

## ACCOUNTING OF FIXED ASSETS ACCORDING TO IFRS-TASKS AND SOLUTIONS FOR THE ORGANIZATION OF ACCOUNTING BY COMPONENT PARTS

**Ismanov Ibrokhim Nabievich\***; **Moydinov Erkinjon Jaloliddinovich\*\***

\*Professor,  
Doctor of Economic Sciences, Department of “Accounting and audit”,  
Fergana Polytechnic Institute, UZBEKISTAN  
Email id: inismanov1960@gmail.com,

\*\*Associate Professor,  
Collegium Humanum Warsaw University of Management,  
Candidate of Economic Sciences, Deputy director of Andijan branch,  
UZBEKISTAN

**DOI: 10.5958/2249-7137.2022.00742.X**

---

### ABSTRACT

*The article will consider the organization of accounting of fixed assets according to IFRS components, the problems and solutions of the issue currently being investigated are considered and disclosed. The article is devoted to the study of the direction of fixed assets accounting in large companies, which has not yet been sufficiently studied and widely put into practice by domestic accountants – the international experience of accounting for their constituent parts (components).*

**KEYWORDS:** *Fixed Assets, A Set Of Items, A Set Of Fixed Assets, A Separate Object Of Inventory.*

---

### INTRODUCTION

In international practice, the accounting of fixed assets is regulated by IFRS (IAS) No. 16, called “fixed assets”. According to the standard, fixed assets are (a) those that are stored for the production or delivery of products, or for the provision of services, or for lease or administrative use to other sides; and (b) are tangible assets that are expected to be used for more than one period.[2], [8]

The accounting unit of a fixed asset is an object of inventory.

An inventory object of fixed assets is an object of fixed assets with all devices and accessories, or a separate structurally separate object designed to perform certain independent functions, or a separate complex of structurally expressed objects that represents a single whole and is intended to perform certain work.

A structurally unified set of items is a complex object of inventory, accounted for in accounting as a single object of fixed assets. A structurally unified set of items is one or more items of the same purpose, having common fixtures and equipment, common management, built on the same foundation, as a result of which each item included in the complex can perform its function not independently, but only as part of the complex. [3], [5] an economic entity independently

---

determines the composition of inventory items when taking into account a complex object, while paying attention to the difference in the terms of their useful use, functional purpose and identification. If one object of fixed assets has several parts, the cost and useful life of which differ significantly from the cost and useful life of the object as a whole, each such part is recognized as an independent inventory object.

The importance of accounting for fixed assets by component parts (components).

An integral part of fixed assets is a part of a fixed asset that performs a separate functional purpose and its cost can be allocated as the total cost of fixed assets based on accounting data. In practice, large enterprises build or acquire fixed assets consisting of several complex and expensive components. For instance:

- building with parts related to electric, water, gas, heat supply, air circulation system;
- an airliner containing about 30 components;
- blast furnace with about 20 components;
- water tower with more than 10 components;
- oil producing wells consisting of a variety of organizational connections;
- computer equipment consisting of several components, etc.

1. Monitor
2. Central processing unit
3. Keyboard
4. Mouse



**Figure 1. The main components of a personal computer.**

The above-mentioned parts of the computer can only work as part of a single complex. These and similar fixed assets were actually accounted for as one inventory item. Such a situation has developed on fixed assets that have components with different useful lives, but they are not allocated to a separate account, which creates difficulties in replacing their parts that have become unusable or accounting for capital expenditures made on them. [6], [7] however, the fact that the replaced part of a complex fixed asset is not taken into account (not allocated separately) as a separate inventory object does not allow, without additional actions (evaluation), to exclude from the cost of the object the cost of a component that has become significantly worn out or unusable. [9] Therefore, in international practice, the issue of accounting for fixed assets by component parts (components) is taken quite seriously.

**Analysis of the literature on the topic.** In article 10 of the Law of the Republic of Uzbekistan “On accounting” it is noted that accounting entities can apply international financial reporting standards in accordance with the procedure established by law. [1], [4]

The need to account for fixed assets by component parts is spelled out in Articles 13, 43-46 of IFRS (IAS) No. 16 under the title “Fixed assets”.

Its necessity is stated in article 5 of IFRS 5 “Fixed assets” as follows-if there are several independent objects with different useful lives in one fixed asset, each such object is recognized in accounting as a separate independent inventory object.

**Research methodology.** The following methods and techniques were used during the writing the article,: system and factor analysis, functional and comparative analysis, methods of information processing.

