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PROBLEMS OF ACCOUNTING AND AUDIT OF FIXED ASSETS

Abstract: *The problems of fixed assets and a technique of audit of fixed assets in accordance with international standards were considered in the article. Review of regulatory framework of accounting and audit of fixed assets was conducted. Fixed assets' criteria and features of recognition have been considered. The principles and requirements IAS 16 «Fixed Assets» were outlined in article. The solutions in accordance of problems were revealed under international standards.*

Key words: *accounting, auditing, fixed assets, tangible assets, depreciation, inventory, international standards.*

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Introduction

The modern market economy encourages enterprises to introduce new equipment and technologies, expands the range of opportunities for using new financial instruments and mechanisms. The problems that require further research include: the problem of determining the initial cost of fixed assets obtained from various sources; the problem of determining liquidation and revalued value.

The accounting of fixed assets is carried out in accordance with IAS 16 “Fixed Assets”, Section 17 of the IAS for Small and Medium Enterprises (IAS for SMEs) and 5 of the National Accounting Standards “Fixed Assets” of the National Accounting Standard (NAS). And also, in accordance with the Law of the Republic of Uzbekistan dated March 30, 1996 No. 279-I- “On Accounting”

Accounting for fixed assets in accordance with IAS 16 “Fixed Assets”.

IAS 16 should be used for accounting for property, plant and equipment, unless another standard defines or permits a different accounting treatment.

This Standard does not apply to:

a) property, plant and equipment classified as held for sale in accordance with IAS 5 “Non-current assets held for sale and discontinued operations;

b) biological assets related to agricultural activities (see IAS 41 Agriculture);

c) the recognition and measurement of assets related to exploration and measurement (see IAS 6 “Exploration and Measurement of Mineral Reserves”);

d) mineral rights and mineral reserves, such as oil, natural gas and similar non-renewable resources.

However, IAS 16 applies to property, plant and equipment used to develop or operate the assets described in paragraphs (b) to (d).

Other standards may require the recognition of an item of property, plant and equipment using an approach other than that provided for in this standard. For example, IAS 17 “Leases” requires an entity to apply the transfer of risks and benefits as a criterion for recognizing a leased property as property, plant and equipment. However, in such cases, the remaining aspects of the accounting procedure for fixed assets, including depreciation, are determined by the requirements of this standard.

An entity that applies the cost accounting model for investment property in accordance with IAS 40 “Investment Property” should use the cost model for accounting for actual costs provided for in this Standard.

Example

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The company has the following types of assets on its balance sheet, it is necessary to determine to which assets IAS 16 applies:

- a building that is fully leased out under operating leases, and in accordance with the accounting policies of the organization, a fair value model is used;
- a building that is leased for 40% under operating leases, and in accordance with the accounting policies of the organization, a fair value model is used, and 60% is used in the organization's production activities;

- construction in progress relating to the construction of an office building, which management intends to use for the organization's own needs;
- a building under construction under a contract;
- equipment previously used as fixed assets intended for sale;
- vehicles intended for sale in the ordinary course of business of the organization.

Decision

The table indicates which particular IASs need to be applied to the above assets:

Table 1.

№	Assets	IAS	IAS Name
1	A building that is fully leased, and in accordance with the accounting policies of the entity, a fair value model is used	IAS 40	Investment property
2	The part of the building that is leased for 40% under operating leases, and in accordance with the accounting policies of the organization, a fair value model is used	IAS 40	Investment property
3	The part of the building, which is 60% used in the production activities of the organization	IAS 16	Fixed assets
4	Construction in progress relating to the construction of an office building that management intends to use for the organization's own needs	IAS 16	Fixed assets
5	Contracted building	IAS 11	Construction contracts
6	Equipment previously used as property, plant and equipment for sale	(IAS) 5	Non-current assets held for sale and discontinued operations
7	Автотранспортные средства, предназначенные для продажи в ходе обычной деятельности организации	IAS2	Stocks

Fixed assets - are tangible assets that:

- intended for use in the production or supply of goods and services, under lease or for administrative purposes;

- supposed to use for more than one period.

Spare parts and accessories, usually recorded in inventory and are written off to profit or loss in the period of their use. However, major spare parts and standby equipment are classified as fixed assets in the case of when the entity expects to use them during more than one period. Similarly, if spare parts and servicing equipment can be used only in connection with the operation of the asset, they are accounted for as fixed assets.

Acquisition of fixed assets can be carried out to ensure safety or to protect the environment. Although the acquisition of such objects and does not directly increase future economic benefits from the use of specific existing fixed assets, it may be necessary for the enterprise to gain future economic benefits from the use of other owned assets. Such fixed assets can

be recognized as assets because they provide to the enterprise future economic benefits from the use of related assets is in excess of the benefits that could be obtained if such assets were not purchased.

For the purposes of accounting of fixed assets subject to classification.

