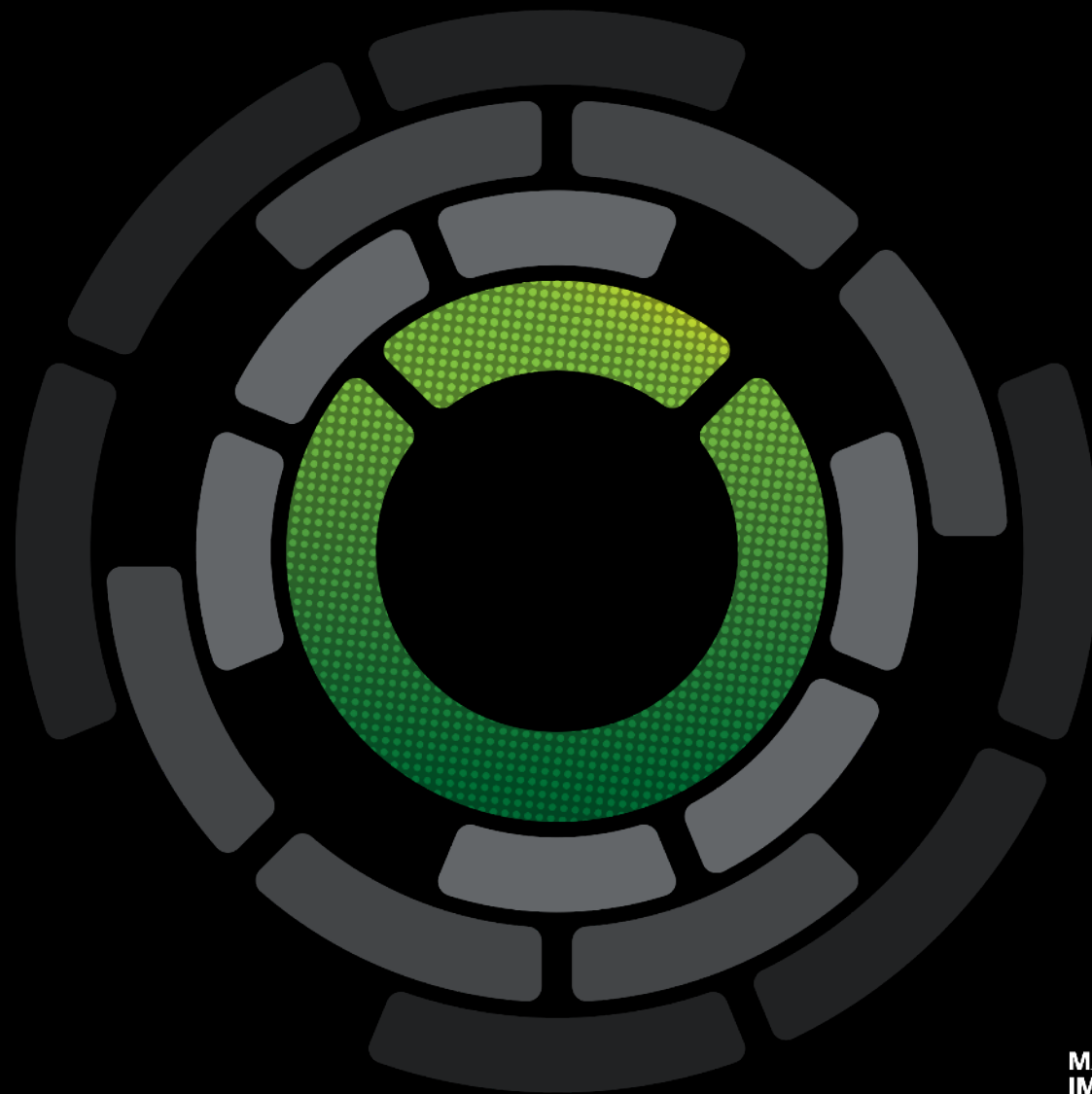


Overview of Updates of Russian Accounting Standards

FAS 26/2020 Capital Expenditure
FAS 06/2020 Property, Plant,
and Equipment

Advisory and Accounting Services



Why is it important?

Ministry of Finance Order No. 204-n of 17 September 2020 approved new Federal Accounting Standards FAS 6/2020 Property, Plant, and Equipment and FAS 26/2020 Capital Expenditure.

