

SCHEDULE 7

ACCOUNTING PRINCIPLES AND RULES

PART V

OTHER ACCOUNTING RULES

General rules

17.—(1) Without prejudice to paragraph 3(6)(c) of Part III of Schedule 2, amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing as the case may be liabilities or expenditure, or vice versa.

(2) Charges required to be included in items 12(a) and 12(b) in Parts I and II of Schedule 1 may, however, be set off against income required to be included in items 13(a) and 13(b) of Parts I and II of that Schedule and the resulting figure shown as a single item.

(3) Charges required to be included in item 14 in Parts I and II of Schedule 1 may also be set off against income required to be included in item 15 in Parts I and II of Schedule 1 and the resulting figure shown as a single item.

18.—(1) Assets shall be shown under the relevant balance sheet headings even where the society has pledged them as security for its own liabilities or for those of third parties, or has otherwise assigned them as security to third parties.

(2) A society shall not include in its balance sheet assets pledged or otherwise assigned to it as security, unless such assets are in the form of cash in the hands of the society.

19. Preliminary expenses, expenses of and commission on any issue of subscribed capital and costs of research shall not be treated as assets in a society's balance sheet.

20. Assets acquired in the name of and on behalf of third parties shall not be shown in the balance sheet.

Excess of money owed over value received as an asset item

21.—(1) Where the amount repayable on any debt owed by a society is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated—

- (a) it shall be written off by reasonable amounts each year and must be completely written off before repayment of the debt; and
- (b) if the current amount is not shown as a separate item in the society's balance sheet it must be disclosed in a note to the accounts.

Determination of cost

22.—(1) The cost of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The cost of an asset constructed by the society shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the society which are directly attributable to the construction of that asset.

(3) In addition, there may be included in the cost of an asset constructed by the society—

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- (a) a reasonable proportion of the costs incurred by the society which are only indirectly attributable to the construction of that asset, but only to the extent that they relate to the period of construction; and
- (b) interest on capital borrowed to finance the construction of that asset, to the extent that it accrues in respect of the period of construction,

provided, however, in a case within sub-paragraph (b), that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

23.—(1) Subject to the qualification mentioned below, the cost of any assets which are fungible assets (including liquid assets) may be determined by the application of any of the methods mentioned in sub-paragraph (2) in relation to any such assets of the same class, but the method chosen must be one which appears to the directors to be appropriate to the circumstances of the society.

(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO),
- (b) the method known as “last in, first out” (LIFO),
- (c) a weighted average price, and
- (d) any other method similar to any of the methods mentioned above.

(3) Where in the case of any society—

- (a) the cost of assets falling to be included under any item shown in the society’s balance sheet has been determined by the application of any method permitted by this paragraph, and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph,

the amount of that difference shall be disclosed in a note to the accounts.

(4) Subject to sub-paragraph (5), for the purposes of sub-paragraph (3)(b), the relevant alternative amount, in relation to any item shown in a society’s balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the society to constitute the more appropriate standard of comparison in the case of assets of that class.

(6) For the purposes of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable one from another.

24. To the extent that debt securities included in a society’s balance sheet include assets valued at cost, the method of arriving at their cost shall be disclosed in the notes to the annual accounts.

Substitution of original amount where cost unknown

25. Where there is no record of the cost of any asset acquired by a society or of any price, expenses or costs relevant for determining its cost in accordance with paragraph 22, or any such record cannot be obtained without unreasonable expense or delay, its cost shall be taken for the purposes of paragraphs 8 to 16 to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the society.