Depending on the nature of participation in the production process the main tools are divided into:

- production - these are fixed assets that are directly involved in the production process or create conditions for him. It is composed of production buildings and constructions, machines and equipment, measuring and control instruments and devices, laboratory equipment, vehicles, fixtures and fittings, tools;

- non-production - fixed assets consumer goods. They do not participate in the production process, and designed to serve cultural and social needs of the employees.

Accessories main tools are divided into:

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- self - these are the basic tools which belong to the subject and reflected on its balance sheet;

- rent is fixed assets received from another entity in a lease for a fixed in this period.

The nature of the use, the basic tools are divided into:- действующие - основные средства, используемые в производственной и хозяйственной деятельности;

- inactive (mothballed) - temporarily unused fixed assets;

- in stock - fixed assets forming a reserve for replacement of existing fixed assets in case of repair, liquidation, accident.

According to the material composition, fixed assets are classified into:

- inventory - having a material content and amenable to measurement and calculation in kind (buildings, structures, machinery, equipment).

- non-inventory - fixed assets that cannot be subjected to inventory, i.e. non-material costs (capital costs, land planning, etc.).

For tax purposes, fixed assets are divided into the following groups:

Table 2.

Group number	Name of fixed assets
I	Buildings, structures, with the exception of oil, gas wells and transmission devices
II	Machinery and equipment, with the exception of machinery and equipment for oil and gas production, as well as computers and information processing equipment
III	Computers, software and information processing equipment
IV	Fixed assets not included in other groups, including oil and gas wells, transmission devices, machinery and equipment for oil and gas production

Classification of fixed assets by types in accordance with IAS16 is done by the organizations themselves, given the specifics of their operation.

The asset class is a group of assets of a similar from the point of view of its nature and usage in the enterprise. The following are examples of separate classes of fixed assets:

- land plots;
- land and buildings;
- machines and equipment;
- water vessels;
- the air of the court;
- vehicles;
- furniture and built-in elements of the engineering equipment;
- office equipment.

For asset accounting in the areas of accounting, tax and statistical accounting is used NC RES.Uz. Article 76 (new edition). The national classifier of Uzbekistan. The classifier of fixed assets (date of introduction 2015.01.01).

The criterion for choosing a method of depreciation in accordance with clause 41 16 "fixed assets" is the maximum conformity of the form of inflows of economic benefits arising from the use of the asset [1].

In accordance with International standards, the revaluation of fixed assets is accounted for as follows:

- if the carrying value of the asset decreases due to revaluation, this is reflected as period expenses and simultaneously reduce the capital (supplementary capital revaluation);

- if the book value increases during revaluation, it will belong to the category of income on equity under "additional paid-in capital revaluation".

Another problem is the situation when operations with the basic means of their movement, capitalization, disposal, documenting not displayed or not correctly recorded in the accounting records. In this case, from our point of view, you need to identify the culprits and the reasons that caused this situation, and take appropriate action.

16 "fixed assets" specifies the financial reporting for fixed assets should include information about the methods for estimating costs, methods of depreciation (at the beginning and end of periods of use), data on the receipt, disposal, acquisition, the results of revaluations and other changes [1].

Auditors should ensure that in the notes for each asset class disclosed:

- basis of estimates to determine the book value;
- depreciation methods;
- the useful lives or depreciation rates;
- gross carrying amount and the amount of accumulated depreciation, including accumulated losses from depreciation at the beginning and end of the period.
- reconciliation carrying amount at the beginning and end of the reporting period.

Thus, the effective planning and implementation of the process of auditing fixed assets will allow to achieve a high level of qualitative characteristics of financial statements of the company and to avoid problems of inaccuracy and error. The auditor, considering in the process of planning and performing

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the audit procedures, the article analyses the peculiarities of accounting of fixed assets under International financial reporting standards, will be able to confidently Express their opinions regarding the correctness of accounting estimates made by management, and their conformity with 16"fixed assets".

The undeniable advantage of the audit of fixed assets , in our opinion, is the fact that it concludes with an analysis of efficiency of their use. Define capital productivity, capital intensity, the coefficients of wear, updates, shelf life of fixed assets.

Conclusions.

In the research process, issues of accounting and audit of fixed assets established the need for proper use , which is important for external users of financial statements. Orientation of national accounting systems to International standards provides the ability to compare the accounting performance of enterprises in different countries. This provides investors with the necessary information when making decisions on

implementation of international investment projects, promotes the movement of capital and integration of national economies. It also contributes greatly to the implementation of effective independent oversight of the condition and use of fixed assets.

The standards are 16 "fixed assets" contain a complete and accurate fixed assets at cost, depreciation, retirement, liquidation, revaluation, maintenance, effective use, which has a positive effect on the solution of problematic issues in the field of accounting and auditing.

Accounting according to international standards facilitates the work of accountants businesses which are dealing with foreign partners. As the audit of fixed assets is a complex process and, given the constant changes in regulations on fixed assets — depreciation, classification — would be worthwhile keeping records of fixed assets in accordance with the International standard, as the audit of fixed assets is a very important part of the overall audit of the company.

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