NATIONAL ACCOUNTING STANDARD
“INTANGIBLE AND TANGIBLE ASSETS”

Introduction
1. This standard is developed based on EU Directives, IAS 38 “Intangible assets”, IAS 16 “Property, Plant and Equipment” and IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

Objective
2. The objective of this standard is to prescribe the accounting treatment for intangible and tangible assets and disclosure of related information in the financial statements.

Scope
3. This standard shall be applied to all intangible and tangible assets, except for:
   1) measuring biological assets (NAS “Particularities of accounting in agriculture”);
   2) assets received under financial lease, at their initial recognition (NAS “Leases”);
   3) property investment accounted for under the fair value model (NAS “Investment property”);
   4) goodwill (IFRS 3 “Business combinations”);
   5) non-current assets held for sale (IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”).

Definitions
4. The following terms are used in this standard with the meanings specified:
   Depreciation of assets – the systematic allocation of the depreciable amount of an intangible asset over its useful life;
   Initial cost – cost of purchasing or creating the object for record-keeping and costs directly attributable to bringing it to the location and condition necessary for use as per its destination
   Useful life of an asset is:
      1) the period over which an entity expects to obtain economic benefits from the use of an asset; or
      2) the number of product units, works, services or other similar units that the entity expects to obtain from the use of the asset.
   Assets – assets held to be used for a period longer than one year in the entity’s operation or to be transmitted for the use by third parties.
   Depreciable assets – assets held in exploration having a certain useful life (limited) and for which the depreciation is calculated.
   Tangible assets – assets in the form of fixed assets, land, property, plant and equipment in progress and mineral resources
   Tangible assets in progress – Property, plant and equipment purchased or held in the process of creation and preparation for the use as per their destination, before these are transmitted to exploration.
   Non-depreciable assets – assets with an uncertain useful life (unlimited) or that is in progress.
   Intangible assets – non-monetary assets without physical substance, identifiable and controllable by the entity;
**Intangible assets in progress** – intangible assets purchased or held in process of creation and preparation for use as per destination, as well as intangible assets interconnected with other assets that need preparation works for their use as per destination.

**Fixed assets** – tangible assets transmitted for exploration, which unit value exceeds the value threshold envisaged by the tax legislation or significance threshold set by the entity in accounting policies.

**Object (element) of assets record-keeping** – a separate asset designed to be used individually or a complex of components, designed for the use on the whole.

**Mineral resources** – tangible assets in the form of capitalized costs of exploration works (preparation for extraction), for which the technical feasibility and commercial viability is demonstrated.

**Land** – tangible assets as land territory held by the entity with the ownership right or received under financial lease to be used in the entity’s activity.

**Depreciable amount** – the cost of entry or corrected cost less its residual value estimated.

**Carrying amount** – the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

**Fair value** – the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction;

**Residual value** – the estimated (expected) amount of depreciable assets, which the entity envisages to obtain at the expiry of its useful life;

**General Rules**

**Initial recognition and measurement**

5. Initial recognition of assets shall be done on items of evidence (hereinafter - objects) which classification shall be determined by the entity by itself (e.g., if an intangible complex comprises several components, the entity may account for this asset as a single object of record-keeping or each component of the asset as separate objects).

6. The object shall be recognized as an asset only if the following conditions are met simultaneously:

   1) the object is identifiable and controllable by the entity;
   2) their properties and peculiarities correspond to the definition of intangible and tangible assets;
   3) it is likely that the entity will obtain future economic benefits from the use of the object; and
   4) The initial cost of the object can be measured reliably.

7. Initial assessment of each object shall be performed at initial cost. The composition of the initial cost varies depending on the object’s entry method: purchase, created on its own, received in exchange, in the form of equity participation, free of charge, in economic management etc.

8. The initial cost of the purchased object comprises:

   1) the purchase price, customs duties, irrecoverable taxes and fees, with decrease of all reductions, rebates and trade discounts at purchase;
   2) any costs directly attributable to the object in order to bring it to the location and condition necessary for its use as per the destination.
The asset’s initial cost shall be recorded as an increase of assets in progress concomitantly with an increase in current liabilities and/or decrease in assets used to prepare the property for exploitation. Transmitting those objects in operation shall be recorded as an increase in assets in use and decrease in assets in progress.

**Example 1. An entity acquired technological equipment for the price of MDL 150,000.** Directly attributable costs include: the cost of transport services - MDL 7,500, personnel costs related to loading-unloading - MDL 3,500 and costs of the asset commissioning and testing – MDL 12,000.

Based on the example data, the entity accounts for the cost of entry of the object in the amount of MDL 173,000 (MDL 150,000 + MDL 7,500 + MDL 3,500 + MDL 12,000) – as an increase in tangible assets in progress concomitantly with an increase in current liabilities and decrease in assets used for the preparation of the object for its use. When transmitting the object into use, the entity records the increase in fixed assets and decrease in tangible assets in progress.

9. If costs are not necessary for the preparation of assets for use as per destination and if the date of entry of these objects coincides with the date of commencement of their use, the initial cost of such items shall be accounted for as a concomitant increase of assets in use and current liabilities.

10. The assets purchased, the value of which is denominated in foreign currency shall be evaluated in the national currency by recalculating the foreign currency as established by NAS “Differences in foreign exchange rates and amount”. The differences in exchange rates or amounts arising after the object recognition shall not affect its cost.

11. The cost of entry for assets created (designed, constructed) by the entity by its own shall be valued at actual cost, which includes: project cost, the amount of materials consumed, personnel costs, social security and healthcare insurance contributions, indirect costs of production etc.

12. The assets may be received in exchange for other non-monetary assets or a combination of monetary and non-monetary assets. Such transactions shall be treated as two operations: disposal of the asset transmitted in exchange and procurement of the asset received in exchange.

