

**Guidance on Accounting  
of Long Term Assets in the  
Public Sector Ownership  
of the Republic of  
Kazakhstan**

## **The list of reference materials:**

1. The Civil Code of the Republic of Kazakhstan
2. The Administrative Code of the Republic of Kazakhstan
3. The Law on State Property of the Republic of Kazakhstan
4. The Law of the Republic of Kazakhstan on Concessions
5. Order № 444 of the Minister of Finance of the Republic of Kazakhstan, dated by September 7 of 2010 on Approval of the of Accounting Policy
6. Order № 393 of the Minister of Finance of the Republic of Kazakhstan, dated by August 3 of 2010 on approval of the Rules of Accounting in the Public Sector Institutions”
7. Order № 281 of the Minister of Finance of the Republic of Kazakhstan, dated by June 15 of 2010 on Approval of the Chart of Accounts of Business Accounting of Public Institutions
8. Order № 390 of the Minister of Finance of the Republic of Kazakhstan, dated by August 2 of 2011 on Approval of Standard Forms of accounting Documentation for Public Institutions of the Republic of Kazakhstan
9. Order №423 of the Minister of Finance of the Republic of Kazakhstan, dated by August 22 of 2011 on approval of the Rules of Conducting of Inventory Taking in the Public Institutions.
10. Order №95 of the Minister of Finance of the Republic of Kazakhstan, dated by February 24 of 2011 on Issues related to Regulation of Public Sector Accounting and Financial Reporting

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## Section 1. General Provisions

### 1. General Provisions

1. Present Guidelines on accounting of long term assets of public institutions set the rules for maintaining of accounting of long term assets of public institutions, funded from the central and local budgets.

2. In present Guidelines are used following key concepts:

1) Assets - resources under the control of public institutions, accumulated as a result of previous events, which can bring future economic benefits or represent service potential;

2) Amortization - systematic spreading of amortization cost of assets throughout the useful life of assets;

3) Depreciation of assets – losses of future economic gain or service potential of an asset, exceeding the value of systematic recognition of loss of assets or service potential through depreciation;

4) Biological assets – animals or plants;

5) Agricultural activities – activities implemented by a subject of management of biotransformation of biological assets with the purpose of their selling, agricultural production or generation of additional biological assets;

6) Active market – market, where all the below listed conditionalities are fulfilled:

Goods circulating on the market are of homogeneous character;

Sellers and buyers, willing to complete transaction are almost always available;

Information on prices is publicly available;

7) Fair value - the amount, for which an asset can be exchanged and commitments can be redeemed in the process of implementation of transaction between well informed independent parties, willing to implement such transaction;

8) Book value – the amount, at which an asset or commitment is recognized in the balance sheet;

9) Accrual basis accounting – method of accounting, when transactions and other events are recognized in the reporting period, when such transactions and events have factually occurred (notwithstanding factual receipts or payments of amounts or their equivalents);

10) Accounting policy – principles, basis, provisions, rules and practices, adopted by public sector institutions in the process of elaboration and submission of financial reporting, which are uniform for all public sector institutions;

11) Investment properties - immovable property (land or buildings, or portion of buildings, or both), in the disposal of a relevant person (of an owner, or a leaseholder on the basis of the agreement on finance lease) designated for the purpose of receiving of lease payments or accretion to the capital or both, but not designated for: use in production or supply

of goods, provision of services and administrative purposes, or sales in the course of current activities;

12) Cultural heritage assets – assets, which due to their cultural, ecological or historical value are recognized as cultural heritage assets; to such assets belong unique monuments of architecture, archeological excavation sites, reserves and protected areas and works of art;

13) Intangible assets – identifiable non-monetary assets, not having physical form;

14) Fixed assets – material items, which:

Are retained for use in production or supply of goods and provision of services, or leasing out to other persons or are used for administrative purposes;

Such assets are presumed to be used for the period of more than one year;

15) Cost value of investment property - the sum of paid cash resources or their equivalent or fair value of other form of compensation, transferred for the purpose of purchasing of an asset;

16) Useful life - the period of time, during which an asset shall be useful for use by a subject, or certain amount of production or similar indicator, which a public institution is expecting to receive through this asset;

17) Service potential - assets, used for provision of services in accordance with the function of a public institution, as well as production of goods, which do not directly ensure receipts of cash funds;

18) Liquidation value – assessed value, which can be received currently from disposal of an asset after deduction of rated expenses related to removal of an asset from the balance, as if the asset has reached the end of its useful life and its condition is such, as expected by the period of expiry of its useful life;

19) Reliability – absence of significant errors and distortions, when users can rely on information;

20) Comparability – possibility of comparing of information of different public institutions for different periods. Financial results of similar transactions of public institutions should be calculated through uniform methodology;

21) Recognition – the process of inclusion of a budgetary item in the balance sheet or financial reports, which complies with definition of one of components of financial reporting and criteria of recognition;

22) Public assets – material and non-material benefits and entitlements, expressed in cost estimates, which are received in the state ownership as a result of previous transactions and events.

## **2. Unified Principles of Accounting of Long Term Assets**

1. The policy of accounting is elaborated in accordance with the Budget Code of the republic of Kazakhstan and Rules on Public Sector Accounting, approved by Order № 393 of the Minister of Finance of the Republic of Kazakhstan, dated by August 3 of 2010 (hereinafter referred to as the Rules).

Asset Accounting Policy includes principles, basis, provisions, rules and practices, adopted by public institutions in the course of accounting and financial reporting and the rules of accounting are uniform for all public sector institutions.

2. An asset is classified as a negotiable asset, if it is complying with one of the following criteria:

- 1) Its sales or disposal is planned and the asset is designated to be used in the course of normal operational cycle;
- 2) The asset is mainly designated for the trade purposes;
- 3) The asset is planned to be sold within 12 months after the date of reporting;
- 4) An asset is cash resources or cash equivalent, unless it is prohibited to use it for covering of liabilities for at least for 12 months after the date of reporting;

All other assets are classified as long term assets.

3. A public institution is accruing amortization of fixed assets on monthly basis through application of annual amortization rates, approved by order №95 of the Minister of Finance of the Republic of Kazakhstan on “Issues related to state regulation of accounting and financial reporting in public sector institutions, of dated by February 24 of 2011 (hereinafter referred to as Order № 95).

Annual amortization rates for long term assets are set taking into consideration economically expedient term of serviceability of assets, reflecting the term of recovery of the cost of assets.

Annual amortization rates of long term assets of public institutions are described in Annex 1 of present guidelines.

4. Elaboration and submission of financial reports of public institutions is implemented in accordance with Forms and Rules of elaboration and submission of financial reports, approved by order № 325 of the Minister of Finance of Kazakhstan, dated by July 8 of 2010.

Long term assets are reflected in the balance sheet at their book value (initial value less accumulated amortization and depreciation reserve). Breakdown of information on turnover of long term assets at their initial value, accrual of amortization and book value is provided in the Explanatory Note to financial reports.

5. Amendments and additions to accounting policy are entered by authorized central administration in charge of execution of the budget.

## **2.1 Fixed Assets**

At the stage of initial recognition fixed assets are shown at their cost value, i.e. at the cost of actual expenses incurred.

A public institution recognizes as cost value of fixed assets, handed over from another public institution, the book cost of transferred fixed assets. As the book cost of fixed assets, received by a public institution from third parties on gratis basis is considered fair value of fixed assets as of the date of their receiving.

Further accounting of fixed assets is implemented by a public institution through application of the method of accounting of actual expenses: after initial recognition as an asset,

accounting of the asset is conducted at its cost value, less accumulated amortization and any accrued losses.

Modification of initial value of fixed assets is admissible in case of valuation of assets, conducted in accordance with resolution of the government of the republic of Kazakhstan.

Expenses related to maintenance and servicing of fixed assets, such as current repairs and operation of fixed assets, are incurred for the purpose of maintaining of such assets in proper technical condition, and such expenses do not increase initial cost of an asset, but are accounted for as current expenses at the time of their incurring.

Expenses of a public institution, related to completion of construction, reequipment, refurbishment or reconstruction of fixed assets, increases the cost of assets. Increase of the book value of fixed assets as a result of capital investments is recognized in the event, if a public institution shall receive future economic benefits, exceeding the initially estimated rates.

As an example of expenses, increasing future economic benefits (capital investments) are expenses related to:

Modification of a fixed asset for extension of its useful life, including increasing of its capacity;

Upgrading of components of machinery for substantial improvement of quality of production;

Introduction of new production processes, which allows to substantially reduce estimated expenditures;

Uncompleted construction is measured by actual expenses.

Expenses related to completed and uncompleted construction, which has not been put into commission yet, shall be moved to the balance of the next year. Completed construction, put into commission on the basis of acceptance certificate, shall be accredited to the account of long term assets at the full cost of expenses incurred in regard to such assets.

Accrual of depreciation of procured fixed assets is conducted from the 1<sup>st</sup> of the month, following the month of:

- 1) Procuring of an asset, if there is no need to conduct assemblage;
- 2) Commissioning, if there is no need to conduct assemblage;

Accrual of depreciation on retired assets shall be ceased from the 1<sup>st</sup> of the month after retirement of an asset.

Liquidation value of fixed assets of a public institution equals zero.

Accrual of amortization in excess of 100% of the value of fixed assets is not admissible. Accrual of amortization in the amount of 100% of the value of fixed assets, which are fit for future use, does not serve as basis for writing off of the asset on the grounds of its complete wear-out.

When a fixed asset is not used actively or is standing idle and is retained for retirement, amortization is not ceased, till it is completely worn out.

Inventory taking of fixed assets is conducted in accordance with legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of public sector institutions.

Accounting of depreciation of fixed assets is conducted in accordance with provision of section “Depreciation of Assets” of Accounting Rules.

Writing off of fixed assets from the balance is conducted in accordance with legislation of the Republic of Kazakhstan regulating the sphere of public property management and accounting and financial reporting of the public sector institutions.

## **2.2 Investment Properties**

At initial recognition of investment property it is reflected on the balance at its cost price, i.e. by actual expenses.

If part of a facility is used for receiving of rental payment or increase of capital, while another part is used for administrative purposes, at such parts of a facility can be used independently from each other, a public institution shall account for such parts of a facility separately. If part of a facility cannot be used separately, the facility shall be considered as investment property but only in the case, if only small part of facility is designated for administrative purposes.

Further accounting of investment property of a public institution shall be conducted by actual expenses: after recognition as an asset an investment property shall be accounted for at its cost price less any accumulated amortization and losses resulting from depreciation loss of value.

Public institutions accrue amortization on investment property on monthly basis through adoption of the method of straight-line depreciation and use of annual depreciation rates for fixed assets, approved by order № 95.

Liquidation value of investment property equals zero. Accrual of depreciation on investment property in excess of 100 % is not admissible.

When an investment property is not used actively or is standing idle and is retained for retirement, amortization is not ceased, till it is completely worn out.

In the end of the accounting year on the basis of results of inventory, conducted on the basis of the act of the Inventory Commission, set up in accordance with the order of the Head of a Public Institution, which is coordinated with the administrator of budgetary programs, in the accounting report shall be reflected the fact of depreciation of investment property, if the recoverable cost is lower than the book value of an asset. In the act of inventory shall be indicated reasons of depreciation.

Inventory taking of investment property is conducted in accordance with the legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of public sector institutions.

Accounting of depreciation of investment property is conducted in accordance with provisions of the section “Depreciation of Assets” of the Accounting Rules.

Assigning to the category of investment property and removal from such category shall be conducted when designation of an asset shall be changed.

Assigning of investment property to the category of fixed assets and vice versa shall be conducted without modification of the book value of an asset.

Writing off of investment property shall be conducted in accordance the legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of public sector institutions.

### **2.3 Biological Assets**

At the stage of initial recognition and during all reporting periods biological assets shall be valued at their fair value less additional expenses related to its sales.

In case of unavailability of market price or other indicators of value of an asset, biological asset shall be valued at its cost price, less any accumulated amortization and losses resulting from depreciation loss of value (the model of accounting by actual expenses).

Sales and transfer of biological assets shall be accounted for similarly to transactions related to fixed assets.

When slaughtered, the value of animals is written off with further adding of the generated income to the receipts.

Inventory of biological assets is conducted in accordance the legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of the public sector institutions.

### **2.4 Intangible Assets**

Intangible assets are initially recognized at their cost price, i.e. actual expenses incurred.

Public institution recognizes as the cost price of intangible assets, received from another public institution the book value of transferred intangible assets. As the book value of intangible assets, received by a public institution from third parties on gratis basis is considered fair value of intangible assets as of the date of their receiving.

In the process of creation of intangible assets by public institution:

1) Expenses related to scientific research at the stage of development are considered as expenditures;

2) Expenses related to scientific research at the stage of implementation of works related to scientific development are assigned to the category of capital investments, if criteria on acknowledgment of assets are complied with;

Capital investments are measured by actual expenses.

Capitalized expenses for completed or uncompleted scientific developments, which have not been recognized yet, are moved to the balance of the next year.

Completed and recognized results of scientific development are assigned to intangible assets on the basis of act of acceptance taking into consideration criteria of recognition of assets. In the event of incompliance with criteria of recognition of intangible assets, incurred expenses shall be accounted for as expenditures.

Further accounting of intangible assets is conducted following the model of accounting by actual expenses: at cost price less any accumulated amortization and losses resulting from depreciation loss of value.

Public institutions accrue amortization on intangible assets on monthly basis through adoption of the method of straight-line depreciation and use of annual depreciation rates for assets, approved by order № 95.

Liquidation value of fixed assets of a public institution equals zero.

Accrual of amortization in excess of 100% of the value of intangible assets is not admissible.

In the end of the accounting year on the basis of results of inventory, conducted on the basis of the act of the Inventory Commission, set up in accordance with the order of the Head of a Public Institution, which is coordinated with the administrator of budgetary programs, in the accounting report shall be reflected the fact of depreciation of intangible assets, if the recoverable cost is lower than the book value of an asset. In the act of inventory shall be indicated reasons of depreciation.

Inventory taking of intangible assets is conducted in accordance with the legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of public sector institutions.

Accounting of depreciation of the value of intangible assets is conducted in accordance with provisions of the section “Depreciation of Assets” of the Accounting Rules.

