IAS - 16

Property, Plant and Equipment

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International Accounting Standard No 16 (IAS 16)

Tangible assets

This revised standard replaces IAS 16 (revised 1998) Property, plant and equipment, and will apply for annual periods beginning on or after January 1, 2005. Earlier application is encouraged.

Objective

1. The goal of this standard is to prescribe the accounting treatment of tangible fixed assets, so that users of financial statements may know information about the investment that the institution has in its property and equipment as well as the changes that have occurred in that investment. The main problems in the accounting recognition of tangible fixed assets are the accounting for assets, the determination of its amount and charges for amortization and impairments to be recognized with respect to them.

Scope

2. This standard applies in the accounting for elements of tangible fixed assets, except when another International Accounting Standard requires or permits a different accounting treatment.

3. This rule does not apply to:

   (a) the tangible assets classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations;

   (b) biological assets related to agricultural activity (see IAS 41 Agriculture);

   (c) recognition and valuation of exploration and evaluation assets (see IFRS 6 Exploration for and evaluation of mineral resources), or

   (d) the mining rights and mineral reserves such as oil, natural gas and non-renewable resources like.

   However, this standard applies to items of property, plant and equipment used to develop or maintain the assets described in (b) and (d).

4. Other International Accounting Standards can bind to recognize a certain element of property, plant and equipment according to a different treatment to that required in this Standard. For example, IAS 17 Leases requires an entity to assess whether he has to acknowledge an element of tangible fixed assets on the basis of the transmission of the risks and benefits. However, in such cases, the remaining aspects of the accounting treatment of these assets, including depreciation, will be guided by the requirements of this Standard.

5. An entity shall apply this standard to buildings that are being built or developed for future use as investment property, but that still does not meet the definition of 'property investment' contained in IAS 40 Investment Property. Once you have completed the

construction or development, the property will become a real estate investment and the entity will be required to apply IAS 40. IAS 40 also applies to real estate investments that are subject to new developments in order to be used in future as a real estate investment. The entity that uses the cost model for real estate investments, in accordance with IAS 40, should use the cost model to implement this standard.

Definitions

6. **The following terms are used in this Standard with the meanings specified below:**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Cost is the amount of cash or cash equivalents to cash paid or the fair value of the consideration given to buy an asset at the time of its acquisition, construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other IFRS, for example, IFRS 2 Share-based payment.

Depreciable amount is the cost of an asset or the amount that has replaced it, less its residual value.

Amount is the amount at which an asset is recognized, less accumulated depreciation and impairment losses on the accumulated value.

Recoverable amount is the largest among the net sales price of an asset and its value in use.

Tangible assets are tangible assets that:

(a) has an entity for use in the production or supply of goods and services, for lease to third parties or for administrative purposes, and

(b) are expected to use for more than a year.
The impairment loss is the amount that exceeds the amount of an asset to its recoverable amount.

Specific value for the entity is the present value of the cash flows that the entity expects to receive by the continued use of an asset and the sale or other disposition by the same route at the end of its useful life. In the case of a liability, is the present value of the cash flows that are expected to incur to cancel.

Fair value is the amount for which an asset could be exchanged, canceled or a liability, among stakeholders and duly informed in a transaction conducted at

arm's length.
The residual value of an asset is the estimated amount that the entity could now get on disposal or disposition of assets by another means, after deducting the estimated costs of such sale or disposition, if the assets had already reached the age and other conditions expected at the end of its useful life.

<u>Useful life</u> is:
(a) the period during which it is expected to use the depreciable assets by the entity, or
(b) the number of production or similar units that are expected of it by the entity.
Recognition

7. **One element of tangible fixed assets will be recognized as an asset when:**

   (a) it is probable that the entity obtain the future economic benefits derived there from; and

   (b) the cost of the asset to the entity can be measured reliably.

