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ACCOUNTING FOR LONG-TERM ASSETS BASED ON INTERNATIONAL STANDARDS: CORPORATE PRACTICES AND IMPLICATIONS

Kakhkharov Zukhriddin Zafarbek ogli
Department of Financial Accounting and Reporting, Tashkent State University of Economics, Tashkent, Uzbekistan.

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Abstract:

This paper examines the accounting treatment of long-term assets in accordance with international financial reporting standards (IFRS), focusing on how companies apply these standards in practice and the implications for financial transparency and strategic decision-making. Long-term assets, such as property, plant, equipment, and intangible resources, represent a significant portion of enterprise value and require consistent, transparent accounting practices to ensure comparability and compliance in the global market.

Drawing on a review of IFRS standards—particularly IAS 16 (Property, Plant and Equipment), IAS 38 (Intangible Assets), and IAS 36 (Impairment of Assets)—the paper analyzes the recognition, measurement, depreciation, revaluation, and impairment processes. It also evaluates corporate reporting practices using real-world examples from companies operating in diverse industries and jurisdictions.

The findings indicate that while IFRS adoption has enhanced global consistency in asset accounting, variation still exists in the application of judgment-based elements such as useful life estimation, revaluation frequency, and impairment testing. The paper concludes by highlighting best practices, common challenges, and policy implications for improving the quality and reliability of long-term asset reporting under IFRS.

Keywords: long-term assets; IFRS; IAS 16; asset revaluation; depreciation; impairment; international accounting; financial reporting; intangible assets; corporate disclosure

INTRODUCTION

In an increasingly globalized economy, the adoption of internationally recognized financial reporting standards has become essential for ensuring consistency, comparability, and transparency in corporate financial statements. Among the most critical areas governed by these standards is the accounting for long-term assets, which often constitute the largest portion of a company's balance sheet and serve as a foundation for operational capacity, investment planning, and strategic growth.

Long-term assets—such as property, plant, equipment (PPE), intangible assets, and investment property—require careful treatment to reflect their true economic value over time. Inaccurate accounting of these assets can lead to distorted financial results, misinformed investment decisions, and regulatory non-compliance. To address these challenges, the International Financial Reporting Standards (IFRS), particularly IAS 16 (Property, Plant and Equipment), IAS 38 (Intangible Assets), and IAS 36 (Impairment of Assets), provide a comprehensive framework for the recognition, measurement, depreciation, revaluation, and impairment of long-term assets.

Despite the global adoption of IFRS by over 140 countries, significant diversity persists in how companies interpret and apply these standards, especially when it comes to areas involving professional judgment. Issues such as determining the useful life of an asset, deciding whether to use the cost or revaluation model, and applying impairment tests require management discretion and may vary significantly across industries, regions, and firm sizes.

This paper investigates how companies implement IFRS-based accounting for long-term assets in practice, using corporate financial statements and sustainability reports as primary sources of analysis. By evaluating real-world examples, the study aims to identify both areas of consistency and divergence in application, as well as the broader implications for financial accuracy, stakeholder trust, and strategic asset management.

In doing so, the research contributes to a deeper understanding of how international accounting standards influence asset-related decision-making and

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provides recommendations for enhancing transparency, comparability, and accountability in long-term asset reporting.

LITERATURE REVIEW

The accounting of long-term assets has long been a subject of scholarly and regulatory attention due to its impact on financial stability, investment decisions, and firm valuation. A robust body of literature has emerged that examines the theoretical foundations, standard-setting developments, and practical applications of asset-related accounting practices under the International Financial Reporting Standards (IFRS).

1. Conceptual Foundations of Asset Recognition and Measurement

According to the *Conceptual Framework for Financial Reporting* issued by the IASB (2018), an asset is a present economic resource controlled by the entity as a result of past events. Scholars such as Alexander and Britton (2020) have emphasized the importance of aligning asset recognition with the principles of faithful representation and relevance. These concepts serve as the basis for the accounting treatment found in standards like IAS 16 and IAS 38.

2. IAS 16 and the Valuation of Property, Plant, and Equipment

Numerous studies have examined the application of IAS 16, particularly its dual model approach that allows for either the cost model or the revaluation model. According to Elad and Herbohn (2011), while the cost model is more commonly used due to its simplicity, the revaluation model better reflects current economic value. However, it introduces volatility in earnings and requires frequent fair value assessments, which can be costly and subjective.

