



Assessment of trends in the reform of accounting of fixed assets in Russia

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ABSTRACT

At the present stage of development of the Russian state, the task is to increase its competitiveness on a national and global scale. Globalization of the economy and integration of Russia into the world economic system require appropriate information to take into account innovation processes and to recognize their results in the financial statements. In these circumstances, a special role is played by further improvement in the accounting of fixed assets, as well as the provision of information on fixed assets in the financial statements of an economic entity.

The purpose of this paper is to evaluate the regulatory and legal documents that regulate the accounting for fixed assets in the Russian Federation and to correlate the methodology and the resulting indicators with the requirements of IAS 16 "Property, Plant and Equipment" (7).

In this paper, an assessment of the draft federal accounting standard "Fixed assets", and a comparison of the methodology provided by the Russian standard with the rules of the international standard are carried out based on the methods of comparison, systemic and logical-semantic analysis and synthesis.

The review fulfilled and characterization of the legal and regulatory framework for fixed assets accounting will allow companies of different organizational and legal forms to plan adjustments of accounting policy for accounting purposes in accordance with the requirements of IFRS (IAS).

Key words: fixed assets, initial cost, depreciation, accounting.



1. INTRODUCTION

Currently, the implementation of the Federal Law "On Accounting" 402-FZ on the structure of regulatory documents (other than normative acts - laws and codes) governing the scope of accounting is actual for elaboration of the methodology on accounting for fixed assets and the provision of information about them in the financial statements (Federal Law "On Accounting" dated 06. 12. 2011).

In accordance with article 21 of this law, such documents include: federal accounting standards, industry standards, accounting recommendations and internal accounting standards of an economic entity. In order to form such a structure of regulatory documents, the Ministry of Finance of the Russian Federation has developed a Program for the development of federal accounting standards for 2016 - 2018 (Order of the Ministry of Finance of the Russian Federation dated May 23, 2016 No. 70n).

The program determined the range of non-state subjects of accounting regulation, responsible for the development of specific federal standards. In particular, the development of the draft federal accounting standards "Fixed Assets" is entrusted to the Accounting Methodological Center ("NRBU" BMC "Fund). In accordance with the Program, this project was submitted to the Financial Accounting Standards Board before the end of the third quarter of 2016. This requirement on the time period was withstood. The expected date of the entry into force of the standard for mandatory use was set aside for reporting, starting in 2018. The result of consideration of the submitted draft into the Board was the rejection of this project with the recommendation to the Ministry of Finance to reject the project.

2. METHODS

The analysis of the content of the rules for the recognition of fixed assets in three documents revealed differences between the IFRS, the Russian Accounting Standard and the draft federal accounting standards, which led to the rejection of the project. The essence of them is described in the following positions:

- Inclusion or exclusion of investment property from the fixed assets. The position of the draft federal accounting standards complies with the IFRS. The Board believes that investment property should be a part of the fixed assets of an economic entity;
- Biological assets are an independent statement item. In this position, the three sides coincide;



- Concessionary objects of a concessionaire. The position of the draft federal accounting standards complies with the IFRS. The Board believes that investment property should remain in the fixed assets of an economic entity;
- In-progress capital investments. The draft federal accounting standards position is in compliance with the IFRS, and such facilities are fixed assets. The Board considers that the incomplete capital investments are not the fixed assets;
- Items of fixed assets intended for sale. According to the draft federal accounting standards and IFRS, such items are subject to exclusion from fixed assets and are reflected in current assets as an independent item. The Board does not share this position;
- Costs for planned repairs. According to the draft federal accounting standards and IFRS such costs form an independent item of fixed assets, subject to depreciation during the period between planned repairs. The Board's position is that such costs are not fixed assets, but relate to current expenses;
- Costs for inspections and maintenance. Similar to the previous point, the draft federal accounting standards and IFRS, such costs are included in fixed assets. The Board's position is that such costs are not fixed assets, but relate to current expenses;
- The cost limit for inclusion in fixed assets or reserves. The draft federal accounting standards and IFRS do not provide for setting by the standard of such a cost criterion. However, there is a criterion of materiality, and the organization has the right to independently establish it. The Board believes that the norm applied today in PBU (Russian accounting standards) 6/01 should remain in the new standard. At the same time, there is a common position regarding the recognition of costs for insignificant objects that should be recognized as expenses at the time of their implementation;
- Opportunity to assess the costs incurred. The draft federal accounting standards and IFRS consider such an opportunity as an obligatory criterion for recognition: if an asset cannot be estimated, the asset is not recognized. The Board is of the opinion that such an opportunity is not a recognition criterion: if it is not possible to assess the costs, the asset is recognized in a conditional valuation;
- Liquidation obligations. The positions of the parties as to the possibility of including in the original value of a fixed asset an estimated obligation for the costs of liquidating