8. The spare parts and auxiliary equipment are usually counted as inventory and are recognized in profit or loss when consumed. However, spare parts and equipment for major maintenance, the entity that you wait to use for more than a year, usually meets the conditions to be classified as elements of tangible assets. In a similar vein, if the spare parts and auxiliary equipment could only be used in relation to an item of property, plant and equipment will be counted as tangible assets.

9. The Standard does not establish the unity of valuation for purposes of recognition, for example, does not say what constitutes an element of property, plant and equipment. Therefore, it requires the completion of trials to apply the criteria for recognition to the specific circumstances of the entity. Might be appropriate to add items that are individually insignificant, such as molds, tools and dies, and applying the relevant criteria to the totals of the same.

10. The entity will evaluate, in accordance with this principle of recognition, all costs of tangible fixed assets at the time they are incurred. These costs include both those that were originally incurred to acquire or construct an item of property, plant and equipment, as the costs incurred subsequently to add, maintain or replace part of the element.

Start-up costs

11. Some elements of tangible fixed assets can be acquired for reasons of safety or environmental in nature. Although the acquisition of such property, plant and equipment does not increase the economic benefits they provide the elements of existing property, plant and equipment, it may be necessary for the institution to succeed in obtaining the

economic benefits of remaining assets. These elements of tangible fixed assets qualify for recognition as assets because they enable the institution to obtain additional economic benefits from the rest of its assets, for which would have earned if it had not purchased. For example, a chemical entity may have to install new manufacturing processes to comply with environmental regulations concerning the production and storage of chemicals, recognizing that time as part of property, plant and equipment improvements at the plant, to the extent they are recoverable , Since without them the entity would be disqualified to produce and sell those chemicals. However, the amount of books by such assets and other related will be reviewed to verify the existence of deterioration in value, in accordance with IAS 36 Impairment of Assets.

Subsequent costs

12. According to the criteria for recognition as contained in paragraph 7, the entity will not recognize, in the amount of an item of property, plant and equipment, costs of the daily maintenance of the element. Such costs are recognized in profit or loss when incurred. The costs of daily maintenance are mainly labor costs and consumables, which may include the cost of small components. The goal of these expenditures is often described as' repair and maintenance 'of the element of tangible assets.

13. Certain components of some items of property, plant and equipment may need to be replaced at regular intervals. For example, a furnace may require revisions and changes after a certain number of hours of operation, and an aircraft interior components such as seats or kitchen facilities, may need to be replaced several times during the life of the aircraft. Certain elements of property, plant and equipment can be purchased for a replacement less frequently recurring, such as replacing the walls of a building, or to a non-frequent replacement. According to the criteria for recognition of paragraph 7, the entity recognizes, in the amount of an item of property, plant and equipment, the cost of replacing part of that item when that cost is incurred, provided that the criterion of recognition. The amount of the replacement parts are derecognized accounts, in accordance with the provisions in this regard that contains this Standard (see paragraphs 67 to 72).

14. A condition that some elements of tangible assets continue to operate, (e.g., airplanes) may be the regular conduct of general inspections for defects, regardless of whether parts of the element should be replaced or not. When an inspector general, its cost will be recognized in the amount of an element of property, plant and equipment as a replacement, provided they are eligible for recognition. At the same time, it was derecognized any amount, from an inspection, to remain in that game and it is different from the physical components not replaced. This will happen regardless of the cost of the inspection were identified in accounting for the transaction by which it was purchased or constructed that heading. If necessary, you can use the estimated cost of a similar inspection future, as indicative of what was the cost of an inspection carried out

when the item was purchased or constructed.

Poll at the time of recognition

15. **Every element of property, plant and equipment which meets the conditions to be recognized as an asset will be valued at cost.**

Components of the cost

16. The cost of the elements of tangible fixed assets includes:

(a) its purchase price, including import tariffs and indirect taxes is not recoverable falling on the acquisition, after deducting any discounts or commercial price reduction;

(b) any costs directly related to the location of the asset at the place and the conditions necessary to enable it to operate as intended by management;

(c) the initial estimate of the costs of decommissioning or removal of the element, as well as the rehabilitation of the site on which sits where they constitute the obligations incurred by the entity as a result of using the element during a certain period, with purposes other than the production of stock during such period.