Writing off of intangible assets shall be conducted in accordance the legislation of the Republic of Kazakhstan, regulating the sphere of accounting and financial reporting of public sector institutions.

## **Section 2. General Accounting Principles**

1. Rules of maintaining of accounting in the public sector institutions are reflected in the “Rules of Accounting in the Public Sector Institutions”, approved by Order №393 of the Minister of Finance of the Republic of Kazakhstan, dated by August 3 of 2010.

Public sector institutions are maintaining accounting and financial reporting in accordance with accounting policy, which stipulates for specific models of accounting, detailed in the Rules of Accounting in the Public Sector Institutions.

The rules contain exhaustive description of all alternative options of accounting of longterm assets by the accrual method in compliance with IPSAS.

### **1. Rules of Accounting of Fixed Assets**

Subchapter 2300 “Fixed Assets” is dedicated to accounting of fixed assets.

Given subsection includes following accounts:

2310 – “Land”, is designated for accounting of any type of land, forests, internal water resources and mineral deposits, acquired with financial resources, allocated from the state budget;

2320 – “Buildings”, is designated for accounting of individual buildings, permanent facilities, composed of bearing structures, frame filling structures and combined structures, buildings designated for residential purposes, keeping of animals, storage of items and goods depending on functionalities of buildings. Given account contains following subaccounts:

2321 – “Nonresidential buildings”, is designated for accounting of buildings of production and administration activities, buildings occupied by managerial bodies, buildings of social and cultural designation (such as educational institutions, hospitals, polyclinics and outpatient clinics, boarding houses for elderly and persons with disabilities, institutions for children, libraries, museums, clubs, scientific-research institutions and laboratories) and other public institutions;

2322 – “Residential buildings”, is applied for accounting of fully or predominately designated for residential purposes (buildings, total useful area of which is no less than 50% of total residential and nonresidential area);

2330 - “Structures” , is applied for accounting of water-pump stations, stadiums, pools, roads, bridges, monuments, fencing of parks, public gardens and other facilities;

2340 – “Transmission facilities/units”, is designated for accounting of equipment and facilities, used for transmission of electric, thermal and mechanical power, as well as transportation of liquid and gas substances, such as trunk pipelines, transmission lines and cable lines;

2350 – “Means of transport”, is designated for accounting of all types of transportation, broken down by categories;

Railway vehicles (diesel locomotives, motor line inspection trolleys, carriages, platforms, cisterns, diesel-electric railway transport and etc);

water and motor transport (motor-driven vessels, tugboats, barges and barks, boats and rescue vessels, floating wharfs, freight vehicles, passenger cars, trailers, dump trucks, tankers, buses, specialized vehicles, hauling tractors and other water and motor transport);

Air transport (airplanes and helicopters);

Cartage (carts and sledges)'

Production transport (electric cars, motorcycles, scooters);

Bicycles, carts, wheelchairs and other transport);

Sport s transport;

2360 – “Plant and equipment”, is used for accounting of power equipment and machinery, measuring equipment, control instruments and devices, laboratory equipment, computer equipment, medical equipment, office equipment and other equipment and devices, broken down by categories:

Power machines and equipment, generators, producing electric and heat energy, engine machines, turning hydro, wind, thermal and electric energy into energy of movement;

Including material-working machinery and equipment, including freight and passenger elevators, equipment, devices and machinery designated for mechanical, thermal and chemical effect on objects and materials with assistance of mechanical engines, or human and animal power in the process of production of goods;

Measuring equipment - metering devices, amperemeters, barometers, wattmeters, flow meters, vacuumeters, vaporimeters, voltmeters, altimeters, galvanometers, geodetic devices, hygrosopes, indicators, compasses, manometers, chronometers, special scales, dosimeters, cash registers and other measuring equipment;

control instruments and devices - oxygen and respiratory apparatus, electric, pneumatic and hydraulic control devices, automatic control panel, blocking and centralization equipment, linear devices of supervisory control;

Laboratory equipment – pyrometers, regulators, calorimeters, equipment for measuring of humidity, distilling tanks, laboratory copras, devices for testing for gas impermeability, devices for testing of stability of samples microscopes, thermostats, equalizers, exhaust hoods and other laboratory equipment;

Computer equipment - PCs, processors, uninterruptible power supply, printers, scanners, monitors, keyboard and other computer equipment;

Medical equipment - medical equipment (dental chairs, surgical tables, hospital beds with special equipment), special disinfection and disinsectization equipment, equipment for dairy kitchens and stations, blood transfusion stations and other medical equipment;

Office equipment - copying machine, faxes, shredders and other office equipment;

Other plant and equipment - equipment and machinery not listed in the above provided categories. To other equipment and machinery belong: equipment for stadiums, sports grounds and sport halls (including sports gear and equipment), equipment for classrooms and workshops in educational institutions, cinematographic equipment, lighting equipment, stage equipment, musical instruments, TVs, tape recorders, video cameras, mobile phones, pagers, radio equipment, special equipment for scientific-research institutions, equipment for automatic switching centers, mechanical fire ladders, laundry and sewing machines, fridges, vacuum cleaners, air conditioners, microwave ovens and other equipment and machinery;

Artillery technical equipment (small arms, pistols, revolvers, automatic firearms, special snipers' arms, armament of police units of special designation, training and sports weapons, means of light alarms, personal body armor facilities of personnel, special means of protection, military engineering assets, military chemical assets, optical devices;

Armament and defense technology.

2370 – “Tools and production and household equipment”, is designated for accounting of tools and production equipment, including following groups:

Powered and unpowered tools and production tools of general-purpose, as well as objects clamped to equipment, used for material processing. To such tools belong cutting, power punch, spinning and packing tools, working on electricity, compressed air (electric drills, airbrushes, electrovibrators, wrenches) as well devices for material processing, conducting of installation works (bolt clamps, mounts, indexing head, equipment for mounting of engines and cranking of driveshaft on vehicles), pliers and hammers;

Production equipment and tools - items of production designation, which serve for relieving of production operations, such as worktables, workbenches, reading-desks, desks and other equipment, designated for labor protection, receptacles for storing of liquid and bulk

material (reservoirs, bins, bowls, bunkers), shelving for trade purposes, returnable container, items of technical designation, that cannot be assigned to the category of production machinery;

Office inventory - office equipment (furniture, appurtenance, cabinets, rest place), portable barriers, coat racks, cabinet units, sofas, chairs, armchairs, shelves, safes, typewriters, hectographs, manual copiers and paging machine, telephones, ventilators, portable yurts, tents (except for oxygen tents), beds (except for beds with special equipment), carpets, curtains, shutters and other office equipment, as well as firefighting equipment, such as hydraulic sprayers, fire stands and portable ladders;

Other production and office equipment – paintings in frames, mirrors, bronze sculptures (busts), marble vases, lighting fitting (chandeliers and wall brackets), desk sets for managers, hearing and reading aids, stands for visual propaganda;

2380 – “Other fixed assets”, is designated for accounting of other fixed assets. Given account includes following sub-accounts:

2381 – “Assets of cultural heritage”, designated for accounting of assets, which due to their cultural, ecological or historical value represent assets of cultural heritage. To such assets belong historical monuments and buildings, sites of archeological excavations, reserves and natural protected areas, works of art, as well as museum treasures notwithstanding their value;

2382 – “Library fund” - designated for accounting of library fund, notwithstanding the value of certain books. The library fund includes scientific, educational and fiction works, special literature and other publications;

2383 – “Other fixed assets”, designated for accounting of:

Capital expenses for land improvement. To capital expenses for land improvement belong expenses of non-inventory character (not related to construction of facilities), targeted towards implementation of cultural-technical activities for surface improvement of lands, conducted through capital investments (land plot planning, uprooting of land plots for tillage, cleaning of fields from stones, cutting of tussocks, cleaning of underbrush, cleaning of water bodies);

Exhibits of wildlife in zoos and other similar facilities, notwithstanding their value;

Staging and production requisites for the value, exceeding estimated cost for two months per unit (decorations, furniture, dummies, theatrical and national costumes, headdress, underwear, wigs, footwear);

Educational films, magnetic disks and tapes;

landscaping and planting in the streets, squares, parks, gardens and territories of public institutions, in the yards of residential houses, green fences, shelterbelts, snow protection hedges, bank fortification plantings, ravine plantings, plantings in botanical gardens and other scientific-research and educational institutions for scientific purposes and other perennial plantings;

Other stocks, children’s games, water dispensers, electrical kettles and electric water heaters, buckets, fry pans, saucepans, special skis;

Workstock – horses, bullocks, camels, donkeys and other animals (including transport and race horses and war dogs);

Other fixed assets, not included in the above categories.

2. As fixed assets are considered material items, which:

Are retained for use in production or supply of goods and services, and for leasing out to other persons for administrative purposes;

The assets are expected to be used for longer than one year.

A public institution applies the requirements of given assets to the following categories as well:

Assets of cultural heritage;

Special military equipment;

Infrastructural assets;

Immovable property, buildings and equipment, used for development and maintenance of biological assets, related to agricultural activities and the right to development of mineral, oil, natural gas and similar renewable natural resources;

Immovable property, which is constructed or reconstructed, but does not comply yet with the concept of “investment property”;

Mature workstock;

Spare parts and reserve equipment, that public institutions are planning to use for longer than one year, when spare parts and support equipment can be used only in regard to the fixed asset under consideration;

As fixed assets can also be recognized items, use of which may not directly lead to economic benefits for public institutions, but which are necessary for deriving of benefits for other facilities (fixed assets, procured for environmental protection and safety);

Large spare parts and reserve equipment, which is expected to be used for longer than one year and which can be used only in regard to the fixed asset under consideration, are recognized and accounted for as fixed assets ;

Infrastructure assets are recognized as fixed assets in case of compliance with one or several of the below listed characteristics:

Represent part of a system or a network;

Have special characteristics and cannot be used for alternative purposes;

Are immovable and certain restrictions in regard to their sales can be imposed;

As infrastructure assets are considered road networks, sewerage systems, water and power supply systems and communication networks;

Assets related to environmental safety and protection, which do not directly increase economic gains, but are necessary for increase of benefits from other facilities, are recognized as fixed assets;

Provisions of given section are also applied for accounting of investment properties, which is reconstructed for further use as investment property. At the time of completion of construction or reconstruction works such property becomes investment property and public institutions should apply to it provisions of the section “Rules of accounting of investment property”.

Accounting of fixed assets should ensure proper documentation and timely entry of transfer, turnover and retirement of assets on the books of a public institution, as well as control over proper maintenance and use of such assets.

Following accounts and subaccounts are used for accounting of fixed assets, uncompleted construction, reserve and revaluation of fixed assets belonging to public institutions:

2310 " Land";

2320 " Buildings";

2330 " Installations";

2340 "Transmission equipment";

2350 "Means of Transportation";

2360 "Plant and Equipment";

2370 "Tools and production and household equipment”

2380 "Other fixed assets";

2390 “accumulated amortization and depreciation of fixed assets”

2411 "Uncompleted construction”

5111 "Reserve for revaluation of fixed assets”

The value of an item can be recognized as asset, when:

There is possibility that a public institution shall get future economic gains and potential services, from such item;

Factual costs and fair value of an item can be established accurately.

Public institutions receiving a fixed asset evaluate the risks and benefits, related to such asset. If in the course of the process:

A public institution receives major parts of risks and benefits from ownership of such asset, it recognized an asset;

If a public institution does not own major part of risks and benefits, related to the asset, it does not recognize receiving of an asset;

If a public institution does not own major part of risks and benefits, related to the asset, then the level of control of a public institution over such asset is evaluated;

If a public institution has the right of control over an asset, it recognizes such asset.

If the right of control remains with the party, which has transferred an asset, a public institution, receiving such asset does not recognize its acquisition.

If a public institution receives all benefits from ownership of an asset, but at the same time all risk, related to its ownership remain with the party, which transferred it, then the asset remains on the balance of the party which transferred it. In cases, when it is necessary to register transfer of the right of ownership, attention should be paid to the following terms of agreement:

If according to the terms of the agreement benefits and risks of ownership of an asset are transferred to the party, which acquires an asset, retirement of an asset is accounted for as of the date of act, drawn on transfer of an asset;

If according to the terms of an agreement risks, related to ownership of an asset remain with the party, which transfers an asset till registration of transfer of an asset, the retirement of an asset shall be accounted for as of the date of registration of change of ownership.

Cultural heritage assets, complying with criteria of recognition of an asset, are recognized on the balance, other assets of cultural heritage are accounted for on the off-balance account 09 "Assets of cultural heritage" of the chart of accounts (for example: historical buildings and monuments, sites of archeological excavations, reserves and protected areas and works of art).

Public institution shall not recognize in the accounting documents cultural heritage assets if:

Their cultural, ecological and educational value cannot be fully expressed in financial terms, based on the market prices;

Legal obligations may envisage restrictions and prohibitions on retirement of an asset through its selling;

Quite often such assets are accounted for independently and their value may increase with time even though their physical condition may deteriorate;

It is hard to determine the period of useful life of such assets, which sometimes can be several hundred years;

As a unit of accounting of fixed assets is considered an inventory item. As an inventory item belonging to the category of fixed assets is considered an item with all its attachments and accessories, or a structurally independent item, designated for fulfillment of specific independent functions, or an independent complex of structurally articulated units, representing a unity and designated for implementation of certain works.

If land and buildings are independent assets, they are accounted independently.

In regard to articulated units, which do not have significance independently, for example, library books, devices attached to computer and small components of equipment, a public institution may apply criteria of aggregate value.

To a complex of structurally articulated objects belong one or several objects of same or different designation, possessing either common devices and accessories, or common control, or they are assembled on the same foundation, as a result of which all units, composing a complex can implement its function only within such complex, but not independently.

Assigning of several units to one complex should be conducted on the basis of design documentation, certified by technical specialists.

At initial recognition a fixed asset is reflected at its net value. Books, textbooks and other publications, including library fund are accounted at nominal value, including the cost of their initial binding.

Net value of a fixed asset includes:

Its purchase price, including import duties and nonrefundable taxes for purchase after deduction of discounts and rebates;

Any direct costs for delivery of an asset to the site, preparatory works for bringing an asset into operable condition;

Estimated expenditures for demounting and transportation of an asset and site remediation, where an asset was initially located;

To direct expenditures belong:

Actual expenses related to site preparation;

Initial expenditures related to delivery and unloading;

Expenditures related to mounting;

Expenditures related to testing of an asset and ensuring its proper functioning, except for proceeds from sales of some items produced in regard to transportation of an asset to relevant site (for example, sample items, produced in the course of testing of an asset);

Expenditures related to professional services;

Other expenditures.

