SCHEDULE 6

ACCOUNTING PRINCIPLES AND RULES

PART IV

HISTORICAL COST ACCOUNTING RULES

Preliminary

18. Subject to paragraphs 8 to 17 above, the amounts to be included in respect of all items shown in a society's accounts must be determined in accordance with the rules set out in paragraphs 19 to 31 below.

Valuation of assets

General rules

19. Subject to any provision for depreciation or diminution in value made in accordance with paragraph 20 or 21 below, the amount to be included in respect of any asset in the balance sheet format must be its cost.

20. In the case of any asset included under Assets item A (intangible assets), B.I (land and buildings), F.I. (tangible assets) or F.II (stocks) 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.

21.—(1) This paragraph applies to any asset included under Assets item A (tangible assets), B (investments) or F.I (tangible assets).

(2) Where an asset to which this paragraph 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; and any such provisions which are not shown in the income and expenditure account must be disclosed (either separately or in aggregate) in a note to the accounts.

(3) Provisions for diminution in value must be made in respect of any asset to which this paragraph applies 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; and any such provisions which are not shown in the income and expenditure account must be disclosed (either separately or in aggregate) in a note to the accounts.

(4) Where the reasons for which any provision was made in accordance with subparagraph (1) or (2) have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this subparagraph which are not shown in the income and expenditure account must be disclosed (either separately or in aggregate) in a note to the accounts.

22.—(1) This paragraph applies to assets included under Assets items E.I., II, and III (debtors) and F.III (cash at bank and in hand) in the balance sheet.

(2) If the net realisable value of an asset to which this paragraph applies is lower than its cost the amount to be included in respect of that asset must be the net realisable value.

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

Development costs

23.—(1) Notwithstanding that amounts representing "development costs" may be included under Assets item A (intangible assets) in the balance sheet format, an amount may only be included in a society's balance sheet in respect of development costs in special circumstances.

(2) If any amount is included in a society'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

24.—(1) The application of paragraphs 19 to 21 above in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.

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

(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 society is included as an asset in the society's balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period must be disclosed in a note to the accounts.