ADDITIONAL DISCLOSURES FOR COMPANIES THAT CARRY PROPERTY, PLANT AND EQUIPMENT – At Cost

Notes – ACCOUNTING POLICIES

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

PAS 1.14

The financial statements of PNA Manufacturing Corporation have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs)

These financial statements have been prepared on the historical cost basis. The measurement basis is more fully described in the accompanying accounting policies that follow.

2.6 Property, Plant and Equipment

PAS 1.110
PAS 16.73 (a)

Property, plant and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation and impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

PAS 16.73 (b)

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

PAS 16.73 (c)

Buildings and improvements	10-20 years
Machinery and equipment	5-12 years
Office furniture, fixtures and other equipment	5-10 years
Transportation equipment	3-5 years

Transportation equipment held under finance lease agreements (see Note 3.14) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of lease, if shorter.

PAS 36.59

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note x[1]).

PAS 16.51

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

PAS 16.68, 71

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized

[1] Cross reference to the policy on impairment of non-financial assets.