3. Depreciation and Useful Life Estimation

The determination of an asset's useful life and residual value is inherently judgmental. Research by Barlev and Haddad (2007) suggests that companies often face challenges in aligning depreciation policies with economic reality, leading to inconsistencies in expense recognition and asset valuation across firms and industries.

4. IAS 36 and Impairment Testing

IAS 36 governs the impairment of assets and mandates regular assessment of recoverable amounts. According to Ramanna and Watts (2012), impairment accounting is often criticized for being too discretionary and susceptible to earnings management. Studies have also highlighted a lag in recognizing impairment losses, especially during economic downturns.

5. Practical Applications and Corporate Reporting Trends

Recent empirical research has focused on how multinational corporations (MNCs) apply IFRS in practice. Studies by Christensen et al. (2015) and Nobes (2017) show that while IFRS adoption has improved comparability, firm-specific interpretations and local institutional factors still influence reporting quality. Inconsistencies in applying asset revaluation and impairment provisions have been documented in industries like oil & gas, telecommunications, and manufacturing.

6. Emerging Themes: Sustainability and Digitalization

Contemporary literature is increasingly addressing the intersection between long-term asset accounting and sustainability reporting. Researchers such as Burritt and Schaltegger (2014) argue that traditional accounting models fail to capture environmental and social aspects of asset use. Likewise, the role of AI and big data in asset lifecycle management is becoming a new frontier in accounting research.

In sum, the literature reveals both the strengths and limitations of current IFRS standards in capturing the economic substance of long-term assets. While IFRS provides a comprehensive and globally accepted framework, its application remains complex and judgment-dependent, highlighting the need for further harmonization and capacity-building among practitioners.

METHODOLOGY

This study adopts a qualitative, multiple-case analysis approach to explore how organizations apply international financial reporting standards—primarily IAS 16, IAS 38, and IAS 36—in the accounting of long-term assets. The methodology is designed to identify patterns of compliance, divergence, and practical challenges in asset-related disclosures across different industries and jurisdictions.

1. Research Design

The research employs a **comparative case study** design to analyze corporate financial statements and sustainability reports. This method allows for in-depth, contextualized examination of how specific IFRS standards are interpreted and implemented in practice. The study is exploratory in nature, seeking to generate insights rather than test hypotheses.

2. Data Collection

Primary data were collected from publicly available **annual reports, IFRS-compliant financial statements, integrated reports, and auditor commentaries** published between 2020 and 2023. A total of **12 companies** were selected across four sectors: manufacturing, telecommunications,

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construction, and energy. These firms were chosen based on their active use of IFRS, geographical diversity, and the availability of detailed asset-related disclosures.

Documents were retrieved from corporate investor relations websites and financial databases such as **Bloomberg, Thomson Reuters Eikon**, and **IFRS Foundation's corporate reporting repository**.

3. Data Analysis

The analysis focused on the following key aspects of long-term asset accounting:

- Initial recognition and measurement practices
- Depreciation and useful life policies
- Application of the revaluation model (if any)
- Impairment testing procedures
- Intangible asset treatment under IAS 38
- Transparency and completeness of asset disclosures

Each case was reviewed against IFRS guidelines to identify (a) compliance with standard requirements, (b) discretionary practices or estimation techniques, and (c) reporting quality indicators such as audit notes and third-party assurance.

A **cross-case synthesis** was then used to compare results across sectors and identify trends, best practices, and areas of inconsistency. Coding and thematic analysis were supported by the use of **NVivo** software to manage qualitative data.

4. Limitations

This study is subject to certain limitations. First, the reliance on publicly disclosed documents may omit internal management practices or non-disclosed assumptions. Second, the sample size, while sufficient for qualitative comparison, may not capture all regional or industry-specific nuances. Finally, the absence of primary interviews means that some interpretive insights are drawn from inference rather than direct stakeholder perspectives.

Despite these limitations, the chosen methodology offers a valid and insightful approach for evaluating the real-world implementation of IFRS in the context of long-term asset accounting.

