

## **METHODOLOGICAL ISSUES OF THE ACCOUNTING OF FIXED ASSETS AT TRANSPORT ENTERPRISES**

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**Abstract.** This article is devoted to the research of the criteria for incorporating goods into fixed assets and statutory legal requirements for some methodical issues of creating the initial cost of fixed assets at transport enterprises. Based on the research results, the author has developed appropriate proposals and practical recommendations.

**Key words:** accounting, fixed assets, transport enterprises, initial cost, National Accounting Standards.

**Introduction.** As far as actually known, by their nature fixed assets of enterprises represent tangible assets held by the enterprise for long-term business activities in the process of production of goods, works or services, or for use in performing administrative and socio-cultural objectives (National Accounting Standard № 5).

The presence of fixed assets in the balance of the enterprise directly depends on the organization and expansion of a particular production, business or service process. However, it is impossible to assess efficiency of the company's performance, its development, sustainability, profitability of production or rendering services only on the basis of the amount or quantity of fixed assets. Thus, when assessing the state of fixed assets, it is advisable to consider the industry peculiarities of manufacturing goods or rendering services. For example, even though the value of fixed assets in a manufacturing plant constitutes a very small part of the total assets, its current turnover, amount of profit may be higher due to the use of the fixed assets.

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On the contrary, the share of assets of the service companies in the composition of assets is relatively high, however, its current assets may have a low turnover and profitability. Therefore, it is advisable to take into account an industry features to organize accounting of fixed assets and calculate the utilization level.

In our country, the system of cargo and passenger transportation by motor vehicles is characterized by the fact that we have the above-mentioned criterion, because of the large number of vehicles, increase in the amount of fixed assets in the structure of total assets and relatively small amount of current turnover.

Therefore, when accounting fixed assets at the transport enterprises it is necessary to take into account the peculiarities of this industry. Below we propose some methodical issues which are related to the specific features of accounting fixed assets at transport enterprises.

According to National Accounting Standard №5, tangible assets which meet the following requirements, are considered to be fixed assets:

- service life is over 1 year;
- the cost of one unit (units) for the amount exceeding fifty-fold minimum wage fixed in the Republic of Uzbekistan (at the time of purchase).
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**Discussion.** In our opinion, these requirements are common and the first requirement is suitable for many aspects. However, the second aspect is rather divorced from reality because currently fifty-fold value of the minimum wage does not correspond to many things. If this requirement is met directly, the majority of products at the enterprise must be included or not included in the composition of fixed assets. Therefore, according to this standard, the enterprise manager has the right to set the minimum limit of the value of the goods taken for accounting as fixed assets within the reporting year. The amount of fifty-fold minimum wage loses its essence if the enterprise manager has the right to set the minimum limit of the value of the goods taken for accounting as fixed assets. This justifies the necessity to select a unified criterion to refer the goods to the category of fixed assets. In our opinion, this criterion should be the service life over

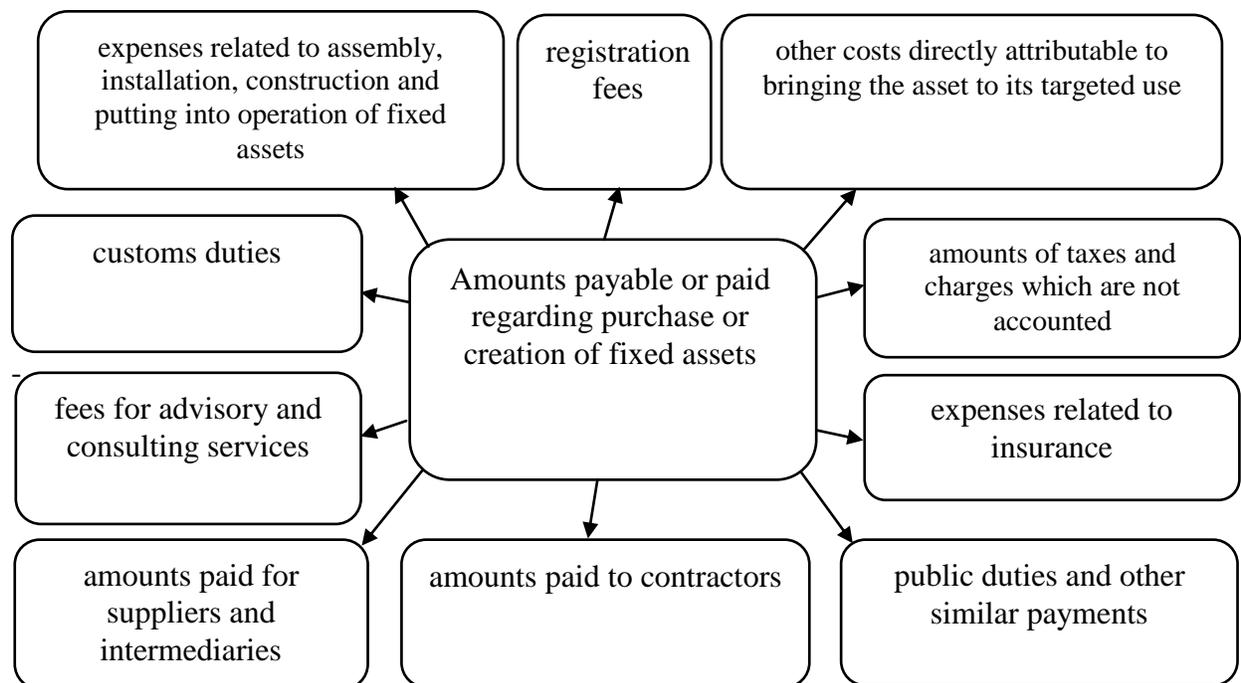
1 year because it can comply with many goods. In this regard it is recommended to develop the criteria to be used to include the goods in the fixed assets category.

