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DEPRECIATION - POWER PLAY FIXED ASSETS: AN ACCOUNTING ASPECT

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The material basis of the production process are the means of labor that characterize the technical and economic level of society and a necessary element of the production, circulation and services.

The enterprises set of labor that is used becomes economic form of fixed assets.

The concept of depreciation in Latin means redemption, payment of debt.

Depreciation - the process of gradually transferring the cost of labor due to the wear and tear on manufactured product and use this cost to play in the future of labor.

The principal difference between depreciation and amortization is that this gradual depreciation of fixed capital vtrachannya its value, and amortization - a gradual transfer its value to manufactured product.

In a market economy enterprises are usually not accumulate in a special depreciation sinking fund with a target renovatsiynym purpose and carry out simple and expanded reproduction as required by their current or external sources of funding.

The company can put into practice its activities securing financial resources for the forms of reproduction of fixed assets.

The economic literature distinguish these three forms of reproduction:

1) maintenance of fixed assets suitable for operation without changing their original usefulness. For this purpose can be created fund repairs;

2) renovation of fixed assets, ie the replacement of physically and morally worn-out fixed assets is often the best new specifications. The source of this form of reproduction is depreciation, revenues from the sale of second hand assets;

3) the expanded reproduction of fixed assets on existing and new technical basis (modernization, re-equipment of production).

It is carried out by company profits and partly depreciation and loan and borrowed funds.

As regards the first form of reproduction of fixed assets, it is carried out through their technical maintenance, current and capital repairs.

Costs are dependent on their quantity and prices, which in turn depend on the complexity of the repair, the cost of spare parts, components, wages and so on.

Renovation (simple reproduction) of fixed assets is a prerequisite to sustain in the same scale.

It is considered that depreciation is a source implementation of simple reproduction of fixed assets.

However, they can often become a source of expanded reproduction in cases where the company has no need to replace working capital assets, and depreciation amount obtained by introducing accelerated depreciation is significant and can be used to purchase additional quantities of assets.

The enterprise is profitable to create the said fund and ensure its proper use.

Also, the company can put into practice its activities reproduction of fixed assets to increase their useful life.