Actual costs, which are not included in the net value of an asset are:

Expenditures related to commissioning of a new building;

Expenditures related to production of new goods or services (included expenditures for advertising and promotion of goods);

Administrative and other overhead expenses.

Recognition of expenses, included in the book value of an item is ceased, when an asset is ready for use for intended purpose. Following expenses are not included into the book value of a fixed asset:

Expenses, caused by conditions, when an asset is in operational condition and should be put into operation, but is not used for intended purpose, or is not operated at its full capacity;

Initial operating loss, incurred during increase of demand for production of an item;

Expenses related to reorganization or relocation of all or part of operation of a public institution.

If an asset has been acquired as a result of non-exchange transactions, i.e. on gratis basis, as its net value is recognized its fair value as of the date of purchase. At the same time valuation of fixed assets procured for zero or nominal value at their fair value is not qualified as their revaluation.

When a fixed asset is acquired as a result of exchange for another fixed asset, actual value of acquired asset is considered as equal to its fair value, which is equal to the fair value of transferred asset, adjusted for the value cash amount or its equivalent, paid for it. Difference between fair value of a new asset and book value of transferred asset, forms either income or expense, incurred in regard to exchange operation.

If fair value of received or transferred asset, cannot be established precisely, the value of acquired asset is valued as book value of transferred asset. At the same time the received asset should be examined for depreciation.

A public institution reflects receipt of fixed assets on the debit of corresponding subaccount of the section "Fixed assets" of chart of accounts and credits:

Account 3210 "short-term bills payable to suppliers and contractors" – in case of procuring of an asset at the expense of budget resources or cash proceeds from fee-based service, sponsors or charity assistance – at the value of purchasing;

Account 6050 "proceeds from sponsors' and donors' assistance" - received sponsors' or donors' assistance – at fair value;

Account 6330 "Proceeds from gratuitous receipt of assets" - received as a result of gratuitous transfer by third parties - at fair value; also, as a result of exchange of fixed assets between public institutions – at book value, at entry is made to the credit of subaccount 2391 "accumulated depreciation on fixed assets" in the amount of accumulated depreciation;

Subaccount 5011 "Funding of capital investments from the state budget funds" – assets received as a result of exchange between public institutions, in the jurisdiction of the same administrator of budgetary programs, which were previously procured with budgetary resources (at book value); the entry is made to the credit of subaccount 2391 " accumulated depreciation of fixed assets" in the amount of accumulated depreciation;

**For future accounting of fixed assets public** institutions shall apply the model of accounting of actual expenses or the model of accounting revaluation and given model is extended to the whole class (group) of fixed assets.

As class of fixed assets is considered a group of assets, similar by their characteristics and type of use by public institutions.

Model of accounting at actual expenses: after recognition of an object of accounting as a fixed asset it is accounted at its net value less any accumulated depreciation and losses resulting from depreciation loss of value.

Model of revaluation: after recognition of an object of accounting as a fixed asset, fair value of which can be established precisely, it is accounted at its revaluated value, which is its fair value as of the date of revaluation, less any further accumulated depreciation and losses resulting from depreciation loss of value. Revaluation is conducted within the timeline, established by central body, responsible for budget execution.

**In the course of revaluation of a fixed asset** is conducted revaluation of a class (group) of fixed assets, to which such asset belongs.

As fair value of land and buildings is usually considered their market value, defined by professional valuers.

As fair value of plant and equipment is usually considered their market value, defined by professional valuers.

In the event, when market value is not known due to specific character of plant and equipment, or such plant and equipment is rarely sold, they are valued at their actual value less depreciation.

Increase of book value of class of assets as a result of conducted revaluation is charged to net assets/capital and is reflected on the debit of corresponding subaccount of the section "Fixed assets" of chart of accounts and credit of subaccount 5111 "Reserve for revaluation of fixed assets" (for the amount prior to revaluation). If previously the value of the object of accounting (class of assets) was recognized as reduced, then increase of the value of a fixed asset is reflected in the financial results of the current year in the amount, by which it reinstates the value of fixed asset, which was previously reflected in the financial results at reduced value.

If the book value of a fixed asset is reduced as a result of revaluation, the reduced amount is reflected in the financial results of current year. Although, such reduced value is charged to net assets/capital in the amount of current credit balance in case of availability of such, reflected previously in the reserve for revaluation of fixed assets.

**In the course of revaluation of fixed assets any** accumulated depreciation as of the date of revaluation:

Is either recalculated proportionately to the modification of the book value of an asset (initial value of an asset and the sum of accumulated depreciation is increases by the same coefficient, equal to the ratio of revaluated value to the book value prior to revaluation). In the event of revaluation the adjusted amount of accumulated depreciation shall be reflected as an entry: debit of subaccount 5111 «Reserve for revaluation of fixed assets” and credit of subaccount 2391 « accumulated depreciation on fixed assets”;

Or, book value of an asset is defined and at the same time is debited subaccount 2391 "accumulated depreciation on fixed assets” and is credited to corresponding subaccount of account section "Fixed assets” of chart of accounts , which is recalculated taking into consideration the value of the asset prior to revaluation (this method is often used in regard to buildings).

In the course of revaluation of fixed assets the revaluated amount is written off and charged: to the debit of subaccount 5111 «Reserve for revaluation of fixed assets” and credit of subaccount 5220 «Financial results of previous years”.

In the event of retirement of fixed assets the balance of revaluated amount, not reflected in the financial results is written off: debit of subaccount 5111 credit of subaccount 5220 «Financial results of previous years”.

Modification of initial value is also admissible in cases of valuation of assets, conducted in accordance with resolutions of the Government of the Republic of Kazakhstan, notwithstanding the model of accounting.

**Depreciation is not accrued** on the following fixed assets:

Land;

Cultural heritage assets;

Equipment, exhibits, samples, functional and nonfunctional models, prototypes and other visual aids, belonging to laboratories and offices and used for scientific-research purposes;

Workstock, buffalos, bullocks, perennial plantings, not related to agricultural activities, which have not reached exploitation age;

Exhibits of wildlife (in zoos and similar facilities);

Library funds, cinematographic funds, stage and production means, museum treasures and works of art;

Armament and military equipment;

Artillery technical equipment;

Assets in the conservation regime;

Elements of a fixed asset, having similar wear-out rate, established by the legislation of the Republic of Kazakhstan regulating accounting and financial reporting of public institutions, are grouped together for determination of amortization deduction.

**Amortization of fixed assets is accrued on monthly basis.**

Amortization of procured fixed assets is conducted on the 1<sup>st</sup> of the month, following:

Procuring of an asset, if there is no need to conduct assemblage;

Commissioning, if there is no need to conduct assemblage;

Accrual of depreciation on retired assets shall be ceased from the 1<sup>st</sup> of the month after retirement of an asset.

When a fixed asset is not used actively or is standing idle and is retained for retirement, amortization is not ceased, till it is completely worn out, except for assets, referred to in paragraph 289 of Present Rules.

Amortization charges for each period are recognized in expenditures of those periods, to which they belong, if they are not included in the book value of other assets.

Accrual of amortization in excess of 100% of the value of fixed assets is not admissible. Accrual of amortization in the amount of 100% of the value of fixed assets, which are fit for future use, does not serve as basis for writing off of the asset on the grounds of its complete wear-out.

**Method of accrual of depreciation** reflects the scheme of use of economic benefits or service potential of an asset by public institutions. For systematic spread of amortized value of an asset during its useful life different methods of accrual of depreciation are used:

Straight-line method of depreciation;

Declining-balance depreciation method;

Unit of production method of depreciation;

Straight-line method of depreciation requires regular implementation of depreciation charges throughout the useful life of an asset.

Declining-balance depreciation method causes reduction of depreciation charges throughout the useful life of an asset.

Unit of production method of depreciation is based on expected use or the volume of generated production.

Useful life of an asset is considered for each accounting period.

In the course of determination of the term of a useful life of an asset following aspects are taken into consideration:

Expected use of an asset (expected capacity, physical productivity of an asset);

Expected physical wear, which depends on production factors, maintenance schedule and servicing of an asset in the period of downtime;

Technical or commercial obsolescence, which appears as a result of modifications or modernization of an asset;

Legal and other similar restrictions on the use of an asset;

The term of useful life of an asset is defined taking into consideration expected utility of an asset.

The term of useful life of an asset can be shorter, than the term of economic life of an asset.

Liquidation value of fixed assets is equal to zero.

In the course of application of straight-line method of depreciation accrual of depreciation is conducted through application of the following methods:

- 1) Use of set depreciation rates;
- 2) Use of definite term of useful life.

The aggregate of depreciation of fixed assets through use of set depreciation rates is determined by multiplying of initial value (revaluated value – for revaluated assets) by monthly depreciation rate, determined on the basis of set annual depreciation rates for long term assets of public institutions.

Accrual of depreciation on fixed assets of public institutions, which are not provided in the annual depreciation rates of long term assets, is conducted through application of depreciation rates for similar fixed assets.

**Method and means of depreciation of fixed assets is** defined on the basis of unified accounting policy and is applied in a comprehensive manner during all periods of accounting.

Accrual of depreciation on fixed assets is conducted on the debit of the account 7110 "expenses related to depreciation of long term assets" and credit of account 2391 "accumulated depreciation on fixed assets".

If a fixed asset is acquired by budgetary resources, in parallel to accrual of amortization is conducted writing off of funding for acquisition of long term assets and proceeds from use of funding of capital investments in the amount, calculated through application of depreciation rates for the group of assets, to which an asset under consideration belongs. Following entries are made: debit of subaccount "Funding of capital investments from budgetary resources" and credit of account 6020 "Proceeds from funding of capital investments".

Public institutions revalue book value of an asset for depreciation in compliance with provisions of the section "Depreciation of assets" of present guidelines.

Depreciation of fixed assets is reflected on the debit of the account 7440 "Expenses related to depreciation of assets" and credit of subaccount 2392 "Reserve on depreciation of fixed assets".

In case of recovery of losses from depreciation of fixed assets a public institution makes following entry: debit of subaccount 2392 "Reserve for depreciation of fixed assets" and credit of account 7440 " Expenses related to depreciation of assets" in the amount of depreciation loss charged.

Expenditures of public institutions related to completion, refurbishing or reconstruction of fixed assets increase their value. Increase of the book value of fixed assets as a result of capital investments is conducted in cases, when future economic gains, exceeding initially expected rate of return shall be retained by a public institution.

As examples of expenditures, increasing future economic gains can serve the following:

Modification of a fixed asset for extending of its useful life, including increase of its capacity;

Improvement of details of plants for improvement of the quality of output;  
Introduction of new production processes, allowing to substantially reduce previously estimated expenditures.

Capital expenditures of a public institution are reflected on the debit of subaccount 2411 "Uncompleted construction" and credit of account 3210 "short-term bills payable to suppliers and contractors". Uncompleted construction is measured by actual expenses.

Expenses related to uncompleted and completed construction, not entered into commission shall be reflected on the balance for the next year.

Completed construction, put into commission on the basis of acceptance certificate, shall be accredited to the account of long term assets at the full cost of expenses incurred in regard to such assets. Following entries shall be made: debit of corresponding subaccount of account "fixed assets" of subsection of chart of accounts on subaccount 2411 "Uncompleted construction".

Expenses related to maintenance and servicing of fixed assets, such as current repairs and operation of fixed assets, are incurred for the purpose of maintaining of such assets in proper technical condition, and such expenses do not increase initial cost of an asset, but are accounted for as current expenses at the time of their incurring. Expenses related to restoration of books, including rebinding, shall be written off as expenditures.

Expenses of a public institution, related to completion of construction, reequipment, refurbishment or reconstruction of fixed assets, increases the cost of assets. Increase of the book value of fixed assets as a result of capital investments is recognized in the event, if a public institution shall receive future economic benefits, exceeding the initially estimated rates.

Writing off of expenses related to repairs is reflected through the following entry: debit of account 7090 "Expenses for current repairs" and credit of account 3210 "short-term bills payable to suppliers and contractors".

If in the book value of an asset are included costs related to replacement of part of an asset, then the book value of replaced part shall be written off from the balance notwithstanding the fact, whether the replaced part depreciated independently. If it is possible to establish the book value of replaced part of an asset, a public institution can use the cost of replacement as indicator of the cost of replaced part at the moment of its purchasing or construction.

Retirement of fixed assets can be conducted in different ways (sales, gratuitous transfer or liquidation).

Operations related to recognition, transfer, retirement and writing off of long term assets on the subaccount 2411 "Uncompleted construction" are implemented similarly to operations related to fixed assets.

Retirement of fixed assets is conducted in compliance with requirements of the legislation of the Republic of Kazakhstan.

A public institution should not sell itself assets assigned to it, which have been acquired at the expense of resources, allocated on the basis of fund allocation plan. Sales of assets shall be

conducted in compliance with requirements of the legislation of the Republic of Kazakhstan regulating the sphere of public property management.

A public institution shall reflect sales of fixed assets through the following entries:

In case of sales of a fixed asset, procured previously with the budgetary resources: debit of account 7420 "Expenses related to retirement of long term assets" and credit of corresponding subaccount of account of section "fixed assets" of the chart of accounts – book value, and simultaneously debit of subaccount 2391 "depreciation accumulated on fixed assets" and credit of corresponding subaccount of account of section "fixed assets" of the chart of accounts for the amount of accumulated depreciation on the asset. At the same time is conducted writing off of balance from funding of capita; investments: debit of subaccount 5011 «funding of capital investments from budgetary funds" and credit of account 6020 «Proceeds from funding of capital investments". In case of availability of previously accrued reserve from depreciation it shall be written off by retired long term assets: debit of subaccount 2392 «reserve for depreciation of fixed assets" and credit of account 7440 «expenses related to depreciation of assets".

