

SCHEDULE 2

BANKING COMPANIES: COMPANIES ACT INDIVIDUAL ACCOUNTS

PART 2

ACCOUNTING PRINCIPLES AND RULES

SECTION B

HISTORICAL COST ACCOUNTING RULES

Fixed assets

General rules

23.—(1) The amount to be included in respect of any fixed asset is its cost.

(2) This is subject to any provision for depreciation or diminution in value made in accordance with paragraphs 24 to 26.

Rules for depreciation and diminution in value

24. In the case of any fixed asset which has a limited useful economic life, the amount of—

- (a) its cost, or
- (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its cost less that estimated residual value,

must be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

25.—(1) Where a fixed asset investment to which sub-paragraph (2) applies has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly.

(2) This sub-paragraph applies to fixed asset investments of a description falling to be included under assets item 7 (participating interests) or 8 (shares in group undertakings) in the balance sheet format, or any other holding of securities held as a financial fixed asset.

(3) Provisions for diminution in value must be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it must be reduced accordingly.

(4) Any provisions made under this paragraph which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

26.—(1) Where the reasons for which any provision was made in accordance with paragraph 25 have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

(2) Any amounts written back in accordance with sub-paragraph (1) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

Status: This is the original version (as it was originally made).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

Development costs

27.—(1) Notwithstanding that amounts representing “development costs” may be included under assets item 9 in the balance sheet format, an amount may only be included in a company’s balance sheet in respect of development costs in special circumstances.

(2) If any amount is included in a company’s balance sheet in respect of development costs the following information must be given in a note to the accounts—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the development costs in question.

Goodwill

28.—(1) The application of paragraphs 23 to 26 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following.

(2) Subject to sub-paragraph (3), the amount of the consideration for any goodwill acquired by a company must be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.

(3) The period chosen must not exceed the useful economic life of the goodwill in question.

(4) In any case where any goodwill acquired by a company is included as an asset in the company’s balance sheet there must be disclosed in a note to the accounts—

- (a) the period chosen for writing off the consideration for that goodwill, and
- (b) the reasons for choosing that period.

Treatment of fixed assets

29.—(1) Assets included in assets items 9 (intangible fixed assets) and 10 (tangible fixed assets) in the balance sheet format must be valued as fixed assets.

(2) Other assets falling to be included in the balance sheet must be valued as fixed assets where they are intended for use on a continuing basis in the company’s activities.

Financial fixed assets

30.—(1) Debt securities, including fixed-income securities, held as financial fixed assets must be included in the balance sheet at an amount equal to their maturity value plus any premium, or less any discount, on their purchase, subject to the following provisions of this paragraph.

(2) The amount included in the balance sheet with respect to such securities purchased at a premium must be reduced each financial year on a systematic basis so as to write the premium off over the period to the maturity date of the security and the amounts so written off must be charged to the profit and loss account for the relevant financial years.

(3) The amount included in the balance sheet with respect to such securities purchased at a discount must be increased each financial year on a systematic basis so as to extinguish the discount over the period to the maturity date of the security and the amounts by which the amount is increased must be credited to the profit and loss account for the relevant years.

(4) The notes to the accounts must disclose the amount of any unamortized premium or discount not extinguished which is included in the balance sheet by virtue of sub-paragraph (1).

(5) For the purposes of this paragraph “premium” means any excess of the amount paid for a security over its maturity value and “discount” means any deficit of the amount paid for a security over its maturity value.

Current assets

31. The amount to be included in respect of loans and advances, debt or other fixed-income securities and equity shares or other variable yield securities not held as financial fixed assets must be their cost, subject to paragraphs 32 and 33.

32.—(1) If the net realisable value of any asset referred to in paragraph 31 is lower than its cost, the amount to be included in respect of that asset is the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

33.—(1) Subject to paragraph 32, the amount to be included in the balance sheet in respect of transferable securities not held as financial fixed assets may be the higher of their cost or their market value at the balance sheet date.

(2) The difference between the cost of any securities included in the balance sheet at a valuation under sub-paragraph (1) and their market value must be shown (in aggregate) in the notes to the accounts.