

Chapter V

Recognition and Measurement of Assets

43. Recognition criteria for assets

- a) Assets are initially recognized at acquisition cost;
- b) The exchanged assets or assets received as grant or free of charge are recognized at the fair value (The exchange assets in transactions between independent parties in a reasonable judgment to deal with the amount of debt that can be settled.)
- c) Except when prescribed separately, if the obsolescence of assets resulted a sharp decline in market value, the difference between the recoverable amount of the asset and the carrying amount is the impairment loss. Then the value of the assets shall be carrying amount minus impairment loss.
- d) Fair Value: Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).
- e) Use in value: The Use Value is the present value of the future cash flows expected to be derived from an asset reduced by the impairment loss recognized in the past. If the amount of the recoverable amount of the asset exceeds its carrying amount that is recognized as a reversal of impairment losses. But if the carrying amount is increased by the reversal of an impairment loss that shall not exceed the depreciation and amortization of the remaining balance of the entire carrying amount and the impairment loss recognized in the past.

44. Measurement and recognition of restricted fund

Restricted funds should be presented in the Statement of Financial Position at the time of receipt, - that is, when received as cash or deposited to the bank account - or at the time when there is *reasonable* assurance that it will be received.

45. Accounts receivable and revaluation of receivables

- a) If the receivables could not be recovered in full or part of the principal or interest, such trade receivables shall be impaired providing the provision or allowance for bad or doubtful debts applying reasonable and objective criteria. The new carrying amount of the receivables shall be the difference between the existing carrying amount and allowance for doubtful debts.
- b) Allowance for accounts receivable are operating expenses (bad debt expense).

46. Assessment of tangible assets and intangible assets

- a) Acquisition of tangible and intangible assets cost refers to the amount including the costs that are directly relevant to reach the location and condition necessary to operate the asset in a manner intended as purchase price or production cost.

NAS for NPOs 2018

- b) Subsequent to initial recognition, tangible assets and the carrying amount of the intangible asset shall be determined in accordance with the following subparagraphs.
 - (i) Tangible Assets: Acquisition costs including capital expenditure less accumulated depreciation and accumulated impairment losses.
 - (ii) Intangible Assets: Acquisition costs including capital expenditure less accumulated depreciation and accumulated impairment losses at the acquisition cost
 - (iii) The depreciable amount of an intangible asset and amortized target amount of the asset is determined by subtracting the residual value at the acquisition cost is amortized basis over the useful lives from the time of use of the asset.
 - (iv) The useful life of tangible and intangible assets should reasonably determined by considering the expected period of use of an asset.
 - (v) Depreciation method and amortization method of tangible assets and intangible assets are determined at a reasonable way that reflects the form in which the economic benefits of the assets is represented.
 - (vi) Tangible assets that have historical value, such as art exhibition being held for the purposes of education and research work, remains the same does not reduce the value.

47. Revaluation of PPE

- a) An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of assets.
- b) Cost model: After recognition as an asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
- c) Revaluation Model: After recognition as an asset whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.
- d) When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount.
- e) The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
- f) If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.
- g) If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in net worth under the heading of revaluation surplus. However, the increase shall be recognized in Statement of Income & Expenditure

to the extent that it reverses a revaluation decrease of the same asset previously recognized in Statement of Income & Expenditure.

- h) If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in Statement of Income & Expenditure. However, the decrease shall be recognized in net worth to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in net worth reduces the amount accumulated in capital fund under the heading of revaluation surplus.

48. Revaluation of investment in securities

Investments in financial assets such as shares, government bonds; debenture etc. should be recorded initially at cost. Such assets should be re measured at lower of cost or net realizable value at the end of each fiscal year.

49. Valuation of accrued severance benefits

- a) Retirement benefit is an amount equivalent to the severance to be paid to the current and former employees which is the part of the liabilities in the statement of financial position.
- b) If the NPO set a defined contribution plan, NPO does not recognize the related plan assets and accrued severance benefits. But the NPO must pay the contributions for the relevant accounting period which is the cost of the relevant accounting period.
- c) If the NPO set a defined benefit plan, NPO has to recognize the related plan assets and accrued severance benefits (plan liabilities) and should make necessary provision as per actuarial valuation to meet the liability of defined benefit plan as at the end of the relevant accounting period.