

# Some Issues on Initial Recognition, Measurement and Remeasurement of Tangible Fixed Assets

**Masato Kikuya**

Hosei University

According to the provision of IAS16, the elements of cost to be incorporated in the initial recognition of a tangible fixed asset are to include the estimated costs of dismantling and removing the item and restoring the site. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost shall be capitalised by increasing the carrying amount of the related asset and shall be subsequently allocated to expense over its useful life.

However, the capitalisation of an asset retirement cost cannot be uniformly applied to various kinds of tangible fixed assets. The use of capitalisation method should be limited to legal obligation associated with the asset retirement or conditional asset retirement obligation.

At the time of remeasurement of a tangible fixed asset, an enterprise shall choose the cost model (historical cost bases) or the revaluation model (current value bases) as its accounting policy and shall apply that policy to an entire class of the fixed asset under the provision of IAS16. In Japan the cost model is required to utilize for the remeasurement of a tangible fixed asset.

Financial statements prepared at the current prices can provide useful measurements for current external users and for current internal management. In order to present the value as of the remeasurement, the revaluation model should be introduced as one of asset valuation bases in Japan.