**Example 2. An entity transmitted a technological system, the carrying amount of which is MDL 110,000 and contract value - MDL 120,000 in exchange for a lathe with contract value – MDL 140,000. In this case, the entity, in addition to the contract value of the technological system transferred, paid MDL 20,000 to the supplier.**

Based on the example data, the lathe received in exchange is recognizes at the entry cost of MDL 140,000, equal to its contractual value or contractual value of the technological system (MDL 120,000), plus the amount paid (MDL 20,000) in cash. The entity shall record the initial cost of the lathe as a concomitant increase in tangible assets and current liabilities.

13. The assets received as equity participation shall be assessed in accordance with the law in force at the amount approved by the decision of the empowered management of the entity with the addition, where necessary, of directly attributable costs.

14. The assets received free of charge (as a donation) shall be measured according to the primary entry documents, by adding, where necessary, the costs directly attributable. If the primary entry documents do not indicate the entry value of the asset received, the initial cost shall be determined by an independent expertise.

15. The initial cost of assets held by a lessee under finance lease shall be determined in accordance with NAS “Leases”.

16. The initial cost of assets shall not be changed after sending objects to use. In case of capitalization of subsequent costs, impairment and reversal of impairment, the corrected cost of the assets substituting the initial cost shall be measured.

**Subsequent measurement and depreciation**

17. After initial recognition, the assets shall be valued at carrying amount (at cost).

18. According to the entity’s accounting policies, subsequent assessment of assets may be made under the revaluation model under IAS 38 “Intangible assets” and IAS 16 “Property, Plant and Equipment”.

19. Depreciation shall be calculated monthly for each item of evidence starting with the depreciable value of the object and the duration of its use. The depreciable amount shall be adjusted by the amount of the loss recognized or impairment reversed according to NAS “Impairment of Assets”.

20. The useful life and the residual value of each object shall be determined by an entity independently on transmission of the object into use, except as provided in para 45 of this standard. For some objects, the residual value may be insignificant, i.e., when calculating depreciation it shall be considered equal to zero.

21. Depreciation calculated for an object in the reporting period shall be recorded as an increase in costs and/or current expenses (e.g., depreciation of technological equipment of the entity shall be included in the cost of manufacturing products directly or indirectly and depreciation of the administrative building shall be attributed to current expenditures).

22. When calculating the depreciation of an asset, the following methods can be applied: straight-line, units of production method, diminishing balance method.

23. Straight-line method provides uniform distribution of the depreciable amount over the life of the object. The amount of depreciation for each reporting period shall be calculated as the ratio of the depreciable amount of the object and the number of periods (years, months, days) in the useful life of the object. Depreciation rate is constant throughout the useful life and shall be calculated as the ratio between 100% and useful life (in years, months, days). After expiry of the useful life, the carrying amount of the object shall be equal to the residual value.

**Example 3. An entity has a lathe with the entry value of MDL 60,000, its residual value - MDL 3,000, useful life - 5 years.**

Based on the example data, the annual rate of depreciation is 20% (100\%:5 years), and amount of annual depreciation - MDL 11,400 [(MDL 60,000 – MDL 3,000) x 0.20]]. Accordingly, the monthly amount of depreciation is equal to MDL 950 (MDL 11,400: 12 months).

24. The units of production method envisages the calculation of depreciation as a multiplication of depreciation value per product (service) unit and the volume of manufactured goods (services) during the reporting period. The amount of depreciation per unit of product (service) shall be calculated as the ratio between the depreciable amount and number of units of products (services).

**Example 4. According to the entity’s estimates, with the lathe mentioned in Example 3, during the useful life, 500,000 units can be manufactured. Effectively, in the first year of operation, 65,000 units were manufactured; in the second year – 120,000 units, in the third year – 140,000 units, in the fourth year – 120,000 units, in the fifth year – 55,000 units.**

Based on the example data, depreciation calculated for a unit equals to MDL 0.114 (MDL 57,000: 500,000 units). The calculations results are shown in Table 1.
Calculating depreciation of the lathe according to the units of production method

<table>
<thead>
<tr>
<th>Period</th>
<th>Entry cost (MDL)</th>
<th>Depreciation per product unit</th>
<th>Quantity of units produced, units</th>
<th>Annual depreciation (MDL)</th>
<th>Accumulated depreciation (MDL)</th>
<th>Carrying amount (MDL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>60,000</td>
<td>0.114</td>
<td>65,000</td>
<td>7,410</td>
<td>7,410</td>
<td>52,590</td>
</tr>
<tr>
<td>2</td>
<td>60,000</td>
<td>0.114</td>
<td>120,000</td>
<td>13,680</td>
<td>21,090</td>
<td>38,910</td>
</tr>
<tr>
<td>3</td>
<td>60,000</td>
<td>0.114</td>
<td>140,000</td>
<td>15,960</td>
<td>37,050</td>
<td>22,950</td>
</tr>
<tr>
<td>4</td>
<td>60,000</td>
<td>0.114</td>
<td>120,000</td>
<td>13,680</td>
<td>50,730</td>
<td>9,270</td>
</tr>
<tr>
<td>5</td>
<td>60,000</td>
<td>0.114</td>
<td>55,000</td>
<td>6,270</td>
<td>57,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

After production of 500,000 units, regardless of the fact whether this result was obtained in a shorter or longer period than five years, the depreciation of lathe is no longer calculated.

25. Diminishing balance method is based on applying a fixed depreciation rate that can be increased according to the entity’s accounting policies not more than twice in comparison with the rate used in the linear method. Calculation of depreciation based on diminishing balance method shall be carried out as follows:

1) for the first reporting period, the increased depreciation rate applies to the entry cost of the object;

2) for the following periods (except for the last period), the increased depreciation rate applies to the carrying value of the object at the end of the preceding period;

3) for the last reporting period, the depreciation amount is determined as the difference between the carrying amount of the object at the end of the previous period and its residual value.

