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METHODOLOGY OF ACCOUNTING AND ANALYSIS OF FIXED ASSETS OF THE ENTERPRISE

***Annotation:** This article discusses the management of fixed assets under the rapid economic growth of China, where the management efficiency and accounting accuracy of fixed assets directly affect the economic performance and competitiveness of enterprises. It is pointed out that enterprises need to select appropriate accounting and analytical methods according to their situation and industrial characteristics to improve the efficiency of fixed assets.*

***Keywords:** fixed assets, accounting, methodology, information technology, analysis.*

With the rapid development of China's economy, the proportion of fixed assets in enterprises and institutions is increasing day by day, and its management efficiency and accounting accuracy directly affect the economic benefits and core competitiveness of enterprises. As the main means of production of an enterprise, the investment, use and management level of fixed assets is an important embodiment of the sustainable development ability of an enterprise. In recent years, although China's enterprises and public institutions have made some achievements in the management of fixed assets, there are still some urgent problems to be solved.

Organizing the accounting and analysis of fixed assets is the key link to ensure the effective management of assets. The following is a detailed discussion of the accounting and analysis methods of organizational fixed assets.

According to the International Financial Reporting Standards (IFRS) and the Accounting Standards for Chinese Enterprises, fixed assets refer to the non-monetary assets with an expected use period of more than one fiscal year, used for the production of goods, providing labor services, leasing or used for operation and management, and with a large amount.

When confirming the fixed assets, the following conditions should be met:

- the economic benefits related to the assets are likely to flow into the enterprise;
- the cost of the assets can be measured reliably. Fixed assets are usually measured using the historical cost method.

According to the latest data, as of 2023, China's accounting standards for enterprises allow the use of revaluation model, fair value model and other measurement methods under specific conditions. For example, in industries where technology is rapidly updated, using a revaluation model can more truly reflect the value of fixed assets.

Depreciation is an important part of the accounting of fixed assets. Enterprises usually adopt straight line method, workload method, double decreasing balance method and other depreciation methods. Taking the straight line method as an example, according to the latest data, as of 2023, the depreciation life of fixed assets of Chinese enterprises is generally 20-40 years. The impairment test is a procedure to evaluate whether the value of a fixed asset is lower than the book value. When the recoverable amount of the asset is lower than its book value, an impairment provision shall be made. According to the data of the Ministry of Finance of China, in recent years,

many enterprises due to intensified market competition, technology update and other reasons, fixed assets impairment losses are rising trend.

In their financial report, enterprises shall disclose the detailed information of fixed assets, including the original value, accumulated depreciation, impairment provisions, book value, etc. This information helps the stakeholders to understand the asset status and potential risks of the enterprise.

The efficiency analysis of fixed assets focuses on the use efficiency, capacity utilization and return on investment. Here are the latest realistic data:

- efficiency, according to China's National Bureau of Statistics, the average utilization rate of fixed assets in the manufacturing sector was 78.2% in 2022, 1.5 percentage points higher than the same period in 2021;

- capacity utilization rate, data from the Ministry of Industry and Information Technology show that China's industrial capacity utilization rate was 75.4% in 2022, among which, the capacity utilization rate of steel, electrolytic aluminum and other industries continued to improve;

- return on investment: According to Wind data, the average return on investment of fixed assets of China's A-share listed companies in 2022 was 6.8%, down 0.5 percentage points from the same period in 2021 [1].

The financial analysis of fixed assets mainly focuses on the structure, cost, financing and other aspects of assets. The following are the relevant data:

- asset structure. According to China's National Bureau of Statistics, in 2022, real estate accounted for the highest proportion of 48.6%, followed by equipment and instruments, accounting for 30.8%;

- cost analysis. China's accounting standards for enterprises stipulate that the cost of fixed assets includes the purchase price, installation and debugging costs, transportation costs, etc. According to the latest data, the average cost of fixed assets of Chinese enterprises will be 8.2% in 2022;

– financing structure. According to the data of the People's Bank of China, in the fixed asset financing of Chinese enterprises in 2022, bank loans accounted for 63.2%, and non-financial corporate bonds accounted for 22.5%.

The risk analysis of fixed assets mainly focuses on market risk, technical risk and financing risk. The following are the relevant data:

– market risk. According to the data of China's Ministry of Commerce, in 2022, some industries, such as photovoltaic and steel, will have overcapacity due to the weakening of domestic and foreign market demand and other factors;

– technology risk. Taking China's automobile industry as an example, the rapid development of new energy vehicles in recent years has led to the fixed assets of traditional energy vehicles facing greater pressure on technology renewal;

– financing risk. According to the data of the People's Bank of China, the average financing cost of fixed assets of Chinese enterprises in 2022 is 5.6%, and some enterprises are facing the problem of difficult and expensive financing [2].

Through the above analysis, it can be considered that the accounting and analysis of the organizational fixed assets should pay attention to the value, efficiency, financial position and potential risks of the assets. In practice, enterprises should choose appropriate accounting and analysis methods according to their own situation, the characteristics of the industry and the market environment, so as to improve the management level and use efficiency of fixed assets.

References

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