

SCHEDULES

SCHEDULE 4

FORM AND CONTENT OF COMPANY ACCOUNTS

PART II

ACCOUNTING PRINCIPLES AND RULES

Section B

Historical Cost Accounting Rules

Miscellaneous and supplementary provisions

Determination of purchase price or production cost

- 27 (1) Subject to the qualification mentioned below, the purchase price or production cost of—
- (a) any assets which fall to be included under any item shown in a company's balance sheet under the general item "stocks"; and
 - (b) any assets which are fungible assets (including investments);
- may be determined by the application of any of the methods mentioned in sub-paragraph (2) below in relation to any such assets of the same class.
- The method chosen must be one which appears to the directors to be appropriate in the circumstances of the company.
- (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 company—
- (a) the purchase price or production cost of assets falling to be included under any item shown in the company'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) below, for the purposes of sub-paragraph (3)(b) above, the relevant alternative amount, in relation to any item shown in a company's balance sheet, is the amount which would have been shown in respect of that item if assets of

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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 purchase price or production 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 company 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.