17. Examples of costs directly related are:

(a) the cost of employee benefits (as defined in IAS 19 Employee Benefits), which come directly from the construction or purchase of a piece of property, plant and equipment;

(b) the costs of preparing the physical location;

(c) the delivery costs of initial and subsequent handling or transport;

(d) the costs of installation and assembly; and

(e) the costs of finding that the active work properly, after deducting the net amounts from the sale of any item produced during the process of installation and commissioning of the asset (such as samples produced when it is proved the team); and

(f) professional fees.

18. An entity shall apply IAS 2 Inventories, to account for the costs of liabilities for decommissioning, removal and remediation of the site on which sits the element, which is incurred during a given period as a result of having used that element to producing stocks. The obligations for costs accounted for in accordance with IAS 2 or IAS 16 are recognized and valued in accordance with IAS 37 Provisions, contingent assets and

liabilities.

19. Examples of costs that are not part of the cost of an item of property, plant and equipment are as follows:

    (a) the costs of opening a new production facility;

    (b) cost of introducing a new product or service (including the costs of advertising and promotional activities);

    (c) costs of opening business in a new location or to a new segment of customers (including the costs of training staff) and

    (d) administration costs and other indirect costs overall.

20. The recognition of the costs in the amount of an item of property, plant and equipment will end when the element is in place and the necessary conditions to operate as intended by the address. Therefore, costs incurred by the use or the reprogramming of the use of an element not included in the carrying amount of an element. For example, these costs are not included in the carrying amount of an item of property, plant and equipment:

    (a) costs incurred when an item, can operate as intended by management, has not begun to be used or is operating below its full capacity;

    (b) initial operating losses, such as those incurred during the pendency of the demand for products that are manufactured with the element; and

    (c) cost of relocation or reorganization of some or all of the holdings of the entity.

21. Some operations, although related to the construction or development of a piece of property, plant and equipment are not necessary to locate the assets in place and conditions necessary to enable it to operate as intended by management. These transactions can take place before or during construction activities or development. For example, revenue can be obtained through the use of solar as a car park until construction starts. Because these transactions are not essential to place the item in the place and conditions necessary to operate as intended by management, revenues and expenses associated with them are recognized in profit or loss, through its inclusion within the class appropriate revenue and expenditure.

22. The cost of an asset built by the entity itself will be determined using the same principles as if it were an element of tangible fixed assets acquired. If an entity makes similar assets for sale, in the normal course of its operation, the cost of the asset is usually the same as having the rest of those produced for sale (see IAS 2 Inventories). Therefore,

this will remove any internal gain for the cost of acquiring those assets. In a similar vein, are not included in the cost of production assets, amounts in excess of the normal ranges of consumption of materials, labor or other employees. In IAS 23 costs for interest, establishing criteria for the recognition of interest as components of the amount of an item of property, plant and equipment built by the entity itself.

Valuation of the cost

23. The cost of an item of property, plant and equipment will be the equivalent of the spot price on the date of recognition. If payment is deferred beyond the normal periods of commercial credit, the difference between the price equivalent to the spot and the total payments will be recognized as interest expense throughout the period of postponement, unless capitalize on those interests according to the allowed alternative treatment in IAS 23.

24. Some elements of property, plant and equipment may have been acquired in exchange for one or more non-monetary assets, or a combination of cash and non-monetary assets. The following discussion relates only to the swap of non-cash for other, but also applies to all the permutations described in the first paragraph of this paragraph. The cost of that element of tangible fixed assets are measured at fair value, unless (a) the exchange transaction not be commercial, or (b) cannot be reliably measured the fair value of the asset received nor the asset surrendered. The item purchased will be valued in this way even when the institution is unable to remove immediately the assets surrendered. If the item purchased is not measured at fair value, the cost is assessed by the amount of the asset surrendered.

