

## SCHEDULE 7

### ACCOUNTING PRINCIPLES AND RULES

#### PART III

#### FIXED ASSETS

##### General rules

**8.**—(1) Subject to any provision for depreciation or diminution in value made in accordance with paragraph 9 or 10, the amount to be included in respect of any fixed asset shall be its cost unless it is valued in accordance with paragraph 28.

- (a) (2) (a) Assets included in items D and E in Parts I and II of Schedule 2 shall be valued as fixed assets.
- (b) Other assets falling to be included in the balance sheet shall be valued as fixed assets where they are intended for use on a continuing basis in the normal course of the activities of the society or of the society and its subsidiary undertakings.

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

- (a) the 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,

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

**10.**—(1) Where a fixed asset investment of a description falling to be included under Asset item C of Parts I and II of Schedule 2, or any liquid asset held as a financial fixed asset, 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) Any such provisions as are mentioned in sub-paragraph (1) and which are not shown in the income and expenditure accounts shall be disclosed, either separately or in aggregate, in a note to the accounts, analysed according to balance sheet category.

(3) Provisions for diminution in value shall 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 shall be reduced accordingly, and any such provisions which are not shown in the income and expenditure accounts shall be disclosed, either separately or in aggregate, in a note to the accounts, analysed according to balance sheet category.

(4) Where the reasons for which any provision in respect of fixed assets (whether or not it is one to which sub-paragraph (1) or (3) applies) was made have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this sub-paragraph which are not shown in the income and expenditure accounts shall be disclosed (either separately or in aggregate) in a note to the accounts.

##### Development costs

**11.**—(1) Notwithstanding that amounts representing “development costs” may be included under Asset item D in Parts I and II of Schedule 2, an amount may only be included in a society's balance sheet in respect of development costs in accordance with generally accepted accounting principles.

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(2) If any amount is included in a society's balance sheet in respect of development costs, the following information shall 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**

**12.**—(1) The application of paragraphs 8 to 10 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), the amount of the consideration for any goodwill acquired by a society shall be reduced by provisions for amortisation calculated so as to write off that amount systematically over a period chosen by the directors of the society.

(3) The period chosen shall not exceed the useful economic life of the goodwill.

### **Financial fixed assets**

**13.**—(1) Debt securities including securities held as financial fixed assets shall 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 a security as is mentioned in sub-paragraph (1) purchased at a premium shall 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 written off shall be charged to the income and expenditure account for the relevant financial years.

(3) The amount included in the balance sheet with respect to such a security purchased at a discount shall 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 shall be credited to the income and expenditure account for the relevant financial years.

(4) The notes to the accounts shall disclose the amounts of any unamortised premium or discount not extinguished which are 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.