Example 5. Using the data from Example 3, let us assume that an entity applies diminishing balance method by increasing the rate of depreciation of the lathe twice.

Based on the example data, the increased depreciation rate is 40% (20% × 2). The results of calculating depreciation via the balance declining method are presented in Table 2.

Calculating depreciation of lathe according to the diminishing balance method

<table>
<thead>
<tr>
<th>Period</th>
<th>Entry cost (MDL)</th>
<th>Depreciation rate, %</th>
<th>Depreciation calculation basis</th>
<th>Annual depreciation (MDL)</th>
<th>Accumulated depreciation (MDL)</th>
<th>Carrying amount (MDL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>60,000</td>
<td>40</td>
<td>60,000</td>
<td>24,000</td>
<td>24,000</td>
<td>36,000</td>
</tr>
<tr>
<td>2</td>
<td>60,000</td>
<td>40</td>
<td>36,000</td>
<td>14,400</td>
<td>38,400</td>
<td>21,600</td>
</tr>
<tr>
<td>3</td>
<td>60,000</td>
<td>40</td>
<td>21,600</td>
<td>8,640</td>
<td>47,040</td>
<td>12,960</td>
</tr>
<tr>
<td>4</td>
<td>60,000</td>
<td>40</td>
<td>12,960</td>
<td>5,184</td>
<td>52,224</td>
<td>7,776</td>
</tr>
<tr>
<td>5</td>
<td>60,000</td>
<td>40</td>
<td>7,776 – 3,000 = 4,776</td>
<td>57,000</td>
<td>3,000</td>
<td></td>
</tr>
</tbody>
</table>
26. Entity shall choose independently its depreciation methods and shall specify them in accounting policies. The methods chosen should reflect the model (scheme) to obtain economic benefits from the use of property by the entity.

27. Where there is a significant change in the pattern of obtaining the future economic benefits from the use of the object, the depreciation method applied shall be changed. Such a change in accounting estimates shall be accounted for in accordance with NAS “Accounting policies, changes in accounting estimates, errors and subsequent events”.

Example 6. Using the data in Example 3, let us suppose that during the first year of operation of the lathe, the entity has calculated its depreciation based on the straight-line method. After a year, it became clear that, in subsequent years, the lathe will be used more intensively and the volume of work performed by its use will increase annually. Due to this reason, the entity has decided to calculate the object’s depreciation by using the diminishing balance method.

Based on the example data, the annual depreciation for the lathe is determined as shown in Table 3.

Table 3

<table>
<thead>
<tr>
<th>Period</th>
<th>Entry cost</th>
<th>Depreciation calculation basis</th>
<th>Annual depreciation</th>
<th>Accumulated depreciation</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>60,000</td>
<td>57,000</td>
<td>57,000 ÷ 5 = 11,400</td>
<td>11,400</td>
<td>48,600</td>
</tr>
<tr>
<td>2</td>
<td>60,000</td>
<td>48,600</td>
<td>50% × 48,600 = 24,300</td>
<td>35,700</td>
<td>24,300</td>
</tr>
<tr>
<td>3</td>
<td>60,000</td>
<td>24,300</td>
<td>50% × 24,300 = 12,150</td>
<td>47,850</td>
<td>12,150</td>
</tr>
<tr>
<td>4</td>
<td>60,000</td>
<td>12,150</td>
<td>50% × 12,150 = 6,075</td>
<td>53,925</td>
<td>6,075</td>
</tr>
<tr>
<td>5</td>
<td>60,000</td>
<td>6,075 – 3,000 = 3,075</td>
<td>57,000 – 3,075 = 53,925</td>
<td>3,075</td>
<td>6,075</td>
</tr>
</tbody>
</table>

The depreciable value after changing the depreciation method is MDL 45,600 (MDL 48,600 - MDL 3,000). The increased rate of depreciation for the remaining period (4 years) is 50% [(100%: 4 years) ÷ 2]. This rate applies to the carrying amount of the asset after the first year of use, without deducting the residual value and is of MDL 48,600.

28. In accordance with the accounting policies, the entity shall calculate the depreciation of an asset, beginning with its transmission into use or the first day of the month following the month of its transmission into use. Accordingly, the calculation of the object’s depreciation ceases:

1) on the date of expiry of the useful life and/or at disposal of the object; or
2) starting the first day of the month following the month of expiry of useful life and/or disposal of the object.

29. The assets impairment shall be accounted for in accordance with NAS “Impairment of Assets”.

* This rate/rule does not apply to the last reporting period.
30. Impairments or losses of objects, the right to claim compensation or payments of compensation from third parties and any subsequent procurement and construction of replacement objects shall be recorded separately. Compensation from third parties for assets impaired, lost or embezzled shall be recognized as revenue on accrual basis. The damages shall not be recognized as impairment loss or restoration cost based on the non-compensation principle.

Example 7. Due to a fire, a building was destroyed partially. As required by NAS “Impairment of Assets”, the entity recognized an impairment loss for this object in the amount of MDL 50,000. According to the contract with this entity, the insurance company is obliged to pay compensation in the amount of MDL 45,000. The actual cost of services for restoring the object provided by third parties constituted MDL 58,000. According to the entity's accounting policies, the impairment losses shall be accounted for on a separate account.

Based on the data in the example, the entity accounts:
- building impairment losses in the amount of MDL 50,000 – as a concomitant increase in current expenditures and depreciation of tangible assets;
- costs related to the asset restoration amounting to MDL 58,000 - as a concomitant increase in tangible assets and current liabilities;
- insurance compensations in the amount of MDL 45,000 – as an increase in current receivables and income.

Derecognition

31. Assets shall be derecognized at their disposal in case of:
1) liquidation due to physical wear and/or moral aging, destruction due to natural calamities and so on;
2) transmission (alienation, concession) through sale, under a finance lease, exchange, donation, etc.

32. In case of asset disposal, the entity shall record the settlement of that object depreciation and impairment losses recognized on a separate account (if any) concomitantly with a decrease in the value of the object.