**Analysis and results.** The main purpose of comprehensive accounting of fixed assets by components is to create favorable conditions for accounting for the process of replacing the components of fixed assets during major repairs and their write-off. Accounting in this way allows you to increase the accuracy of calculation due to separate depreciation on parts of fixed assets with different useful lives. In practice, by acquiring buildings and structures, companies acquire the right to use the land plots on which these objects are located.

Accounting of land plots and buildings as separate inventory items at the time of their receipt on the company's balance sheet at the request of IFRS allows you to correctly form the initial cost of each of them and reasonably write off operating costs. Because in accordance with the relations set out in national and international standards, impairment is not considered, and it will be checked for impairment within the time limits established by the accounting policy of the company. In respect of buildings and structures, depreciation is calculated according to the method and in the manner prescribed in the accounting policy of the company. In addition, this procedure allows for separate accounting of land improvement costs that require depreciation calculation (changing the structure of land plots, improving the condition of access roads, parking spaces for cars and other vehicles, walls and other structures).

However, the most in-depth detailing of accounting, firstly, significantly increases the amount of work for accountants, and secondly, requires regular involvement in the process of dividing fixed assets into components and technical managers of the company. In addition, the introduction into practice of such an accounting procedure for fixed assets is an organizationally viable and financially effective tool only for large companies with many valuable complex fixed assets, and for small enterprises operating using a relatively small number and expensive fixed assets, it is an economically impractical methodology.

Companies that have switched to accounting in IFRS, from the very beginning should establish accounting of fixed assets by their components (components). But economic entities in this regard initially face a number of difficulties. [10], [11]

The task begins with determining the initial cost of the components of fixed assets at the time they are received by the enterprise. Because in most cases, the primary documents received by the accounting department of the company show only the total cost of the object and do not reflect information about the cost of its parts. Therefore, it is necessary to establish with the company's permanent partners the representation in the primary documents of the initial cost of

the supplied complex fixed assets as the sum of the cost of their components. And it certainly takes time. Prior to that, in order to comply with the requirements of IFRS in this regard, accountants, with the help of the company's technical staff, determine the value of a newly adopted complex fixed asset by calculation based on a professional approach. Since this process requires the participation of technical managers, it becomes necessary to familiarize them with the subtleties of accounting for complex fixed assets by components.

The next problem is related to the breakdown by component parts of complex fixed assets acquired before switching to IFRS and accepted on the company's balance sheet in a single amount.[12], [15] In this regard, the accounting staff should do a lot of work together with the relevant specialists. [13], [14] Because the breakdown of complex fixed assets into component parts is a process that requires excellent analysis, a lot of time and preparation.

Methods of application of accounting of fixed assets by component parts (components). The method of accounting for the components of complex fixed assets based on their useful life.

According to paragraph 6 of IFRS (IFRS) No. 16 entitled Fixed assets, the useful life of an asset is:

- (a) the period during which the asset is expected to continue to be used by the organization; or
- (b) the number of products or similar units that the entity is expected to receive from the use of that asset.

This period is set by the organization when accepting the object for accounting with the assistance of relevant specialists.

The useful life of an asset is determined based on:

- the expected period of use of this facility in accordance with the expected performance or capacity;
- expected physical wear depending on the operating mode, natural conditions, repair system;
- regulatory and other restrictions on the use of this object (for example, the lease term).

A properly established useful life allows you to accurately calculate depreciation, systematically distribute the cost of depreciation for production and official expenses during this period, capitalize or transfer to expenses the funds spent on the acquisition of fixed assets, correctly form the tax bases for income tax and property tax in respect of fixed assets.

**Example 1.** An extract from the calculation of depreciation charges for a building and its components, which are considered to be newly acquired complex fixed assets, based on their useful life.

**TABLE 1. SETTLEMENT ACCOUNT OF ANNUAL DEPRECIATION OF THE COMPANY'S OFFICEBUILDING (IN THOUSANDS OF SUMS)**

No.	Name of the main asset	Initial cost	Period of useful service, year	Amount of annual depreciation	Residual value at the end of the reporting year
1	2	3	4	5(3/4)	6 (3-5)
1	Office building	834 890	35	23 854	811 036
2	System of the building power supply	162 000	25	6 400	155 600
3	Elevator	180 000	20	9 000	171 000
	<b>Total</b>	<b>1 176 890</b>	<b>X</b>	<b>39 254</b>	<b>1 137 636</b>

According to the rules of this standard, the useful life should be reviewed at least once at the end of the reporting year to verify its relevance (paragraph 51). In the event of a change in the expectations of the organization regarding the use of these components to calculate depreciation for the rest of the object, it may be necessary to use approximate calculation methods that correctly reflect the consumer nature and/or useful life of its components.

