

SCHEDULE 6

ACCOUNTING PRINCIPLES AND RULES

PART V

MISCELLANEOUS AND SUPPLEMENTAL

Excess of money owed over value received as an asset item

25.—(1) Where the amount repayable on any debt owed by a society is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated:

- (a) it must be written off by reasonable amounts each year and must be completely written off before repayments of the debt; and
- (b) if the current amount is not shown as a separate item in the society's balance sheet it must be disclosed in a note to the accounts.

Assets included at a fixed amount

26.—(1) Subject to the following sub-paragraph, assets which fall to be included under Assets item F.I. (tangible assets) in the balance sheet format may be included at a fixed quantity and value.

(2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced, where:

- (a) their overall value is not material to assessing the society's state of affairs; and
- (b) their quantity, value and composition are not subject to material variation.

Determination of cost

27.—(1) The cost of an asset that has been acquired by the society must be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The cost of an asset constructed by the society must be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the society which are directly attributable to the construction of that asset.

(3) In addition, there may be included in the cost of an asset constructed by the society:

- (a) a reasonable proportion of the costs incurred by the society which are only indirectly attributable to the construction of that asset, but only to the extent that they relate to the period of the construction; and
- (b) interest on capital borrowed to finance the construction of that asset, to the extent that it accrues in respect of the period of construction,

provided, however, in a case within sub-paragraph (b) above, that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

28.—(1) Subject to the qualification mentioned below, the cost of any assets which are fungible assets may be determined by the application of any of the methods mentioned in sub-paragraph (2) below in relation to any such assets of the same class.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

The method chosen must be one which appears to the committee of management to be appropriate in the circumstances of the society.

(2) Those methods are:

- (a) the method known as “first in, first out” (FIFO);
- (b) the method known as “last in, first out” (LIFO);
- (c) a weighted average price; and
- (d) any other method similar to any of the methods mentioned above.

(3) Where in the case of any society:

- (a) the cost of assets falling to be included under any item shown in the society’s balance sheet has been determined by the application of any method permitted by this paragraph; and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph,

the amount of that difference must be disclosed in a note to the accounts.

(4) Subject to sub-paragraph (5) below, for the purposes of sub-paragraph (3)(b) above, the relevant alternative amount, in relation to any item shown in a society’s balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the committee of management to constitute the more appropriate standard of comparison in the case of assets of that class.

Substitution of original amount where price or cost unknown

29. Where there is no record of the purchase price of any asset acquired by a society or of any price, expenses or costs relevant for determining its cost in accordance with paragraph 27 above, or any such record cannot be obtained without unreasonable expense or delay, its cost must be taken for the purposes of paragraphs 19 to 24 above to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the society.

Assets and liabilities denominated in foreign currencies

30.—(1) Subject to the following subparagraphs, amounts to be included in respect of assets and liabilities denominated in foreign currencies must be in sterling after translation at an appropriate spot rate of exchange prevailing at the balance sheet date.

(2) An appropriate rate of exchange prevailing on the date of purchase may however be used for assets held as financial fixed assets and assets to be included under asset items A and F1 in Part I or Part II of Schedule 2, if they are not covered or not specifically covered in either the spot or forward currency markets.

(3) An appropriate spot rate of exchange prevailing at the balance sheet date must be used for translating uncompleted spot exchange transactions.

(4) An appropriate forward rate of exchange prevailing at the balance sheet date must be used for translating uncompleted forward exchange transactions.

(5) This paragraph does not apply to assets or liabilities held, or any transaction entered into, for hedging purposes, or to any assets or liabilities which are themselves hedged.

31.—(1) Subject to subparagraph (2), any difference between the amount to be included in respect of an asset or liability under paragraph 30 and the book value, after translation into sterling at an appropriate rate, of that asset or liability, must be credited or, as the case may be, debited to the income and expenditure account.

(2) In the case however of assets held as financial fixed assets, of assets to be included in asset items A and F1 in Part I or Part II of Schedule 2, and of transactions undertaken to cover such assets, any such difference must be deducted from or credited to the general reserve included in the balance sheet.

32. The provisions of this Schedule which relate to long term business apply, with necessary modifications, to business within Classes 1 and 2 of Head B of Schedule 2 to the Act which:

- (a) is transacted exclusively or principally according to the technical principles of long term business; and
- (b) is a significant amount of the business of the society.