

## *Fixed assets*

***Fixed assets : It represents the capitalized amount of expenditures made to acquire tangible property which will be used for a period of more than one year , tangible property includes land , buildings , equipment , assets , received through donation should be recorded at F.M.V with a corresponding credit revenue ; if F.M.V is not determined book value should be used .***

### ***1- Property, plant, equipment:***

#### ***General Rules:***

- ***Capitalized amount = cost of Assets***
  - + ***All costs necessary to get work***
  - + ***All costs to prepare it for use***
- ***Cost of assets = cash paid***
  - Or ***FMV of assets received***
  - Or ***cash paid + FMV of Assets Given***
- ***Gifts (Donation)***

<b><i>If FMV is not determined</i></b>	<b><i>If FMV is determined</i></b>
<b><i>DR. F/A ( Book Value)</i></b>	<b><i>Dr. F/A ( FMV)</i></b>
<b><i>Cr. Revenue</i></b>	<b><i>Cr. Revenue</i></b>

#### ***Example:***

<b><i>A company purchased machine at amount of</i></b>	<b><i>L.E. 500</i></b>
<b><i>Cost of shipping this machine ( freight in )</i></b>	<b><i>L.E. 100</i></b>
<b><i>Cost of installation</i></b>	<b><i>L.E. 50</i></b>
<b><i>Cost of Testing</i></b>	<b><i>L.E. 40</i></b>

*Then: How can we recognize this machine in F/A?*

<i>Cost of Assets</i>	<i>500</i>
<i>Cost necessary to get the work site</i>	<i>100</i>
<i>Cost of installation</i>	<i>50</i>
<i>Cost to prepare it for use</i>	<i><u>40</u></i>
<i>Total capitalized amount</i>	<i>690</i>

**Note:** *We couldn't capitalize any expenses after starting to use the machine. Except if these expenses considered as additions which increase the quality, out put of services, extend the useful life of the machine.*