In case of sales of fixed asset, purchased at the expense of proceeds from paid services, or sponsors' or charitable assistance: debit of account 7420 "expenses related to retirement of long term assets" and credit of corresponding subaccount of account of section "fixed assets of the chart of accounts – to book value. at the same time debit of subaccount 2391 "depreciation accumulated on fixed assets" and credit of corresponding subaccount of account of section "fixed assets" of the chart of accounts - for the amount of accumulated depreciation. In the event of previously accrued depreciation reserve on retired long term assets it shall be written off: debit of subaccount 2392 "reserve on depreciation of fixed assets" and credit of the account 7440 "expenses related to depreciation of assets".

The proceeds from sales of assets are transferred by public institutions into the state budget, unless established otherwise by the resolution of the government of the Republic of Kazakhstan; these amounts are reflected in the following manner: debit of subaccount 1231 «short term accounts receivable by purchasers and clients" and credit of account 6320 "proceeds from retirement of long term assets", and simultaneously: debit of account 7120 "expenses related to settlement with budget" and credit of subaccount 3131 "short term accounts payable to the budget on proceeds from sales of assets". Offset of debt to the budget related to proceeds from sales of long term assets: debit of subaccount 3131 ""short term accounts payable to the budget on proceeds from sales of assets" and credit of subaccount 1231 «short term accounts receivable by purchasers and clients".

In case of identification of shortfall of fixed assets, it is recognized through writing off of these and making following entry:

Balance of capital investments into deficient fixed assets: debit of subaccount 5011 "Funding of capital investments from the state budget funds" and credit of account 6020 "Proceeds from funding of capital investments" of the chart of accounts;

Book value of deficient fixed assets is written off: debit of account 7420 “Expenses related to retirement of long term assets” and credit of correspondent subaccounts of account 2300 “Fixed assets”.

Accumulated depreciation is written off: debit of subaccount 2391 “accumulated depreciation on fixed assets” and credit of correspondent subaccounts of account “Fixed assets” (for the amount of accumulated depreciation).

In case of availability of previously accrued reserve from depreciation on retired long term assets it shall be written off: debit of subaccount 2392 «reserve for depreciation of fixed assets” and credit of account 7440 «expenses related to depreciation of assets”.

Reimbursement of budgetary shortfalls shall be considered in the Rules of accounting of accounts receivable and accounts payable” of current guidelines.

Crediting of cost of materials, received from liquidation of fixed assets is reflected on the debit of subaccount 1319 “Other materials” and credit of account 6360 “Other income”.

In case of receiving of assets by public institution and accounting of commissioning of fixed assets, uncompleted construction and investment properties a permanent commission draws an acceptance act (form FA-1 – fixed assets) in two copies, for each independent facility or component of an asset. Materially responsible person submits to the accounting department drawn act and attached technical documentation, for their signature by chief accountant and approval by the head of public institution or other authorized persons.

Accounting of fixed assets is conducted in through accounting of inventory items stored on the sites and under control of authorized persons.

For organization of accounting and ensuring control over integrity of fixed assets to each item, except for library funds, is assigned inventory number. Analytical accounting of fixed assets is conducted on the inventory card, which is filled in on the basis of recognition, movement, re-equipment, reconstruction, upgrading and capital repairs and writing off of a fixed asset.

Inventory numbers are assigned to items in the order of their receiving and relevant serial number is assigned to them. Inventory number consists of 12 symbols: first 4 symbols denote account/subaccount, fifth and sixth symbols denotes a group and last 6 symbols represent sequence number of an item in the group. In regard to those accounts/subaccounts, in regard to which groups are not assigned, fourth symbol is denoted by zero.

The list of inventory numbers is approved by the head of a public institution. When an inventory item is of complex character, i.e. it contains separate elements, which jointly form one unity, on each such element shall be indicated same inventory number, which is indicated on the main item, which unites them all. Inventory number is denoted on a token, which is attached to an item, or is marked on an item with paint. Inventory number assigned to an item is retained throughout the whole period, when an asset is on the balance of relevant public institution. Numbers of inventory items, which are retired or liquidated, should not be assigned to other items.

All fixed assets are in custody of relevant authorized persons, appointed by an order of the head of a public institution. Persons, in whose custody fixed assets are assigned, maintain

inventory entries on fixed assets and investment properties using the form FA-13. Relevant responsible persons are responsible for integrity of fixed assets and maintain accounting of all modifications of fixed assets.

In the event of replacement of such responsible person is conducted inventory taking of fixed assets, in his custody and handover and acceptance act is drawn using the form FA-1 – “fixed assets handover and acceptance act and investment property”, which is approved by the head of a public institution.

For accounting of internal movement of a long term asset or group of assets from one structural subdivision to another, as well as accounting of receiving of a long term asset or group of assets by a warehouse or their removal from a warehouse and putting into operation are used forms 434 or 434.

As a separate inventory object is considered completed constructional device with all its components and accessories, or structurally independent unit, designated for implementation of specific independent functions, or an independent item, designated for implementation of independent functions, as well as a complex of structurally articulated units, representing one unity, which is jointly implementing specific function.

Inventory unit of subaccount “buildings” is an independent structure. In composition of a structure are all internal communications, necessary for its functioning, as well as: heating system, including boiler room and heating plant (if it is within the building), internal network of water and gas supply, sewerage system with all its contrivance, internal network of electric wiring and fitting, internal network of phones and alarm system, lifts and sanitary facilities.

If buildings are adjoining and have common wall, but each of them represent separate structural unit, they are considered as separate inventory units.

Structures on the premises, fencing and other service facilities (fence, well, storehouses) represent same inventory item, as the building. If such structures and facilities service two or more buildings, they are considered as independent inventory item.

External structural additions to buildings, which have independent function, separately standing boiler houses, as well as permanent buildings (warehouses, garages, refrigerators and other facilities) are considered as independent inventory items.

Inventory cards of forms FA-6, FA-9 are registered in the inventory of cards under the category of inventory of assets – form FA-10. Inventory cards are maintained in one copy. Entries into the cards are made by groups of assets with indication of the year of opening of a card. For each group of assets is provided specific number of pages. Numbering is maintained in regard to each group, starting from number 1. In centralized accountancy departments inventory is maintained in the same manner in regard to each public institution. Upon retirement and relocation of assets in the column of inventory “comments” is indicated date (day, month, year) and number of memorial order.

Inventory cards are maintained and stored in the filing cabinets of accounting departments, where they are placed according to relevant subaccounts and groups, within which they are subdivided by materially responsible persons. In centralized accountancy departments cards are also subdivided by public institutions, which the department is servicing.

Card form FA-6 is designated for accounting of buildings, structures, transmission facilities, plant and equipment, tools, production and household equipment, means of transportation, cultural heritage assets, library funds and other fixed assets. Entries in the card are made on the basis of primary documents: acceptance acts on commissioning, technical specifications of factory, which manufactures assets and etc. in the cards are reflected specific features of items: drawings, analogs, type, make, factory number, date of production, date and number of act on commissioning. Also, brief description of individual features of an item is entered into the card. In case, if equipment, devices, computing machinery, and other equipment contains precious metals, in the section "brief individual characteristics of an item" is provided the listing of components, in the composition of which are precious metals, name of a part and its body mass, indicated in the passport. In the inventory card FA-6 designated for accounting of fixed assets and immovable properties is entered the accumulated depreciation sum in Tenge, code of annual depreciation rate, year and month, when depreciation was last accrued on retired long term assets.

Card form FA-9 is designated for group accounting of homogeneous units of fixed assets and investment property, library funds and stage and production means.

For library funds is opened one card. Accounting on this card is conducted in monetary terms and the total amount is stated. For stage and theatrical production means group accounting cards are opened by materially responsible persons for the items of the same nomination, similar in size, quality of material and prices, with indication of nomenclatural number.

In the event of relocation of assets within the same public institution, entry is made on the back of a card.

On monthly basis depreciation amount, stated on the cards is entered into the table of calculation of depreciation of long term assets, provided in the form 459, on the basis of which is determined the total amount of depreciation of fixed assets during the accounting period.

On the last day of each month for total depreciation amount is drawn a memorial order, after which the sum is entered into the general journal.

In case of repairs and reconstruction of fixed assets relevant amendments should be made to the technical passport and inventory card of relevant fixed asset, as well as inventory card should be revised in the sections, providing characteristics of an item.

For determination of obsolescence of an asset resulting from physical and moral depreciation, natural disasters and breakages, except for armament, military equipment, defense facilities and other military equipment, used by the armed forces and other military units of the Republic of Kazakhstan, for the purpose of establishing ineffectiveness of repairing of such assets and preparation of relevant documentation and writing off of fixed assets upon order of the head of a public institution I set up a permanent commission. In the composition of commission are entered: deputy head of a public institution (chairman of the commission), chief accountant or his deputy (in case of absence of a chief accountant, the person, who on the list of staff is defined as responsible for maintaining of accounting), as well as persons, who are responsible for integrity of fixed assets; in case of writing off of specific types of fixed assets in

the composition of permanent commission are also included relevant specialists (experts) and representatives of road police (in case of writing off of vehicles). Permanent commission examines an item, which must be written off, using technical documentation as well (passport, floor plans and other documents), as well as accounting documentation and establishes ineffectiveness of repairs.

The commission establishes reasons for writing off of an asset (wear, reconstruction, breakage and other reasons), determines possibility of use of some parts, components and materials of a unit, conducts valuation and draws an act of writing off of fixed assets. Writing off of fixed assets unfit for use, uncompleted construction and investment properties is documented in the form 286 – “act on writing off of assets”, commission establishes reasons of writing off of assets (wear, reconstruction, breakage and other reasons), determines possibility of use of some parts, components and materials of a unit, conducts valuation and draws an act of writing off of fixed assets. Writing off of fixed assets unfit for use, uncompleted construction and investment properties is documented in the form: “Act on writing off of fixed assets and investment property” (form FA-3), “Act on writing off of means of transportation” (form FA-4), “Act on writing off balance tool, production and household equipment” (form 443), “Act on writing off books from the library funds of public institutions” (form 444). Act on writing off of fixed assets and investment property is approved by the head of a public institution. Disassembling of fixed assets, uncompleted construction and investments property is not allowed till approval of above referred acts. Writing off property of public institutions is conducted in accordance with requirements of the legislation of the Republic of Kazakhstan.

Materials, received as a result of dismantling of fixed assets of public institution shall be requalified as stock and act on crediting of stocks shall be drawn using the form 429.

Parts and components, produced using precious metals shall be submitted to specialized enterprises, while parts and components, produced using nonferrous metals, which cannot be used for repairing of other equipment shall be submitted to enterprises, which collect such raw materials. Written of parts and components, containing precious metals shall be accounted for in accordance with set rules.

In the event of violation of set rules on writing off of fixed assets, as well as mismanagement of material values (loss and damage), persons committing such acts shall be held materially liable in accordance with requirements of the law.

For reporting of full or partial writing off of fixed assets (except for means of transportation) is used an act of writing off (retirement) of fixed assets. The act is drawn in 2 copies, is signed by members of the commission and approved by the head of the public institution or another authorized person. The first copy of an act is submitted to the accounting department for removing of fixed assets from registration, while the other copy remains with the person, responsible for ensuring integrity of the asset. The act serves as basis for transfer of parts and components removed from written off assets to a warehouse and their further sales or disposal.

The act on writing off of means of transportation is used for preparation of documentation for writing off of an asset. The act is drawn by the commission in two copies and is approved

by the head of the public institution or another authorized person. The first copy of an act is submitted to the accounting department for removing of fixed assets from registration, while the other copy remains with the person, responsible for ensuring integrity of means of transportation. The act serves as basis for transfer of parts and scrap metal from written off vehicles to a warehouse and their further sales or disposal.

The accounting of reallocation of fixed assets is conducted through maintaining of form 438 - cumulative list (memorial order 9). Entries into the cumulative list are made from each document. In the column "total" is entered the total of all retired and reallocated long term assets, which should be equal to the sum of entries on the debit of subaccounts. In the end of each month totals by subaccount is entered into the general journal.

In case of identification of faults in the course of revision, assembling or testing of equipment, is used the act on identified faults of equipment.

Accounting of capital expenses for improvement of land is conducted by activities: land planning, uprooting of land plots for tillage, cleaning of fields from stones, cutting of tussocks, cleaning of underbrush, cleaning of water bodies. In the accounting documents is indicated cost of implemented work by activities.

The total sum of depreciation of fixed assets during the accounting period is modified upon receiving, retirement and writing off of inventory items due to their depreciation or liquidation.

Leased items are accounted on the off-balance account 01 "Leased assets" under the inventory numbers, assigned to them by the lessor.

## **2. The rules of accounting of investment properties**

Subsection 2500 "Investment properties" is designated for accounting of immovable property, bringing benefits to public institutions. Given subsection includes account 2510 - "Investment properties", designated for accounting of such investment properties, as land and buildings (or part of buildings or land), in the ownership or leased out on the basis of lease agreement, for the purpose of receiving of rental payments or accretion to the capital.

Investment property is a property (land, buildings, their portion or both of them) in the ownership of a relevant entity or leaseholder on the basis of a lease agreement used for the purpose of receiving of rental payments or accretion to the capital, or both, but:

Is not designated for use for production or supply of goods, services and administrative purposes; or

Selling in the course of economic activities.

As investment property are recognized facilities (buildings, land or their portion), designated for receiving of income from their lease.

As investment property are considered:

Land, designated for growth of capital in the long-term perspective and not to be sold in the short term future;

Land, the designation of which is not determined yet;

Buildings, belonging to a public institution (or in its ownership on the basis of financial lease) and leased out on the basis of lease agreement;

Buildings, not occupied but designated to be leased out to external parties.

Immovable property, which are not considered as investment properties and are beyond the scope of current section are:

Immovable property, designated for sales in the course of routine economic activities, or are being constructed or reconstructed for the purpose of further sales, shall be considered as resource;

Immovable property, which is being constructed or reconstructed by third parties upon order of a public institution, shall be considered as agreement on construction;

Immovable property, used for administrative purposes (occupied by owner);

Immovable property, which are being constructed or reconstructed for future use as investment property till the period of completion of construction works. After completion of construction works such properties shall be considered as investment properties;

Immovable property, designated for provision of social services;

Immovable property, designated for strategic purposes, accounting of which is conducted in accordance with section "Rules of accounting of fixed assets" of present guidelines.

If part of a property is used for getting of rental payments and capital growth, while another part is used for administrative purposes and such parts of a buildings can be operating independently from each other (or leased out independently), public institutions shall be accounting such property or their parts separately. If the parts of a building cannot be operated or disposed of separately, such property shall be considered as investment property only in such cases, if only their small portion is designated for administrative purposes.

