

Issues related to the reporting and presentation of the tangible fixed assets in the financial statements for the year 2003

In relation to the forthcoming accounting closure of the year 2003 we would like to draw your attention to main issues related to the fixed assets, which shall be considered upon the planning of the closure.

In particular we have in mind the following:

In accordance with the requirements of Bulgarian Standards 4, 16 and 36 concerning tangible fixed assets (IAS 16 and 36) as at 31 December 2003 the following shall be done:

Review of the composition of the tangible and intangible fixed assets in the context of the requirements of BNAS 16 and BNAS 38 (IAS 16 and IAS 38) for recognition in the balance sheet. Determination of value threshold.

Review of the useful life of the assets and the selected depreciation method.

Determination and review for consistent application of the accounting policy for subsequent valuation of the fixed assets benchmark or alternative treatment.

Review and analysis of the repair costs and the improvement and modernization works.

Review for presence of indications for impairment under BNAS 36 (IAS 36) and undertaking of the necessary steps in the cases where evidence for such impairment exist.

Preserved fixed assets under BNAS 4 assessment for the presence of conditions for treatment of the tangible fixed assets as preserved for the purposes of the financial reporting.

Revaluation reserve for the fixed assets.

The problems of the tangible fixed assets upon transition of the company to the IFRS for the first time as a basic financial-accounting frame.

Requirements of the tax depreciation plan (TDP) introduced in 2003

TDP for 2003 should be prepared by all tax liable persons that form a tax base under CITA, chapter II, incl. by the sole traders. It shall be made compliant to the Instruction № 93-00-2208 of 23.10.2003 of the Ministry of Finance (MoF).

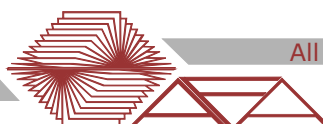
1. Preparation of TDP as at 1 January 2003

Composition of the assets

Values at which the assets shall be included in TDP

Depreciable amount for TDP (1 January 2003)

Revaluation reserve, included upon the start-up of TDP (1 January 2003).



2. TDP in 2003

New assets in the composition of TDP
Subsequent revaluations of the tangible fixed assets in 2003.
Annual depreciation expense for tax purposes.
Revaluation reserve in 2003
Subsequent expenses capitalized to the value of the assets in TDP.
Preserved assets under BNAS 4.
Assets initially not included in TDP on 1.01.2003.

Requirements of BNAS 38 and BNAS 36 regarding the intangible fixed assets (ITFA) (IAS 38 and 36)

Recognition of ITFA in the balance sheet.
Initial valuation of the intangible fixed assets.
Subsequently capitalized expenses.
Subsequent revaluation of the intangible fixed assets.
Review for necessity for impairment or write off intangible fixed assets from the composition of the fixed assets of the company.

Should you wish that we provide you with the detailed comments on this issue or you have specific queries on the application of the new provisions, please do not hesitate to contact us on phone: 943 37 00, fax: 943 37 07 or e-mail: office@afa.bg.

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