

# Copernican Journal of Finance & Accounting



The impact of long-lived non-financial assets  
depreciation/amortization method on financial  
statements

/ The impact of long-lived non-financial assets  
depreciation/amortization method on financial statements

## The impact of long-lived non-financial assets depreciation/amortization method on financial statements

**Ieva Kozlovska**

BA School of Business and Finance K.Valdemara street 161, Riga, LV-1013 BA School of Business and Finance & RTU Riga Business School

<https://doi.org/10.12775/CJFA.2015.018>

### Keywords

non-financial long-lived assets, depreciation method, amortization method, accounting policy, financial statements

### Abstract

Non-financial long-lived assets are ones ensuring company's basic business operations, with expected useful time more than one accounting period, and generating profit. Assets often requiring significant investments constitute also considerable part of companies' total assets in its statements of financial position. In average this proportion in balance sheets of Latvian companies listed in Baltic stock exchange is 48%. In most of these companies this percentage is higher and even up to 97%. Due to nowadays global economic situation the management of non-financial long-lived assets also plays significant role in both – shareholders' (actual/ potential) and management's – decision-making processes concerning investing, financing, controlling, other activities. In order to ensure financial statements reflects real situation of the particular company, company's management is responsible to ensure that accounting process of depreciation/ amortization these assets is: – Correct, transparent and in line with specifics of company's business; – In accordance with respective accounting and reporting regulations. This article reveals theoretical and practical view exploring how information relating depreciation/ amortization of long-lived non-financial assets influences results in financial statements of Latvian companies listed in Baltic stock exchange.

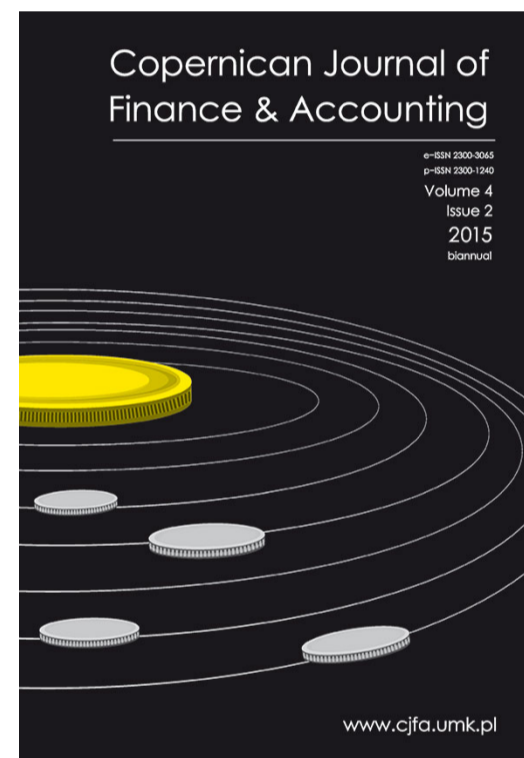
### References

Accountancy (1980). Lonrho changes its accounting policy on excel depreciation. *Accountancy*, 91(1040), 19.

Annual Accounts Law (1992 the amendments), 14 October 1992, [http://www.fm.gov.lv/files/files/Annual\\_Accounts\\_Law.pdf](http://www.fm.gov.lv/files/files/Annual_Accounts_Law.pdf) (accessed: 13. 04. 2012).

Aparicio J., & Sánchez-Soriano, J. (2008). Depreciation games. *Annals of Operations Research*, 158 (1), 205–218. <http://dx.doi.org/10.1007/s10479-007-0238-5>.

Archibald T. R. (1967). The Return To Straight-Line Depreciation: An Analysis Of A Change In Accounting Method. *Journal of Accounting Research*, 5(3), 164–180. <http://dx.doi.org/10.2307/2489918>.



PDF

Published  
2015-12-17

How to Cite  
KOZLOVSKA, Ieva. The impact of long-lived non-financial assets depreciation/amortization method on financial statements. *Copernican Journal of Finance & Accounting*. Online. 17 December 2015. Vol. 4, no. 2, pp. 91-108. [Accessed 1 September 2024]. DOI 10.12775/CJFA.2015.018.

