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Treatment of Fixed Assets Against IFRS

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Abstract. *Adjustment of the treatment of fixed assets to International Financial Reporting Standards (IFRS) has a significant impact on accounting practices throughout the world. This article discusses the treatment of fixed assets in IFRS based on an entity's or company's compliance with international standards which are used as a guide in financial reporting. This research aims to compile a Meta-Analysis of five leading international journals on the Treatment of Fixed Assets Based on IFRS. The meta-analysis method used in this article is to analyze and compile findings from 5 international journals which have discussed the treatment of fixed assets based on IFRS in various countries. The objects of this research are India, Russia, China, Brazil and Romania. These results produce information that from these results it is known that IFRS Principles and Theory show that there are similarities and differences in the adoption and application of IFRS, especially in the context of fixed asset recognition and valuation in the public sector in each country. Although IFRS provides comprehensive financial reporting standards, adjustments and interpretations are still required to ensure its effective application in the unique public sector context.*

Keywords: *Fixed Assets, Meta Analysis, IFRS.*

INTRODUCTION

Fixed assets are assets that have a useful life of more than one year, used to support operational activities and not for resale. Meanwhile, Warren, James et all (2014: 494) state that: "Fixed assets are assets that are long-term or relatively permanent in nature, such as equipment, machines, buildings and land. Good fixed asset management is important for an entity or company because it is directly related to the ability to gain profits and increase and maintain the value of an entity or company in the market.

The treatment of fixed assets has several stages such as recognition, measurement and depreciation. Recognition of fixed assets is carried out if the Entity or Company has the rights and control over the assets. However, Fixed Assets are measured using fair or acquisition value depending on the condition or economic value of the asset. So Depreciation of Fixed Assets is carried out to recognize costs in the context of the use of these assets, for example Operational Costs and Maintenance Costs.

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In the world of Accounting, the treatment of Fixed Assets is important in determining an accurate and transparent financial position. One of the accounting standards that applies in the treatment of fixed assets is the International Financial Reporting Standards (IFRS)

In the current era of economic globalization, uniform and internationally recognized financial reporting standards are very important. International Financial Reporting Standards (IFRS) is a collection of accounting and financial reporting standards developed by the International Accounting Standards Board (IASB). IFRS was designed to provide a financial reporting framework that is transparent, comparable and consistent throughout the world. The implementation of IFRS aims to help investors, creditors and other stakeholders make more appropriate economic decisions and provide more reliable information.

IFRS provides specific and clear guidelines for recognizing and measuring fixed assets. IFRS is important in ensuring that the treatment of fixed assets is carried out consistently and in accordance with applicable Accounting Principles. In IFRS, Fixed Assets are recognized if the Entity or Company has ownership and control over the assets and has significant economic benefits.

With the adoption of IFRS, companies can expand access to international capital markets, reduce capital costs, and increase operational efficiency. However, the transition to IFRS also presents challenges, including changes in the recognition of assets and liabilities, fair value measurements, and disclosure of financial information. Thus, a deep understanding of the principles and applications of IFRS is essential for accounting and finance professionals in facing today's dynamic global business environment.

This article aims to conduct a comparative analysis of the treatment of fixed assets in IFRS through a meta-analysis study from five international journals. By evaluating research findings from various sources, we seek to identify similarities and differences in the practice of treating fixed assets under IFRS in India, Russia, China, Brazil and Romania. Through a meta-analysis approach, this article will combine the results of existing research to provide a more comprehensive understanding of the treatment of fixed assets in IFRS.

METHOD

This research uses a meta-analysis research type. Data collection was carried out by searching Google Scholar. With keywords used by IFRS and Treatment of Fixed Assets. From the search results obtained, 5 international journals were taken. Data analysis used is descriptive analysis. The objects of this research are India, Russia, China, Brazil and Romania. The steps in this research are journal selection, collecting data, data analysis, presenting results and summarizing the results obtained.

RESULTS

In Romania Treatment of Fixed Assets is based on(Manea & Stefan, 2007) the concept of recognizing fixed assets based on International Financial Accounting Standards (IFRS) and the practice of its application is an important reference in the process of harmonization of accounting regulations in Romania with European Directives and International Financial Reporting Standards. In this case, the two main criteria that must be met so that an item can be recognized as an asset are explained, as well as two conditions so that the asset can be recognized as a fixed asset. The first criterion is related to the estimation of the certainty of the flow of future economic benefits, while the second criterion is related to measuring the cost of acquiring or producing an asset that can be measured objectively. In addition, in the concept of cash generating units, which is the solution suggested by IAS 36 to group assets that cannot be attributed to independent cash inflows. Although the identification of independent cash inflows from a group of assets can be difficult and tends to be subjective in practice, especially in Romania, cash generating units are considered to be those assets that together help generate cash inflows.