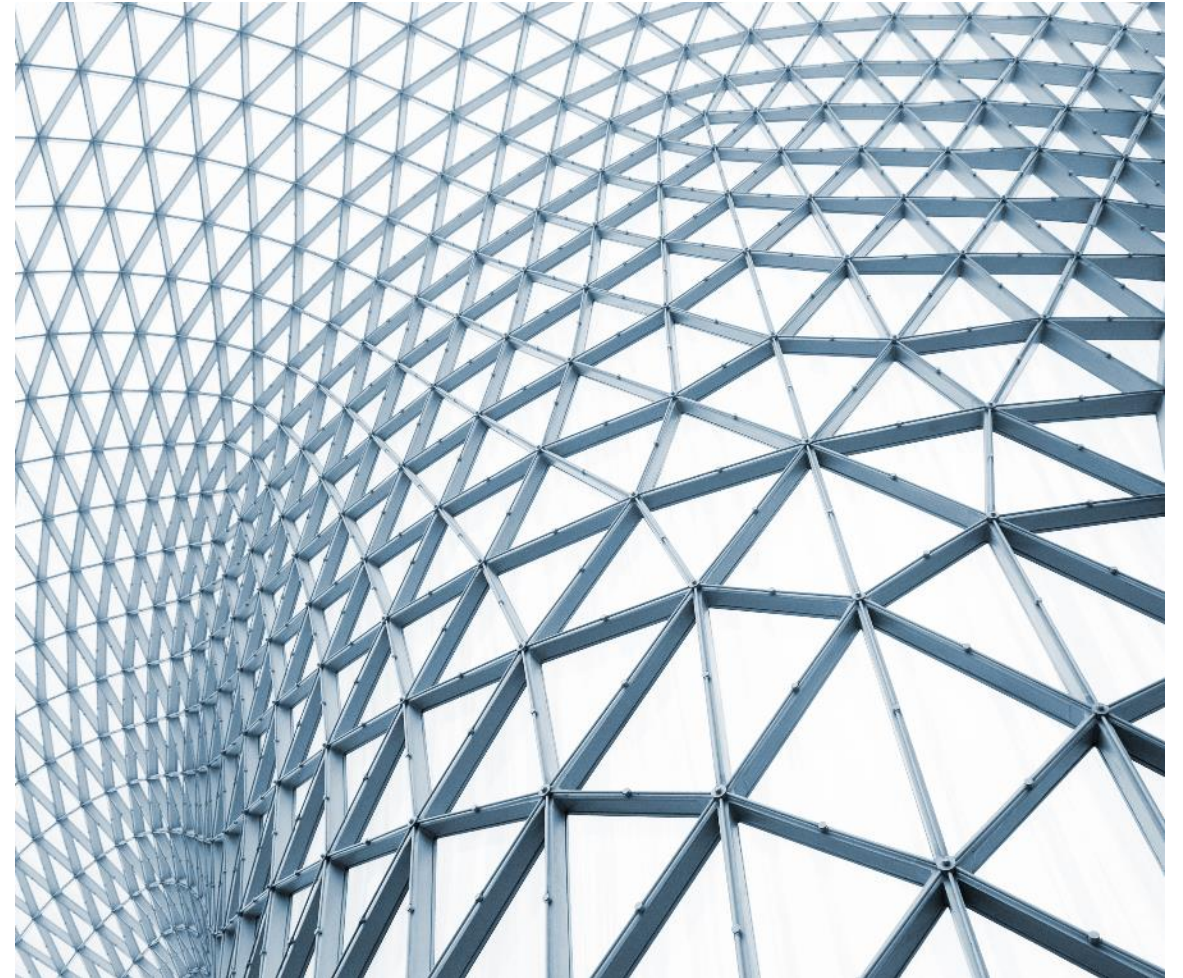
FAS 6/2020 Property, Plant, and Equipment replaces Accounting Regulation PBU 6/01 Accounting for Property, Plant, and Equipment; Guidelines for Accounting for Property, Plant, and Equipment will no longer be applicable.

PBU 6/01 had not regulated capital expenditure, therefore, FAS 26/2020 establishes new rules, not changes the existing ones.

The standards become mandatory starting from FY 2022 financial statements, although may be applied to earlier periods as well.

The changes are aimed at RAS convergence with IFRS.

Read on to learn more.



Capital Expenditure (CAPEX)



The new standard defines CAPEX and establishes an open list of expenses that are included into actual costs.

The standard regulates the attribution of the following items to CAPEX:

- provisions
- property purchased in installments
- property fully or partially purchased for non-monetary consideration.

The standard also establishes the scope of CAPEX; introduces the concepts of carrying amount, fair value, and impairment; determines the CAPEX data that a company must disclose on its financial statements.

Property, Plant, and Equipment (PPE)

The new standard introduces a number of new concepts and formalises some existing ones historically used in practice, such as book value, fixed asset group, investment property, residual value, depreciation items, revalued amount, and impairment.

It also elaborates the PPE criteria.

Non-current assets held for sale that were previously treated as PPE are excluded from the scope of FAS 6/2020 and are now accounted for under Accounting Regulation PBU 16/02 Information on Discontinued Operations.

Investment property is accounted for separately as a PPE.

The standard establishes a general approach to the definition of low-value assets that meet the PPE criteria, but may not be recorded as such.

The rules for identifying inventory items were refined.

Depreciation rules were changed: the approach to determining the start and the end of depreciation was updated; clarifications were introduced regarding the suspension of accruals; general requirements were established for the selection of a depreciation method, etc.

The PPE revaluation rules were changed and the rules for revaluation of investment property determined.

A mandatory impairment review of PPE and accounting for changes in their carrying amount due to impairment were introduced.

The standard also specifies the scope of information disclosed on financial statements.

How can Deloitte help?

With the introduction of the new standard, a number of issues have to be analysed, such as asset valuation at the time of recognition and after it, accounting for at a revalued amount, calculation of residual and fair values, depreciation, and calculation of discount rate.

Our team has accumulated solid hands-on experience our clients can benefit from when implementing the new standard: we know the pitfalls and can help you avoid them.

We would be willing to provide full-scope services to our clients:

- to assess readiness for the transition to the Standard
- to work out an overall approach and develop accounting policies
- to analyse the Standard's impact on reporting
- to properly implement the Standard.



Switching to the new Standard is inevitable for most companies. We will be happy to answer any questions relating to the transition.



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