

References

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IMPROVEMENT OF ANALYTICAL ACCOUNTING OF EXPENSES FOR MAINTENANCE OF FIXED ASSETS, WHICH ARE IN FINANCIAL LEASING

In financial leasing fixed assets are reflected in the balance sheet of the lessee. One of the terms of the financial lease agreement is the condition of operation and maintenance, modernization of the leased object and providing information on its technical condition. This stipulates that the lessor has the right to exercise control over the operation and the intended use of the leased asset by the lessee. The latter is obliged to operate the leased property in accordance with the terms of this clause of the contract and the seller's instructions.

During operation, there may be a desire to repair, upgrade, and simply make changes to the leased object. It should be remembered that all transactions are carried out only with the consent of the lessor, unlike the loan for which the property is with the lessee.

The terms of repair and maintenance can be defined both in the financial lease agreement and in a separate contract.

Accounting for the costs of repair, modernization, reconstruction and other improvements of fixed assets is regulated by NAS 7 "Fixed assets".

Nowadays, the cost of repairing fixed assets is most often borne by the lessee. This is due to the fact that the lessor after the term of all obligations transfers the ownership of the financial leasing object to the lessee, and therefore the leasing company is not interested in the additional costs of improving the work of "not its" object.

Depreciation in accounting stops for the period of reconstruction, modernization, completion, completion and preservation of fixed assets. There are no reservations about repairs. However, if no fixed assets are used at the time of repairs, it is logical to suspend depreciation on a voluntary basis, as the fixed asset's life is suspended. The decommissioning of the fixed assets is carried out on the basis of documents proving such withdrawal (FA-1 Acceptance and delivery certificate of repaired, reconstructed and modernized objects).

The minimum term for which depreciation will not be charged is one month, since in both calculations, this is done on a monthly basis.

In the accounting of the lessee, repair costs are expenses in the direction of use of the leased object: production (account 23), overhead (account 91), administrative (account 92), sales (account 93), other operating (account 94).

Based on our research, we were proposed to account for costs related to repair and improvement on accounting subaccount 236 “Fixed Assets” for accounting and control of expenses for repair of fixed assets, which were taken into financial leasing, and 236.4 “Expenses for the maintenance of fixed assets that are leased out”. If the amount of repair costs in this accounting account is less than 10% of the residual value of the fixed asset that is leased out, then that amount will be charged to the cost of the products manufactured. If, however, the amount of accounting expense 236.4 “Expenses for the maintenance of financial assets leased out” is greater than 10% of the residual value of the financial assets leased asset, then the entire amount is attributable to the increase in the original cost of the fixed asset.

Costs are recorded for subaccount 236.4 “Expenses for the maintenance of financial assets leased out” for each leased asset, and analytical accounting for the types of fixed assets included in the proposed card.

For example, the residual value of the leased asset was UAH 121500. A total of UAH 12934.6 was spent on repairs of the leasing object during the accounting period. To further determine the direction of the expense sum, let us first determine the limit (10%) of the residual value of the leased asset: $121500 * 10\% = \text{UAH } 12150$.

As the total amount of repair costs for this leased item was UAH 12934.6 and it is more than 10% of the residual (UAH 12,150), so we attribute this amount to the increase in the initial value of the fixed asset leased out by means of an accounting:

Debit 1521 “Acquisitions of fixed assets” - Credit 236.4 “Expenses for the maintenance of fixed assets that are taken into financial leasing” in the amount of 12934.6 UAH.

Dt 104 “Machines and equipment” - Kt 1521 “Purchased fixed assets” for the amount of 12934,6 UAH.

If, for example, the total cost of repairing a fixed asset under finance lease would be less than UAH 19,000, then we would attribute this amount to the cost of the manufactured products by accounting:

Dt 231 “Crop Production” - Kt 236.4 “Expenses for the maintenance of financial assets leased out” for the corresponding amount

The proposed subaccount to reflect the costs of repair and / or upgrading of fixed assets leased under the terms of the financial lease will simplify the accounting of such costs in the accounting and, above all, provide better control over such costs.