33. In case of assets liquidation or disposition prior to expiry of their useful life, the undepreciated value shall be settled as an increase in current expenses concomitantly with a decrease in the assets value.

Example 8. An entity has a technological device, initial cost of which is MDL 18,000, useful life set - 10 years, the residual value is zero. Due to the moral aging of the device, the entity decides to liquidate it after 8 years of operation, i.e. two years before the expiry of its probable useful life.

Based on the example data, at the device disposal, the entity accounts for:
- accumulated depreciation of the object worth MDL 14,400 [(MDL 18,000: 10 years) × 8 years] - as a concomitant reduction in depreciation and tangible assets value;
- carrying amount of the object in the amount of MDL 3,600 (MDL 18,000 - MDL 14,400) – as an increase in expenses and decrease in the value of tangible assets.

34. The costs related to the disposal of the tangible assets shall be accounted for in accordance with para 64-66 and 79-84 of this standard. The value of assets obtained at the disposal of assets shall be recorded in conformity with para 67 of this standard.

35. The net proceeds or the value of any other forms of compensation to be received as a result of asset disposal shall be recorded as an increase in receivables and current revenue.
36. The result (profit or loss) from derecognition of assets shall be determined as the difference between revenue and expenditure related to the disposal of the respective asset.

Example 9. An entity has sold a computer, whose initial cost was MDL 15,000, useful life - 5 years, depreciation accumulated before the date of sale – MDL 9,000, the residual value - zero. The selling price of the object is:

- Option I – MDL 8,000;
- Option II – MDL 5,000.

Based on the data in the example, the entity accounts for both versions:

- accumulated depreciation of the object in the amount of MDL 9,000 lei - as a concomitant reduction of depreciation and tangible assets value;
- carrying amount of the object in the amount of MDL 6,000 (MDL 15,000 - MDL 9,000) – as an increase in current expenditure and reduction in tangible assets.

Simultaneously, it shall record an increase in receivables and current revenue in the amount of MDL 8,000 - option I or MDL 5,000 - for option II.

37. Notwithstanding the requirement in para 31-36 of this standard, selling the assets (technical installations, equipment) used by the contractor only in performance of a concrete construction contract shall be accounted for under NAS “Construction contracts”.

Peculiarities of accounting for intangible assets

38. Intangible assets include inventions, trademarks, licenses, know-how, franchises, software, industrial designs and models, websites, rights to use the intangible assets received as equity participation, copyright, rights under protection certificates and other intangible assets.

39. Initial recognition of intangible assets shall be carried in the manner prescribed in para 6 of this standard with the exception of specific rules, namely:

1) intangible assets held in/on a physical object, such as carriers of information (in case of software) or legal documentation (for a license) shall be recognized at the date of acquisition of the right of use of such information;

2) intangible assets as protection certificates (e.g., the right to use a patent or industrial design created by the entity) shall be recognized at the date of issue;

3) intangible assets interconnected with other assets, regardless of whether or not these require preparatory work for their use by destination, shall be recognized at the date of commissioning of another asset that requires preparatory work.

Example 10. In May 201X, an entity purchased the right to use the trademark for product “X” for a period of five years in the amount of MDL 35,000 and the right to use the manufacturing technology worth MDL 40,000. Production of the product is impossible without special equipment that was purchased on 01.06.201X worth MDL 120,000, but installed and put into operation on 15.08.201X.

Based on the example data, in 201X, the entity accounts:

In May:

- The right to use the trademark for the product “X” in the amount of MDL 35,000 and the right to use the manufacturing technology in the amount of MDL 40,000 - as a concomitant increase in intangible assets in progress and current liabilities;

In June:

- Special equipment worth MDL 120,000 - as a concomitant increase in tangible assets in progress and current liabilities;

In August:
- Commissioning of special equipment in the amount of MDL 120,000 – as an increase in fixed assets and decrease in tangible assets in progress;
- Transfer of the right to use the trademark in the amount of MDL 35,000 and the right to use technology manufacturing in the amount of MDL 40,000 – as an increase of intangible assets and decrease in intangible assets in progress.

40. Costs directly attributable to intangible assets include: payment for legal and consultancy services, fees for the state registration of objects of intellectual property, valuation costs, costs related to the preparation for use as per destination, borrowing costs capitalized in accordance with NAS “Borrowing costs” etc.

Example 11. According to the license agreement, an entity purchased the right to use an industrial design for a period of five years at the cost of MDL 80,000. The payment for legal and consultancy services amounts for MDL 800 and the costs of evaluation of industrial design – MDL 1,200. The personnel costs related to the preparation of industrial design for use as per its destination was of MDL 2,986.

Based on the data in the example, the entity accounts:
- entry cost of intangible asset in the amount of MDL 84,986 (MDL 80,000 + MDL 800 + MDL 1,200 + MDL 2,986) - as a concomitant increase in intangible assets in progress and current liabilities;
- transmission into use of the right to use the industrial design in the amount of MDL 84,986 – as an increase of intangible assets and decrease in intangible assets in progress.

41. Entry cost of intangible assets created within the entity shall include the actual costs incurred (e.g., costs incurred for the development of websites, such as personnel costs and other costs related to the development of the websites, getting the domain name, it represents an intangible asset if the conditions set out in para 6 of this standard are met).

Example 12. An entity has developed a website on its own for placement in the Internet. The costs of developing the website include:
- Cost of materials consumed – MDL 1,200;
- Personnel costs - MDL 15,180;
- Depreciation of computers used for website development – MDL 1,600;
- Website design, developed by a third party - MDL 4,300;
- Payment for domain name registration and other services related to website placement – MDL 1,200.

The website created meets the requirements for recognition of intangible assets and exclusive rights to use the website belong to the entity.