25. The entity will determine whether a swap has a commercial character, considering how much change is expected that future cash flows as a result of this transaction. An exchange transaction will trade if:

    (a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or

    (b) the specific value for the institution of part of its activities affected by the swap, is being modified as a result of the exchange, and also

    (c) the difference identified in (a) or (b) is significant when compared to the fair value of the assets exchanged.

    In determining whether a swap has a commercial character, the specific value for the institution of part of its activities affected by the transaction, should take into account cash flows after tax. The results of these tests can be clear without need for the entity to perform detailed calculations.

26. The fair value of an asset, for which there are no comparable transactions in the market, can be estimated reliably if (a) the variability in the range of estimates of the fair value of assets is not significant, or (b) the probability of various estimates, within that range, can reasonably be evaluated and used in estimating the fair value. If the entity is able to reliably determine the fair values of assets received or assets handed, use the fair value of assets handed over to assess the cost of the asset received, unless you have a clearer evidence of the fair value of asset received.

27. The cost of an item of property, plant and equipment that was acquired by the tenant in a lease is determined using the principles set out in IAS 17 Leases.

28. The amount of an item of property, plant and equipment can be reduced by the amount of government subsidies, according to IAS 20 Accounting for government grants and disclosure on public aid.

Subsequent recognition

29. **The entity selected as the accounting policy the cost model (paragraph 30) or the revaluation model (paragraph 31), and apply that policy to all the elements making up a class of property, plant and equipment.**

Cost model

30. **Since his recognition as an asset, an item of property, plant and equipment is accounted for at cost less accumulated depreciation and the cumulative amount of losses from the impairment of value.**

Model revaluation

31. **Since his recognition as an asset, an item of tangible fixed assets whose value can be measured with reasonable reliability, it accounted for its revalued amount, which is its fair value at the time of the revaluation, less accumulated depreciation and the aggregate amount of losses from the impairment of value has suffered. The revaluation will be made with sufficient regularity to ensure that the carrying amount, at any time, does not differ significantly from that which could be determined using the fair value at the balance sheet date.**

32. Normally, the fair value of land and buildings will be determined from the evidence based on the market that offers valuation, usually done by professionally qualified independent experts. The fair value of the items of property, plant and equipment, for example, plant and equipment is usually their market value, as determined by a valuation.

33. When there is no evidence of market value, reflecting the specific nature of the element of tangible fixed assets and because the item is rarely sold, except as part of a business

unit in operation, the entity may have to estimate the fair value through methods that take into account the yields of the same or its replacement cost once practiced for depreciation.

34. The frequency of revaluations will depend on the changes that are experiencing the fair values of the elements of tangible fixed assets being revalued. When the fair value of assets differs significantly from its revalued amount, will require a further revaluation. Some elements of property, plant and equipment are experiencing significant and volatile changes in their fair value, so you will need annual revaluations. Such frequent revaluations are unnecessary for items of property, plant and equipment with insignificant changes in their fair value. For them, can be made sufficient revaluations every three or five years.

35. When revalorize an element of tangible fixed assets, accumulated depreciation at the date of the revaluation can be treated in any of the following ways:

    (a) Restated proportionately to the change in the gross book value of assets, so the amount of the same after the revaluation equals its revalued amount. This method is often used when the asset is revalued by applying an index to its depreciated replacement cost.

    (b) Removed the amount by gross assets, so that is what we are restated net result, up to the revalued amount of the asset. This method is commonly used in buildings.
    The amount of adjustment in the depreciation arising from the restatement or elimination earlier is part of the increase or decrease in the amount of the asset, which is counted as set out in paragraphs 39 and 40.

