

**IAS 16 – PROPERTY, PLANT AND EQUIPMENT  
IAS 17 – LEASES  
IFRS FOR SMEs – NON-CURRENT ASSETS**

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# LONG-TERM ASSETS

- IAS 1 – Presentation of Financial Statements
- IAS 8 – Accounting Policies, changes in accounting estimates and errors
- IAS 16 – Property, Plant and Equipment
- IAS 17 – Leases
- IAS 23 – Borrowing Costs
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets

# INITIAL RECOGNITION

- The definition of an asset from the Framework
- No monetary limit
- It depends on the useful life
- Current x Non-current assets:
  - Tangible assets
  - Intangible assets
  - Financial assets

# Tangible assets

- Property,
- Plant,
- Equipment,
- Ship,
- Aircraft,
- Vehicles ,
- Furniture,
- Office equipment.

# Differences between IFRS and Czech Accounting Legislation (CAL)

- IAS/IFRS x CAL = significant spare parts:
  - significant spare parts are recognised as long-term assets if their useful life is expected to be over one year
- e.g. Aircraft and its engine

# Intangible assets

- An intangible asset is an identifiable non-monetary asset without physical substance. Assets are identifiable because they are separable, or because they are identifiable through legal or contractual rights.
- Intangible assets: patents, trademarks, authors rights, licences, concessions, software, goodwill (externally purchased) ...
- NO X start-up costs, training expenditures, reorganization costs, advertising expenditures, ...

# Non-purchased intangible assets

- It depends on economic benefits and reliable valuation;
- **Research** = original and planned investigation undertaken with the prospect of gaining new scientific knowledge and understanding;
- **Development** = the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

# Valuation of tangible and intangible assets

- a) Valuation at initial recognition
- b) Valuation at the end of accounting period
- c) Valuation during its useful life



# Valuation at initial recognition

**Assets should be initially measured at costs:**

**a) purchased assets** = purchased prices including directly connected costs

**b) own production** = production costs

**c) leases** = fair value or present value of leases payments

# Directly connected costs

= capitalised at cost including any directly attributable costs incurred in bringing the assets into working condition;

- Capitalised can be only borrowing costs directly attributable with bringing the asset into working condition;
- Certain costs **can not be** capitalised;
- **US GAAP** have the same conditions for valuation;

# Subsequent measurement

Companies can adopt a policy of revaluing assets if they wish. If they revalue assets the carrying amount should approximate to their fair value at the reporting period.

a) valuation at cost

b) revaluation model

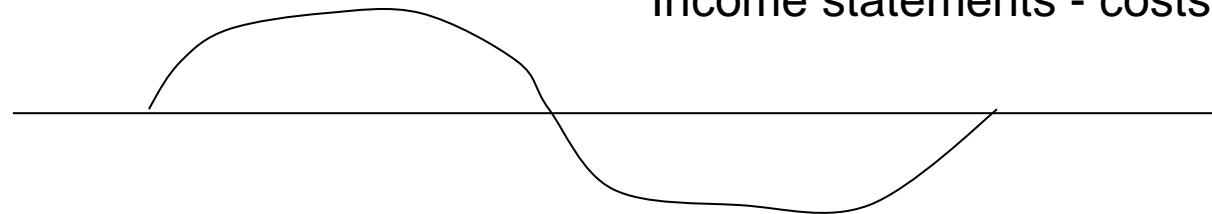
# Revaluation model

- If companies choose to revalue assets they must:
  - revalue the full class of asset,
  - Revalue sufficiently often that the asset is retained at an up-to-date value on the balance sheet;
- **Revaluation:**

Balance sheet - equity

Purchased costs

Income statements - costs



# Revaluation model

- Gains on revaluation should be recognised in the revaluation reserve and losses on revaluation are treated consistently with impairments in value (IAS 36)
- The revaluation reserve does not sit on the balance sheet in perpetuity; it gets written out over the useful economic life by a transfer to retained earnings.

# Valuation at Costs

Recoverable value must be determined if there is a chance that the carrying value of asset should be decreased.

**Recoverable value** = the higher of value from using of assets and net selling price

**Loss of impairment** = Recoverable value is lower than carrying value of asset

# Valuation during useful life of asset

Subsequent expenditure should be capitalised if the expenditure meets the criteria for initial recognition. For example, a replacement of a major part of an asset must be capitalised and the old part being replaced should be derecognised.



# Valuation of Intangible Assets

- Initial recognition = at cost;
- Intangible asset with definite useful life should be amortised.
- Intangible asset with indefinite useful life should not be amortised but must be tested for impairment regularly.

# Depreciation

We must identify:

- a) Depreciable value
- b) Economic useful life

Changes in accounting estimates – IAS 8... it is not considered to be an error

# Depreciation

a) Time methods:

- Linear methods
- SYD
- DDB

b) Output methods

c) Combinated methods

# Disposal of assets

- There are expected no economic benefits flowing to company or the asset is removed;
- It is recognised as gain (loss) not revenue (expenses).

# IAS 17 - Leases

- An operating lease = similar solution as in the Czech Republic
- Financial lease = substance over form
  - Asset is recognised in the balance sheet of lessee

# Financial Lease - lessee

- Financial Lease is a lease that substantially transfers the risks and rewards of ownership to the lessee
- Financial leased assets are capitalised at their fair value or the present value of the guaranteed minimum lease payments if lower than fair value, and a lease creditor is set up for the same amount.

# Financial Lease - lessor

- The lessor will record a receivable at the amount of the net investment in the lease (total future income less future finance cost)
- The gross earning under the lease should be allocated to give a constant rate of return using the net investment method.

# Long-term assets according to IFRS for SMEs

- Section 17: Property, plant and equipment
- Section 18: Intangible asset excluding goodwill
- Section 20: Leases



# Section 17: Property, plant and equipment

- recognition criteria
- valuation bases
- depreciation methods
- impairment of assets
- disclosures

# IFRS full version x IFRS for SMEs

- Valuation after initial recognition:

= to value all classes of property, plant and equipments in purchased costs less accumulated depreciation and impairment losses

# IAS 18 – Intangible assets

- Grants for acquisition of asset – valuation through fair value;
- Exchange of asset – fair value
- Production of intangible asset – all expenditures are recognised as cost of current period;

# Section 20 - Leases

- Classification and valuation in accordance with IAS 17
- Differences only in disclosures requirements;

Thank you for your attention

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