More Citation Formats ▾

Issue  
[Vol. 4 No. 2 \(2015\)](#)

Section  
Articles

Stats

Bain, J. S. (1937). Depreciation Pricing And The Depreciation Function 1. The Relation of Depreciation Policy To Short-Run Output. *Quarterly Journal of Economics*, 51(4), 705–711.

Barnea, A. (1972). A Note On The Cash-Flow Approach To Valuation And Depreciation Of Productive Assets. *Journal of Financial & Quantitative Analysis*, 7(3), 1841–1846. <http://dx.doi.org/10.2307/2329807>.

Barth, M. E., Cram, D. P., & Nelson, K. K. (2001). Accruals and the prediction of future cash flows. *The Accounting Review*, 76 (1), 27–58. <http://dx.doi.org/10.2308/accr.2001.76.1.27>.

Beaver, W. H., & Dukes, R. E. (1974).  $\delta$ -Depreciation Methods: Some Analytical Results. *Journal of Accounting Research*, 74 (12), 205–215. <http://dx.doi.org/10.2307/2490372>.

Baxter, W. T. (1970). Depreciating Assets: The Forward-looking Approach To Value. *Abacus*, 6 (2), 120–131. <http://dx.doi.org/10.1111/j.1467-6281.1970.tb00442.x>.

Ben-Shahar, D., & Sulganik, E. (2009). Fair Depreciation: A Shapley Value Approach. *B.E. Journal of Theoretical Economics: Topics in Theoretical Economics*, 9 (1), 1–16. <http://dx.doi.org/10.2202/1935-1704.1531>.

Breuer, A., Frumușanu, M. L., Pereș, C. E., & Breuer, B. G. (2011). Depreciation of Fixed Assets in the Construction Field. *Annals of Eftimie Murgu University Resita, Fascicle II, Economic Studies*, 24–29.

Birky, K., & Grimstad, E. (2013). Decoding depreciation. *Water Environment & Technology*, 25(2), 62–63.

Boudreaux, D. O., Rao, S., Underwood, J., & Rumore, N. (2011). Measuring Losses For Small Business Interruption Claims: Depreciation Expenses. *Journal of Applied Business Research*, 27 (2), 105–114.

Brannon, G.M. (1972). Tax Policy and Depreciation: The Case for ADR. *Journal of Finance*, 27 (2), 525–533. <http://dx.doi.org/10.1111/j.1540-6261.1972.tb00980.x>.

Brief, R.P. (1967). A Late Nineteenth Century Contribution To The Theory Of Depreciation. *Journal of Accounting Research*, 5(1), 27–38. <http://dx.doi.org/10.2307/2489984>.

Brief, R. P. (1968). Depreciation Theory and Capital Gain. *Journal of Accounting Research*, 6 (1), 149–152. <http://dx.doi.org/10.2307/2490133>.

Brigham, E. F. (1966). Depreciation and Reported Profits. *Journal of Finance & Quantitative Analysis*, 1 (4), 112–114.

Brigham, E.F. (1968). The Effects of Alternative Depreciation Policies on Reporting Profits. *Accounting Review*, 43 (1), 4–46.

Brundage, P.F. (1935). Depreciation – An Old Subject with A New Importance. *Harvard Business Review*, 13 (3), 334–344.

Budeanu, M. (2012). Research and development as fertile ground for creative accounting. *Metalurgia International*, 17 (2), 146–148.

Butler, G., & Crawford, L. (2001). The impact of price controls on accounting policy choice: an international study of depreciation methods in the electricity industry. *Contemporary Issues in Accounting Regulations*, 187–198. [http://dx.doi.org/10.1007/978-1-4615-4589-7\\_11](http://dx.doi.org/10.1007/978-1-4615-4589-7_11).

Cameron-Smith, I., & Mattiussi, F. (1989). Intangible valuation – the expert view. *Accountancy*, 25–26.