36. **If an item is revalued property, plant and equipment is revalued, all the elements belonging to the same asset class.**

37. A class of elements belonging to property, plant and equipment is a set of assets of similar nature and use in the activities of the entity. The following are examples of separate classes:

    (a) land;

    (b) land and buildings;

    (c) machinery;

    (d) ships;

    (e) aircraft;

(f) motor vehicles;

(g) furniture and fixture, and

(h) office equipment.

38. The items belonging to a class, which make up the property, plant and equipment will be reviewed simultaneously to avoid selective revaluation, and to prevent the inclusion in the financial statements of items that would be a mixture of costs and values relating to different dates. However, each class of assets can be revalued on a regular basis and independent, provided that the revision of the securities will be made in a short interval of time and that the values are kept constantly updated.

39. **When you increase the amount of an asset as a result of a revaluation, such increase will be carried directly to a revaluation reserve account within shareholders' equity. However, the increase will be recognized in profit or loss to the extent that it represents a reversal of a decrease by the same asset devaluation, which was recognized in prior results.**

40. **When reducing the amount of an asset as a result of a revaluation, such a reduction is recognized in profit or loss. However, the decline will be charged directly to equity revaluation reserve against any previously recognized in compared with the same asset, to the extent that such a decrease does not exceed the balance of that revaluation reserve account.**

41. The revaluation reserve of an item of property, plant and equipment included in equity may be transferred directly to the account of retained earnings is required upon leaving the active accounts. This could involve the transfer of the entire reservation when the asset is sold or provided it in another way. However, part of the reserve could be transferred as the asset was used by the entity. In that case, the amount transferred from the reserve would be equal to the difference between depreciation calculated according to the revalued amount of assets and calculated according to their original cost. The transfers from the revaluation reserve accounts to accounts from retained earnings, made no move by the outcome of the exercise.

42. The impact of the revaluation of property, plant and equipment on taxes on the profits, if any, are accounted for and disclosed in accordance with IAS 12 Income Taxes.

Amortization

43. Will be repaid on an isolated part of each element of property, plant and equipment that has a significant cost in relation to the total cost of the item.

44. The entity will distribute the amount initially recognized an item of property, plant and equipment between their parts and amortized on an independent each of these parties. For example, it might be appropriate to amortize separate structure and the engines of an aircraft, whether it is as if the property is taken into leasing.

45. A significant part of a piece of property, plant and equipment may have a useful life and depreciation method that match the life and the method used for another significant part of the same element. In this case, both parties could be grouped to determine the charge for amortization.

46. To the extent that the redemption of an independent body parts of an item of property, plant and equipment also pay separately from the rest of the element. The rest will be composed of parts of the element that individually are not significant. If the institution has different expectations for each of these parties, it might be necessary to use approximation techniques to repay the rest, so that it faithfully represents the pattern of consumption or the life of its components, or both.

47. The entity may elect to amortize independently of the parties making up an item and do not have a significant cost in relation to the total cost of it.

48. **The charge for amortization of each financial year will be recognized in profit or loss, unless it has been included in the carrying amount of another asset.**

49. The charge for amortization of a financial year is usually recognized in the result. However, sometimes the future economic benefits embodied in an asset are incorporated into the production of other assets. In this case, the charge for depreciation will be part of the cost of other assets and will be included in its amount. For example, the depreciation of a manufacturing facility and equipment will be included in processing costs of inventory (see IAS 2). In a similar vein, the amortization of tangible fixed assets used for development activities may be included in the cost of an intangible asset recognized in accordance with IAS 38 Intangible Assets.

Depreciable amount and amortization period

50. **The depreciable amount of an asset will be distributed in a systematic manner throughout his life.**

51. **The residual value and useful life of an asset is reviewed at least at the end of each financial year and, if expectations differ from previous estimates, the changes are counted as a change in an accounting estimate in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors.**

52. Depreciation is counted even if the fair value of the asset exceeds its carrying amount, as long as the residual value of the asset does not exceed the amount of the same. The

operations of repair and maintenance of an asset do not avoid repayment.

