

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

CHAPTER 3

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Article 12

Special provisions relating to certain balance sheet items

- 1 Where an asset or liability relates to more than one layout item, its relationship to other items shall be disclosed either under the item where it appears or in the notes to the financial statements.
- 2 Own shares and shares in affiliated undertakings shall be shown only under the items prescribed for that purpose.
- 3 Whether particular assets are to be shown as fixed assets or current assets shall depend upon the purpose for which they are intended.
- 4 Rights to immovables and other similar rights as defined by national law shall be shown under 'Land and buildings'.
- 5 The purchase price or production cost or revalued amount, where Article 7(1) applies, of fixed assets with limited useful economic lives shall be reduced by value adjustments calculated to write off the value of such assets systematically over their useful economic lives.
- 6 Value adjustments to fixed assets shall be subject to the following:
 - a Member States may permit or require value adjustments to be made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date;
 - b value adjustments shall be made in respect of fixed assets, whether their useful economic lives are limited or not, so that they are valued at the lower figure to be attributed to them at the balance sheet date if it is expected that the reduction in their value will be permanent;
 - c the value adjustments referred to in points (a) and (b) shall be charged to the profit and loss account and disclosed separately in the notes to the financial statements if they have not been shown separately in the profit and loss account;
 - d measurement at the lower of the values provided for in points (a) and (b) may not continue if the reasons for which the value adjustments were made have ceased to apply; this provision shall not apply to value adjustments made in respect of goodwill.
- 7 Value adjustments shall be made in respect of current assets with a view to showing them at the lower market value or, in particular circumstances, another lower value to be attributed to them at the balance sheet date.

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Measurement at the lower value provided for in the first subparagraph may not continue if the reasons for which the value adjustments were made no longer apply.

8 Member States may permit or require that interest on capital borrowed to finance the production of fixed or current assets be included within production costs, to the extent that it relates to the period of production. Any application of this provision shall be disclosed in the notes to the financial statements.

9 Member States may permit the purchase price or production cost of stocks of goods of the same category and all fungible items including investments to be calculated either on the basis of weighted average prices, on the basis of the 'first in, first out' (FIFO) method, the 'last in, first out' (LIFO) method, or a method reflecting generally accepted best practice.

10 Where the amount repayable on account of any debt is greater than the amount received, Member States may permit or require that the difference be shown as an asset. It shall be shown separately in the balance sheet or in the notes to the financial statements. The amount of that difference shall be written off by a reasonable amount each year and completely written off no later than at the time of repayment of the debt.

11 Intangible assets shall be written off over the useful economic life of the intangible asset.

In exceptional cases where the useful life of goodwill and development costs cannot be reliably estimated, such assets shall be written off within a maximum period set by the Member State. That maximum period shall not be shorter than five years and shall not exceed 10 years. An explanation of the period over which goodwill is written off shall be provided within the notes to the financial statements.

Where national law authorises the inclusion of costs of development under 'Assets' and the costs of development have not been completely written off, Member States shall require that no distribution of profits take place unless the amount of the reserves available for distribution and profits brought forward is at least equal to that of the costs not written off.

Where national law authorises the inclusion of formation expenses under 'Assets', they shall be written off within a period of maximum five years. In that case, Member States shall require that the third subparagraph apply *mutatis mutandis* to formation expenses.

In exceptional cases, the Member States may permit derogations from the third and fourth subparagraphs. Such derogations and the reasons therefor shall be disclosed in the notes to the financial statements.

12 Provisions shall cover liabilities the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

The Member States may also authorise the creation of provisions intended to cover expenses the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

At the balance sheet date, a provision shall represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability. Provisions shall not be used to adjust the values of assets.