

Status: Point in time view as at 09/03/2007.

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985,
Cross Heading: Miscellaneous and supplementary provisions. (See end of Document for details)*

SCHEDULES

SCHEDULE 4

FORM AND CONTENT OF COMPANY ACCOUNTS

Modifications etc. (not altering text)

- C1** Sch. 4 applied with modifications by S.I. 1985/680, regs. 4–6, **Sch.** and **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 176(9), **Sch. 8 para. 19(3)(4)(5)**
- C1** Sch. 4 applied by **Finance (No. 2) Act 1987 (c. 51, SIF 63:1)**, s. 7, **Sch. 1 para. 19(3)(4)(5)**

PART II

ACCOUNTING PRINCIPLES AND RULES

SECTION B

HISTORICAL COST ACCOUNTING RULES

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

- 24 (1) Where the amount repayable on any debt owed by a company 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 company's balance sheet it must be disclosed in a note to the accounts.

Assets included at a fixed amount

- 25 (1) Subject to the following sub-paragraph, assets which fall to be included—
- (a) amongst the fixed assets of a company under the item “tangible assets”; or
 - (b) amongst the current assets of a company under the item “raw materials and consumables”; may be included at a fixed quantity and value.
- (2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced, where—

Status: Point in time view as at 09/03/2007.

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985,
Cross Heading: Miscellaneous and supplementary provisions. (See end of Document for details)*

- (a) their overall value is not material to assessing the company's state of affairs;
and
- (b) their quantity, value and composition are not subject to material variation.

Determination of purchase price or production cost

- 26 (1) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.
- (2) The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the production of that asset.
- (3) In addition, there may be included in the production cost of an asset—
- (a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production; and
 - (b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production;
- provided, however, in a case within paragraph (b) above, 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.
- (4) In the case of current assets distribution costs may not be included in production costs.
- 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 subparagraph (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.

Status: Point in time view as at 09/03/2007.

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985,
Cross Heading: Miscellaneous and supplementary provisions. (See end of Document for details)*

- (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 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.

Substitution of original stated amount where price or cost unknown

- 28 Where there is no record of the purchase price or production cost of any asset of a company or of any price, expenses or costs relevant for determining its purchase price or production cost in accordance with paragraph 26, or any such record cannot be obtained without unreasonable expense or delay, its purchase price or production cost shall be taken for the purposes of paragraphs 17 to 23 to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the company.

Status:

Point in time view as at 09/03/2007.

Changes to legislation:

There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Miscellaneous and supplementary provisions.