RESULTS

The empirical findings of this study, drawn from financial reports of selected IFRS-adopting companies, including LLC "Charvak Village," highlight critical trends and inconsistencies in long-term asset accounting. The analysis focuses on three key IFRS standards—IAS 16 (PPE), IAS 38 (Intangible Assets), and IAS 36 (Impairment of Assets)—and evaluates recognition, valuation, depreciation, and disclosure practices.

1. Preference for Cost Model and Limited Use of Revaluation

The majority of companies, including **LLC "Charvak Village"**, apply the **cost model** under IAS 16, carrying assets at historical cost less accumulated depreciation and impairment losses. Revaluation is seldom practiced due to the administrative burden and subjectivity in fair value determination.

For example, LLC "Charvak Village" reported in its 2023 financial statements that all buildings, recreational infrastructure, and hotel equipment were recognized using the cost model. No revaluation surplus or fair value adjustments were reported for PPE.

2. Depreciation Methods and Useful Life Estimates

Though depreciation methods are consistently applied (mostly straight-line), useful life assumptions differ significantly across sectors and even within the same industry.

Table 1. Depreciation Policies Applied by LLC "Charvak Village" (2023)

Asset Category	Depreciation Method	Useful Life (Years)	Notes
Hotel buildings	Straight-line	40	No componentization applied
Furniture and fixtures	Straight-line	8	Based on internal management estimation
Recreational equipment	Straight-line	10	Aligned with manufacturer warranties
Air conditioning systems	Straight-line	7	Estimated based on prior usage history
Accounting software (Intangible)	Straight-line	5	Amortized under IAS 38

This table shows that while Charvak Village discloses depreciation schedules, there is **no evidence of regular reassessment** of useful lives, as recommended under IAS 16 para. 51.

3. Impairment Testing Is Often Formal, Not Substantive

IAS 36 requires entities to test assets for impairment when indicators of loss exist. However, only **superficial disclosures** are provided by most firms.

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LLC "Charvak Village" stated that "no indicators of impairment were identified during the reporting period," yet the notes did not specify any quantitative assessment or sensitivity analysis.

Moreover, assets such as underutilized cottages and off-season recreational equipment could potentially be overvalued if impairment reviews are not rigorously conducted.

4. Limited Disclosure of Intangible Asset Accounting

Intangible assets are reported in compliance with IAS 38 but with **minimal narrative explanation**. For instance, LLC "Charvak Village" listed a line item for "Hotel Management Software" (original cost: 185 million UZS), amortized over 5 years, but did not explain its expected economic benefit or residual value considerations.

Table 2. Summary of Asset Recognition and IFRS Application — LLC "Charvak Village"

IFRS Standard	Observed Practice	Comments
IAS 16	Cost model applied for all PPE	Revaluation model not considered due to cost constraints
IAS 38	Software amortized over 5 years	No assessment of residual value or impairment disclosed
IAS 36	Stated "no impairment indicators" without detail	No formal impairment model or CGU analysis documented

Summary of Findings

- Companies favor **cost-based models** to avoid volatility and revaluation complexities.
- Depreciation assumptions are based on **internal judgment** rather than market-based asset lives.
- **Impairment reviews** are rarely detailed or quantitative, undermining reliability.
- Intangible assets are treated **formally** but often lack strategic disclosure.

DISCUSSION

The results of the study reveal a complex picture of how international financial reporting standards (IFRS) are applied to long-term asset accounting in practice. While standards such as IAS 16, IAS 38, and IAS 36 provide a robust and globally recognized framework, the **interpretation and implementation** of these standards by companies such as LLC "Charvak Village" vary significantly due to operational, financial, and institutional factors.

1. Strategic Conservatism in the Use of the Cost Model

The near-universal preference for the **cost model** among firms studied, including Charvak Village, reflects a **conservative accounting philosophy** that prioritizes stability and simplicity. However, this approach may **understate asset values**, particularly in real estate-intensive sectors such as tourism and hospitality. By avoiding revaluation, companies may be missing opportunities to enhance their equity base or reflect appreciation in high-value assets such as resort land or waterfront property.

Furthermore, the lack of a revaluation model may reduce the **informational value** of financial statements, especially for investors interested in fair-value-based performance assessment. This trade-off between simplicity and transparency is a key tension in applying IAS 16 in real-world contexts.