*Example 2.* After 3 years, the elevator equipment supplied from abroad with a 1-year warranty to the company's office failed due to its improper use. Considering that the warranty period has expired, and calling a specialist from abroad is expensive, the company's management was forced to turn to domestic specialists. Local specialists put the elevator into operation, but documented that it will be able to work for a maximum of another 10 years. The company's accountants wrote off to him mainly the amount of annual depreciation for the 7th year, reducing the useful life of the elevator to 20 years (3-10-4).

**TABLE 2. CALCULATION OF ANNUAL DEPRECIATION OF ELEVATOR EQUIPMENT (IN THOUSANDS OF SUMS)**

No.	Name of the main asset	Initial cost	Accumulated depreciation	New period of useful utilization	Amount of new annual depreciation	Residual value at the end of the reporting year
1	2	3	4	5	6(3-4/5)	7 (3-4-6)
1	Elevator	180 000	27 000	10	15 300	137 700
	<b>Total</b>	<b>180 000</b>	<b>27 000</b>	<b>10</b>	<b>15 300</b>	<b>137 700</b>

An integral part of a complex fixed asset can be reconstructed during its service life in order to improve its initially accepted indicators. Due to this, an increase in its useful life is expected. The accounting staff of the company will have to enter into the card of the component of this fixed asset the relevant information about the change in its useful life and the amount of annual depreciation.

*Example 3.* In the 18th year of its use, the company's office building was reconstructed. The cost of reconstruction amounted to 500 million US dollars.sum, and as a result of the work carried out, according to the calculations of specialists, the useful life of the office building was extended for another 12 years.

Employees of the accounting department of the company, based on the above references, extended the useful life of the office building for 12 years and credited it with the amount of annual depreciation for the 19th year.

**TABLE 3 AN EXTRACT FROM THE CALCULATION OF THE ANNUAL DEPRECIATION OF AN OFFICE BUILDING AFTER RECONSTRUCTION. (IN THOUSANDS OF SUMS)**

№	Name of the main asset	Residual value at the beginning of 19 years	Corrected cost	New period of useful utilization, year	Amount of new annual depreciation
1	2	3	4	5	6(4/5)
1	Office building	429 372	929 372	29	32 047

The method of accounting for the components of complex fixed assets based on their share in the total cost of fixed assets.

An alternative method in this regard is the separation of various parts of complex fixed assets not by the difference in their useful life, but by the share of the cost of these components in the cost (cost) object. Significantly different conditions for the use of parts of an object of fixed assets and / or a significant cost of the components are the basis for the allocation of two or more accounting units of fixed assets. At the same time, the company's specialists, through professional judgment, should set the limit of materiality by a significant value. The materiality limit is such an upper limit of the initial cost of fixed assets, followed by the need to divide the object of fixed assets into component parts, determined by the accounting policy of the company. At the same time, the name and number of fixed assets divided into component parts are selected in accordance with the proportionality between the usefulness of the results of this process for users of financial statements and the costs of carrying out this process. If the initial cost of any component of an item of fixed assets is significant compared to the total initial cost of such an item, then separate depreciation should be charged for this component (International accounting standards, paragraphs 16, 43). The organization distributes the initially recognized total amount for an item of fixed assets among its essential components and calculates depreciation for each component separately (International accounting standards, paragraphs 16, 44).

**Example 4.** The company built in the immediate vicinity of its production facility a warehouse with an open system of electricity, water supply and modern air exchange for the storage of material assets for one amount specified in the contract - 826 million US dollars. bought for a ruble. The company conducts accounting on the basis of IFRS, and its accounting policy provides for accounting of fixed assets by component parts. The technical staff of the enterprise, on the instructions of the chief accountant, performed appropriate actions to determine the total cost of the warehouse of the cost of the building itself and its components of the power supply system, water, air exchange. The chief accountant of the company, on the basis of the submitted reports on the work performed by the technical staff and calculations, had the right to compile the following table.



**TABLE 4. REFERENCE FOR THE ALLOCATION OF THE COMPONENTS OF AN OBJECT OF FIXED ASSETS IN ACCORDANCE WITH THEIR VALUE IN THE TOTAL COST. (IN THOUSANDS OF SUMS)**

Indicators	Total cost	From this			
		Building	Electric power system	Water supply system	Air exchange system
Component	826 000	448 000	120 000	82 000	176 000
Period of useful usage, year	x	30	25	20	15

When an organization charges a separate depreciation on a separate component of an item of fixed assets, it also charges a separate depreciation on the rest of that item. The rest of the asset consists of non-essential components when received separately. An enterprise can calculate separate depreciation for components in which the starting cost of an object of fixed assets is insignificant compared to the total starting cost of this object.