53. The depreciable amount of an asset is determined after deducting its residual value. In practice, the residual value of an asset is often negligible, and therefore irrelevant in the calculation of the depreciable amount.

54. The residual value of an asset could rise to match or exceed the amount of the asset. If this happens, the charge for amortization of assets will be voids, unless and until-the residual value decreases and then becomes less than the amount of the asset.

55. The depreciation of an asset begins when it is available for use, that is, when at the location and conditions necessary to be able to operate as intended by management. The depreciation of an asset will cease as early as between one where the assets are classified as held for sale (or included in a group of alienable elements that have been classified as held for sale) under IFRS 5 , And the date on which the low's account. Therefore, the depreciation does not cease when the asset is unused or has retired from active use, unless it is repaid in full. However, if depreciation methods are used depending on use, the depreciation charge could be invalid if not take place any productive activity.

56. The future economic benefits embodied in an asset, are consumed by the body, mainly through its use. However, other factors such as technical or commercial obsolescence and the natural deterioration caused by the lack of use of the property, often produce a decrease in the amount of economic benefits that could be expected from the use of the asset. Consequently, in determining the useful life of the element of property, plant and equipment will take into account all factors:

    (a) the use of the asset. The use must be estimated by reference to the ability or physical performance that is expected of it;

    (b) the expected natural deterioration, which will depend on operational factors such as the number of shifts in the asset to be used, the program of repairs and maintenance, as well as the degree of care and maintenance until the asset is not being used;

    (c) technical or commercial obsolescence arising from changes or improvements in production, or from changes in market demand for products or services that are earned on the asset, and

    (d) the legal limits or similar restrictions on the use of assets, such as expiry dates of service contracts related to the asset.

57. The life of an asset is defined in terms of the utility are expected to contribute to the institution. The policy of asset management conducted by the entity could involve the sale or other disposition by way of assets after a specific period of use, or after having

consumed a certain proportion of the economic benefits embodied in them. Therefore, the useful life of an asset may be less than its economic life. The estimate of the useful life of an asset is a matter of discretion, based on the experience which the institution has with similar assets.

58. Land and buildings assets are independent and are counted separately, even if they have been acquired together. With some exceptions, such as mines, quarries and landfills, the land has a life of unlimited and therefore not depreciated. The buildings have a limited life and, therefore, are depreciable assets. An increase in the value of the land on which sits a building will not affect the determination of the depreciable amount of the building.

59. If the cost of land includes the costs of dismantling, removal and rehabilitation that portion of the land to be amortized over the period in which they reap the benefits for having incurred these costs. In some cases, the land itself can have a limited shelf life, in which case they will be repaid in a manner that reflects the benefits to be derived from it.

Amortization method

60. **The amortization method used should reflect the pattern under which are expected to be consumed by the entity, the future economic benefits of the asset.**

61. **The depreciation method applied to an asset is reviewed at least at the end of each financial year and if there had been a significant change in the expected pattern of consumption in the future economic benefits embodied in the asset, will change the depreciation method for reflect a new pattern. This change will be recorded as a change in an accounting estimate in accordance with IAS 8.**

62. Various methods can be used to distribute the depreciation of the depreciable amount of an asset in a systematic manner throughout his life. Among them are included on a straight-line method of depreciation and method of production units. The straight-line depreciation will result in a charge constant over the useful life of assets, provided that its value does not change. The method of depreciation will result in a charge that will diminish throughout his life. The method of production units will result in a charge based on the use or expected production. The entity will choose the method that more accurately reflects the expected pattern of consumption in the future economic benefits embodied in the asset. This method is applied uniformly in all drills, unless there is a change in the expected pattern of consumption of those future economic benefits.