Cernușca, L. (2009). Methods, Techniques and Practice Of Creative Accounting For Depreciation. *Agricultural Management/ Lucrari Stiintifice Seria I, Management Agricol*, 11 (3), 1–8.

Chou, Y., Yang, C., & Pao, C. (2012). Strategic group analysis of the flexible display industry using patent value depreciation model. *International Journal of Technology Transfer & Commercialization*, 11 (3/4), 247–370. <http://dx.doi.org/10.1504/ijttc.2012.052419>.

Coggins, M. (1995). Accounting for tangible fixed assets. *Accountancy*, 86–88.

Davidson, S. (1950). Depreciation and Profit Determination. *Accounting Review*, 25 (1), 45–45.

Dilley, S. C., & Young, J. C. (1994). A pragmatic approach to amortization of intangibles. *CPA Journal*, 64 (12), 46–51.

Dyckman, T. R., Nelson, M., Dukes, R. E., Zin, M., Davis, C. J., & Conrod, J. E. D. (1992). *International Accounting, 6th Canadian Edition*, Richard D. Irwin Inc. chapter 12, Capital Assets: Depreciation and Impairment, 538.

Eisner, R. (1955). Accelerated Depreciation: Some Further Thoughts. *Quarterly Journal of Economics*, 69 (2), 285–296.

Feinschreiber, R. (1969). Accelerated Depreciation: A Proposed New Method. *Journal of Accounting Research*, 69 (7), 17–21.

Girish, K. (2010). Depreciation and Reserves, [in:] *Corporate Accounting*, Global Media, 169.

Girish, K. (2010). Fixed Assets Accounting, [in:] *Corporate Accounting*, Global Media, 171–190.

Hellmuth, J. R., & William, F. (1955). Depreciation and the 1954 Internal Revenue Code. *Journal of Finance*, 10 (3), 326–349. <http://dx.doi.org/10.2307/2976882>.

Huagan, N., & Diewert, E. (2011). Estimation of R&D depreciation rates: a suggested methodology and preliminary application. *Canadian Journal of Economics*, 44 (2), 387–412. <http://dx.doi.org/10.1111/j.1540-5982.2011.01638.x>.

Hwang, J. C. (1997). The Form And Rate Of Physical Depreciation In Canadian Industries. *Journal of Economic & Social Measurement*, 23(2), 87–133.

Hwang, J. C. (2002/2003). Forms and rates of Economic and physical depreciation by type of assets in Canadian industries. *Journal of Economic & Social Measurement*, 28 (3), 89–108.

International Accounting Standard 16, <http://www.ifrs.org/Documents/IAS16.pdf> (accessed: 01.04.2015).

International Accounting Standard 38, <http://www.iasplus.com/en/standards/ias38> (accessed: 01.04.2015).

Ijiri, Y., & Kaplan, R.S. (1970). Sequential Models in Probabilistic Depreciation. *Journal of Accounting Research*, 8 (1), 34–46.

Ilincuta, L. (2013). Resumptions and developments regarding the management of the depreciation methods. *Metalurgia International*, 18 (3), 202–213.

Jackson, S. B., Rodgers, T. C., & Tuttle, B. (2010). The effect to firm's depreciation method choice on assets selling price. *Accounting, Organizations & Society*, 757–774. <http://dx.doi.org/10.1016/j.aos.2010.09.004>.

Jermakowicz, E. K., & Epstein, B. J. (2011). Accounting Policy Options in IFRS. *CPA Journal*, 81(8), 44–49.

Jones, J. R. (1980). Assets Depreciation. *Harvard Business Review*, 58(6), 78–86.

Koowattanachai, N., Wang, J., & Charles, M.B. (2012). The merits of accelerated depreciation for promoting investment in clean transport technologies: A simulation study in the Australian rail freight industry. *Transportation Research: Part D*, 17 (8), 578–584. <http://dx.doi.org/10.1016/j.trd.2012.06.007>.