Accounting of investment property should ensure correct documentation and timely reflection of movement or reclassification of investment property into fixed assets on the records.

For the purpose of accounting of investment property of public institutions are used following accounts:

2510 "Investment property";

2520 "Accumulated amortization and depreciation of investment property".

Investment property can be recognized as an asset, when:

There is possibility, that a public institution shall derive future economic benefits and potential of services, related to investment properties; and

Actual expenses and fair value of investment property can be established accurately.

At initial recognition investment properties are shown at their cost value, i.e. at the cost of actual expenses incurred.

Cost value of investment property includes the cost of purchase of property and any other direct expenses, related to it. Such direct expenses may include cost of professional legal services, taxes for transfer of property and other operational expenses.

As net cost of investment property, constructed by the owner is considered the cost value of property as of the date of completion of construction or reconstruction. In the period of

construction or reconstruction of investment property its accounting is conducted in accordance with section "The rules of accounting of fixed assets" of present guidelines. As of the date of completion of works present section shall be applied.

The value of investment property shall not be increased by the following expenses:

Initial costs (except such expenses, which are necessary to be incurred for the purpose of bringing of property into operational condition in accordance with its functional designation);

Initial operating losses, incurred till the property reaches planned level of occupancy;

Excessive use of materials, labor or other resources in the course of construction or reconstruction of property;

If an asset is acquired as a result of non-barter transactions, or for nominal value, or as a result of application of authority of confiscation of property, its value shall be a fair value as of the date of acquiring such property.

Initial value of investment property, retained for financial lease, shall be determined in accordance with section "Rules of accounting of lease" of present guidelines, i.e. at the lower of fair value or discounted value of minimal rental payments and the equivalent amount is recognized as commitment.

Purchasing of investment property is reflected on the following accounts: debit of account 2510 "Investment property" and credit of account 3210 "short-term bills payable to suppliers and contractors".

Commissioned buildings and structures, or buildings and structures after reconstruction, complying with the criteria of recognition as investment property, as well as in case of movement of assets from the category of "fixed assets: into the category of "investment property" following entries are made: debit of the account 2510 "Investment property" and credit of subaccount 2411 "uncompleted construction" or subaccount of account 2320 «buildings», account 2330 «structures».

In the process of operation of investment property appears the need of incurring of additional expenses, targeted towards improvement of its condition and extension of its useful life, which leads to increase of future economic gains, as well as ensures proper maintenance of facilities for the purpose of promotion of sustainability of future economic gains.

Increase of the book value of investment property as a result of further capital investments occurs only in such cases, if future economic gains exceeding initially estimated gains shall be retained by public institution.

Expenses, incurred in regard to completion, or replacement of part of property shall be included in the cost value of investment property. Public institutions indicate in the book value costs related to replacement of parts of existing investment property as of the time of incurring of such expenses upon condition of compliance with the criteria of recognition.

All further expenses shall be recognized as expenses for the period, when they were incurred:

Expenses related to repairing and operation of investment property, incurred for the purpose of maintaining of property in proper technical condition;

Expenses on repairing and restoration of investment property as a result of breakages and impairment of investment property as a result of incorrect operation;

For further accounting of investment property a public institution applies the model of accounting by actual expenses or the model of accounting by fair value and the model is applied to the whole class (group) of investment property.

Model of accounting by actual expenses: after recognition of property as an asset accounting of investment property shall be conducted at cost price less any accumulated amortization and losses resulting from depreciation loss of value (similarly to section “rules of accounting of fixed assets” of present guidelines, model of accounting by actual expenses).

Model of accounting by fair value: after recognition of property as an asset accounting of investment property, fair value of which can be accurately established, shall be conducted by its fair value.

After initial recognition following the model of accounting by fair value, all investment properties shall be valued at fair value, except for cases, when it is practically impossible to establish fair value due to the fact, that comparable transactions are implemented rarely and there are no alternative valuations at fair value (for example, on the basis of forecasts of discounted cash flow). In such cases public institutions use the model of accounting by actual expenses and apply section “rules of accounting of fixed assets” of present guidelines, till such investment property is retired, or when it shall be moved to other category of fixed assets (reclassification).

Public institutions, applying the model of accounting at fair value, shall continue applying such method till retirement of an asset or till it becomes property, occupied by an owner, or reconstruction of an asset shall start for the purpose of its further selling.

Fair value of investment property is usually its market value, defined through valuation, conducted by professional valuers.

Income or losses due to modification of fair value of investment property should be reflected in expenses or revenues of the period, when such losses or revenues occurred:

Increase of book value of class of assets as a result of modifications of the fair value of an asset shall be reflected on the debit of account 2510 "Investment property" and credit of account 6310 "Income from changes of the fair value".

Reduction of book value of investment property is reflected on the debit of account 7410 "expenses due to changes in fair value" and credit of account 2510 "Investment property".

Transfer to the category of investment property or exclusion from given category happens when the use of an asset changes:

When property is starting to be used by an owner, when it is moved from the category of investment property to the category of fixed assets;

When reconstruction is started with the purpose of further selling of property and it is moved from the category of investment property to the category of resource;

In case of use of property by an owner – when moving from the category of fixed assets to the category of investment property;

In case of completion of construction or reconstruction of property, when moving from the category of in the process of construction or reconstruction (section “rules of accounting of fixed assets” of present guidelines) to the category of investment property.

If a public institution comes to decision on retirement of investment property without its reconstruction, it should continue accounting for such property as investment property prior to termination of its recognition and does not move it to the category of inventory. Also, if a public institution starts reconstruction of its investment property for the purpose of its further use as investment property, in the course of reconstruction the property shall not be reclassified and assigned to another category.

Public institutions, accounting for investment property by the model of actual expenses, conducts transfer of investment property to the category of fixed assets or inventory without modification of the book value of the property, or the value of the property for the purpose of valuation and information disclosure.

Transfer of a fixed asset, accounted for by actual costs into the category of investment property, accounted for by actual costs, shall be conducted by writing off of accumulated amortization and depreciation reserve on fixed assets. For this purpose following entries shall be made: debit of account 2510 "Investment property" and credit of subaccount of account 2320 «buildings», at the same time debit of subaccount 2392 "Reserve on depreciation of fixed assets", credit of subaccount 2522 «reserve on depreciation of investment property», debit of subaccount 2391 “accumulated depreciation on fixed assets” and credit of subaccount 2521 «accumulated amortization on investment property».

In case of transfer of an asset, accounted for by its fair value to the category of fixed assets and for its further accounting in accordance with sections “rules of accounting of fixed assets” shall be used the fair value method as of the date of modification of designation of a property: debit of corresponding subaccount of subsection “Fixed assets” of chart of accounts and credit of account 2510 "Investment property”.

Transfer of fixed assets, accounted for at fair value shall be reflected through the following entries: debit of account 2510 "Investment property” and credit of account 2320 «buildings»; at the same time accumulated depreciation shall be written off from the debit of account 2391 “accumulated depreciation on fixed assets” and credit of corresponding account 2320 «buildings».

If a property, recognized as fixed asset shall be moved to the category of investment property, which shall be accounted for at fair value, a public institution shall apply method of accounting, provided for in the section “Rules of accounting of fixed assets” of present guidelines till the date of modification of designation of the property. A public institution shall account for any difference between the book value of this property and its fair value in accordance with section “Rules of accounting of fixed assets”. A public institution shall continue accounting of depreciation of property and related loss till the moment, when such property becomes investment property, accounted for at its fair value.

After a public institution completes construction or reconstruction of property, which shall be accounted for at its fair value, any difference between the fair value of the property and

its previous book value shall be reflected in the revenues and expenditures for the relevant period.

Retirement of investment property shall be conducted through its sales or transfer to another public institution.

Revenues and expenses, related to retirement of investment property shall be determined as difference between net proceeds and book value of an asset.

Proceeds, received as a result of retirement of investment property shall be recognized at fair value.

Documentation of transactions related to investment property shall be conducted in accordance with rules of documentation of fixed assets.

### **3. Rules of accounting of biological assets**

Subsection 2600 "Biological assets" is designated for accounting of biological assets. Given subsection includes following accounts:

2610 - "Animals", is designated for accounting of productive and pedigree cattle, cows, breeding bulls, buffalos, yaks, stallions, stud-mares, kept in herds, breeding camels, boars and sows, ewes, goats, bucks and other pedigree cattle;

2620 - "Perennial plants", is designated for accounting of perennial plantings of two types:

Men-made perennial plantings notwithstanding their age: fruit and berry plantings of all types (trees and bushes);

Perennial plantings, cultivated in nurseries as saplings.

Young plantings of all types shall be accounted for separately from plantings, which have reached the fruit-bearing age;

To biological assets are assigned animals and plants.

Agricultural activities include different types of activities, such as: cattle breeding, forestry, cultivation of perennial and annual species, plantations, gardening, floriculture, aquaculture (including fisheries). Following is characteristic to all types of agricultural activities:

Biological assets should have the feature of biotransformation;

Agricultural activities must be subject to management;

Qualitative and quantitative changes, caused by biotransformation, must be regularly monitored and measured as a part of the process of management of agricultural activities (monitoring of qualitative changes from the standpoint of ripeness of fruits and berries, or quantitative changes, such as size and weight of fruits and berries).

As a result of biotransformation assets are modified due to growth (increase in number of animals or plants, or improvement of their qualitative features), degeneration of animals or plants or deterioration of qualitative parameters, as well as reproduction and propagation (formation of additional biological assets), or production of such agricultural produce, as latex, tea, wool, milk, cotton and etc.

Given section is not used for accounting of lands of agricultural designation, which is accounted for in accordance with requirements of the section "Rules of accounting of fixed

assets” and “rules of accounting of investment property” of present guidelines. Intangible assets, related to agricultural activities and agricultural produce after harvesting is accounted for in accordance with the section “rules of accounting of inventory”.

Following accounts are designated or accounting of biological assets:

2610 "Animals";

2620 "Perennial plantings";

2630 "depreciation accumulated on biological assets”.

Biological assets and agricultural produce is recognized, when:

An asset is under control do to events, which have occurred previously;

There is the possibility of receiving future economic benefits and service potential from given asset;

Fair value or cost price of an asset can be established accurately;

In agricultural sphere as proof of control may serve legal right of ownership of livestock, branding or other marking of animals at the time of their purchasing, birth or weaning. Future economic benefits are estimated taking into consideration main physical parameters of biological assets.

At the time of initial recognition of agricultural produce shall be applied the same method of valuation, as to a biological assets, which generated the produce.

Accounting of land of agricultural designation is implemented taking into consideration its designation in accordance with section “Rules of accounting of fixed assets” and “rules of accounting of investment properties” of current guidelines.

Acquisition of biological assets is recorded on the following accounts: debit of account 2610 «Animals», 2620 «Perennial plantings» and credit of account 3210 “short-term bills payable to suppliers and contractors”.

Financial result, which occurs at initial recognition of biological asset or agricultural produce at fair value, less expenses related to its sales is included either in the expenditures, or revenues. At initial recognition expenses may be incurred in regard to organization of sales, while revenues arise from sales of cattle or produce.

Animal yield is accounted for at the date of calving on the basis of act on calving, drawn by a permanent commission and the value of yield is accounted for on the debit of subaccount of account 2610 "Animals" and credit of account 6360 "Other revenues".

In case of loss of cattle due to materially responsible persons, loss incurred by a farm shall be recovered from such persons in accordance with administrative and criminal law of the Republic of Kazakhstan.

Biological assets are accounted for according to relevant groups:

Young plantings of all types shall be accounted for separately from plantings, which have reached the fruit-bearing age;

Animal yield of workstock and pedigree cattle shall be accounted for by categorizing them by types and age;

Mature animals are accounted for by species.

Movement of biological assets within groups is recognized as internal reallocation.

In the process of accounting of biological assets at fair value at the time of their initial recognition and at all following reporting dates an asset shall be valued at its fair value less additional expenditures related to sales of assets, except for cases, when fair value cannot be established.

Agricultural yield, received from biological assets, shall be accounted for at fair value less additional expenses related to its sales, defined at the time of receiving of yield on the basis of act of a permanent commission of a public institution.

In case of availability of an active market fair value of biological asset or agricultural produce can be determined through grouping of biological assets or agricultural produce by key characteristics (for example, by age or quality, taking into consideration these parameters of agricultural assets, present on the market and used for price formation).

Cash flow related to financing of assets and their recovery after harvesting shall not be taken into consideration (for example, expenses related to planting of trees after their logging).

Fair value of agricultural produce at the time of harvest can be established with sufficient accuracy.

Additional expenses related to sales of yield include commission charges, taxes and duties on sales of assets. As additional expenses are not recognized transport and other costs, related to delivery of biological assets to the market.

In case of unavailability of market prices or other indicators of the value of biological assets, they should be accounted for at their cost price less accumulated amortization and depreciation losses (model of accounting by actual expenditures).

In case of possibility of valuation of assets at their fair value with sufficient accuracy, they should be valued at fair value less estimated costs related to their sales.

In certain cases cost price of assets can be equal to its fair value, such cases are:

When biotransformation does not happen since the initial costs (for example, samplings of fruit trees and berry bushes, planted right before the accounting period);

When biotransformation is not expected to have substantial impact on the cost (for example, at the stage of initial growth of pine trees in a forestry, production cycle of which is 30 years).

If a biological asset is accounted for at its fair value less estimated expenditures related to their sales, such biological asset should be accounted for in the same manner, till its retirement. It is not admissible to change from valuation at fair value to valuation at cost price in conditions, when prices on the market are falling.

Biological assets, inseparably linked to land (for example trees in a forestry), shall be accounted for separately from the land at their fair value less estimated expenses relate to their sales.

Agricultural yield, received from biological assets, shall be reflected on the debit of subaccount of account "Inventory" and credit of account 6360 «Other revenues».

In case of accounting of biological assets at actual costs after recognition of an asset it shall be accounted for at its cost value less any accumulated amortization and losses resulting from depreciation loss of value.

Depreciation of biological assets is accrued on monthly basis through application of annual depreciation norms prior to complete wear and retirement. Liquidation value of biological assets is equal to zero. Accrual of depreciation on acquired biological assets is conducted on the 1<sup>st</sup> day of the month, following the month after acquiring of such assets and is terminated on the 1<sup>st</sup> day of the month, following after retirement of a biological asset.