Deterioration in value

63. To determine whether an item of property, plant and equipment has seen its value deteriorated, the entity shall apply IAS 36 Impairment of Assets. In the Standard explains how the body should proceed to the review of the carrying amount of its assets, how to

determine the recoverable amount of an asset and when it should recognize, or in his case, reversing the losses from the impairment of asset.

64. [Deleted]

Compensation for impairment of value

65. **The compensation from third, by elements of property, plant and equipment which have experienced a deterioration in value, have been lost or have been abandoned, will be included in profit or loss when such compensation becomes due.**

66. The deterioration in value or loss of property, plant and equipment items are made independent of the claims for payment or compensation from third parties and any subsequent purchase or construction of assets to replace these elements, and thus be counted on a separate proceeding in the following manner:

(a) the deterioration of the value of the items of property, plant and equipment is recognized according to IAS 36;

(b) the drop in accounts of the elements of property, plant and equipment retired or who have been willing otherwise be accounted for in accordance with this Standard;

(c) compensation for third by elements of property, plant and equipment that had seen its value deteriorated, would have been lost or were abandoned will be included in determining the outcome of the exercise, at the time that compensation is payable; and

(d) the cost of the components of property, plant and equipment rehabilitated, purchased or constructed to replace those lost or damaged will be determined in accordance with this Standard.

Lower accounts

67. **The amount of an item of property, plant and equipment is derecognized accounts:**

(a) by its sale or disposal by other means, or

(b) when you do not expect benefits for future economic use, sale or disposal by other means.

68. **The gain or loss arising from low to give an element of tangible fixed assets will be included in profit or loss when the item is derecognized accounts (unless otherwise IAS 17, in the event of a sale and lease back). Benefits are not classified**

as ordinary income.

69. The disposition or disposal by other means of a piece of property, plant and equipment can be carried out in various ways (for example through the sale, doing the same on a leasing contract or by donation). To determine the date of the sale or disposal by way of another element, the entity shall apply the criteria set out in IAS 18 Revenue for the recognition of revenue from sales of property. Apply IAS 17 in case the disposition of assets consists of a sale and leaseback.

70. If, in accordance with the principle of recognition of paragraph 7, an entity recognized within the carrying amount of an item of property, plant and equipment the cost of replacing a portion of the element, then derecognized the carrying amount of the replaced, regardless of whether this party was written off in an independent manner. If it was not practicable for the institution determining the amount of the part replaced, you can use the cost of replacement as indicative of what could be the cost of the part replaced at the time it was acquired or built.

71. **The gain or loss resulting from the decline in accounts of a piece of property, plant and equipment is determined as the difference between the net amount obtained by its sale or disposal by other means, if it exists, and the amount of an element.**

72. The counterpart to charge for the sale or disposal by other means of a piece of property, plant and equipment is recognized initially at fair value. If we receive a deferred payment for the item, the contribution received is recognized initially at a price equivalent of cash. The difference between the nominal amount of the contribution and the equivalent price of spot is recognized as a regular interest income, in accordance with IAS 18, in a manner that reflects the actual performance derivative of the account receivable.

Information Disclosure

73. **The financial statements disclose, for each of the classes of property, plant and equipment, the following information:**

(a) the basis of valuation used to determine the amount by gross;

(b) the depreciation methods used;

(c) the useful lives or the depreciation rates used;

(d) the amount by gross and accumulated depreciation (together with the cumulative amount of losses from the impairment of value), at both the beginning and end of each year; and

(e) the reconciliation between the values at the beginning and end of the period showing:

(i) investments or additions made;

(ii) the assets classified as held for sale or sold in a group of elements that have been classified as held for sale, according to IFRS 5, as well as provisions for divestitures or other means;

(iii) purchases made through business combinations;

(iv) increases or decreases resulting from revaluations, in accordance with paragraphs 31, 39 and 40, as well as losses from the impairment of value recognized, or reverting to equity, according to the provisions of IAS 36 ;

(v) losses from the impairment of value recognized in profit or loss, applying IAS 36;

(vi) losses for impairment of value that have reversed, and have been recognized in profit or loss, applying IAS 36;

(vii) depreciation;

(viii) the net exchange differences arising on the conversion of financial statements from functional currency to a currency different presentation (including the differences in conversion of a foreign currency to the filing of the reporting entity); and

(ix) other movements.