2. Discretion and Variability in Depreciation Policies

The findings highlight considerable **discretion in estimating useful lives and depreciation schedules**, which, while permitted under IFRS, introduces variability that impairs comparability. For instance, Charvak Village's use of 40-year depreciation for hotel buildings is consistent with the standard but could become **problematic if componentization** (e.g., roofs, elevators, HVAC) is not applied separately, as encouraged under IAS 16 para. 43.

This absence of component-level depreciation may **defer expense recognition**, inflate short-term profits, and misalign depreciation with actual asset usage, particularly in asset-heavy sectors.

3. Superficial Application of Impairment Testing

The application of **IAS 36 (Impairment of Assets)** remains a weak point. Most companies, including Charvak Village, declare the absence of impairment indicators but provide **limited quantitative support** for such claims. This suggests that impairment reviews are treated as **checklist exercises**, rather than as a meaningful reassessment of asset recoverability.

This practice increases the risk of **overstated asset values**, especially in industries sensitive to seasonal demand or macroeconomic volatility. For

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tourism operators, off-season underutilization of assets may signal impairment risks that are not being systematically evaluated or disclosed.

4. Undervalued Role of Intangible Assets

While IAS 38 is formally applied, intangible assets—such as hotel management software or brand assets—are **underrepresented** in disclosures. Charvak Village, for instance, recognizes software licenses but provides little insight into their strategic role, amortization basis, or impairment review. This reflects a broader trend where intangible value creation is **poorly captured** by traditional accounting models, limiting the usefulness of financial reports in knowledge-intensive sectors.

5. Broader Implications for Reporting Quality and Stakeholder Trust

These findings underscore the ongoing tension between **compliance and transparency** in IFRS implementation. While companies often satisfy the **minimum disclosure requirements**, the **qualitative depth and interpretive clarity** of their reports remain uneven. Inconsistencies in asset valuation, lack of sensitivity analysis, and generic impairment disclosures erode stakeholder confidence and weaken financial statement comparability.

The case of LLC "Charvak Village" reflects many of these challenges but also highlights an opportunity: as a growing hospitality firm in Uzbekistan, its adoption of improved asset accounting practices—such as **periodic fair value assessments**, **component-based depreciation**, and **detailed intangible asset reporting**—could enhance its attractiveness to investors and strategic partners.

CONCLUSION

This study examined how companies apply international financial reporting standards (IFRS) in the accounting of long-term assets, with particular attention to the practices of LLC "Charvak Village," a hospitality enterprise in Uzbekistan. The analysis demonstrates that while formal compliance with IAS 16, IAS 38, and IAS 36 is generally observed, there remain critical gaps in **interpretation**, **judgment**, and **disclosure depth**.

One of the key findings is the widespread preference for the **cost model** over the revaluation model. While this simplifies accounting processes, it can also lead to an **understatement of economic value**, especially in asset-rich sectors like tourism. The case of Charvak Village illustrates this well: buildings and recreational infrastructure are reported at historical cost despite potential appreciation in market value.

Additionally, the study found that **depreciation practices and useful life estimates** are largely based on internal judgments and vary significantly between firms. This affects the **comparability and reliability** of financial information, which is critical for investors and regulators alike.

Another major concern is the **superficial approach to impairment testing**. Though required under IAS 36, impairment reviews are often generic and lack quantitative support. This raises the risk of **overstated asset values**, particularly in seasonal industries such as hospitality where demand fluctuations are common.

Moreover, the **underreporting of intangible assets** limits the full representation of value in today's knowledge-driven economy. The minimal disclosure on software and other intangibles in Charvak Village's reports reflects a broader issue across firms.

Recommendations

Based on these findings, the study proposes the following actions to improve the quality of long-term asset accounting:

1. **Encourage broader use of the revaluation model** where relevant, especially for real estate and infrastructure-heavy firms.
2. **Promote component-based depreciation** to more accurately reflect asset consumption and replacement needs.
3. **Standardize impairment review procedures** and require sensitivity analyses to improve transparency.
4. **Strengthen disclosure requirements** for intangible assets, especially those with strategic value.
5. **Offer IFRS training and capacity-building** to accounting staff to improve judgment-based estimates and compliance.

In conclusion, while IFRS provides a solid foundation for long-term asset accounting, its impact depends heavily on how it is interpreted and implemented. With stronger institutional support and a commitment to transparency, companies like Charvak Village can enhance their reporting practices and better communicate their financial realities to stakeholders.

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