

## FAS 6/2020 "FIXED ASSETS" from 01.01.2022

21.12.2021

### Dear customers and partners!

We would like to draw your attention to the fact that **starting from January 1, 2022** a new standard for accounting for fixed assets (hereinafter referred to as FA) is mandatory for usage - FAS 6/2020.

The corresponding changes were made by the [Order of the Ministry of Finance N 204n dated September 17, 2020.](#)

Before transition to the new standard, we recommend that you do the following:

- Establish a limit on the cost of fixed assets to allocate the cost of an asset to the FA or the low-value FA category;
- Conduct an inventory of fixed assets and other assets that, in accordance with FAS 6/2020, could be classified as fixed assets based on the new cost limit;
- Make appropriate changes to the accounting policy of the Company;
- Determine the useful life period of the FA and the terms of the annual testing of it for relevance;
- Select the method of subsequent accounting of the FA (after initial recognition), at initial or revalued cost;
- Determine the liquidation value (hereinafter referred to as LV) of fixed assets on the balance sheet of the enterprise. and the timing of the annual LV assessment;
- For the method of assessing fixed assets at a revalued cost, establish the frequency of revaluation of fixed assets for each group of revalued fixed assets;
- Reflect changes in the organization's balance sheet as of 01.01.2022 using incoming adjustments;
- Disclose relevant information in the accounting (financial) statements of the company.

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### What does this mean in practice?

According to the new standard, an organization has the right to independently set a cost limit for classifying an object as a fixed asset, in the contrast to the previously existing limit of 40,000 rubles.

With an increase in the limit (if, for example, an organization decides to set it at the level of 100,000 rubles in order to make it equal to the FA limit in tax accounting), some fixed assets may no longer meet the accounting FA limit criteria and will need to be reclassified as low-value FA, writing off the net book value of the period as an expense (clause 5 of FAS 6 / 2020), while it will be still necessary to keep inventory and off-balance sheet records of such objects.

The standard introduces the concept of residual value - the amount that an entity would receive if an item were disposed of (including tangible assets remaining after disposal), less the estimated disposal costs at the time of disposal. A LV of the particular can be equal to zero if at the end of the UL no more benefits are expected from the disposal of the object, if receipts are expected, but they are not material, or if it is impossible to determine how much will be received upon disposal of an asset (paragraph 31 of FAS 6/2020).

The liquidation value of fixed assets should be systematically (at least, at the end of each year) analyzed for changes and, if necessary, adjusted (clause 37 of FAS 6/2020).

Also, the innovation of the standard - the accrual of depreciation on fixed assets is not suspended (including in cases of downtime or temporary break in the use of fixed assets), except for the case when the residual value of an item of fixed assets becomes equal to or exceeds its book value (hereinafter BV).

If subsequently the residual value of such an item of fixed assets becomes less than its book value, depreciation is resumed on it (paragraph 30 of FAS 6/2020).

### **What should be done?**

According to paragraphs 48-49 of FAS 6/2020, the consequences of a change in accounting policy associated with the beginning of the application of the new standard should be reflected retrospectively - as if the specified standard had always been applied.

It is necessary to recalculate and adjust the balance sheet statement in the part of fixed assets as of 01.01.2022, in case there was no early application of the standard, and also determine the BV - the initial asset cost less accumulated depreciation. The initial cost should be calculated according to the previously existing rules, and the accumulated depreciation - according to the norms of the new standard (clause 49).

Prospective application of the standard, without incoming adjustments at the beginning of the year, is possible only for organizations that are entitled to use simplified accounting methods, including simplified accounting (financial) statements (paragraph 51 of FAS 6/2020).

We will be happy to answer your questions!

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