

Секція 3
*Потенціал суб'єктів підприємництва в умовах перманентних
викликів*

**CALCULATION OF THE INITIAL COST OF PLANT, PROPERTY
AND EQUIPMENT**

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The valuation of plant, property, and equipment involves several key considerations, with three primary methods of assessment: Acquisition cost, salvage value, and replacement expense. The determination of the initial expenditure is influenced by the source and form of acquisition of these assets. long-term tangible assets may either be developed internally by the enterprise through capital investment or purchased from external vendors. In either case, the costs associated with their creation or acquisition—including transportation and installation expenses—constitute the initial expenditure of these assets.

The initial expenditure of long-term tangible assets are recognized when the asset is received and enters the enterprise. However, it is important to note that this initial cost is not continuously recorded over the asset's entire useful life or operational period within the enterprise.

The initial expenditure of long-term tangible assets are determined based on the specific source of their acquisition, as follows:

1. Contributions from Founders: When fixed assets are contributed by the founders as part of their share in the authorized capital of the enterprise, the value is agreed upon by all parties involved.

2. Costs Incurred by the Enterprise: For assets created (constructed) or acquired by the enterprise itself, the initial cost includes the actual expenses incurred for preparation, construction, purchase, delivery, and installation of the fixed capital. This also applies to assets purchased from other enterprises or individuals.

3. Purchased Assets: For fixed assets acquired from external sources, including other enterprises, individuals, or government bodies (via allocation or aid), the value is determined based on the information provided in the acceptance and transfer documentation, often with expert valuation or in accordance with the recorded details in such documents.

It is widely recognized that long-term physical assets lose value over time due to wear and tear, leading to a gradual decrease in their original value.

The elements that constitute the initial cost of land, buildings, and equipment include the following:

-Purchase Price: The acquisition cost, net of any trade discounts, import duties, and non-reimbursable taxes.

-Direct Costs: All expenditures directly associated with preparing the asset for use, including transportation, installation, and any other costs necessary to bring the asset to a condition suitable for its intended operational use, as determined by the enterprise management.

- Estimated Obligation Costs: An estimation of future expenses associated with obligations resulting from the acquisition or use of the asset, such as removal, decommissioning, and site restoration, unless these costs are meant to form reserves.

The initial expenditure of long-term tangible assets are based on the cash equivalent at the time of acquisition. If the payment terms differ from the usual credit conditions, the initial expenditure is adjusted to reflect the present value of the asset at the time of purchase. Any variance between the original cost and the actual payment is recognized as interest expense in the income statement over the term of the loan. However, interest costs that are eligible for capitalization under International Accounting Standard (IAS) 23 are not included in this expense treatment.

Routine maintenance costs incurred to keep an asset in operational condition do not contribute to increasing the asset's value. Rather, these costs are recorded as expenses in the profit or loss statement during the period they are incurred. These expenses usually consist of labor costs and minor consumables required for the asset's regular maintenance.

For instance, the cost of oil and oil changes for a vehicle does not impact the vehicle's carrying value and is instead recorded as an expense in the period in which it occurs. These types of costs are generally categorized as repair and maintenance expenditures.

In certain cases, specific components of long-term tangible assets require periodic replacement. For instance, airplane seats need to be replaced after a certain period of use. If the replacement part satisfies the recognition criteria, it is included in the asset's carrying value. However, the removed component must be derecognized following the established criteria for asset derecognition.

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