

Status: Point in time view as at 08/11/1999.

Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Section B . (See end of Document for details)

SCHEDULES

[^{F1X1} SCHEDULE 8

FORM AND CONTENT OF ACCOUNTS PREPARED BY SMALL COMPANIES]

Editorial Information

X1 Sch. 8: the earliest available versions of Sch. 8 and its contents are those having effect on 16.11.1992

Textual Amendments

F1 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

PART II

ACCOUNTING PRINCIPLES AND RULES

SECTION B

HISTORICAL COST ACCOUNTING RULES

Preliminary

^{F1}16 Subject to section C of this Part of this Schedule, the amounts to be included in respect of all items shown in a small company's accounts shall be determined in accordance with the rules set out in paragraphs 17 to 28.

Textual Amendments

F1 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Fixed assets

General rules

^{F2}17 Subject to any provision for depreciation or diminution in value made in accordance with paragraph 18 or 19 the amount to be included in respect of any fixed asset shall be its purchase price or production cost.

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Textual Amendments

F2 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

- ^{F3}18 In the case of any fixed asset which has a limited useful economic life, the amount of—
- (a) its purchase price or production 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 purchase price or production 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.

Textual Amendments

F3 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

- ^{F4}19 (1) Where a fixed asset investment of a description falling to be included under item B.III of either of the balance sheet formats set out in Part I of this Schedule 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; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.
- (2) 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 profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.
- (3) Where the reasons for which any provision was made in accordance with sub-paragraph (1) or (2) 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 profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

Textual Amendments

F4 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Rules for determining particular fixed asset items

- ^{F5}20 (1) Notwithstanding that an item in respect of “development costs” is included under “fixed assets” in the balance sheet formats set out in Part I of this Schedule, an amount may only be included in a small company's balance sheet in respect of development costs in special circumstances.

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- (2) If any amount is included in a small company'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.

Textual Amendments

F5 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

- ^{F6}21 (1) The application of paragraphs 17 to 19 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) below, the amount of the consideration for any goodwill acquired by a small company shall be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.
- (3) The period chosen shall not exceed the useful economic life of the goodwill in question.
- (4) In any case where any goodwill acquired by a small company is shown or included as an asset in the company's balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the accounts.

Textual Amendments

F6 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Current assets

- ^{F7}22 Subject to paragraph 23, the amount to be included in respect of any current asset shall be its purchase price or production cost.

Textual Amendments

F7 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

- ^{F8}23 (1) If the net realisable value of any current asset is lower than its purchase price or production cost the amount to be included in respect of that asset shall be the net realisable value.
- (2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

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Textual Amendments

F8 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

- ^{F9}24 (1) Where the amount repayable on any debt owed by a small 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.

Textual Amendments

F9 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Assets included at a fixed amount

- ^{F10}25 (1) Subject to the following sub-paragraph, assets which fall to be included—
- (a) amongst the fixed assets of a small company under the item “tangible assets”;
 - or
 - (b) amongst the current assets of a small 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—
- (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.

Textual Amendments

F10 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

Determination of purchase price or production cost

- ^{F11}26 (1) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

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- (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.

Textual Amendments

F11 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

- ^{F12}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 small 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) 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.

Textual Amendments

F12 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

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Substitution of original stated amount where price or cost unknown

- ^{F13}28 Where there is no record of the purchase price or production cost of any asset of a small 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.

Textual Amendments

F13 Sch. 8 substituted (1.3.1997) by S.I. 1997/220, reg. 2(2), Sch. 1

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