Based on the data in the example, the entity accounts:
- costs related to the website development in the amount of MDL 23,480 (MDL 1,200 + MDL 15,180 + MDL 1,600 + MDL 4,300 + MDL 1,200) – as an increase of intangible assets in progress and decrease in inventories, increase in depreciation of fixed assets and current liabilities;
- Initial cost of entry of the website transmitted into operation in the amount of MDL 23,480 – as an increase in intangible assets and decrease of intangible assets in progress.

42. Subsequent costs related to intangible assets incurred during the useful life (keeping in action the protection certificates of the objects of industrial property, improvement or modernization of intangible assets, prolonging the action of the protection certificates, etc.) which will generate additional economic benefits shall be recorded as current expenses or, if these are significant, as anticipated expenses.
43. Subsequent costs related to intangible assets that will generate additional economic benefits shall be capitalized and accounted for as an increase in intangible assets and decrease in inventories, increase in depreciation of fixed assets and current liabilities.

Example 13. After three years of use of software, the entity made significant changes to it. Carrying amount of the software before improvement was MDL 6,000, improvement costs - MDL 15,348. After improvement, the useful life of the software increased and was 5 years.

Based on the example data, the entity accounts for the subsequent costs incurred in the amount of MDL 15,348 - as a concomitant increase of intangible assets and current liabilities. Carrying amount of software in this case will be MDL 21,348 (MDL 6,000 + MDL 15,348). Annual depreciation after capitalization of subsequent cost would be MDL 4,270 (MDL 21,348: 5 years) and shall be accounted for as an increase in current costs/expenses and depreciation of intangible assets.

44. Depreciation of intangible assets shall be measured for the depreciable objects based on the depreciable amount and useful life by applying the methods set out in para 22-25 of this standard.

45. Useful life of intangible assets shall be determined depending on: the expected useful life, any moral obsolescence (assets nonconformance with the new requirements), the dependence of the useful life on validity of legal right (for intangible assets acquired from licensor this is the validity of the license agreement), the term of validity of that protection certificate. Useful life of a protection certificate (of a patent, copyright, etc.) may coincide with the period of their legal protection period, for example, if the term of protection of an invention patent is 5 year, the useful life of the patent can be established as five years.

46. If as a result of the use of the intangible assets the entity expects to obtain economic benefits over a shorter period of time than the period specified previously, the useful life of the asset shall correspond to the period of obtaining the economic benefits. In this way, if as per its qualities and characteristics, the patent can be used 10 years, but the economic benefits will result only in the course of 8 years, its useful life will be 8 years.

47. In case of renewal of contractual or other legal rights, the useful life of amortizable intangible assets shall be the period envisaged after renewal.

48. If as a result of the review of the relevance factors, the entity cannot determine the foreseeable limit of time over which the asset will generate economic benefits, the assets shall be treated as intangible depreciable assets. Depreciable intangible assets shall not be depreciated and shall be tested for impairment in accordance with NAS “Impairment of Assets”.

49. When finding the factors leading to the reduction of the economic benefits of the asset in the near future, this intangible asset shall be passed into the category of non-depreciable assets. From this point, the entity shall determine the useful life and the amount of depreciation for each reporting period.

Example 14. An entity - sparkling wine producer holds a trade mark worth MDL 78,000. Since the validity of the certificate of trademark registration may be renewed whenever necessary, this intangible asset is found non-depreciable. On 1 August 201X, in conditions of aggravated competition on the market, the entity’s management has decided to cease production of sparkling wine for four years.

According to the accounting policies on intangible asset, in this case the assets will be moved from non-depreciable into depreciable assets category. For calculation of depreciation, the entity shall apply the balance declining method, increasing the annual depreciation rate up to 50% (25 × 2).
Based on the example data, for the year 201X, the entity accounts the trademark depreciation amounting to MDL 16,250 (MDL 78,000 × 0.5 × 5 months: 12 months) – as a simultaneous increase in current expenditure and depreciation of intangible assets.

50. The disposal of intangible assets can take place in case of cession (concession) of the exclusive right to use the intangible assets to a licensee without keeping the title of the owner by the entity - licensor, termination of the contract by the licensee or licensor, expiration of the useful life, modernization of intangible assets with registration of the protection certificate of a new asset and reversal of the obsolete assets. The entity shall account for the disposal of intangible assets in accordance with para 31-36 of this standard.

**Peculiarities of accounting for tangible assets**

51. Tangible assets shall include:

1) fixed assets - buildings, special buildings, machinery and equipment, transmission facilities, transportation means, tools, inventory, capital costs of land improvement and other fixed assets (capital investments for fixed assets received under operating leases, library funds, etc.), fixed assets received under financial leases;
2) land - land without construction, land with construction, land with natural resources;
3) tangible assets in progress - construction in progress, equipment for the installation, equipment and other items before the commissioning, subsequent capital investments;
4) mineral resources.

52. The initial recognition and measurement of the tangible assets shall be made in accordance with para 5-16 of this standard.

53. Costs directly attributable to tangible assets shall include: costs of transport, loading, unloading, preparation of installation site, installation and assembly, testing and inspection of the functionality of the object, preparation of the land for use by purpose (leveling, cleaning, demolishing, the cost of drainage etc.), the payment of professional fees (architects and engineers etc.), costs of capitalized borrowing under NAS “Borrowing costs”. The entity shall record these costs as an increase in tangible assets in progress concomitantly with an increase in current liabilities and/or decrease in the assets used.

54. The land and buildings shall be accounted for separately, even if these are purchased at a single price. In such case, the entry cost shall be allocated among the items purchased proportional to the fair value of each object.

**Example 15.** An entity acquired a land spot with a building located on this land worth MDL 180,000. If these items were purchased separately, the market value of the land would have been MDL 160,000, and the building – MDL 40,000.