an object at the end of its useful life coincide. At the same time, the change in liquidation obligations should relate to the initial value of the fixed assets object, there is also no discrepancy between the positions;

- The moment of recognition of a fixed asset. In accordance with the draft federal accounting standards and IFRS, an object is included in the structure of fixed assets at the time when costs are outlaid. The Board adheres to the current rule, according to which the fixed asset is recognized as such at the moment of completeness of the entire facility;
- The value of the fixed asset when paid with a deferral. The draft federal accounting standards and IFRS provide for the use of discounted cost to determine the initial cost of the facility. The Board shares this position and considers that the initial cost should include the discounted cost of payment subject to deferred payment;
- Depreciation parameters. This provision assumes the possibility of revising the depreciation parameters over the useful life of the facility. The positions of the three parties are consensus there;
- Depreciation start. The draft federal accounting standards and IFRS establish that the depreciation charge begins from the moment when it is ready for use. The Board believes that, as before, the depreciation of fixed assets should start from the 1st day of the next month after being taken into account;
- Disposal value. This standard presupposes the allocation of disposal value in the initial value, its exclusion from the depreciation process and reimbursement at the end of the useful life in another way, for example, at the expense of the sale income. The positions of the three sides in this are consensus;
- Groups of fixed assets. The draft federal accounting standards and IFRS define the groups based on the economic content and nature of use. The Board recommends to adhere to the existing rules for the use of the All-Russian Classifier of Fixed Assets (OKOF);
- Depreciation of fixed assets. This standard assumes the possibility of recognizing the depreciation of an item of property, plant and equipment in connection with a decrease in the expected value of economic benefits from the use of the facility. The positions of the three sides in this are consensus;



– Consequences for changes in depreciation parameters. This position is of particular interest for the analysis, because at present there are no differences between the applicable norms of PBU (Russian accounting standards), IFRS and the draft federal accounting standards. The effects of changes in depreciation parameters should be recognized as changes in estimates in the reporting period in which the changes occurred. The Board considers it necessary to introduce a distinction: the consequences should be applied from the year following the year in which the changes occurred. Discrepancies between the positions of the Board and the draft federal accounting standards at the time of the analysis are unresolved. In many respects, therefore, the Ministry of Finance once again ordered the date of introduction of the federal standard "Fixed Assets" for 2019 by Order No. 066 dated 07. 06. 2017.

It should be noted that currently in the Russian Federation the accounting of fixed assets is regulated by the Accounting Regulation "Accounting for Fixed Assets" (PBU 6/01) approved by Order No. 26n of the Ministry of Finance of the Russian Federation of March 30, 2001. Also in the Russian Federation the Methodical instructions on the account of the fixed assets are applied (the order of the Ministry of Finance of the Russian Federation № 91n dated 13. 10. 2003). Accounting for fixed assets of budget institutions should be organized in accordance with the rules of the order of the Ministry of Finance of the Russian Federation dated December 1, 2010. No. 157n "On approval of the Unified Chart of Accounts for accounting in public authorities (state bodies), local self-government bodies, government non-budgetary funds, state academies of sciences, state (municipal) institutions and instructions for its application". Accounting for fixed assets of credit institutions is carried out in accordance with the Regulation of the Bank of Russia dated December 22, 2014. No. 448-P "On the procedure for the bookkeeping of fixed assets, intangible assets, real estate temporarily unused in the main business, long-term assets intended for sale, stocks, instruments of labor and subjects of labor received under settlement agreements, and pledge contracts, the purpose of which is not determined, in credit organizations". Let's consider features of recognition in the accounting and reporting of an economic subject of the information on the fixed assets following from requirements of standard documents:

– PBU 6/01 (Russian accounting standards, RAS), Methodical instructions №91n: an item is intended for use in the production of products, in the performance of work or the



provision of services, for the organizational management needs or for the provision of the organization for temporary possession and use or for temporary use; if the item is intended for use for a long time, i. e., a period over 12 months or a normal operating cycle if it exceeds 12 months. The organization does not assume the subsequent resale of this item; and the item is capable of bringing the organization economic benefits (income) in the future (Order of the Ministry of Finance of Russia dated March 30, 2001).