74. **The financial statements also reveal information about:**

(a) the existence and amounts relating to restrictions on ownership, as well as fixed assets that are assigned as security to the fulfillment of obligations;

(b) the amount of disbursements recognized in the carrying amount, in the cases of elements of tangible fixed assets in course of construction;

(c) the amount of commitments for acquisition of property, plant and equipment, and

(d) if it has not been revealed in an independent manner in the income, the amount of compensation for third parties to be included in the result of the exercise by members of tangible fixed assets whose value would deteriorate, would have been

lost or were withdrawn .

75. The selection of an amortization method and the estimated useful life of assets are matters that require the realization of value judgments. Therefore, the revelations about the methods adopted, as well as the estimated useful lives or on the rates of depreciation, provided to users of financial statements information that enables them to review the criteria selected by the management of the entity, while that allow comparison with other entities. For similar reasons, it is necessary to disclose:

    (a) amortization for the year, whether it has been recognized in the outcome of the exercise, as if a part of the cost of other assets, and

    (b) accumulated depreciation at the end of the year.

76. In accordance with IAS 8, the entity must inform about the nature and effect of the change in an accounting estimate, provided they have a significant impact on the current financial year, or going to take it in following years. Such information may appear in tangible assets with respect to changes in estimates relating to:

    (a) residuals;

    (b) estimated cost of dismantling, removal or rehabilitation of elements of tangible fixed assets;

    (c) useful lives and

    (d) depreciation methods.

77. **When items of property, plant and equipment is accounted for by its values revalued, it was revealed the following information:**

    (a) the effective date of the revaluation;

    (b) if they have used the services of an independent expert;

    (c) the methods and significant assumptions used in estimating the fair value of the items;

    (d) the extent to which the fair value of the items of property, plant and equipment was determined directly by reference to observable prices in an active market or recent market transactions between subjects properly informed in terms of independence, or were estimated using other valuation techniques ;

(e) for each class of property, plant and equipment has been revalued, the amount by that which would be recognized if they had been counted as the cost model, and

(f) revaluation reserves, indicating the movement of the exercise and any restrictions on the distribution of your balance to shareholders.

78. Following IAS 36, the entity shall disclose information on the items of property, plant and equipment that have suffered losses due to deterioration in value, in addition to the information requested in points (iv) to (vi) of paragraph (e) of paragraph 73.

79. Users of financial statements could also find relevant for their needs the following information:

(a) the amount of the elements of tangible fixed assets, which are temporarily out of service;

(b) the amount by gross fixed assets that are fully depreciated, are still in use;

(c) the amount of the elements of tangible fixed assets removed from their active use and not classified as held for sale in accordance with IFRS 5 and

(d) when using the cost model, the fair value of tangible assets when it is significantly different from its carrying amount.

Therefore, it is advisable to entities also present this information.

Transitional Arrangements

80. **The requirements relating to the initial assessment of the elements of tangible fixed assets acquired in asset swaps, which are specified in paragraphs 24 to 26, should apply prospectively only and will affect future transactions.**

Effective Date

81. **An entity shall apply this standard for annual periods beginning on or after January 1, 2005. Earlier application is encouraged. If an entity applies this standard for a period beginning before January 1, 2005, disclose that fact.**

Repeal of other pronouncements

82. The Standard supersedes IAS 16 Property, plant and equipment (revised 1998).

83. The Standard Interpretations repealing the following:

(a) SIC-6 costs of modifying existing software;

(b) Tangible SIC-14-Allowances for impairment of the value of the items, and

(c) SIC-23-Tangible Costs for revisions or overhaul.