In this article, the weaknesses in IFRS adoption are explained, especially related to the process of grouping/regrouping individual assets into cash-generating units. This process is subjective based on management's judgment and can give rise to the potential for abuse, such as limiting the amount of impairment recognized by grouping assets that are indicated to be impaired with other assets that have a significant difference between the net carrying value and the recoverable value.

However, based on Peres, Cotlet, and Grosu, (2009) stated in adopting IFRS is capable bring change significant in system information finance And economy companies in Romania. especially IAS 16 on Asset Stay , set criteria recognition , measurement , depreciation , and decline mark asset still in a way more comprehensive compared to with standard accountancy former Romanian national . For example , IFRS requires confession cost demolition And restoration location asset still as part from cost acquisition , as well give choice treatment accountancy between cost models and revaluation models in measurement furthermore .

Although Thus , weakness in adopt related IFRS asset stay in inner Romania grouping asset to in the producing unit cash , which can be open opportunity for abuse For limit amount decline recognized value . Besides that's a confession asset still based on component Also need consideration high professional For avoid error placement individual components to in the producing unit cash , which can be distort information related mark recovered . Potency problem in application of IFRS in the environment inflation high , where calculation shrinkage based on cost historical can produce profit fictional And payment too much tax tall . This matter indicated necessity adjustment to method shrinkage And measurement asset keep getting it guard Power buy physical capital company .

By whole show that IFRS adoption , esp related treatment accountancy asset still , have bring change significant in system information finance companies in Romania. However , there are a number of weakness necessary potential anticipated , esp related with subjectivity in grouping assets , recognition asset based on components , as well adjustment method shrinkage And measurement in condition inflation tall . Deep understanding on issues This important for practitioner accountancy in implement IFRS effectively effective .

In Brazil, according to Carvalho, Lima, and Ferreira (2012), IFRS principles, especially IPSAS 17 concerning Fixed Assets, have been adopted in the accounting treatment of fixed assets in the public sector in Brazil. In general, this shows that the adoption of IPSAS has brought significant changes in fixed asset accounting practices in the Brazilian public sector, but there are still several weaknesses in its implementation.

IPSAS 17 regulates the criteria for recognition, measurement, depreciation and impairment of fixed assets more comprehensively compared to previous Brazilian national accounting standards. For example, IPSAS 17 requires the recognition of the costs of dismantling and site restoration of fixed assets as part of the acquisition cost, as well as providing a choice of accounting treatment between the cost model and the revaluation model in subsequent measurements. Weaknesses in the adoption of IPSAS 17 in Brazil. One of the main issues is subjectivity in grouping assets into cash-generating units, which can open opportunities for abuse to limit the amount of impairment recognized.

In addition, recognition of fixed assets based on components also requires high professional judgment to avoid misassignment of individual components to cash generating units, which can distort information regarding recoverable value. In the application of IPSAS in the high inflation environment of Brazil, where depreciation calculations based on historical costs can result in fictitious profits and exorbitant tax payments. This indicates the need for adjustments to the depreciation method and measurement of fixed assets in order to maintain the purchasing power of the entity's physical capital. This shows that the adoption of IPSAS 17, especially regarding the accounting treatment of fixed assets, has brought significant changes in the financial information system in the Brazilian public sector. However, there are several potential weaknesses that need to be anticipated, especially related to subjectivity in asset grouping, asset recognition based on components, as well as adjustments to depreciation and measurement methods in conditions of high inflation. A deep understanding of these issues is important for accounting practitioners in effectively implementing IPSAS in the Brazilian public sector.

In Russia and China (Yu & E, 2019)The practice of recognition and initial assessment of fixed assets in Russia and China, as well as their compliance with the principles of IFRS. In general, it shows that there are several similarities and significant differences between fixed asset accounting practices in the two countries and IFRS standards. In Russia and China, the definition is relatively similar to IFRS, which refers to tangible assets used in production, providing goods/services, rented out, or for administrative purposes with a useful life of more than one period. However, there is a difference in that Russia includes minimum value criteria for recognition of fixed assets, while based on IFRS Principles it does not specify such minimum value criteria. One of the weaknesses identified in this article is related to the treatment of fixed assets built by the company itself.

This article highlights that Chinese practice provides more detailed guidance, such as the treatment of technical survey costs, reclassification of construction waste materials, as well as value adjustments for products produced during the construction process. Meanwhile, Russia does not do this. Overall, it shows that although there are convergence efforts between fixed asset accounting practices in Russia and China with IFRS standards, there are still several areas that require further adjustments. The main weaknesses identified are related to the treatment of fixed assets built by the company itself as well as the treatment of estimated demolition and environmental restoration obligations. Harmonization in these areas is necessary to achieve better alignment with IFRS principles.

