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## Investments in fixed assets

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**Investments** cover the expenditures directed on construction, installation, and assembly works, on acquisition of equipment, transportation means, and other expenditures meant for creation of new fixed assets for developing, modernizing, rebuilding and overhaul of the existing ones, as well as the value of services related to the transfer of the property of fixed assets.

**Fixed assets** – are those, which have a useful running time longer than one year, and they are used in the business activity, or are being in the process of creation, but are not intended for sale.

Investments in fixed assets are divided into:

- intangible assets
- tangible assets

The investments in **intangible assets** include the costs for inventions, trademarks, licenses, know-how, franchises, software, industrial designs and models, websites, rights to use the intangible assets received as equity participation, other intangible assets.

The investments in **tangible assets** include the costs directed to creation and reproduction of fixed assets, such as – new building, the extension, reconstruction and technical rehabilitation of industrial, agricultural, transport, commerce and other functioning enterprises. Also, the expenditures for the construction of dwellings and objects with social and cultural destination, and the purchase of land, mineral resources and immobilized biological assets.

Intangible assets are classified into:

- Intellectual property rights;
- Research and development expenditures;
- Computer programs;
- Other intangible assets;

Tangible assets are classified into:

- Fixed assets;
- Lands;
- Mineral resources;
- Immobilized biological assets.

The **fixed assets** are long-term properties, which are used in the entity's business or are passed on for use to the third parties, and the unit value of which overrun the value threshold provided by the legislation or the threshold of significance established by the entity's accounting policies.

The composition of fixed assets includes:

- **Residential buildings** – are constructions with a long-term exploitation, located on a batch of land within borders, with all auxiliary buildings and comfort elements, where more than half of the total building's area is used for dwelling purposes.
- **Non-residential buildings** – are buildings designed, exclusively, for other purposes than residential (administrative and production buildings, shops, warehouses, cinemas).

- **Special constructions (engineering)** – the constructions which are not classified under buildings, but are designed to create conditions for production, services or social-cultural activities (roads, bridges, stadiums, railways).
- **Machinery, equipment and transmission installations** include all machinery, equipment, technological lines and installations, measuring and controlling devices, which can function, only, after assembling and non-assembled works.
- **Means of transport** are vehicles used to move to the outside and inside of the entity, such as means of transport by road, naval (including drilling or operating platforms), rail and air, as well as bicycles, motorcycles, manual and animal traction vehicles.
- **Other fixed assets**, – fixed assets not included in other categories, such as curtains, carpets, wood or metal furniture for office or shops etc.

**Land** is considered to be the longest-lived asset, thus has an essentially eternal useful life and it represented the land territories owned by the entity according to property right or financial leasing, in order to be used in the entity's business.

**Mineral resources** represent a form of capitalized costs of exploration works for which technical feasibility and commercial viability are demonstrated (e.g., topographical, geological, geochemical, geophysical and drilling on exploration stage).

**Biological assets** include the mature assets which ensures more agricultural products and additional biological assets are obtained during a period of more than one year (for example, vineyards, orchards, plantations of fruitful berries, multiannual crops of flowers, forage and vegetable, cows, sheep, pigs, horses). Immature assets – are in a preparation period for use by destination (e.g., vines and orchards transferred to the fruit category).

**Subsequent investments and capital repairs** include subsequent expenses, which capitalized by adding to the book value, and incurred in the renovation or development of intangible and tangible assets in order to improve the initial characteristics or to increase the expected economic benefits from the use of the object.

**Capital repairs** including the total of the works and measures to restore the operating state of buildings, constructions and their components, including the construction and engineering equipment, the expiry date of which has expired. In addition, the capital repairs of buildings and constructions, supposed the replacing of used details and constructions or the exchanging them with other more resistant and advantageous, which improve the functioning possibilities of restored object, with the exception of the replacement of basic constructions (walls, foundations etc.).

**Not included** in the value of investments:

- The value of constructions, objects under execution and other tangible and intangible assets purchased in the country previously used in other enterprises (including those from import that were recorded as fixed assets in enterprises in the country);
- The value of fixed assets purchased for resale;
- The value of construction works executed for the third parties (for legal entities and population);
- The value of machinery, equipment and transmission installations, means of transport, etc. manufactured for sale.