

*Status: Point in time view as at 01/03/1997.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985,  
Cross Heading: Determination of purchase price or production cost. (See end of Document for details)*

## SCHEDULES

### [<sup>F1X1</sup> 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

##### *Determination of purchase price or production cost*

- <sup>F126</sup> (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.

*Status: Point in time view as at 01/03/1997.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985,  
 Cross Heading: Determination of purchase price or production cost. (See end of Document for details)*

**Textual Amendments**

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

<sup>F27</sup> (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**

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

**Status:**

Point in time view as at 01/03/1997.

**Changes to legislation:**

There are currently no known outstanding effects for the Companies Act 1985, Cross Heading:  
Determination of purchase price or production cost.