Accrual of depreciation on biological asset is conducted through entry: on the debit of account 7110 "expenses related to depreciation of long term assets" and credit of subaccount 2631 «depreciation accumulated on biological assets».

In case of purchasing of biological assets by the budgetary resources, together with accrual of depreciation shall be conducted writing off of funding for capital investment on purchasing of such assets by the amount, calculated through application of the rate of depreciation established for the group of assets, that given asset belongs to. Following entries are made: debit of subaccount 5010 «Funding of capital investments» and credit of account 6020 "Proceeds from funding of capital investments".

Sales and transfer of biological assets shall be accounted in the same manner, as fixed assets.

After completion of fattening the value of slaughtered animals shall be written off from the debit of account 7460 "Other expenses" and credit of account 2610 "Animals". At the same time the value of received produce is reflected on the debit of account 1330 "Finished commodity" and credit of account 6360 "Other revenues".

In case of loss of animals due to materially responsible persons, losses sustained by a farm shall be recovered from such persons in accordance with requirements of the law.

Recovery of shortfall of assets, identified in the process of inventory taking of biological assets is conducted from the persons, guilty of embezzlement of such assets. Reflecting of compensation of losses is covered in the section "The rules of accounting of accounts payable and accounts receivable".

In case of receiving of animals and plants in disposal of a public institution and their reallocation a permanent commission of a public institution prepares "Act on delivery and acceptance of biological assets (animals)" – form BA-1 and "Act on delivery and acceptance of biological assets (plants)" – form BA-1A in two copies. Materially responsible person hands in to the accounting department drawn act with attached documentation for signature by chief accountant and approval of the head of a public institution, or other authorized persons.

All biological assets are kept under the custody of responsible persons, designated by the order of the head of a public institution. Responsible persons maintain inventory lists of biological assets by items in the format of form BA-3 and BA-3A "Inventory card of accounting of biological assets (animals) of public institutions" and "Inventory card of accounting of biological assets (plants) of public institutions". Authorized persons are responsible for integrity of these assets and their accounting. Inventory cards BA-3 and BA-3A are registered in the inventory of cards for accounting of fixed assets in the format of form FA-10. Inventory is maintained in one copy. Entries are made by groups of fixed assets with indication of the year of opening of a card. For each group are provided certain number of pages. Numbering is

conducted by groups, starting from number 1. In centralized accounting departments accounting is conducted in the similar manner by each public institution. In the event of retirement or reallocation of fixed assets in the column "comments" is indicated the date (day, month, year) and the number of memorial order.

Inventory cards are maintained and stored in the filing cabinets of accounting departments, where they are placed according to relevant subaccounts and groups, within which they are subdivided by materially responsible persons. In centralized accountancy departments cards are also subdivided by public institutions, which the department is servicing.

In case of substitution of a responsible person shall be conducted inventory of biological assets under his custody and handover and acceptance act shall be drawn in the format of form BA-1 and BA-1A, which is approved by the head of a public institution.

Accounting of biological assets is conducted by inventory items according to the place of their location and by responsible persons.

Inventory cards are maintained in the accounting departments, where they are kept by relevant subaccounts and groups, divided within by materially responsible persons, while in case of centralized accounting departments – additionally by public institutions, that these departments are servicing.

Documents, on the basis of which the animal yield is accounted, is the act on the animal yield, which is drawn by a permanent commission of a public institution.

Analytical accounting of animal yield is conducted by species and age groups, while animals on fattening – only by species, in the form 395 of the book of records. Accounting of these data ensures availability of information on live weight, weight gain and animal yield.

Retirement and writing off of biological assets is conducted on the basis of an act on writing off of biological assets (animals) – form BA-2 and act on writing off of biological assets (plants) – form BA-2A.

#### **4. Rules of accounting of intangible assets**

Subsection 2700 "Intangible assets: is designated for accounting of assets, the useful life of which is more than 1 year, which do not have physical form.

Given section includes following accounts:

2710 - "Intangible assets", is designated for accounting of assets, which do not have material form, but allow for generation of income during a long period of time. Given account includes following subaccounts:

2711 – «Software», designated for accounting of computer software and data bases, software on technical carriers, which a public institution is going to use for more than one year. On given subaccount are also accounted standard and application software, computer software, description of software and subsidiary means for system and application software. On this subaccount is not accounted software for machine programming control and computer platforms;

2712 - "Copyright", for accounting of copyright for the original work of art and literature. Originals belong to the authors (author, movie production companies and etc) and legal and

property rights to these originals are established in the form of copyright, patent, license or right of secrecy.

This account is designated for accounting of copyright on the following:

Originals of films, recordings, manuscripts, magnetic tapes, on which are recorded theatre production, radio and TV programs, musical performances, sports competition, works of art or literature.

Works, created for personal use;

2713 - "License agreements", for accounting of right of use of license agreements, except for objects, not protected legally; right of use of land, water, mineral resources and other natural resources, buildings, structures and equipment;

2714 - "Patent", for accounting of right of use of patent and invention, utility models, industrial designs, topology of integrated circuits, achievements in the sphere of selection, protected legally or through registration;

2715 - "Goodwill", for accounting of transactions, related to goodwill;

2716 - "Other intangible assets", for accounting of other intangible assets, which include: science intensive industrial technologies, new information, know-how and other inventions, not assigned to other categories, use of which in production is limited to those entities, which have proprietary rights to such technologies;

Brand names and trademarks;

Right to conduct exploration activities and extraction of mineral resources;

Concessions and rights to assets, which include concessions, or exclusive rights for fishing in certain areas and other assets;

The right to use of rented property for several years;

For an asset to comply with requirements of an intangible asset, it should comply with criteria of recognition of an intangible asset, i.e. identifiability, control over the resource and availability of future economic benefits.

Intangible assets are identifiable if:

It can be separated from an organization, i.e. if a public institution can sell it, lease it or exchange it separately, or jointly with contractual commitment, asset or obligation; or

Such asset is related to legal rights, notwithstanding the fact, whether such rights can be alienated or separated from a public institution;

For example, software controlled machinery, when such machinery cannot function without such software and the software is inseparable part of relevant equipment and is accounted for in the same manner as fixed assets. The same is applicable to operating systems of computers. If software is inseparable part of equipment, to which it belongs, it is accounted for as intangible assets.

Under control is meant:

Right to obtaining of future economic benefits and service potential from the use of intangible asset (protected right, such as patent or license);

Right of limiting of an access of other persons to benefits from use of intangible asset.

Accounting of intangible assets and proper documentation and reflection on the books of receiving, transfer, retirement of such assets, as well as control over their integrity and correct use.

For accounting of intangible assets public institutions use following accounts/subaccounts:

2710 "Intangible assets";

2720 "accumulated amortization and depreciation of intangible assets";

2412 "capital investments into intangible assets " .

Intangible assets are recognized, when:

There is probability, that future economic benefits and service potential shall be retained by a public institution;

Value of an asset can be established accurately;

Intangible asset at initial recognition is valued at its actual cost, which can be established accurately and includes the following:

The cost of purchase of an asset, including import duties and irrecoverable costs related to purchase, less discounts at purchase;

Any expenses, related to preparation of an asset for use by its designation.

To direct expenditures belong:

Expenses related to compensation of labor force, which was working on bringing of an asset into operational condition;

Expenses related to remuneration for professional services, having direct relation to bringing of an asset into operational condition;

Expenses related to testing of proper operation of an asset;

To expenses, not included in the actual costs of an intangible asset belong:

Expenses related to introduction of new products or services (including expenses for advertising and promotion of such assets);

Administrative expenses and overheads;

Recognition of expenses in the book value of an asset is terminated after an asset is in operational condition and is used by its designation.

Some operations are related to development of an intangible asset, but are not necessary for bringing it into operational condition. Such operations can be conducted before, as well as after development of an asset. As such operations are not necessary for bringing of an asset into operational condition, expenses and revenues related to such operations should be recognized immediately in the financial results in the relevant categories of expenses and revenues.

A public institution recognizes as cost price of intangible assets, received from other public institutions the book value of transferred intangible assets; as cost price of intangible assets, received by a public institution from third parties on gratuitous basis is considered the fair value of such assets as of the date of their receiving.

An intangible asset, which appears as a result of internal development, shall be recognized only in such cases, if an organization can demonstrate the following:

Technical feasibility of completion of development of an intangible asset, to demonstrate that it can be utilized or sold;

Its intention to complete development of an intangible asset for use or selling;

Its ability to use or sell and intangible asset;

Ability to get future economic benefits from an asset;

Availability of sufficient technical, financial and other resources for completion of development, use or selling of intangible asset;

Possibility of accurate estimation of expenses, related to development of an intangible asset.

Availability of resources for development, use and getting of benefits from an intangible asset can be demonstrated by plans, reflecting relevant capacities and resources of public institutions.

In case of development of an intangible asset by a public institution:

Expenses at the stage of development are always recognized as expenses at the stage of their incurring. At the stage of research and development a public institution cannot demonstrate availability of an intangible asset, which shall generate future economic benefits. Expenses related to intangible assets, recognized at initial stage as expenditures, shall not at a later stage be recognized as part of the cost price of an asset.

Expenses related to research and development of intangible assets shall be assigned to capital investments into an asset.

Capital investments are estimated at actual expenses and are accounted for on the subaccount 2412 "capital investments into intangible assets".

Capitalized expenses related to completed or uncompleted developments, which have not been recognized yet, shall be transferred on the balance for the next year.

Completed and recognized results of scientific research and development shall be accounted for on the account of intangible assets on the basis of relevant acts on handover and acceptance in adherence with criteria of recognition. In case of incompliance with criteria of recognition as an intangible asset, incurred expenditures shall be assigned to the category of expenditures.

Purchasing of intangible assets is accounted on the debit of subaccount of account 2710 "intangible assets" and credit of account 3210 "short-term bills payable to suppliers and contractors".

After initial recognition and intangible asset is accounted through application of one of the following models:

Model of accounting at actual expenses;

Model of accounting at revaluated cost;

Model of accounting at actual expenses: after initial recognition an intangible asset is accounted for at its cost price less accumulated amortization and depreciation losses.

Model of accounting at revaluated cost: fair value of an asset at the date of conducting of revaluation less any accumulated depreciation.

Fair value of intangible assets can be established accurately on in case if it is established in reference to active market price for such assets. In case of unavailability of an active market intangible asset is accounted for by actual expenses related to it.

At the end of the year the book value of an asset should not be significantly different from its fair value for the accounting period. Revaluation is conducted in the period and within timeline, defined by a central body, authorized for execution of a budget.

Revaluation of an intangible asset shall be conducted in adherence with the same principles, as in case of accounting of fixed assets:

Increase in value shall be credited to the account of net assets/capital (subaccount 5112 "reserve for revaluation of intangible assets");

Reduction in value must be accounted for in the expenses for the period, except for cases when it is compensated by previously recognized increase in value;

All intangible assets within category should be revaluated.

If as a result of revaluation the value of the class of assets increases, such increase shall be allocated to the credit of subaccount 5112 "reserve for revaluation of intangible assets". If previously reduction of value of the class of assets was recognized, in case of increase of the value of the same class of assets as a result of further revaluation, reduction of value shall be recovered.

If a book value of a class of assets is reduced as a result of revaluation, such reduction is recognized on the debit of subaccount 5112 "reserve for revaluation of intangible assets" in the amount of any credit balance, if previously the increase of value of assets was recognized.

Increase or reduction of value as a result of valuation of certain assets within a class of assets shall be offsetted within such class of assets, but not offsetted in regard to assets, belonging to other classes.

If an intangible asset is revaluated, any accumulated depreciation as of the date of revaluation, shall be either:

Revaluated proportionately with modification of a book value of an asset, so that the book value of an asset after revaluation shall be equal to its revaluated value; or

Shall be written off through reduction of book value of an asset, while the net value shall be recalculated to be equal to the revaluated value of an asset.

For spreading of depreciation value of an asset on systematic basis can be used different methods of accrual of depreciation:

Straight-line method of depreciation;

Declining-balance depreciation method;

Unit of production method of depreciation;

Straight-line method of depreciation requires regular implementation of depreciation charges throughout the useful life of an asset.

Declining-balance depreciation method causes reduction of depreciation charges throughout the useful life of an asset.

Unit of production method of depreciation is based on expected use or the volume of generated production.

Useful life of an asset is considered for each accounting period.

Liquidation value of an asset equals zero.

In the course of using of the Straight-line method of depreciation accrual of depreciation on intangible assets is conducted in the following manner:

- 1) Application of set depreciation norms;
- 2) Application of definite term of use of an asset.

The aggregate of depreciation of intangible assets through use of set depreciation rates is determined by multiplying of initial value (revaluated value – for revaluated assets) by monthly depreciation rate, determined on the basis of set annual depreciation rates for assets of public institutions.

Method and ways of depreciation of fixed assets is defined by a unified accounting policy and is applied comprehensively throughout relevant periods.

Depreciation of intangible assets is accrued on monthly basis. Accrual of depreciation of intangible asset starts on the 1st of the month following the month of initial recognition and is terminated on the 1st of the month, after retirement of an asset.

Depreciation of intangible assets is reflected on the debit of the account 7110 "expenses related to depreciation of long term assets" and credit of the subaccount 2721 "accumulated depreciation of intangible assets". Sometimes future economic benefits of an asset are absorbed in the course of production of other assets. In such cases accrued depreciation represents parts of actual cost of another asset and is reflected in its book value.

together with accrual of depreciation on intangible assets shall be conducted writing off of funding for capital investment on purchasing of such assets by the amount, calculated through application of the rate of depreciation established for the group of assets, that given asset belongs to. Following entries are made: debit of subaccount 5010 «Funding of capital investments» and credit of account 6020 "Proceeds from funding of capital investments".

A public institution should test intangible asset with indefinite term of useful life of depreciation on annual basis through comparing of its book value with recoverable cost, as well as every time, when there are signs of depreciation of an asset. Depreciation of intangible assets is reflected on the basis of inventory and relevant act of an inventory commission through making of account 7440 "expenses related to depreciation of assets" and credit of subaccount 2722 "reserve for depreciation of intangible assets".

