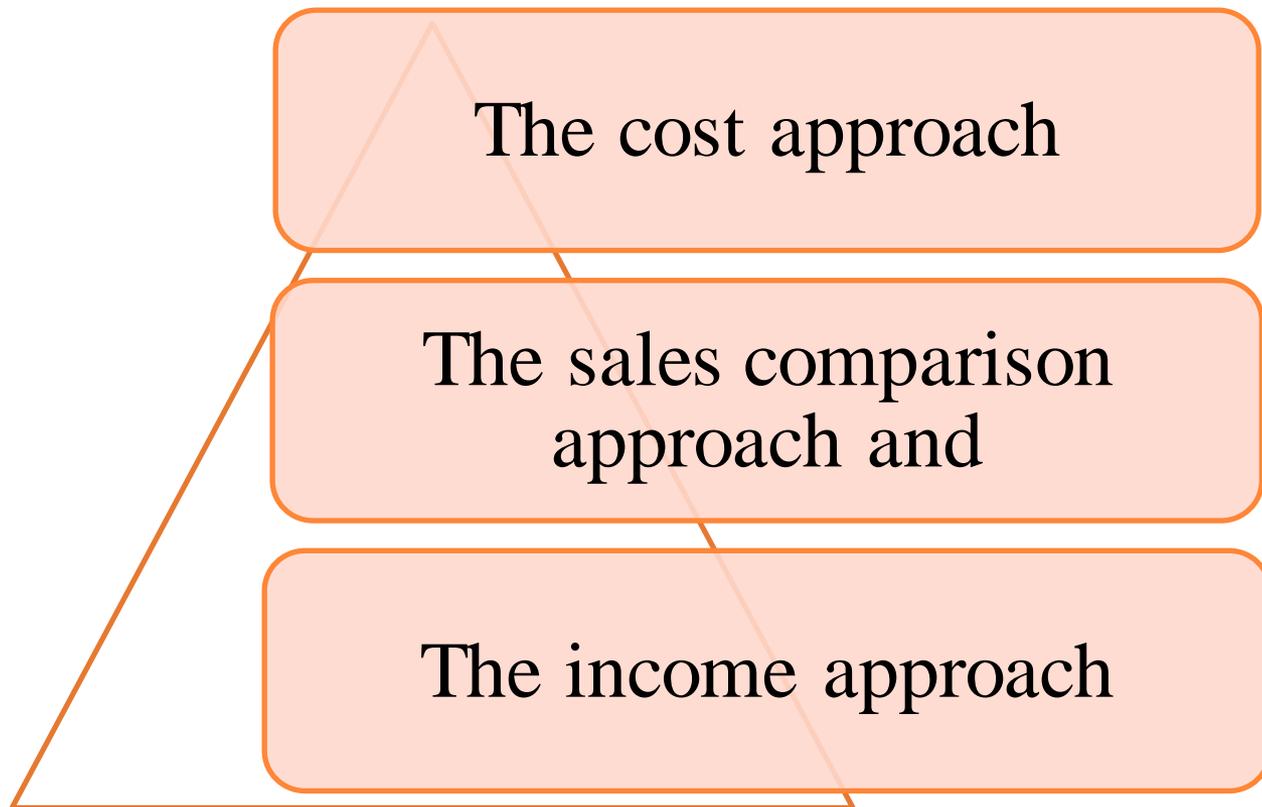
Depreciation in value attributable to wear and tear should always be recognized.

REAL ESTATE

- Immovable Property is the legal and alternative term for “Real Estate”.
- Immovable property is an immovable object, an item of property that cannot be moved without destroying or altering it - property that is fixed to the Earth, such as land or a house. In the United States it is also commercially and legally known as real estate and in Britain as property.



**“THREE APPROACHES TO VALUE“, WHICH ARE
GENERALLY INDEPENDENT OF EACH OTHER:**



- **The cost approach** was formerly called the summation approach. The theory is that the value of a property can be estimated by summing the land value and the depreciated value of any improvements.
- **The sales comparison approach** in a real estate appraisal is based primarily on the principle of substitution. The approach recognizes that a typical buyer will compare asking prices and seek to purchase the property that meets his or her wants and needs for the lowest cost.
- **The income approach** is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviors of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists.



Currently, there are several actual problems in the accounting of the land.

