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FIXED ASSETS DEPRECIATION CALCULATION METHODS AND ITS EFFECT ON BUSINESS COSTS

M.A.Abdug'aniyev

TSUE " Finance and accounting Faculty of Accounting student

Abstract: This article examines the issues of depreciation calculation for fixed assets. In particular, the depreciable value of fixed assets, determination of the useful life for the purpose of depreciation calculation, depreciation calculation methods, and the selection of the optimal depreciation calculation method for the enterprise were studied.

Key words: fixed assets, initial value, depreciation, depreciation calculation methods, depreciation rate, accumulated amortization amount

In the conditions of modernization of the economy of our country, investors and other interested users are increasing their desire to obtain accurate and reliable information about the value of enterprise properties. The share of fixed assets in the property of enterprises engaged in production activities is significant, and the issues of determining their initial value, entering them into accounting, their subsequent evaluation, and calculating depreciation are of particular importance.

The main part.

Depreciation of fixed assets is calculated from the first day of the month following the month in which the object is included in fixed assets in accordance with the national accounting standard No. 5 "Fixed assets". According to BHMS No. 5 "Fixed assets", fixed assets can be depreciated in the following ways:

- depreciation one decent (right linear) calculation .
- depreciation done affairs to the size proportionate respectively calculation (production release method).
- two even depreciation norm with the remainder reduce method ;
- years assembly index method (cumulative method).

Let's assume that the company bought a car for 100,000,000 soums and the term of use is set for 5 years. The liquidation price is set at 10,000,000 soums by the company. The company estimated the mileage of the car at 100,000 kilometers.

Let's look at the impact of depreciation methods on the company's costs for this car.

1. One-step (straight-line) method of calculating depreciation. In this method, to calculate the amount of annual depreciation of the fixed asset, it is calculated by dividing the initial value of the fixed asset by its useful life after deducting the liquidation value.

In our example, the liquidation value of the fixed asset is not specified. Therefore, the initial cost of the fixed asset is determined by dividing 100,000,000 soums by the useful life of 5 years.

$$\text{Amortization amount for one year} = \frac{\text{Capital asset initial value} - \text{Capital asset termination value}}{\text{Useful life}} =$$

$$= \frac{100{,}000{,}000 \text{ soums} - 10{,}000{,}000}{5 \text{ years}} = 18{,}000{,}000 \text{ soums/year}$$

In the one-step depreciation calculation method, depreciation is calculated from 18,000,000 soums in each year of the useful life of the fixed asset.

2. Calculation of depreciation in proportion to the volume of work performed (production method). Let's assume that the mileage of the car during its useful life is as follows:

Years	Walking road , km
1 - year	25,000
2 years	30,000
3 - year	15,000
4 - year	20,000
5 - year	10,000

Depreciation in the production method for fixed assets is calculated as the amount of depreciation divided by the expected working volume of the fixed asset after deducting the liquidation value from the initial cost of the fixed asset.

The amount of wear and tear of the main vehicle per 1 kilometer is calculated as follows:

$$\text{Depreciation amount per unit of work} = \frac{\text{Capital asset initial value} - \text{Capital asset termination value}}{\text{Expected workload}} =$$

$$= \frac{100{,}000{,}000 \text{ soums} - 10{,}000{,}000}{100{,}000 \text{ km}} = 900 \text{ soums/km}$$

The amount of depreciation calculated on the fixed asset over the years will be as follows:

The amount of depreciation calculated in the production method of depreciation for fixed assets depends on the level of use of the fixed asset. If the fixed asset is used intensively during the year, the calculated depreciation amount is high, if it is used less, the depreciation amount is low.

Table 1

Calculation of depreciation in the production method for the fixed asset

	Initial value	Walking road , km	Yearly depreciation amount , soums	Collected depreciation	Balance value
Buy received to the date	100,000,000	-	-	-	100,000,000
1 year to the end	100,000,000	25,000	22,500,000	22,500,000	77,500,000
2 years to the end	100,000,000	30,000	27,000,000	49,500,000	50,500,000
3 years to the end	100,000,000	15,000	13,500,000	63,000,000	37,000,000
4 years to the end	100,000,000	20,000	18,000,000	81,000,000	19,000,000

5 years to the end	100,000,000	10,000	9,000,000	90,000,000	10,000,000

3. The method of reducing the balance with a double depreciation rate. In this method, the depreciation calculation rate used in the single rate depreciation method is doubled. In our example, the depreciation rate for the fixed asset is 20% (100% : 5 years). Therefore, the annual depreciation using the double depreciation method is a standard 40% (20% x 2).

Table 2

Depreciation calculation for fixed assets using the reducing balance method with a double depreciation rate

	Report era per head	Yearly depreciation amount , soums	Collected depreciation	Report era to the end residual
Buy received to the date	100,000,000	-	-	100,000,000
1 year	100,000,000	40,000,000	40,000,000	60,000,000
2 years	60,000,000	24,000,000	64,000,000	36,000,000
3 years	36,000,000	14,400,000	78,400,000	21,600,000
4 years	21,600,000	8,640,000	87,040,000	12,960,000
5 years	12,960,000	2,960,000	90,000,000	10,000,000

Depreciation of fixed assets in this way is more in the early years and less in the later years.

4. Depreciation calculation using the annual sum (cumulative) method. In this method, the annual depreciation rate is determined as a percentage of the depreciable value remaining until the end of the depreciation period. Dividing the number of full years until the end of the share depreciation allowance by the sum of the ordinal numbers of years that make up the depreciation period (1+2+3+4+5 = 15 or ((5+1)/2)*5)) determined by

In the sum of years method (cumulative method), the annual amount of depreciation deductions is determined based on the ratio of the depreciable value of fixed assets and the number of years remaining until the end of the useful life of the object in the numerator, and the sum of the number of years of the useful life of the object in the denominator. .

Table 3

Depreciation of fixed assets by the sum of years method

	Primary value	Yearly depreciation amount , soums	Collected depreciation	Report era to the end residual
Buy received to the date	100,000,000	-	-	100,000,000
1 year	100,000,000	90,000,000 x 5/15 = 30,000,000	30000000	70,000,000
2 years	100,000,000	90,000,000 x 4/15 = 24,000,000	54000000	46,000,000
3 years	100,000,000	90,000,000 x 3/15 = 18,000,000	72000000	28,000,000
4 years	100,000,000	90,000,000 x 2/15 = 12,000,000	84000000	16,000,000
5 years	100,000,000	90,000,000 x 1/15 = 6,000,000	90000000	10,000,000

In this method, the amount of depreciation calculated is more in the early years and less in the later years, similar to the declining balance method using the double depreciation rate.

Summary.

The following conclusions were formed based on the study of legal documents and practical information on depreciation of fixed assets:

1. Nowadays, due to the simplicity of the calculation method, uniform wear is widely used in practice. But this method always corresponds to the principle of matching costs and income, that is, regardless of the amount of income received from the use of the fixed asset, it is evenly depreciated during its useful life.

2. The method of calculating depreciation in proportion to the volume of production makes it possible to implement the principle of accounting due to the fact that depreciation is calculated in proportion to the level of use of the fixed asset object

3. One of the common disadvantages of calculating depreciation according to the accelerated (using the double depreciation rate, cumulative) methods is that the balance (residual) value of the fixed asset object is sharply exceeded by the market values.

4. It is appropriate to use accelerated methods for calculating the depreciation of fixed assets in cases where it is necessary to use modern technologies in the company's operating network and to constantly update them.

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