Kim, I., & Seo, H .L. (2009). Depreciation and transfer of knowledge: an empirical exploration of a shipbuilding process. *International Journal of Production Research*, 47 (7), 1857–1876. <http://dx.doi.org/10.1080/00207540701499481>.

Lepādatu, G. (2009). Property, plant and equipment in the metallurgical field. *Metalurgia International*, 53–55.

Lev, B., & Theil, H. (1978). A Maximum Entropy Approach to the Choice of Asset Depreciation. *Journal of Accounting Research*, 16 (2), 286–293.

Levy, H., & Arditti, F.D. (1973). Valuation Leverage, And The Cost Of Capital In The Case of Depreciable Assets. *Journal of Finance*, 28 (3), 687–693.

Latvian Accounting Standard nb.7, Long-lived Non-financial Assets. <http://likumi.lv/doc.php?id=124600> (accessed: 1. 04. 2015).

Livingstone, J. L. (1969). Accelerated Depreciation, Tax Allocation, And Cyclical Asset Expenditures of Large Manufacturing Companies. *Journal of Accounting Research*, 7 (2), 245–256.

Luger, M. I. (1986). Depreciation Profiles And Depreciation Policy In A Spatial Context. *Journal of Regional Science*, 26 (1), 141–159.

Mohman, M. B. (2009). Depreciation of Airplanes and Garbage Trucks: Information Value and Fraud Prevention in Financial Reporting. *Issues in Accounting Education*, 24 (1), 105–107. <http://dx.doi.org/10.2308/iace.2009.24.1.105>.

Mykolaitiene, V., Vecerskiene, G., Jankauskiene, K., & Valanciene, L. (2010). Peculiarities of Tangible Fixed Assets Accounting. *Engineering Economics*, 21 (2), 142–150.

Nasdaq Baltic Equity List. <http://www.nasdaqomxbaltic.com/market/?pg=mainlist&lang=en> (accessed: 22.03.2015).

Noland, T. R. (2010). The Sum-Of-Years' Digits Depreciation Method: Used by SEC Filers. *Journal of Finance & Accounting*, 5, 1–12.

Most, K. (1984). Depreciation Expense and the Effect of Inflation. *Journal of Accounting Research*, 22 (2), 782–788.

O'Bannon, I.M. (2011). Effective Asset Management Is More Than Depreciation. CPA Practice Advisor, 21 (8), 31-31.

Rajan, M., & Reichelstein, S. (2009). Depreciation Rules and the Relation between Marginal and Historical Cost. Journal of Accounting Research, 47 (3), 823-865.

Radu, D., & Marius, D. (2011). Issues Related to the Accounting Treatment of the Tangible and Intangible Assets Depreciation. Annals of the University of Oradea, Economic Science Series 20(2), 498-502.

Stadig, M. (2011). Estimating Depreciation for Property Assessment Purposes. Journal of Property Assessment & Administration, 8 (4), 5-13.

Sok-yon, K., & Yuping, Z. (2010). Information Content and Value Relevance of Depreciation: A Cross-Industry Analysis. Accounting Review, 85 (1), 227-260. <http://dx.doi.org/10.2139/ssrn.1394765>.

Storchmann, K. (2004). On the Depreciation of Automobiles: An International Comparison. Automobiles - Transportation, 31 (4), 371-408. <http://dx.doi.org/10.1023/b:port.0000037087.10954.72>.

Trifan, A., & Anton, C.E. (2010). Tax Depreciation Versus Accounting Depreciation in Romania After Joining The European Union. Bulletin of the Transilvania University of Brasov. Series V: Economic Sciences, 3, 335-340.

Valipour, H., Moradi, J., & Farzanfar, F. (2013). The Relationship Between Information Content of Depreciation and Abnormal Return, Stock Price and Future Benefits in Manufacturing Companies in Tehran Stock Exchange (TSE). International Journal of Contemporary Research in Business, 4 (9), 522-537.

Voss, W. M. (1968). Accelerated Depreciation And Deferred Tax Allocation, Journal of Accounting Research, 6 (2), 262-269. <http://dx.doi.org/10.2307/2490240>.