In addition, transportation organizations challenge some controversial issues related to the inclusion in the fixed assets and the process of either including goods in the fixed assets or non-including is implemented in terms of the enterprise's point of view. In particular, the question whether the gas bottle installed in the motor vehicle is accounted as a separate fixed asset or it is not included in the list of fixed assets always remains a crucial issue.

Moreover, it is rather complicated to calculate value of some spare parts of trucks and passenger cars when accounting them as fixed assets.

The value of an object of fixed assets purchased for a fee or fixed in an enterprise accounting law is not only payments made to suppliers of goods, but also a number of other payments and expenses.

In Figure 1 illustrated below we can see the composition of all expenses related to purchase or creation of fixed assets at the enterprises in compliance with the regulatory and statutory acts in the accounting area. (Figure 1).



**Figure 1. Payments included in the initial cost of fixed assets<sup>1</sup>**

From the data illustrated in the Figure it is obvious that the initial cost of the fixed assets is included in the balance sheet with some additional expenses.

Therefore, the initial cost is formulated with adding of all expenses and payments directly referred to the purchase and creation of fixed assets and is reflected in account 0100 “Account of fixed assets” (Table 1).

**Table 1**

**Creation of the initial value of fixed assets at transport enterprises and their reflection in the accounts<sup>2</sup>**

№	Essence of economic transactions	Amount, thousand UZS	Debit	Credit
1.	Purchase of fixed assets on the contract basis	250000	0820	6010
2.	Registration fees related to the purchase of fixed assets	7500	0820	6990
3.	Amount of the Value Added Tax reflected in the invoice of purchased fixed assets	50000	0820	6010
4.	Calculation of fees to the advisory services or consulting related to the purchase of fixed assets	2000	0820	6990
5.	Calculation of premiums related to insurance against risks when delivering of purchased fixed assets	1000	0820	6990
6.	Expenses related to the creation and putting into operation of purchased fixed assets	1000	0820	6990
7.	Receipt of the fixed assets in the accounting by the initial cost of these fixed assets	311500	0100	0820

According to the data presented in Table 1, the amount of fixed assets with extra charge of 250 million UZS added by the producer is reflected in the balance of the purchaser and this amount

<sup>1</sup>Developed by the author on the basis of the data of NAS 5

<sup>2</sup> Developed by the author

constituting 311 million 500 thousand UZS is debited by the initial cost. In addition, other expenses accounting for approximately 20%, are added and this results in the increase of the initial cost. However, the main reason for it is the Value Added Tax which is supplemented to the initial cost.

The above-mentioned statutory acts justify necessity to cover all expenses related to the initial cost of the fixed assets. However, in terms of the industry peculiarities there are some expenses and the issue of including or non-including them in the initial cost of the fixed assets is considered to be the issue which has to be negotiated. Moreover, in addition to diesel fuel, some transport companies also use gas fuel. However, as far as we know, in the majority of cases, the gas balloons are often made on the basis of a contract with a gas-balloon installation company after the acquisition of the vehicle.

However, very often in practice the gas bottle which has already been mounted in the vehicle after the purchase is replaced by another gas bottle on the basis of the contract concluded with the another company which supplies and fixes gas bottles. Therefore, the issue of whether to include the gas bottle in the fixed assets or not to include still remains one of the controversial issues.

Having analyzed the cases, it has been founded out that gas bottles as individually numbered object, are not offset in the initial balance cost of buses, motor cars or trucks, but are separately accounted in account 0130 "Machinery and equipment". In addition, the initial cost of the vehicles is accounted in the balance without the increase due to the gas bottles.

The fact that mounting gas bottles in the vehicles and their accounting as a separate fixed asset in the accounting are considered to be an important issue for the discussion, their incorporation in the composition of fixed assets also requires additional consideration. In other words, the gas bottle, besides being the tank for storage of petrol and fuel, is represented as individually numbered and supervised object.

Nowadays manufacturers install gas bottles not only the vehicles purchased, but also at the request of the customer on the basis of additional agreement. For example, ISUZU buses manufactured in our country are mainly designed for diesel fuel, but they can be adapted for diesel fuel or gas fuel use under the agreement (contract) at the customer's request. As it has been noted above, these additional gas bottles are included in the vehicle's cost and they haven't been installed during the manufacturing process. If it is accounted separately, it does not comply with the criteria for incorporating it into fixed assets.

**Conclusion.** In our opinion, taking into consideration above-mentioned analysis, it is recommended to record gas bottles in the accounting in the following way:

- if the gas bottle is mounted in the new vehicle before putting it into operation, this gas bottle is entered in the balance by adding it into initial cost of the fixed asset;
- if the gas bottle is mounted in the new vehicle after putting it into operation, it is not entered in the value of this transport vehicle, but with the condition of calculating depreciation during 3 years it is accounted in "Machinery and equipment" account № 0130.

Practical implementation of these proposals will contribute to the creation of the initial cost of fixed assets of transport enterprises and accurate accounting of these fixed assets.

**Reference:**

1. Collection of National Accounting Standards of the Republic of Uzbekistan. – Tashkent: "NORMA", 2011. – 360 p.
2. National Accounting Standards of the Republic of Uzbekistan, NAS № 21, Tashkent: "NORMA", 2012. – 256 p.