In India, according to Jain and Gandhi (2015), when they conducted a comparative study between the accounting treatment of fixed assets based on IFRS for MSMEs and Accounting Standard (AS) 10 Accounting for Fixed Assets which applies in India. The results of the analysis show that there are significant differences between the two standards. It was explained that the level of similarity between IFRS and AS 10 was only 51.52%, while the level of difference reached 48.48%. Several areas that show quite large differences between the two standards include the definition of fixed assets, initial recognition, measurement after initial recognition, and disclosure requirements. One of the fundamental differences is related to the measurement of fixed assets.

IFRS mandates the measurement of fixed assets at cost less accumulated depreciation and accumulated impairment losses. Meanwhile, AS 10 does not explicitly mention this, even though SMEs in India currently apply similar principles. In addition, IFRS also provides more detailed guidance regarding the accounting treatment for borrowing costs, inspection costs, as well as the measurement of assets acquired through non-monetary exchange.

Meanwhile, AS 10 does not provide equivalent guidance in these areas. Disclosure, IFRS requires more comprehensive disclosures than AS 10, such as information regarding fixed assets that are restricted or pledged as collateral, as well as contractual commitments for the acquisition of fixed assets. Adopting IFRS will bring a number of challenges for SMEs in India, especially related to significant differences in the accounting treatment of fixed assets.

The main challenges include measuring fair value, applying the concepts of borrowing costs and inspection costs, as well as meeting more comprehensive disclosure requirements. The main drawback in adopting IFRS identified in this article is the considerable difference between IFRS and current Indian national accounting standards. This will require significant transformation efforts for SMEs in India to adapt to the new standards. Apart from that, implementing the fair value concept is also considered a challenge in itself considering that this practice is not yet well developed in India.

DISCUSSION

Recognition and valuation of fixed assets is an important aspect of financial accounting and reporting, which is regulated in detail in International Financial Reporting Standards (IFRS). IFRS provides specific and clear guidelines for recognizing and measuring fixed assets. IFRS is important in ensuring that the treatment of fixed assets is carried out consistently and in accordance with applicable Accounting Principles. In IFRS, Fixed Assets are recognized if the Entity or Company has ownership and control over the assets and has significant economic benefits.

From the results These articles' comparative analysis of existing IFRS principles and theories shows that there are similarities and differences in the adoption and application of IFRS, especially in the context of fixed asset recognition and valuation in the public sector. In Brazil, which focuses on the fixed asset recognition and valuation process at ANATEL

(Agência Nacional de Telecomunicações) Brazil, provides insight into how IFRS standards are adapted and applied in the specific context of government agencies. This article highlights ANATEL's efforts in adopting IFRS for fixed assets, emphasizing the transition process and adaptation to international standards.

However, India in the treatment of fixed asset accounting between IFRS for SMEs in India and AS 10, shows a significant level of similarities and differences in financial reporting practices. This article highlights how differences in definitions, initial recognition, measurement after initial recognition, and disclosure requirements between the two standards can affect the transparency and quality of financial information. Through a comparative study between IFRS for SMEs and AS 10 on Fixed Assets, it shows that there are significant gaps that Indian SMEs will face if IFRS for SMEs is implemented. The analysis shows that there are substantial differences between current financial reporting practices and those required by IFRS for SMEs, particularly in the recognition, measurement and depreciation of fixed assets.

In Romania, the process of harmonization of accounting regulations with European Union Directives and International Financial Reporting Standards has assimilated the new fixed asset recognition concept. The application of IFRS, especially IAS 16 regarding Fixed Assets, emphasizes the recognition, initial measurement and depreciation of fixed assets, with flexibility in recognition criteria adjusted by the management of each company. This shows Romania's efforts in adapting its national accounting system to international standards, although there is still room for improvement in terms of full compliance with IFRS.

In-depth comparison of recognition and initial valuation of fixed assets in Russia and China, referring to local accounting standards and IFRS. The two countries demonstrate different approaches to the recognition and valuation of fixed assets, with Russia applying certain criteria including minimum values for recognition of fixed assets, while China adopts IFRS with adjustments for local conditions. This article highlights differences in the recognition criteria and elements that make up the cost of fixed assets, indicating divergences in accounting practices that can influence the interpretation and comparison of financial statements across countries.