Procedure of determination of depreciation of intangible assets by a public institution is conducted in accordance with requirements of a section “depreciation of assets” of present guidelines.

Recognition of an intangible asset is terminated after its retirement.

Expenses and proceeds, occurring as a result of termination of recognition of an intangible asset, are defined as difference between net proceeds from retirement, if such occurs, and book value of an asset. Such proceeds are reflected in the financial results for current year at the time of termination of recognition of an asset.

Public institutions reflect retirement of an asset on the following accounts:

In case of retirement of a fixed asset, procured previously with the budgetary resources: debit of account 7420 “Expenses related to retirement of long term assets” and credit of corresponding subaccount of account of section “fixed assets” of the chart of accounts – book

value, and simultaneously debit of subaccount 2721 “depreciation accumulated on intangible assets” and credit of corresponding subaccount of account of section “intangible assets” of the chart of accounts for the amount of accumulated depreciation on the asset. At the same time is conducted writing off of balance from funding of capital investments: debit of subaccount 5011 «funding of capital investments from budgetary funds” and credit of account 6020 «Proceeds from funding of capital investments”. In case of availability of previously accrued reserve from depreciation it shall be written off by retired long term assets: debit of subaccount 2722 «reserve for depreciation of intangible assets” and credit of account 7440 «expenses related to depreciation of assets”.

In case of sales of an intangible asset, purchased at the expense of proceeds from paid services, or sponsors or charitable assistance: debit of account 7420 "expenses related to retirement of long term assets” and credit of corresponding subaccount of account of section “intangible assets” of the chart of accounts – to book value. at the same time debit of subaccount 2721 "depreciation accumulated on intangible assets” and credit of corresponding subaccount of account of section “intangible assets” of the chart of accounts - for the amount of accumulated depreciation. In the event of previously accrued depreciation reserve on retired assets it shall be written off: debit of subaccount 2722 “reserve on depreciation of intangible assets” and credit of the account 7440 "expenses related to depreciation of assets”.

The proceeds from sales of assets are transferred by public institutions into the state budget, unless established otherwise by the resolution of the government of the Republic of Kazakhstan; these amounts are reflected in the following manner: debit of subaccount 1231 «short term accounts receivable by purchasers and clients” and credit of account 6320 “proceeds from retirement of long term assets”, and simultaneously: debit of account 7120 “expenses related to settlement with budget” and credit of subaccount 3131 “short term accounts payable to the budget on proceeds from sales of assets”.

Operation on receiving, transfer and retirement and writing off of long term assets from the subaccount 2412 «capital investments into intangible assets” is conducted in the same manner, as in case of intangible assets.

For registration of handover and acceptance of intangible assets is used the act on acceptance of intangible assets in the form of IFA-1 (HOC-1).

In the act should be indicated the exact name of the type of intangible asset, the date of transfer of an asset to a public institution, properties of an asset, its initial value, depreciation rate and etc.

In case of registration of receiving of intangible assets one copy of acceptance act is drawn for each such asset. An aggregate act can be drawn for similar types of intangible assets. The act with relevant documentation, describing the asset, or the type of use of an asset, documents confirming the right of a public institution to use such asset is submitted to the accounting department and signed by the chief accountant or a person, designated by him and approved by the head of a public institution.

In case of transfer of intangible assets from one public institution to another, the act is drawn in two copies, for the granting and receiving parties.

Analytical accounting of flows of intangible assets is conducted on the “Inventory card on accounting of intangible assets – form intangible fixed assets-IFA-6 (HOC-6), which is used for accounting of all types of intangible assets, received by a public institution. Accounting department opens inventory card for each unit of intangible assets. In the inventory card is reflected full title of an intangible asset, the date of its receiving, registration number, initial value, depreciation rate, depreciation amount and the cause of retirement.

The form is drawn in one copy on the basis of a document, confirming the fact of receiving of an asset by a public institution, technical and other documentation.

Inventory cards in the form of IFA-6 are registered in the inventory of cards on accounting of long-term assets in the form FA-10. Inventory is maintained in one copy. Entries into the cards are made by groups of assets with indication of the year of opening of a card. For each group of assets is provided specific number of pages. Numbering is maintained in regard to each group, starting from number 1. In centralized accountancy departments inventory is maintained in the same manner in regard to each public institution. Upon retirement and relocation of assets in the column of inventory “comments” is indicated date (day, month, year) and number of memorial order.

Inventory cards are maintained and stored in the filing cabinets of accounting departments, where they are placed according to relevant subaccounts and groups, within which they are subdivided by materially responsible persons. In centralized accountancy departments cards are also subdivided by public institutions, which the department is servicing.

As basis for recording of retirement of an asset serves the act on transfer of an intangible asset to another public institution.

Rules of writing off of intangible assets are same as for fixed assets. For registration of writing off of fixed assets is used an “act on writing off of intangible assets” in the form IFA-3.

## **5. Depreciation of assets**

Depreciation of an asset is loss of future economic benefits or service potential, exceeding systematic recognition of future economic benefits or service potential due to depreciation.

An asset is considered depreciated, when book value of an asset exceeds recoverable cost.

Recoverable cost of an asset is defined as the highest of the fair value less expenses incurred in regard to its sales and value derived from its use.

Value derived from use of an asset, not generating cash means, is determined as discounted value of residual service potential of an assets. Discounted value of residual service potential of an asset is determined trough application of following methods:

- 1) Method of depreciated cost of replacement;
- 2) Method of cost of restoration of an asset;
- 3) Method of useful units.

Value of use of assets, generating cash means is defined as discounted cost of future cash flow, which is expected to be received from uninterrupted use of an asset and its retirement after expiration of its useful life.

Valuation of value from use of asset, generating cash means, envisages following steps:

- 1) Valuation of future earnings and outflow of cash resources related to continuation of use of an asset and its subsequent retirement;
- 2) Application of relevant discount rate to future cash flow.

If there is any sign of depreciation of an asset, in regard to such asset should be conducted valuation of recoverable cost. If valuation of recoverable cost of an individual asset is not possible, a public institution should determine recoverable cost of a generating item, to which such asset belongs. A generating unit, to which an asset belongs, represents a smallest group of assets, which includes the asset to be valued and generates inflow of cash resources, which to a considerable degree are independent from cash inflow from other assets or group of assets.

Recoverable cost of an individual asset cannot be identified, if:

- 1) the value of use of an asset cannot be valued as close to its fair value less expenses related to its sales (for example, when future cash flow from assets still in use cannot be valued as insignificant);
- 2) An asset does not generate cash flow, which to a considerable degree is independent from cash inflow from other assets or group of assets and it cannot independently generate cash inflow.

In such cases the value from use of assets and recoverable cost can be defined only for generating unit of relevant asset.

In the end of the accounting year on the basis of results of inventory, conducted on the basis of the act of the Inventory Commission, set up in accordance with the order of the Head of a Public Institution, which is coordinated with the administrator of budgetary programs, in the accounting report shall be reflected the fact of depreciation of assets, if the recoverable cost is lower than the book value of an asset. In the act of inventory shall be indicated reasons of depreciation.

In the course of annual inventory taking the Inventory Commission and other responsible persons, under whose custody the assets are, conduct depreciation test.

The name and quantity of tested items is reflected in different inventories (collation statement) through form 401, with indication of relevant nomenclature and measurement units. Inventory is maintained in one copy, separately by location of assets and persons, in whose custody they are. Inventories are signed by all members of the Commission. The Inventory Commission draws a protocol, which reflects results of conducted inventory. If the signs of depreciation of an asset are identified, this is reflected in the accounting of depreciation reserve and form 433 is filled in.

Notwithstanding availability of any signs of depreciation, public institutions should conduct testing of intangible assets with indefinite term of useful life of depreciation on annual basis through comparing of its book value with recoverable cost.

Depreciation tests envisage conducting of procedures aimed at identification of any signs of possible depreciation of assets.

In the course of conducting of depreciation tests as a minimum following signs have to be taken into consideration:

External sources of information:

No demand or lack of demand for the service, rendered by the asset;

During a certain period of time have occurred, or in the nearest future are expected substantial longterm changes, which shall have negative impact on the public institution from the standpoint of technological, legislative and political aspects;

Internal sources of information:

There are signs of obsolescence or physical impairment of assets;

During a certain period of time have occurred, or in the nearest future are expected substantial longterm changes in the volume and ways of use of asset, which shall have negative impact on the public institution (including: asset is standing idle, plans for termination of activities or restructuring of processes, in which the asset was used, or plans of retirement of an asset earlier, than expected date);

Decision on termination of creation of an asset prior to its completion or bringing to condition, when it is fit for use;

There is data of internal reporting, which indicates, that the asset shall be impaired or deteriorate more substantially, than it was expected;

As of the end of the year a public institution shall determine availability of any signs, indicating that loss from depreciation of assets, recognized in the previous periods, has reduced or does not exist anymore, which shall cause recovery of costs from depreciation and increase of the book value of an asset. In case of availability of such signs a public institution shall value recovered cost of an asset and in this process a public institution should take into consideration at least following signs:

External signs:

Resumption of demand and need for the asset;

During a certain period of time have occurred, or in the nearest future are expected substantial longterm changes, which shall have positive impact on the public institution from the standpoint of technological, legislative and political aspects;

Internal signs:

During a certain period of time have occurred, or in the nearest future are expected substantial longterm changes, which shall have positive impact on the public institution and current of future use of an asset. These changes include expenses, incurred during the period under consideration for the purpose of improvement of an asset or restructuring of a process;

Decision to resume previously interrupted construction of an asset, its completion or bringing to condition, when it is fit for use.

There is data of internal accounting, indicating that the asset shall improve and the services rendered by it shall be better than expected.

Compensation, paid to third parties in regard to depreciation, loss or transfer of fixed assets, shall be included in the financial report, when such compensation is due to be paid.

Recovery of losses from depreciation of an asset is recorded prior to increase of recoverable cost of an asset, which does not exceed its book value, which would have been

determined (less depreciation and wear) if in previous periods the loss from depreciation was not recognized. Recovery of loss from depreciation is reflected in the financial report.

## **6. Rules of accounting of assets of concession agreements**

Receiving of objects of concession into state ownership is conducted in accordance with the legislation of Kazakhstan on Concessions.

According to the Law of Kazakhstan on Concessions a concedent (concession grantor) is the Republic of Kazakhstan, and the government of Kazakhstan, or local executive bodies and other state bodies, authorized by them act on behalf of the state.

Within the framework of concession agreements concessionaire is a legal or a natural person, involved in economic activities, who has concluded concession agreement.

In the accounting records receiving and retirement of concession assets should be documented in proper and timely manner and effective control should be established over ensuring integrity of an asset.

A concession asset is provided by a concessionaire. Such asset may be existing asset, or an asset under construction or development, or an improved asset in the ownership of concessionaire.

Concedent should recognize existing or improved asset, provided by concessionaire if:

A concedent controls or regulates what kind of services a concessionaire should provide through use of such asset, to whom such services shall be rendered and when.

A concedent on the basis of the right of ownership, right of use or some other basis controls major part residual claim on total assets by the end of the term of validity of an agreement.

For the purpose of accounting of concession assets public institutions use accounts/subaccounts of sections 2300 «Fixed assets», 2400 «uncompleted construction and capital investment», 2700 «intangible assets» with additional two digit numbering for additional analytical information, starting the numbering from 20 after 4 set digits with decimal of the account/subaccount. For example, buildings transferred on the basis of concession agreements should be reflected on the account 2330.20 «Buildings».

A concedent should conduct initial valuation of concession asset at its fair value, except for cases, when existing asset of a concedent is reclassified as a concession asset.

In cases, when existing asset of a concedent is given into concession, a concedent should reclassify existing asset as a concession asset.

After initial recognition or reclassification a concession asset should be accounted in the same way, as fixed asset and/or intangible assets in accordance with section “rules of accounting of intangible assets”.

For exchange for concession asset a concedent may pay to concessionaire compensation in the following ways or their combination:

Payments to concessionaire (model of “financial commitment”);

Payment of compensation to concessionaire in another form (model of “granting of rights to concessionaire”)

Granting of right to concessionaire of getting proceeds from other users of concession asset;

Granting to concessionaire of access to another asset, generating income;

In regard to commitments related to the concession agreements are used two models:

The model of financial commitments;

The model of granting of rights.

In case of the model of financial commitments: when a concedent has pure obligation of making of payments to concessionaire in cash means or through other financial asset for construction, development, purchasing or improvement of a concession asset, a concedent accounts for such commitment as financial obligation.

A concedent pays to concessionaire on periodic basis and accounts such payment as expenses relate to debt and payment for services, provided by concessionaire.

Expenses relate to debt and payment for services, provided by concessionaire within the framework of concession agreements should be accounted for as expenses.

Accrual of depreciation on fixed assets is conducted on the debit of account 7110 «expenses related to depreciation of fixed assets» and credit of account 2391 “accumulated depreciation on fixed assets”.

In case of concession agreements based on the model of financial commitments, together with accrual of depreciation is conducted writing off of funding of capital investments related to purchase of long term assets with proceeds from use of capital investment by the amount, calculated by depreciation rate for the group of assets, to which the asset under consideration belongs. Following entries are made: debit of subaccount 5011 "Funding of capital investments from the state budget funds" and credit of 6020 "Proceeds from funding of capital investments”.

In case of the model of granting of rights: when a concedent has pure obligation of making of payments to concessionaire in cash means or through other financial asset for construction, development, purchasing or improvement of a concession asset, and grants the right to concessionaire to get proceeds from other users of an asset or another asset, generating income, a concedent accounts for such commitment as unearned revenue, generated as a result of exchange of assets between concedent and concessionaire.

A concedent should recognize revenue and reduce commitment, stipulated by the concession agreement for provision of services. The following entries are made: 4310 «deferred income” and credit of 6220 «other revenue from management of assets”.

In cases, when a concedent is making payments for construction, development, purchasing or improvement of concession asset through undertaking of financial commitments and partially through provision of rights to concessionaire, each portion of cumulative commitment should be accounted for separately.

Accrual of depreciation on fixed assets in case of concession agreements following the model of granting of rights is conducted on the debit of account 7110 "expenses related to depreciation of long term assets” and credit of subaccount 2391 “accumulated depreciation on fixed assets”.