Based on the data in the example, in order to determine the entry cost of each individual object, the ratio (coefficient) between contractual payment to the total fair value of objects that are 0.9 (MDL 180,000: MDL 200,000) is determined. The initial cost is determined by multiplication of the market value of each item and the coefficient obtained: the land - MDL 144,000 (MDL 160,000 x 0.9), the building - MDL 36,000 (MDL 40,000 × 0.9).

The entity accounts for the initial cost of items purchased as a concomitant increase in tangible assets and current liabilities.

55. In case of transferring an object from inventories to tangible assets category, the entry cost of the tangible asset shall be equal to carrying amount of those inventories determined under NAS “Inventories” by adding, as applicable, the directly attributable costs.
**Example 16.** An entity that manufactures office furniture decided to use furniture set in the meeting room, the actual cost of which is MDL 15,864.

Based on the data in the example, the initial cost of the object for its own use is set equal to the actual cost of furniture produced in the amount of MDL 15,864 and is recorded as an increase in tangible assets and decrease in inventories.

56. Before or during the process of construction or development (reconstruction, modernization, additional equipping, etc.) of a tangible asset, certain operations not strictly necessary for this process can be performed. Revenues and expenses incurred in performing these operations shall not be taken into account in determining the cost of the object and shall be reflected in the statement on profit and loss for the reporting period in which these were generated.

**Example 17.** An entity has purchased land for the construction of a building, which will be commenced after four months. The entity decides that the land in question will be used as parking space, before the construction of the building starts. The parking layout and operation expenses were MDL 8,400, and revenues received from customers – MDL 12,000.

Based on the data in the example, the entity has recorded an increase in current expenditures amounting to MDL 8,400 concomitantly with an increase in current liabilities and/or decrease in the assets used. At the same time, the entity registered a simultaneous increase in current receivables and revenue in the amount of MDL 12,000. Accordingly, the revenue and expenditure does not affect the cost of land or building to be built.

57. Subsequent costs associated with maintenance, technical support and repair of the tangible asset shall be done to maintain their functional state. These costs (including staff remuneration, value of materials consumed and replaced spare parts) from which no additional economic benefits are expected should be reflected as costs/current expenses. When costs listed above are significant compared to the materiality threshold set by the entity, these can be reported as current prepaid expenses by including them subsequently in the composition of the costs and/or current expenses as provided by the entity’s accounting policies.

58. Subsequent costs may be incurred in the repair or development of the tangible asset in order to improve its initial characteristics, respectively, as the increase in the economic benefits expected from the use of the object. In particular, the increase in economic benefits may result from: extending the useful life of the object, increasing production capacity, surface or other characteristics of the object, substantial improvement of the quality of manufactured products (rendered services), extending intervals between replacements parts within the useful life of the object, creation of the components that do not need to be replaced within the service life of the object, significantly reducing the previously set operating costs, etc. In such cases, the subsequent costs shall be capitalized by adding them to the carrying amount of the object.

**Example 18.** An entity has modernized a lathe by its own (in the repair department), the modernization cost being of MDL 48,000. The technical expertise attested an increase in the useful life of the lathe with four years to the timeframe fixed at the initial recognition.

Based on the data in the example, the cost of modernization worth MDL 48,000 is capitalized and accounted for as tangible assets increase (value of the lathe) and reduction of the costs of ancillary activities.

59. Subsequent costs that contribute to the increase in the economic benefits expected from the use of depreciable tangible assets shall be accounted for as separate items of book-keeping. This group of objects shall include the cost of improvement, drainage, irrigation, land, internal
roads and access roads, paved sidewalks, the cost of strengthening the banks of natural basins etc.

60. Subsequent costs that contribute to an increase in the economic benefits expected from the use of tangible assets that are not recorded in the entity's balance sheet shall be reflected as separate items of book-keeping. In particular, this group of objects shall include subsequent costs incurred by the lessee (tenant) on its own with the consent of the lessor (the lessor) on objects received under operating leases (rent/lease).

61. Depreciation for fixed assets shall be calculated for each object (element) of assets record-keeping in conformity with para 19 to 28 of this standard. No depreciation is calculated for: library funds, cinematheque, museums and art objects, buildings and special constructions regarded as monuments of architecture and art, objects fully depreciated, but that continue to operate.

62. The likely useful life of an object of fixed assets shall be determined by the entity taking into account the following: the use of the object, its actual condition and expected physical wear and tear, which depends on the operating conditions (number of exchanges when the object is used, repair program practiced by the entity), aging (wear) moral object, legal restrictions on the possibility of using the object, such as lease term, etc.

63. Calculation of depreciation of fixed assets shall not be interrupted for objects under repair, modernization, reserve, conservation or otherwise unused.

64. Entity shall account for the disposal of tangible assets in accordance with the requirements of para 31-37 of this standard. According to the entity's accounting policies, the costs related to the disposal (dismantling and removing the asset, restoring the site, etc.) shall be transferred to expenses or shall be written off from the provision set previously.

65. Costs related to the disposal of the object shall be recorded as expenses in the period in which these were incurred. If the period when the costs incurred does not correspond to the period when the revenues from asset disposal were recognized, the significant costs of disposal might be reflected in the composition of anticipated expenses. Such costs shall be recorded as current expenses in the period when the revenue from the alienation of the object is recognized.

66. Establishment of provision for significant costs expected at the disposal of tangible assets shall be accounted for in accordance with NAS “Equity and liabilities” and accounting policies of the entity. The costs of disposal actually incurred shall be settled on account of the provision set. The amount of the exceeding provision established shall be settled to current revenue. The actual costs that exceed the established provision shall be recorded as current expenses.

Example 19. According to the accounting policies, an entity constituted a provision in the amount of MDL 30,000 for the likely cost of technological equipment disposal. The actual expenses related to the equipment disposal were of MDL 25,000.

Based on data from the example, at the disposal of the equipment, the entity accounts for:
- equipment disposal costs amounting to MDL 25,000 – as a reduction of the provision concomitantly with an increase in current liabilities and/or decrease in assets used;
- extra provisions constituted amounted to MDL 5,000 (MDL 30,000 - MDL 25,000) – as a decrease in provisions and increase in current revenue.