Watts, M. M. (2011). Measuring the Value of 100% First-Year Depreciation. CPA Journal, 81 (11), 52-57.

Wolk, H. I. (1970). Current Value Depreciation: A Concept Clarification. Accounting Review, 45(3), 544-552.

Wong, A., & Pitt, A.J. (2012). Depreciation and Changes in Use of Real Property. Tax Adviser, 43 (10), 648-650.

Wright, F.K. (1964). Towards a General Theory of Depreciation. Journal of Accounting Research, 2 (1), 80-90.

## Search

## Browse

[Browse Author Index](#)

[Issue archive](#)

## Current Issue

[ATOM 1.0](#)

[RSS 2.0](#)

[RSS 1.0](#)

## User

Username \*

Password \*

Remember me

## Information

[For Readers](#)

[For Authors](#)

[For Librarians](#)

## Newsletter

[Unsubscribe](#)

## Language

[English](#)

[Deutsch](#)

Język Polski

Español (España)

Italiano

Français (Canada)

Čeština

Français (France)

Hrvatski

Srpski

Українська

## Tags

Search using one of provided tags:

non-financial long-lived assets, depreciation method, amortization method, accounting policy, financial statements

The journal content is indexed in **CrossCheck**, the CrossRef initiative to prevent scholarly and professional plagiarism



AKADEMICKA PLATFORMA CZASOPISM

NAJLEPSZE CZASOPISMA NAUKOWE I AKADEMICKIE W JEDNYM MIEJSCU

## Akademicka Platforma Czasopism

Najlepsze czasopisma naukowe i akademickie w jednym miejscu

[apcz.umk.pl](http://apcz.umk.pl)

## Partners

- Akademia Ignatianum w Krakowie
- Państwowa Akademia Nauk Stosowanych w Krośnie
- Państwowa Akademia Nauk Stosowanych we Włocławku
- Państwowa Wyższa Szkoła Zawodowa im. Stanisława Pigionia w Krośnie
- Polskie Towarzystwo Ekonomiczne
- Polskie Towarzystwo Ludoznawcze
- Towarzystwo Miłośników Torunia
- Towarzystwo Naukowe w Toruniu
- Uniwersytet im. Adama Mickiewicza w Poznaniu
- Akademyk Towarzystwo Andragogiczne
- Państwowa Akademia Nauk Stosowanych w Włocławku
- Państwowa Wyższa Szkoła Zawodowa im. Stanisława Pigionia w Krośnie
- Polskie Towarzystwo Ekonomiczne
- Polskie Towarzystwo Ludoznawcze
- Towarzystwo Miłośników Torunia
- Towarzystwo Naukowe w Toruniu
- Uniwersytet im. Adama Mickiewicza w Poznaniu
- Fundacja Copernicus na rzecz Rozwoju Badań Naukowych
- Instytut Historii im. Tadeusza Manteuffla Polskiej Akademii Nauk
- Instytut Kultury Śródziemnomorskich i Orientalnych PAN
- Karmelitański Instytut Duchowości w Krakowie
- Ministerstwo Kultury i Dziedzictwa Narodowego
- Uniwersytet Mikołaja Kopernika
- Uniwersytet w Białymstoku
- Uniwersytet Warszawski
- Wojewódzka Biblioteka Publiczna - Książnica Kopernikańska
- Wyższe Seminarium Duchowne w Pelplinie / Wydawnictwo Diecezjalne „Bernardinum” w Pelplinie



Fundusze Europejskie  
Wiedza Edukacja Rozwój



Rzeczpospolita  
Polska

Unia Europejska  
Europejski Fundusz Społeczny



Universitas Copernicana Thoruniensis In Futuro II-modernizacja Uniwersytetu Mikołaja Kopernika w ramach Zintegrowanego Programu Uczelni  
Program Operacyjny Wiedza Edukacja Rozwój POWR.03.05.00-00-Z306/18 współfinansowany w ramach Europejskiego Funduszu Społecznego na lata 2014–2020