In most cases, when you purchase the land you may face other additional expenses, which are included in the value of the land. It is correct to include these costs in the price of land. This is a vital issue at present. If the accountant does not capitalize land in the land-invoices, it could affect the tax change and net profit at the end of the reporting period.

If we analyze this case, the following costs shall be shown in the debit of the account: commission payments to estate agents, payment of taxes, fees paid by the buyer, the cost of cleaning and leveling land, and includes expenditures on geodetic research.



If the land is purchased for construction, the costs associated with the removal of structures on land are capitalized. Trading revenues received from the sale of materials associated with the destruction of structures, reduces the cost of land. The values of the materials taken after destroying of structures are determined and by the same amount the value of land decreases. If the land belongs to the Organization and if the constructions were demolished for the construction of new facilities, these costs are not capitalized in the land, on the contrary it increases the loss from demolition of constructions or decreases the profit.



The next problem on land accounting is:



To properly keep records of expenses associated with the cultivation of land. Some categories of improvement, for example, the cost of artificial flowers, trees and forests are included in the cost of land. Short-lived expenses, such as costs associated with natural flowers are not included in price of land. Mistakes of accountant, in accounting of land associated with the purchase and sale of land leads to many errors.



THE THIRD PROBLEM IS ASSOCIATED WITH THE CORRECT CALCULATION OF LAND TAX BY AN ACCOUNTANT.

- The accountant should be responsible for calculating land tax.
- If you look at the documents associated with a land tax, there are two types of land:
 - ✓ Taxable land
 - ✓ Not taxable land.
- The accountant must properly separate the types of land. If the accountant will not properly account, then the report will be not suitable for the rules of taxation.



THE STATE CADASTER OF THE REPUBLIC OF UZBEKISTAN "YERMULKKADASTR" PERFORMS THE FOLLOWING FUNCTIONS:

- ❖ Collects, parses, aggregates, stores and updates the inventory records;
- ❖ Leads the State land Cadaster;
- ❖ Leads Public inventory of buildings and structures;
- ❖ Perform scientific survey works, performs and maintains regulatory and technical instruments;
- ❖ Provides consumers with cadaster information;
- ❖ Registers the right to property.
- ❖ Evaluates and makes a reassessment of residential houses, buildings and structures.



ANALYSIS OF COMPOSITION, CONTENT AND DYNAMIC CHANGES OF THE FIXED ASSETS OF
 "YERMULKKADASTR" STATE UNITARY ENTERPRISE.
 (IN THOUSAND SUMS)

The fixed assets' content	2011 year		2012 year		Changes (+,-)	
	Amount	Share %	Amount	Share %	In thous. sum	Share %
1	2	3	4	5	6	7
1. Land	-	-	-	-	-	-
2. Building	22249	18,2	22249	14,9	-	3,3
3. Construction	-	-	-	-	-	-
4. Current assets	-	-	-	-	-	-
5. Means of transport	29029	23,8	29029	19,5	-	4,3
6. Computer science and computer facilities	44701	36,5	63636	42,8	+18935	+6,3
7. Production equipment	2038	1,7	2038	1,4	-	0,3
8. Machine	20158	16,5	20158	13,6	-	2,9
9. Household equipment	-	-	-	-	-	-
10. Equipment	-	-	-	-	-	-
11. Other fixed assets	4013	3,3	11393	7,8	+7380	+4,5
Total fixed assets	122188	100,0	148503	100,0	+26315	-

On the basis of the tables analyzed by the State Unitary enterprise "Yermulkkadastr", in the current period compared to last year's total assets, increased to 26315 thousands of sums. This company has the largest share of the building, vehicles, and computer equipment and computer facilities. These fixed assets are 77, 2% of the total primary funds. This year, the cost of computers and computer equipment increased to 18935 thousands sums. In 2012 other fixed assets have increased rapidly, and this was 11393 thousand sums. This indicator, compared with 2011, tripled. At the same time, the value of all fixed assets increased by 26315 thousands sums and in 2012 it was 148503 thousand sums.

The increase of computers and computer technology in the enterprise shows service improvement. In General, it was clear that the company's fixed assets had changes in the dynamics. And it shows the arrival of the new fixed assets.



Now consider the depreciation calculated on a single object.

The company bought a laptop with original value 2700000 sums in 01.10.2011. Resale value is not defined in the regulations; the annual depreciation rate is 20 per cent. That's why the computer is to be used 5 years.

$$2700000 : 5 = 540000 \text{ (sum)}$$

As we can see, the annual depreciation is 540000 sums. As this computer was posted in the fourth quarter of 2011, the depreciation rate for this period amounted to 135000 sums. For subsequent periods of depreciation calculation on the laptop is in the following order.