67. Usable assets (scrap metal, spare parts, construction materials, etc.) obtained from the liquidation of an object of tangible assets shall be valued at the net selling value and recorded as an increase in inventories and decrease in tangible assets within the limits of the object’s residual value. If the net realizable value of the assets used actually entered exceeds the residual value,
the difference shall be transferred to current revenue. If the net realizable value of the used assets actually entered is less than the residual value, the difference shall be reflected as current expenses.

Example 20. An entity quashed a lathe due to its total physical wear and expiration of its useful life. Entry cost of the lathe is MDL 38,000, the amount of accumulated depreciation - MDL 36,000, residual value – MDL 2,000; the obtained materials (scrap iron):
- Option I – MDL 2,300;
- Option II – MDL 1,800.

Based on the example data, at the disposal of the lathe, the entity accounts for the accumulated depreciation in the amount of MDL 36,000 concomitantly with the decrease in tangible assets.

At the same time, for the option I, the entity accounts for the increase in inventories as a result of materials obtained in the amount of MDL 2,300 concomitantly with:
- decrease in tangible assets within the limits of the residual value (MDL 2,000), and
- increase in current revenues in the amount of MDL 300 (MDL 2,300 – 2,000).

For option II, the entity records for an increase of materials obtained in the amount of MDL 1,800 as increase in inventories and decrease in tangible assets. The difference in the amount of MDL 200 (MDL 2,000 – MDL 1,800) shall be recorded as an increase in current expenses and decrease in tangible assets.

Peculiarities of accounting for mineral resources

68. The mineral resources shall be recognized in the composition of tangible assets after completion of exploration if:
1) characteristics of stripped resources correspond to the definition of tangible assets;
2) the amount of resources stripped is identifiable, controllable, for which the technical feasibility and commercial viability is demonstrated;
3) the cost of resources can be determined reliably.

Measuring mineral resources

69. On initial recognition, the mineral resources prepared for extraction shall be valued at cost of exploration that shall include:
1) costs of terrain, geological, geochemical, geophysical research of soil, drilling in exploration and stripping (stripping) phase;
2) cost of services determining the technical feasibility and commercial viability of mineral resources;
3) other costs, such as depreciation cost of extraction rights, during exploration work, agricultural production losses recovered by the entity with the right of extraction to an agricultural entity in case of its land attribution for the purpose of extracting the resources contained in the soil, insurance premiums and payment for rent, lease, leasing of fixed assets participating in the execution of exploration, borrowing costs capitalized in conformity with NAS “Borrowing costs”.

70. Until the completion of exploration works, the exploration cost shall be accounted for as costs of preparing the extraction of mineral resources by increasing the tangible assets and decreasing the inventories, increasing the current liabilities, depreciation of intangible and tangible assets.
71. Related minerals (sand, gravel, clay, etc.) obtained as a result of exploration works shall be valued at net realizable value and shall be recorded at entry as an increase in inventories and decrease in tangible assets.

72. After completion of exploration works, the mineral resources shall be transferred in the composition of mineral resources under extraction, confirming documentary their volume and cost.

Example 21. During exploration works related to raw stone from sector no. 1 of the attributed land, the entity has incurred the following costs:

- services of the third parties – MDL 500,000;
- personnel costs – MDL 1,612,000;
- depreciation of the fixed assets – MDL 285,000;
- depreciation of mining rights - MDL 3,000;
- fuel, lubricants, spare parts and other materials – MDL 1,920,000;
- repair of fixed assets based on a contract - MDL 150,000;
- electricity - MDL 480,000;
- services related to the ancillary activities – MDL 364,000;
- interest on the loan received from a commercial bank - MDL 140,000;
- costs related to agricultural production losses to be repaid to a farm – MDL 24,000.

The cost of sand obtained from exploration works estimated at the net realizable value is MDL 80,000. The estimated volume of raw stone for extraction in 201X documented through minutes no. 1 is of 900,000 m³.

Based on the data in the example, the entity accounts:

- recognition of mineral resources exploration costs (preparation for mining) in the amount of MDL 5.478 million as an increase in tangible assets and:
  - increase in current liabilities - MDL 2,906,000 (MDL 500,000 + MDL 1.612 million + MDL 480,000 + MDL 150,000 + MDL 140,000 + MDL 24,000);
  - increase in depreciation of intangible and tangible assets – MDL 288,000 (MDL 285,000 + MDL 3,000);
- decrease in inventories – MDL 1,920,000;
- decrease in ancillary services cost - MDL 364,000;
- recording in inputs the related minerals in the amount of MDL 80,000 – as an increase in inventories and decrease in costs of exploration;
- recording mineral resources in the amount of MDL 5,398,000 (MDL 5,478,000 – MDL 80,000) – as an increase in tangible assets (mineral resources for extraction) and decrease in tangible assets (preparation for extraction of mineral resources).

73. After recognition of mineral resources in the composition of these tangible assets at cost, these shall be valued in accordance with para 17 of this Standard.

Depreciation of mineral resources

74. Depreciation of the mineral resources prepared for extraction shall be calculated based on the cost and duration of their depreciation. For this purpose, the entity shall apply the units of production method or other method established in the accounting policies in conformity with para 22-25 of this standard.

Example 22. Based on the conditions stipulated in Example 21, let us assume that, during the first month of extraction, 5400 m³ of raw stone were extracted. The entity calculates the depreciation of mineral resources based on the units of production method.
Based on the example data, the depreciation calculated in the first month of extraction constituted MDL 32,388 [(MDL 5.398 million: 900,000 m³) × 5400 m³] and is accounted for as a concomitant increase in costs of core activities and depreciation of mineral resources.

