
Status: Point in time view as at 22/07/2004.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Accounting methods. (See end of Document for details)

SCHEDULES

SCHEDULE 10

AMENDMENT OF ENACTMENTS THAT OPERATE BY REFERENCE TO ACCOUNTING PRACTICE

PART 2

DERIVATIVE CONTRACTS

Accounting methods

- 49 In the heading to Part 4 of that Schedule for “ACCOUNTING METHODS” substitute “ COMPUTATION OF AMOUNTS TO BE BROUGHT INTO ACCOUNT ”.
- 50 For paragraphs 17 to 20 of that Schedule (authorised accounting methods and their application) substitute—

“Computation in accordance with generally accepted accounting practice

- 17A (1) Subject to the provisions of this Schedule, the amounts to be brought into account by a company for any period for the purposes of this Schedule are those that, in accordance with generally accepted accounting practice, are recognised in determining the company’s profit or loss for the period.
- (2) If a company does not draw up accounts in accordance with generally accepted accounting practice (“correct accounts”)—
- (a) the provisions of this Schedule apply as if correct accounts had been drawn up, and
 - (b) the amounts referred to in this Schedule as being recognised for accounting purposes are those that would have been recognised if correct accounts had been drawn up.
- (3) If a company draws up accounts that rely to any extent on amounts derived from an earlier period of account for which the company did not draw up correct accounts, the amounts referred to in this Schedule as being recognised for accounting purposes in the later period are those that would have been recognised if correct accounts had been drawn up for the earlier period.
- (4) The provisions of sub-paragraphs (2) and (3) apply where the company does not draw up accounts at all as well as where it draws up accounts that are not correct.

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Amounts recognised in determining company's profit or loss

- 17B (1) Any reference in this Schedule to an amount being recognised in determining a company's profit or loss for a period is to an amount being recognised for accounting purposes—
- (a) in the company's profit and loss account,
 - (b) in the company's statement of recognised gains and losses or statement of changes in equity, or
 - (c) in any other statement of items brought into account in computing the company's profits and losses for that period.
- (2) Sub-paragraph (1) does not apply to an amount recognised for accounting purposes by way of correction of a fundamental error.

Power to make further provision by regulations

- 17C (1) The Treasury may by regulations make provision—
- (a) excluding amounts of a prescribed description from paragraph 17B(1);
 - (b) requiring amounts of a prescribed description that do not fall within paragraph 17B (1) (by virtue of regulations under paragraph (a) above or otherwise) to be brought into account in determining a company's profit or loss for a period in prescribed circumstances;
 - (c) as to the manner in which any such amounts are to be brought into account.
- (2) The regulations may (in particular) make provision by reference to the fact that amounts derive from or otherwise relate to amounts brought into account in a prescribed manner in a previous period of account.
- (3) The power to make regulations under this paragraph includes—
- (a) power to make different provision for different cases; and
 - (b) power to make provision subject to an election or to other prescribed conditions.
- (4) Regulations under this paragraph may apply, exclude or modify any of the provisions of this Schedule in relation to cases for which provision is made by the regulations.”

51 In paragraph 21 (basis of accounting for contracts falling within paragraph 6, 7 or 8), for sub-paragraph (2) substitute—

“(2) Where this paragraph applies the debits and credits to be brought into account for the purposes of this Schedule as respects the derivative contract must be determined on the basis of fair value accounting.”.

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