THE TABLE OF FIXED ASSETS' (LAPTOP) CALCULATED DEPRECIATION IN STRAIGHT-LINE METHOD IN THE STATE UNITARY ENTERPRISE "YERMULKKADASTR"

The cost of fixed asset	Depreciation norm	Amount of depreciation	Residual value
2 700 000	20	135000	2565000
2 700 000	20	540000	2025000
2 700 000	20	540000	1485000
2 700 000	20	540000	945000
2 700 000	20	540000	405000
2 700 000	20	405000	405000

For the amount of deducted depreciation the following accounting transactions are given. During 2012 for each fixed asset the following accounting transaction has been given (for each fixed asset's annual depreciation).

1. Debit	2010	Credit	0220	1112472
(sum)				

2. Debit	2010	Credit	0230	2954664
(sum)				

3. Debit	2010	Credit	0240	305772
(sum)				

4. Debit	2010	Credit	0250	5866628
(sum)				



Consider the calculation of revaluation on single object.

Motor car Nexia 40282 EAA was purchased in 2003, and was posted to the account-0160 "transport vehicles". The original cost of the car amounted 9706600 sums, and replacement cost - 15518796. As Fergana region is the second group of the region and, taking into consideration the year of purchasing the car, the cost of the vehicles and the accrued wear and tear is multiplied to coefficient - 1.151.

Replacement cost – 15518796 sums:

$$15518796 \times 1.151 = 17862134 \text{ (sum)}$$



The amount of accumulated depreciation on January 1, 2013 amounted to 10537121 sums:

$$10537121 \times 1.151 = 12128226 \text{ (sums)}$$

On the calculations above, we make the following accounting transactions.

For the replacement cost of the car:

1. Debit	0160	Credit	8510	2343338
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(sum)

For the revaluated cost of wear of the car:

2. Debit	8510	Credit	0260	1591105
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(sum)



SOME PROBLEMS OF DEPRECIATION OF FIXED ASSETS IN REAL ECONOMIC ACTIVITIES SHOULD:

- 1) Calculate depreciation for a given period of time;
- 2) Review depreciation rates based on new maintenance periods and liquidation value of fixed assets;
- 3) Develop new practical provisions while calculating depreciation on worthless subjects;
- 4) Determine group of objects for depreciation;
- 5) Apply the methods of accelerated depreciation for tax purposes.



Accounting for depreciation and amortization of fixed assets should be, in our view, built on the following methodological principles acceptable to accounting practice.

1. Depreciation of fixed assets needs the simultaneous increase of the same value of depreciation of capital.

This requirement is dictated by the logic of economic phenomena. Amortization is the partial loss of consumer value and value of labor in the production process, stored in value (in practice management – cost price) of the product, must be amortized, should be refunded with money in the second stage of circulation. It leads to following chain: amortization of such chain is compensated with money retrieved from the sphere of circulation and reserved in amortization capital.



2. Depreciation and amortization produces over normative service life of fixed assets, that is, until it is paid off their original or replacement cost.

If the inventory object, on which this deadline expired, continues to function as a means of labor in production or treatment, then it will stop the depreciation and amortization regardless of what part of the fixed assets – active or passive – belongs to this object. This excludes the possibility of so called excess amortization and depreciation and surplus respectively.



3. Movement on account of amortization on the counter-active account "Depreciation of fixed assets".

Amortization is one of material elements of cost of production (works, services) and the circulation of goods. The material includes the cost occurring in consumption of the means of production. Deduction of depreciation is reflected on credit account in correspondence with the accounts of production costs or circulation of final financial results, capital reserves, which compensates amortization.



CONCLUSION

- The question of innovation towards the development of Uzbekistan's modernization, based on the global policy of the productive capacity. In modern conditions of managing it is not enough dealing with the modernization of the economy and providing with new main means, we also need the ability to use them effectively and to manage their movement.
- In the overall analysis of fixed assets in the State Unitary enterprise "Yermulkkadastr", fulfilled operations on posting, on calculating fixed assets' depreciation, on revaluating and write-offs of fixed assets. If you look at the composition of the fixed funds, the large proportion falls to computing machinery, because computing machinery is used in the assessment and measurement of the movable and immovable objects.