**Accounting for mining cost**

**75.** The cost of extracting minerals shall include:
1) direct material costs (fuel and lubricants, the share of the value of tires and batteries), the cost and/or wear of small value and short-term units and other materials;
2) cost of electricity consumed directly during the extraction of minerals, the cost of third-party services and ancillary activities;
3) personnel costs;
4) cost of repairs and maintenance of fixed assets;
5) depreciation of mineral resources, fixed assets and intangible assets;
6) provision for decommissioning costs of excavation and restoration of the land attributed;
7) amount of indirect costs of production distributed;
8) taxes and fees required by law for use of mineral resources;
9) other costs (insurance premiums for the personnel and fixed assets, loss of agricultural production repaid to an agricultural entity, in case of its land allocated by the decision of the competent bodies, rent payments etc.).

**76.** Costs of extracting useful minerals shall be accounted for by their increase and decrease in the cost of basic activities, increase in current liabilities, impairment of intangible and tangible assets, increase in the provision for liquidation expenses and restoring degraded land.

**77.** If during the extraction stage, two or more types of useful conjugated minerals (rough stone and sand, sand and granite, plaster and raw stone, gravel and raw stone, etc.) are obtained, the amount of extraction costs shall be distributed between these types of products in relation to the volume (mass) obtained thereof or other method established in the entity's accounting policies.

**78.** The cost of useful minerals that do not require processing shall be accounted for as products and those requiring to be processed shall be accounted for in conformity with NAS “Inventories”.

**Disposal of mineral resources**

**79.** The disposal of mineral resources occurs as a result of the following:
1) expiry of the contract;
2) depletion of mineral resources before the termination of the contractual;
3) other economic facts (liquidation or reorganization of the legal person beneficiary of the sector (land) assigned, termination of the contract due to failure to comply with the contractual conditions, natural disasters, etc.).

**80.** At the disposal of the mineral resources, the entity shall account for:
1) settlement of accumulated depreciation by decreasing concomitantly the depreciation and cost of mineral resources;
2) settlement of the carrying amount by increasing the current expenses and reducing the cost of mineral resources.

**81.** For the expenses related to the liquidation of mining excavations and rehabilitation (re-cultivation) of the sector (land), a provision can be established, starting with the first month of
extracting the useful minerals. The amount of provision shall be determined by multiplying the volume (number of units) of minerals extracted and the size of expenses related to the liquidation and recovery of land per volume unit estimated for these minerals. The mining excavation is an underground or surface construction created by the mining works, which is a cavity in the rock massif (drilling wells, roads in the land assigned, temporary storage rooms in the basement, diggings for water pipes, etc.).

82. Establishment of provisions for liquidation and rehabilitation expenses shall be accounted for by a simultaneous increase in the cost of core activities or tangible assets and provisions.

83. Actual liquidation and recovery expenses shall be transferred to the decrease in the provisions previously established with a concomitant reduction of inventory, increase in current liabilities, depreciation of intangible and tangible assets etc. The liquidation and rehabilitation expenses exceeding the amount of provisions set shall be accounted for as an increase in the current expenses and decrease in inventories, increase in liabilities and depreciation of intangible and tangible assets.

Example 23. According to the estimate prepared by the Agency for Geology and Mineral Resources, the expenses related to the liquidation of mining excavations and restoration of degraded land amounted to MDL 6.2 million. The estimated volume of raw stone is 1300000 m³. In the first month of exploitation of mineral resources, 2,800 m³ of rough stone were extracted. After depletion of mineral resources, the entity has incurred actual expenses related to the liquidation and rehabilitation of land amounting to MDL 6,150,000.

Based on the data in the example, the entity accounts:
- Provisions for liquidation and rehabilitation expenses established in the first month of extraction in the amount of MDL 13,353.84 (MDL 6.2 million: 1.3 million m³ × 2,800 m³) - as a concomitant increase in the cost of extraction of minerals resources and liabilities (provisions);
- Actual liquidation and recovery expenses in the amount of MDL 6,150,000 – as a reduction of the provisions set, decrease in inventories, increase in current liabilities and impairment of intangible and tangible assets;
- Provision constituted in surplus in the amount of MDL 50,000 (MDL 6.2 million - MDL 6.15 million) – as a reduction in provisions and increase in current revenue.

84. Provisions for liquidation of mining excavation expenses and recovery of the sector (land) assigned during the term of extracting minerals shall be updated when preparing the balance sheet similarly to other provisions in conformity with NAS “Equity and liabilities”.

Disclosure of information

85. In its financial statements, the entity shall disclose the information on the following:
1) intangible assets:
   a) the methods used to calculate depreciation;
   b) initial cost (or other value that substitutes the entry value in the financial statements), accumulated depreciation and accumulated impairment losses at the beginning and end of the reporting period and changes in reporting period for each category of intangible assets;
   c) the amount of depreciable intangible assets;
   d) the value of non-depreciable intangible assets;
   e) the amount of fully depreciated intangible assets that continue to be used.
2) tangible assets:
   a) the methods used to calculate depreciation;
b) initial cost (or other value that substitutes the entry value in the financial statements), accumulated depreciation and accumulated impairment losses at the beginning and end of the reporting period and changes in reporting period for each category of tangible assets;
c) the carrying amount of tangible assets not used temporarily;
d) initial cost (or other value that substitutes the entry value in the financial statements) of objects fully depreciated and that continue to operate;
e) subsequent costs capitalized during the reporting period;
f) the value of pledged or mortgaged tangible assets or those pledged as security for certain obligations of the entity.

3) Mineral resources:
a) the methods used to calculate depreciation;
b) the carrying amount of mineral resources recognized at the beginning and end of the reporting period;
c) provisioning method included in the cost of extraction of useful minerals;
d) the amount of provisions made and used in the reporting period;
e) the amount of mineral resources depreciation calculated and settled.

**Transitional Provisions**

86. This standard shall be applied starting with its date of entry into force.

**Date of entry into force**

87. This standard enters into force on 1 January 2014.