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Features of display in the account of enterprises aviation industry repair of capital equipment

Accounting for the repair of fixed assets in the aviation industry requires a special approach, as it is associated with large costs for the technical base and equipment. Features include depreciation methods and an accurate display of the state of fixed assets in the balance sheet. A regular technical review also requires an appropriate accounting approach.

The methodology for accounting for property, plant and equipment and the procedure for their disclosure in the financial statements is set out in National Accounting Regulation (Standard) 7 "Property, Plant and Equipment" No. 92 dated 27 April 2000.

In accordance with NP(S)A 7 "Property, Plant and Equipment", property, plant and equipment are tangible assets held by an airline for use in the production or supply of goods, provision of services, leasing to others, or for administrative, social and cultural functions, with an expected useful life of more than one year (or an operating cycle if it is longer than one year) [1].

An item of property, plant, and equipment is a complete device with all its fixtures and fittings or a structurally separate item designed to perform certain independent functions. An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with its use will flow to the airline and its cost can be measured reliably.

As a result of physical and moral depreciation of fixed assets, as well as to increase the volume of business activities, enterprises carry out current and capital repairs of these non-current assets, their modernisation, modification, completion, reconstruction and other improvements. In accounting, improvements and repairs of fixed assets may be recognised in different ways. First of all, it is taken into account whether they will lead to an increase in future economic benefits initially expected from the use of the fixed asset. That is, if: an item of property, plant and equipment is improved (modernisation, modification, completion, refurbishment, reconstruction, etc.), which leads to an increase in future economic benefits initially expected from the use of the item, then in accordance with clause 14 of NP(C)BU 7, the cost of property, plant and equipment is increased by the amount of expenses related to the improvement of the item; an item of property, plant and equipment is repaired to maintain the item in working condition and to obtain the initially determined amount of future economic benefits from its use, then the cost of the repair is recognised in the consolidated financial statements.

It should be noted that expenses not only for repairs, but also for other activities carried out to keep the item in working condition (technical inspection, supervision, maintenance, etc.) and to obtain the initially determined amount of future economic benefits from its use are included in expenses. The decision on the nature and characteristics of the work performed by the airline, i.e. whether it is

aimed at improving the technical and economic capabilities (modernisation, modification, completion, reconstruction) of the object that will lead to an increase in economic benefits in the future, or whether it is performed to maintain the object in a usable condition and obtain an initially determined amount of future economic benefits from its use, is made by the head of the enterprise, taking into account the results of the analysis of the current situation and the materiality of such costs. Replacement of certain major components (parts) of property, plant and equipment (engines, etc.) may be accounted for, in particular, as replacement of an item of property, plant and equipment if the useful life of such part differs from the useful life of the property, plant and equipment to which the component belongs. In this case, the replacement of such a component is recognised as capital investment in the acquisition of a new fixed asset and write-off of the replaced component [3].

Also, the above-mentioned point of these recommendations establishes that the costs of improving fixed assets for the recovery of future economic benefits expected from their use are recognized as capital investments, provided that the book value of the asset does not exceed the amount of its expected compensation. The amount of expected compensation is considered to be the largest of two estimates: the net realizable value or the present value of future net cash receipts from the use of fixed assets, including its liquidation value [3].

Therefore, the methodological recommendations provide that in some cases, capital investments are reflected not only in the implementation of measures aimed at increasing future economic benefits originally expected from the use of fixed assets, but also in the implementation of measures, the consequence of which is only the restoration of future economic benefits expected from use of such assets. According to Clause 30 of Methodological Recommendations No. 561, the costs of major repairs of fixed assets are recognized as costs of the reporting period. However, the costs of major repairs of fixed assets can also be recognized as capital investments. This is possible if the costs of a significant inspection and overhaul can be identified with a separate depreciable part (component) of fixed assets. Repair costs can be determined by capital investments, if the price of the purchase of the asset already reflects the obligation (need) of the enterprise to make future costs to bring the asset to a state in which it is suitable for use. For example, in the case of the acquisition of a building in need of repair, the repair costs are taken to increase the original cost of the building to the amount that can be recovered from the future use of the building.

The issue of improving fixed assets is set out in Clause 31 of Methodological Recommendation No. 561, which determines that the cost of works that lead to an increase in expected future benefits from the fixed asset object is included in capital investments with a future increase in the initial value of fixed assets. At the same time, the basis for recognizing costs related to the improvement of fixed assets as capital investments is the growth due to the implementation of these costs of the expected useful life of the object, the quantity or quality of products (works, services) produced (provided) by this object [3].

If the airline carries out the improvement of fixed assets, then the costs associated with the implementation of such measures are initially accumulated by debiting sub-accounts 151 "Capital construction", 152 "Purchase (production) of fixed assets" or 153 "Purchase (production) of other non-current tangible assets".

After the improvement works are completed, the costs are debited to the appropriate sub-accounts to accounts 10 "Fixed assets" or 11 "Other non-current tangible assets".

It should be noted that the improvement of fixed assets goes through analytical accounting with reflection on the off-balance sheet account 09 "Depreciation deductions. When repairing an object of fixed assets of general production purpose, the costs incurred are included in the composition of general production costs and are recorded as a debit to account 91 "General production costs" [2].

If the object of fixed assets of general economic use is repaired, the expenses incurred are included in the composition of administrative expenses and are recorded as a debit to account 92 "Administrative expenses".

Costs for the repair of fixed assets related to the sale of products, goods, works, and services are included in the cost of sales and are recorded as a debit to account 93 "Costs of sales." When carrying out the repair of an object of capital assets of social and cultural purpose, the expenses incurred are included in the composition of other operating expenses with their reflection on sub-account 949 "Other expenses of operational activity".

According to Clause 28 of Methodological Recommendations No. 561, the acceptance of completed works on the repair and improvement of fixed assets can be formalized by the Act of Acceptance and Delivery of Repaired, Reconstructed and Modernized Objects in the form of OZ-2, or by another primary document developed by the enterprise, because the Order of the Ministry of Statistics of Ukraine No. 352 dated 29.12.1995 expired. However, accounting specialists came to the conclusion that the company can independently develop primary documents regarding the accounting of fixed assets, or use typical forms of primary accounting of fixed assets.

Signed by an employee of the shop (department) authorized to accept fixed assets, and a representative of the shop (enterprise) who performed repairs, reconstruction and modernization, the act is transferred to the accounting department, where it is also signed by the chief accountant and approved by the head of the enterprise or a person authorized to do so. Necessary changes related to the characteristics of the object related to major repairs, reconstruction and modernization must be made to the technical passport of the corresponding object of fixed assets. If the repair, reconstruction or modernization is carried out by a third-party airline, then the act is drawn up in two copies, while the second copy of the act is given to the executing company [3].

Conclusions. It is important to reflect the repair of fixed assets in the accounting of enterprises of the aviation industry to comply with the requirements of accounting standards and legislation. It is necessary to take into account the peculiarities of this industry, such as high manufacturability and significant cost of fixed assets, which requires careful accounting and planning of repairs and replacements. It is important to reflect the costs of repair and maintenance of assets, as well as their planned terms of repair and maintenance. This will allow the enterprise to ensure efficient use of resources and preservation of investments in the long term. When recording the repair of fixed assets in the accounting, it is necessary to use modern information technologies and software to automate

accounting processes and ensure the accuracy and reliability of financial reporting. Also, it is important to conduct regular checks and audits of financial statements to ensure their reliability and compliance with regulations and requirements. In general, the display of repairs of fixed assets in the accounting of enterprises of the aviation industry is a complex and responsible process that requires competent specialists and compliance with the requirements of standards and legislation.

References

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