Analysis of these five articles shows the importance of global convergence in accounting standards for fixed assets, in order to improve the quality and comparability of financial reports across countries. Compliance with IFRS offers a more transparent and reliable framework for the recognition and valuation of fixed assets, supporting better decision making by investors and other stakeholders.

From this analysis, it is apparent that although there have been significant efforts in adopting and adapting to IFRS, there are still challenges in its implementation, particularly in relation to adapting to local and industry-specific contexts. The similarities found between these articles lie in their focus on the recognition and valuation of fixed assets, while the differences mainly relate to the application context and the level of detail in describing the standard adaptation process.

Also visible in common between these articles is their focus on the importance of convergence to IFRS as an effort to increase transparency and cross-country comparability of financial reports. All articles recognize IFRS as a standard that enables entities to present more accurate and globally comparable financial positions and performance. This is relevant to IFRS principles and theory which emphasizes the recognition of fixed assets based on the asset's ability to produce economic benefits in the future and its initial measurement at acquisition costs or production costs that can be measured reliably.

A significant difference between the articles lies in the context and specific focus of each. The article discussing Russia and China highlights the differences in fixed asset recognition criteria and components included in the initial measurement of fixed assets between the two countries under IFRS. For example, Russia uses specific cost criteria to classify an object as a fixed asset, while IFRS and China focus more on the asset's ability to generate economic benefits in the future without setting specific cost limits. In addition, the initial measurement approach of fixed assets in China includes more specific estimates of demolition and environmental restoration costs, reflecting the influence of local practices and regulations on fixed asset accounting .

Russia and China, based on comparative analysis, show significant similarities and differences in the initial recognition and measurement of fixed assets with IFRS. Both countries have attempted to harmonize their national accounting standards with IFRS, but there are still differences in the recognition of fixed assets acquired through exchange and the treatment of borrowing costs. This shows that despite convergence efforts, there are still differences in approaches that need to be further adjusted.

However, this comparison shows that despite convergence efforts to IFRS, local accounting practices are still influenced by domestic factors such as government regulations, economic conditions, and business habits. This emphasizes the importance of flexibility in the application of IFRS to accommodate the specific needs and conditions of each country, while maintaining the main objective of IFRS to create consistent and globally comparable financial reporting standards.

This suggests that there is room for improvement in terms of regulatory frameworks and more specific implementation guidance for the public sector. Although IFRS provides comprehensive financial reporting standards, adjustments and interpretations are still required to ensure its effective application in the unique public sector context of each country.

The synthesis of the results of this analysis contributes to concepts and science by highlighting the importance of adaptation and flexibility in the application of IFRS in various contexts. This suggests that, although IFRS provides a standard framework for financial reporting, its application requires consideration of local and industry-specific conditions to ensure the relevance and usefulness of financial information.

In addition, the results of this analysis also emphasize the need for ongoing dialogue between standard setters, regulators and users of financial information to ensure that the standards adopted meet the needs of various stakeholders and increase transparency and accountability in financial reporting.

CONCLUSION

From the analysis of the articles presented, it can be seen that the application of IFRS (International Financial Reporting Standards) principles and theories in countries such as Romania, Brazil, Russia, China and India shows variations in the level of conformity and implementation. Romania, for example, has shown significant efforts in harmonizing its accounting standards with IFRS, especially in the recognition and measurement of fixed assets, as explained in the article on the recognition and measurement of fixed assets in the Romanian public sector. Brazil, through the ANATEL case study, shows that the country is in the process of adapting to IFRS, with a focus on individual asset recognition and grouping of assets in cash generating units (CGU).

On the other hand, Russia and China, as explained in the initial recognition, measurement and valuation of fixed assets, show that both countries have made efforts to bring their accounting standards closer to IFRS. However, there are still some significant differences, especially in terms of the initial measurement and recognition of assets acquired in exchange for other assets. India, through a comparative analysis between IFRS for SMEs and AS 10 on Accounting for Fixed Assets, shows that there are significant differences between the two standards, which shows that India still has challenges in adopting IFRS for SMEs, especially in the recognition and measurement of fixed assets.

Despite significant efforts by these countries to harmonize their accounting standards with IFRS, there are still various challenges and differences in the level of implementation.

Romania and Brazil appear to be more advanced in this harmonization process, while Russia, has made significant progress in aligning their accounting practices with IFRS, there are still areas where substantial differences remain.

This suggests that while IFRS serves as a global framework for financial reporting, local adaptation and interpretation of the standard remains an important factor influencing the way entities in different countries apply accounting principles. However, India is still in the adaptation stage and faces challenges in fully implementing IFRS, especially in terms of recognition and measurement of fixed assets. Therefore, despite progress, further efforts are still needed from these countries to fully comply with IFRS principles and theory.

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