

Chapter 7

THE PROVISIONS OF IAS 16 PROPERTY, PLANT AND EQUIPMENT

1. The main points of IAS 16 are as follows:

- the conditions for recognition of a tangible non-current asset are that
 - i) it is probable that future benefits will flow to the enterprise from the asset
 - ii) the cost of the asset can be measured reliably
- depreciation should be charged over the useful life of the asset. Land normally has an unlimited life and therefore does not require depreciation.
- any upward revaluation should be credited to a revaluation reserve. Any downward revaluation should be charged as an expense in the Statement of Profit or Loss.
- if one asset in a class is revalued, then all assets in that class should be revalued.

2. Disclosure requirements

The following should be disclosed in the financial statements:

- (a) the methods of depreciation used
- (b) the total cost of each asset heading, and the related accumulated depreciation, at the beginning and end of the period.
- (c) a reconciliation of the net book value at the beginning and end of the period, showing additions, disposals, revaluations, and depreciation.

(We will look at examples of the layout in the later chapter on limited companies financial statements.)