In accordance with article 45 of International Accounting Standards No. 16, the useful life and the method of calculating depreciation for a significant component of an item of fixed assets may be the same as the method of calculating the useful life and depreciation for another significant component of this asset. In this case, such components can be grouped in order to determine the amount of wear.

After the complex fixed assets are divided into component parts with the help of related technical personnel of the company, appropriate additions and changes are made to the accounting policy prepared on the basis of IFRS by accounting staff, and an inventory number in the software is attached to each component. Each case of a change in the useful life of components of complex fixed assets, their replacement with new ones and write-off of those that have become unusable should be issued with primary documents (calculations, conclusions of technical personnel, acts of replacement and write-off of parts, invoices for capital expenditures, certificates...).

**CONCLUSIONS AND SUGGESTIONS.** Summing up, it can be said that in this article we have considered the issues of the methodology of transition to the accounting of fixed assets by components that, in our opinion, are considered important, highlighted it with examples and, after analyzing the existing problems in this direction, gave our recommendations for their solution. However, it should be insisted that in large business entities where there are thousands of complex fixed assets, the establishment of accounting for fixed assets by their components, as required by IFRS, from the point of view of creating a reference base, requires significant time and financial costs. Therefore, large enterprises planning to switch to IFRS should start preparatory work in this direction today.

#### **LIST OF USED LITERATURE:**

1. The Law of the Republic of Uzbekistan "About accounting". Tashkent, April 13, 2016, The Law of the Republic of Uzbekistan-404
2. International Accounting Standards (IFRS) 16 - Fixed assets. Official website of the Ministry of Finance of the Republic of Uzbekistan. [www.mf.uz](http://www.mf.uz)
3. Ismanov, I., & Davlyatova, G. (2019). Prospects Of Implementation Of Leasing In Textile Enterprises. Scientific Bulletin of Namangan State University, 1(8), 99-105.

4. Ismanov, I. N. (2022). Some Considerations On The Concepts Of "Costs" And "Expenses" In Accounting. Archives of scientific research, 2(1).
5. Ismanov, I. N. (2017). Necessity of transformation of accounting system to international standards of financial reports. Economy and finance (Uzbekistan), (3), 38-44.
6. Ismanov, I. N. (2014). Some aspects of recognition, valuation and accounting of long-term assets. Economics and finance (Uzbekistan), (4), 50-56.
7. Ismanov, I. N. (2016). Economic content of the concept of assets and some controversial aspects of their accounting. Economy and finance (Uzbekistan), (2), 39-45.
8. Kudbiev, D., Tursunova, D., & Qudbiyev, N. (2022). Buxgalteriya Hisobini Avtomatlashtirish Masalalari. Journal of Integrated Education and Research, 1(2), 107-112.
9. Kudbiev, D., Qudbiyev, N. T., & Imomova, Z. T. Q. (2022). Moliyaviy Hisobotlardan Moliyaviy Menejmentda Foydalanish Masallalari. Scientific progress, 3(4), 1030-1037.
10. Shokiraliyevich, G. I., Erkinjon o'g, M. U. B., & Tohirovich, Q. N. (2022). The Necessity, Essence and Cost of Transformation of Financial Statements According to Mhxs. Online Journal of Sustainability and Leadership Research, 339-344.
11. Tohirovich, Q. N. (2021). Transition to International Financial Accounting Standards. International Journal of Theoretical and Applied Research, 1(2), 56-64.
12. Tohirovich, Q. N. (2021). International financial accounting standards in Uzbekistan. ACADEMICIA: An International Multidisciplinary Research Journal, 11(4), 328-333.
13. Kunduzova, K. I. (2022). Supervision Of State Financial Control. Zamonaviy Fan, Ta'lim Va Ishlab Chiqarish Muammolarining Innovatsion Yechimlari, 88-91.
14. Davlyatshaev, A. A., & Temirkulov, A. A. (2022). Internationalization of the Educational Process in a Market Economy. JOURNAL OF ALGEBRAIC STATISTICS, 13(3), 3459-3464.
15. Kunduzova, K. I., Qudbiyev, N. T., & Asatullayeva, N. Y. Q. (2022). Iqtisodiyotning Modernizatsiyalash Sharoitida Asosiy Vositalar Hisobini Takomilashtirish Masalalari. Scientific Progress, 3(3), 837-846.