In case of handover and acceptance of an asset, constructed by a concessionaire, a permanent commission of a public institution prepares an “Acceptance act on transfer of fixed assets and investment property” in the form of FA – 1, in two copies.

In case of handover and acceptance of assets purchased by a concedent or assets in the ownership of a concedent on the basis of concession agreements a permanent commission draws an “Acceptance act on transfer of fixed assets and investment property” in the form of FA – 1, in two copies.

In case of handover and acceptance of assets in the ownership of a concedent or an asset, purchased by a concedent on the basis of concession agreements a permanent commission draws an “Acceptance act on transfer of fixed assets and investment property” in the form of FA – 1, in two copies.

Analytical accounting of asset flows is conducted on the “Inventory card on accounting of fixed assets and investment property by public institutions” – form FA-6.

Analytical accounting of flows of intangible assets is conducted on the “Inventory card on accounting of intangible assets – form intangible fixed assets- IFA-6 (HOC-6).

For registration of delivery and acceptance of intangible fixed assets is used the “Act on transfer of intangible assets’ – form IFA -1 (HOC-1).

Writing off balance of concession assets is conducted in accordance with legislation of the Republic of Kazakhstan on public property.

## **7. Rules of accounting on off-balance accounts**

Public institutions maintain accounting of assets which are in its disposal on temporary basis and which do not belong to a public institution (leased assets, strict accounting forms and other assets, not in the ownership of a public institution) on the off-balance accounts.

Accounting on the off-balance accounts is conducted on the basis of a single entry. Assets, accounted on the off-balance accounts, are subject to inventory taking in accordance with set rules.

Following off-balance accounts are used for accounting of such assets:

01 “leased assets” – for accounting of assets, received from other public institutions on the basis of agreement on lease, such assets are accounted at the cost of lease;

02 “stocks, received in custody or procured through centralized provision” – for accounting of inventory holdings, received by a public institution into custody, including specialized equipment, procured for conducting of scientific-research and design works envisaged by contracts, as well as raw materials, received for processing at the costs, indicated in the contracts;

03 “Strict accounting forms” – for accounting of forms in custody, issued for strict accounting purposes, such as check books, receipt books, certificates, diplomas and etc, in compliance with the lists, approved by the ministries and state committees;

08 “military equipment for training purposes” - for accounting of all types of equipment and objects in shooting ranges, sports shooting ranges and cabinets of military educational institutions;

09 “Assets of cultural heritage” – for accounting of assets of cultural heritage (historical buildings and monuments, archeological excavation sites, reserves and protected areas and works of art);

Analytical accounting is conducted on the cards of form 296-a:

Leased assets – by lessor and each asset (by inventory number of lessors);

Stocks in custody or funded from centralized provision – by public institutions, which are owners of such stocks, clients, types, place of storage, by cost of agreements or purchase prices;

Military equipment for training purposes - by category of items, place of their location and materially responsible persons;

Analytical accounting of strict accounting forms is conducted in the book of record of forms of strict accounting 448 by each type of blanks and place of keeping.

## **8. Rules of conducting of inventory taking of fixed assets**

Rules and timeline of conducting of inventory taking in public institutions, funded from the central and local budgets stipulate for methods of conducting of inventory taking in public institutions.

Main objective of inventory taking is:

Identification of actual availability of long term assets, stocks, cash means and other assets;

Comparison of actually available assets, stocks, cash means and other assets with the data of accounting records;

Identification of assets not in use;

Revision of adherence to rules of maintaining of assets and cash means;

Revision of accuracy of reflecting of accounts receivable and accounts payable, financial investments and securities;

Inventory taking is conducted:

Before preparation of annual financial reports;

In case of substitution of materially responsible persons (as of the day of handover and acceptance);

In case of establishing of the fact of embezzlement, misuse or impairment of assets;

In case of fire or other natural disasters and emergency situations;

In case of liquidation, reorganization, merger and acquisition, division or restructuring of a public institution;

Public institutions conduct inventory taking within the following timelines:

1) plant and equipment, means of transportation, tools, household and production equipment, intangible and other long term assets – no less than once a year, no earlier than September 1;

2) buildings, installations, transmission equipment and other immovable assets (land plots, perennial plantings and other objects, fixed to land, relocation of which is not possible without causing detriment to them) - no less than once a year, no earlier than September 1;

3) Library funds – once in 5 years, as well as during the timeline, set by administrators of budgetary programs;

4) workstock and productive livestock, young cattle, poultry, rabbits, fur game, beehives, experimental animals - no less than once in every quarter;

5) Uncompleted construction - no less than once a year, no earlier than September 1;

6) Precious metals and jems - twice a year, as of January 1 and July 1;

Assets, which have previously been subjected to unscheduled inspection during the relevant year, shall also be subject to scheduled inventory.

For the purpose of conducting of inventory taking upon order of the head of a public institution is set up a permanent inventory commission and dates of commencement and completion of inventory taking are defined.

The inventory commission is composed of employees of a public institution. In composition of a commission shall be no less than 3 members, including the chief accountant.

Inventory commission is chaired by the head of a public institution or his deputy.

The head of a public institution ensures proper conditions for effective and exhaustive audit of assets within set timeline.

Revision of availability of assets is conducted in presence and with direct participation of materially responsible persons.

Inventory taking is conducted only if all persons in the composition of the commission are attending the process.

Results of inventory shall be reflected in the reporting of the month, when the inventory taking was completed.

### **8.1. Stock taking of fixed assets, investment property and intangible assets**

In the course of inventory taking of buildings and structures an inventory commission examines availability of documents of entitlement in regard to assets on the balance of a public institution.

Also, is examined availability of all necessary documents in regard to land plots, water bodies and other natural resources on the balance of the public institution.

Prior to conducting of inventory taking of fixed assets it is necessary to examine the following:

Availability and condition of inventory cards, inventories and other registries of analytical accounting;

Availability and condition of technical passports and other technical documentation;

Availability of documents on assets, leased out or transferred to a public institution into custody or temporary use;

In case of identification of inconsistencies in the accounting journals and technical documentation, relevant amendments and corrections should be made.

For accounting of inventory taking of long term assets (buildings, installations, transmission equipment and other immovable assets (land plots, buildings, transmission lines, means of transportation, household and production equipment, library fund and other fixed

assets) inventory is maintained by category of items in accordance with their designation and inventory numbers.

In case of unavailability of technical documentation, this is indicated in the column “comments”.

Machinery, equipment and means of transportation are entered into inventory with indication of factory number, stated in the technical passport, the manufacturer, year of make, designation and capacity.

Objects of similar production designation, tools and other fixed assets, which have similar value, were received by a public institution in the same period and are accounted for on the standard inventory cards of group accounting, are indicated in the inventories by their designation with indication of number of items and inventory numbers.

A facility, which was subjected to restoration, reconstruction, expansion or refurbishment, as a result of which its designation was amended, shall be entered into the inventory by its new designation.

In cases, when capital repairs were conducted (overstorey was built or new facilities were built on) or certain buildings were partially demolished (demolishing of elements of a structure) and which in accordance with the criteria of recognition should not be reflected on the balance of a public institution, an inventory commission should on the basis of available documents determine the value of modification of a facility and reflect it in the inventory with indication of the reasons, due to which such modifications of a facility were not reflected on the balance of a public institution.

In case of identification of facilities, which are not accounted for, as well as facilities, which are omitted or incorrectly described, a commission should enter into inventory missing data and technical features of such facilities: in regard to building – should be indicated their function, key materials, from which they are constructed, size (interior and exterior measurements), area (total and useful), number of floors (not including basements and semibasement), the year of additions to the structure and etc.

Valuation of identified immovable properties, which have not been accounted for since the previous inventory, should be conducted at their market value in accordance with requirements of the legislation of the Republic of Kazakhstan.

Valuation of other identified facilities, which have not been accounted for since the previous inventory, should be conducted at their market value, which shall be established on the basis of current technical condition.

Fixed assets, which at the time of inventory taking are off the premises of a public institution (machinery and equipment, or rolling stock, which have been removed for capital repairs are entered on the inventory till the time of their temporary removal from the premises of a public institution.

In regard to fixed assets, investment properties and intangible assets, unfit for use and cannot be repaired, shall be maintained a separate inventory with indication of the time of commissioning and indication of reasons, why such assets have become unfit for use (impairment, wear-out and etc).

In the process of conducting of inventory taking of fixed assets are identified redundant assets, not used by public institutions, which should be reflected in the accounting records.

Together with inventory taking of fixed assets, investment properties and intangible assets, on the balance of a public institution, are also examined assets in the custody of such institutions.

Separate inventory shall be conducted in regard to such assets, where shall be referenced documents, confirming receiving of such assets into custody.

In the process of inventory taking of intangible assets the following should be examined:  
Availability of documents, confirming the right of use by a public institution;  
Correct and timely reflection of intangible assets on the balance.

## **8.2 Inventory taking of animals**

All species of animals, birds, rabbits, fur game and beehives shall be subject to inventory notwithstanding their value.

Animals, belonging to biological assets (productive and pedigree cattle, cows, breeding bulls, buffalos, yaks, stallions, stud-mares, kept in herds, breeding camels, boars and sows, ewes, goats, bucks and other pedigree cattle) is accounted for in a separate inventory (collation statements), in which is indicated number assigned to an animal, date of birth, breed, condition factor, live weight and initial value.

Breed is indicated on the basis of cattle bonitation data.

Animals from the main herd, accounted for as a group, are included into the inventory by their age and gender categories, with indication of their number and live weight.

Animals, belonging to other fixed assets (workstock – horses, bulls, camels, donkey and other workstock, used for transport and sports purposes, as well as working dogs) are included in the inventory (collation statements).

Young breed of bovine animals, stud-mares and workstock is included in the inventory separately with indication of inventory numbers, names, gender, coat color and breed.

Animals on fattening regimes, young breed of pigs, sheep, goats, poultry, beehives and other animals, accounted for in a group manner, shall be included on the inventory (collation statements) according to established nomenclature, with indication of number of animals and their live weight by each group.

Inventories are maintained by animal species and relevant subcategories, as well as by materially responsible persons.

## **8.3 Inventory taking of plants**

Plants, belonging to other fixed assets (green and decorative plantings on the streets, squares, parks, squares and territories of public institutions, yards of residential houses, green fences, shelterbelts, planting for fortification of river banks, ravine plantings and other plantings of scientific-research and educational institutions, as well as other perennial plantings) are included in the inventory (collation statements).

Plants, belonging to biological assets (man-made perennial plantings notwithstanding their age: fruit and berry plantings of all types (trees and bushes); perennial plantings, cultivated in nurseries as saplings) are included in the inventory (collation statements).

#### 8.4 Inventory taking of uncompleted construction

In the inventory act, drawn in regard to uncompleted construction is indicated name of the structure, its description, volume of implemented works, by each structure and type of works, and construction budget and actual budget.

Inventory commission should examine the following:

Whether in uncompleted construction is included equipment for installation works, which have not started yet;

Condition of conserved and temporarily interrupted constructions;

In regard to conserved and temporarily interrupted constructions reasons for interruption and conservation of buildings should be established.

In regard to completed constructions, when buildings are either fully or partially entered into operation, but relevant documents on commissioning have not been prepared yet, separate acts of inventory taking shall be prepared.

Separate acts of inventory taking shall also be drawn in regard to completed constructions, which for some reason have not been commissioned yet. In regard to interrupted constructions and design works for construction, which has not been implemented, which should be written off balance, shall be drawn inventory acts, in which data on the character of implemented works, their cost by construction budget and reasons for termination of construction should be indicated. For this purpose shall be used relevant technical documentation (drawings, cost estimates and other documents), acts on handover of works, journals of recording of works and other documentation.

Separate inventory act shall be drawn in regard to capital repairs of buildings, structures, equipment, energy supply equipment and other facilities.

Annex to the order № 95  
of the Minister of Finance of the  
Republic of Kazakhstan,  
dated by February 24 of 2011

#### Annual depreciation rates for long term assets of public institutions

Types and groups of long term assets	Number of account/subaccount by the chart of accounts of long term assets in disposal of public institutions	Code of depreciation rate	Annual depreciation rate (as % of initial value )
1. Buildings	XXXX		

Non-residential buildings	xxxx	1.1	7
Residential buildings	xxxx	1.2	2
2. Structures (water supply systems, stadiums, pools, roads, bridges, monuments, fencing of parks, squares and public gardens, drill wells, drifts and etc)	xxxx	2.1	7
3. Transmission facilities	xxxx		
electric power transmission and communication facilities	xxxx	3.1	4
Transmission and pipelines	xxxx	3.2	5
4. Means of transportation	xxxx		
Railway transport rolling stock	xxxx	4.1	15
Water transport	xxxx	4.2	15
motor transport	xxxx	4.3	15
Air transport	xxxx	4.4	15
Cartage transport	xxxx	4.5	15
Production transport	xxxx	4.6	20
Sports transport	xxxx	4.7	23
5. Machinery and equipment	xxxx		
Power transport and machinery	xxxx	5.1	10
material-working machinery and transport	xxxx	5.2	12
Measuring devices and equipment	xxxx	5.3	20
control instruments	xxxx	5.4	20
Laboratory equipment	xxxx	5.5	10
Computer equipment	xxxx	5.6	25
Medical equipment	xxxx	5.7	10
Office equipment	xxxx	5.8	10
Other machinery and equipment	xxxx	5.9	15

6. tools, production and household equipment	xxxx		
Instruments	xxxx	6.1	30
Production inventory and equipment	xxxx	6.2	10
Household inventory	xxxx	6.3	15
Other production and household inventory	xxxx	6.4	10
7. other fixed assets	xxxx		
Green and decorative plantings, other men-made perennial plantings	xxxx	7.1	8
Capital expenses on land development	xxxx	7.2	12
Other inventory	xxxx	7.3	25
Workstock	xxxx	7.4	12
Other fixed assets	xxxx	7.5	25
8. investment properties	xxxx		
Nonresidential buildings	xxxx	8.1	7
Residential buildings	xxxx	8.2	2
9. biological assets	xxxx		
Animals	xxxx	9.1	12
Perennial plantings	xxxx	9.2	8
10. intangible assets	xxxx		
Software	xxxx	10.1	10
Copyright	xxxx	10.2	10
License agreements	xxxx	10.3	10
Patents	xxxx	10.4	10
Other intangible assets	xxxx	10.5	10