

Measurement basis of Fixed Assets and Financial Instruments

Estonian experience

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Measurement basis of fixed assets, investment properties and biological assets

Property, plant and equipment

- Cost less depreciation (and potential impairment losses)
 - regardless of the size of the entity

Investment properties

- Choice between:
 - Cost less depreciation (and potential impairment losses)
 - Fair value, if measurable with reasonable cost and effort; otherwise cost less depreciation
- except for micro entities - must use cost basis

Biological assets

- Fair value, if measurable with reasonable cost and effort; otherwise cost less depreciation
- except for micro entities - must use cost basis

Measurement basis of financial instruments

Financial assets

- Fair value measurement is used for:
 - equity securities for which fair value is reliably measurable;
 - marketable debt securities that are not held to maturity; and
 - derivatives.
- All other financial assets at amortised cost
 - except for micro entities - must use (amortised) cost for all financial assets

Financial liabilities

- Amortised cost, except for derivatives that are accounted for at fair value
 - except for micro entities - must use cost basis also for derivatives

Fair value measurement and tax accounting

- Fair value measurement has no impact on tax accounting, because there is ... no income tax in Estonia :)
 - tax is paid on distributions to owners rather than on profits
 - as long as profits stay in the company, there is no income tax
 - companies do not need to prepare income tax declarations
 - there is no deferred tax

Any questions?



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