– Instruction No.157n: the useful life of these tangible objects exceeds 12 months; they are intended for repeated or permanent use on the right of operative management in the process of an institution activities when performing works, rendering services, exercising state powers (functions) or for the management needs of the institution; the items are in operation, stock, conservation, leased, obtained in the capacity of leasing (subleasing) (Order of the Ministry of Finance of the Russian Federation dated December 01, 2010).

– Statement No. 448-P: fixed assets is an object that has a tangible form intended for use by banks in providing services or for administrative purposes (including for security, environmental protection, and in cases stipulated by sanitary-hygienic, technical and operational and other special technical standards and requirements) for more than 12 months, the subsequent resale of which is not expected by a bank, while the following conditions are satisfied: the object is capable of bringing economic benefits to the bank in the future; the initial cost of the object can be reliably determined (Regulation of the Bank of the Russian Federation dated December 22, 2014).

– IAS 16: it is probable that the entity will receive future economic benefits; the cost price of an object can be reliably determined.

3. RESULTS

Proceeding from the foregoing, the content of the concept "fixed assets" depends on the organizational form of a legal entity and the type of activity of a legal entity. This creates problems in accounting for fixed assets in practice.



Fixed assets classifications presented in PBU 6/01, Methodological Instructions No. 91n, Instruction No. 157n, and Appendix No. 448-P do not have any significant differences between them, and a type of fixed assets is determined on the basis of the asset classifier (OKOF, All-Russian Classifier of Fixed Assets). This classification is necessary for statistical purposes. IAS 16 is determined based on the economic content and nature of the use. In our opinion, the differences on the objects "Biological assets" should be eliminated, for other objects the difference should remain.

The accounting unit of fixed assets in the Russian legislation is defined as an inventory object. In IFRS, only a depreciation unit is determined on the basis of useful life. In our opinion, the difference should remain, since one of the requirements of accounting is the requirement of "substance over form".

There are a number of problems in determining the value of fixed assets. When assessing the object of the fixed asset, the acquisition method, the type of asset, its role and place in the operation process should be determined.

In the Russian regulatory acts, the following types of valuation are used: initial cost, current (replacement) value, residual value. In accordance with Regulation No. 448-P, credit institutions use the concept of fair value, which is applied in the meaning of International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" (IAS 13) (Order of the Ministry of Finance of the Russian Federation dated 06 October, 2008; IFRS 13 Fair Value Measurement - URL: <http://ifrs.org/>). The Russian accounting standard (RAS) establishes different approaches to accounting for initial and subsequent costs. IAS 16 is based on a unified principle. In our opinion, the difference should remain, since at present there is not always objective evidence of the value of a valuation object.

Also, according to IAS 16, the subsequent costs are recognized as the fixed assets, and in the Russian accounting standard, if the recognition criteria are met, the original cost is increased only with modernization or reconstruction, and the difference should remain.

4. SUMMARY

All of the foregoing points to the need to clarify a number of provisions of regulatory legal documents governing the accounting of fixed assets. The key moment of reforming of book keeping and the financial reporting according to the international



standards is improvement of the Russian standards on book keeping and their introduction into practice.

5. CONCLUSION

This study will allow companies to plan adjustments to accounting policies for accounting purposes in accordance with IFRS. This will increase the usefulness and transparency of accounting information and help to enter the international market. Amendments to PBU 1/2008 "Accounting policies of an organization" already entered into force allow various Russian organizations to make more extensive use of IFRS in forming their accounting policies (Conceptual Framework ,2011;Alexander D., Britton A., Jorissen A.2011IFRS 1 First – time Adoption of International Financial Reporting Standards – URL: <http://ifrs.org/>). This, in turn, will require the improvement of the methodology for the use of accounting records for the formation of reporting indicators in accordance with IFRS. This fully applies to the accounting of fixed assets.

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