Recognition Criteria and Classification of Investment in Tangible Assets

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Abstract The aim of the study is to clarify and arrange the types of investment in tangible assets based on the practice of forming such assets in the world and Azerbaijan in particular. The article involves methods of analysis and synthesis in the development of criteria for attributing costs to investment in tangible assets. The dynamics of the investment in tangible assets of economic entities were analysed through the statistical analysis. The monographic method is applied to a comprehensive in-depth study of the types of investment in tangible assets, and the cause-and-effect relationships of their implementation. An abstract logical method was used to generalise and draw conclusions. The nature of investment in tangible assets was studied, taking into account the provisions of international accounting standards and other regulatory documents. An algorithm for identifying investment in tangible assets was developed, which provides for their consistent recognition from the moment the operation gets the attributes of investment activity and the subsequent distribution of investment by individual groups of assets to their final completion. The usefulness of the identification algorithm in making informed management decisions on the material investment in individual objects was determined. The classification of investment in the tangible assets of the company was determined, and the key types of investment were identified. The dynamics of the volume of investment in the tangible assets of Azerbaijani companies were investigated; an econometric model was developed to predict it, and the amount of investment in the tangible assets of Azerbaijani companies for the next five years was predicted. The prospects for further research include the search for directions for modernising the company's investment policy.

Keywords Accounting, Azerbaijan, Capital, Investment, Tangible Assets, Taxes

1. Introduction

The domestic economy enters a growth trajectory, thus putting us in front of the need to overcome the deep economic crisis caused by the intensification of the investment process. Increasing the efficiency of social reproduction by strengthening the production activities of all companies in the real sector of the economy is possible only if the reproduction is intensified and the use of existing fixed assets is improved by increasing investment in tangible assets. The world practice shows that investment in tangible assets is an important catalyst for production, the basis for a stable economic recovery, both of individual economic units and the state.

Despite numerous works that studied the nature of capital investment, and investment in tangible assets in particular, it has not yet been possible to achieve unity of approaches to this interpretation. Moreover, recurrent financial and economic crises, which are often based on destructive elements in investment processes, necessitate a revision of certain positions on the sufficient financial support for investment in tangible assets.

The ambiguity in the interpretation of investments in tangible assets in tax accounting and bookkeeping, the

lack of a clearly defined concept of "investment in tangible assets" in international practice causes inconsistency in the essential identification of this category in accounting standards, which negatively affects the accounting and information support for managing company's investment processes. That is why there is a need to develop criteria and procedures for identifying investment in tangible assets.

A research paper by [1] discusses the analysis of investment in fixed assets in Indonesia. The author determined the degree to which the management of fixed assets based on the return on investment depends on the method of their acquisition, the method of depreciation and the measurement of the rate of turnover during use. A return on investment (ROI) analysis was also conducted to assess how effective the company's performance is when using shared assets to generate profit.

Researchers in [2] used regression analysis to estimate multiplier effects in order to study the influence of external factors, such as investments in technological transformations of Russia's GDP from 2005 to 2018. The results obtained confirmed the effectiveness of investment in reconstruction and modernisation, contributing to an increase in gross output, thus strengthening the national economy.

The author in [3] examined how wage decisions and investment in fixed capital are determined in the imperfect financial market of China. It is also determined what relationship exists between the definition of wages and investment in fixed assets. The main findings of investment are as follows: retained earnings are positively correlated with capital investment, indicating that China's financial market is incomplete.

Scientists in [4] found that the modern practice of managing economic growth in the constituent entities of the Russian Federation underestimates the implementation of financial guarantees. The financial guarantee instrument is a priority for large investment projects. These projects can provide a return on capital investment of up to four, which helps to increase the fiscal revenues of regional budgets up to 40%.

The aim of the study by [5] was to determine the structure and dynamics of changes in the sources of financing for fixed assets serving environmental protection in Poland. The author proved that in addition to own funds, a significant share in the structure of sources of financing for environmental protection is taken by public funds from the European Union budget and self-financing.

According to [6], real estate is the main driver of urbanisation, while investment in construction projects plays an important role in increasing the rate of urbanisation during the study period.

In one of his scientific works [7], he notes that allowing companies to choose depreciation schedules increases the efficiency of investment in tangible assets: in equilibrium, strong companies choose faster depreciation.

In [8], the author compared capital investment before and after the 2008 financial crisis in the industrial and investment sectors on the Palestinian Stock Exchange. An independent sample T-test was used to test the hypothesis of the study, and it was found that the average ratio of fixed assets to total industrial and investment assets increased from 56.2% before the crisis to 58.5% after the crisis. This relatively low growth can be explained by the lack of funds for the reproduction of fixed assets after the financial crisis.

If we consider the impact of the global financial crisis in 2012, it is worth noting that in Azerbaijan, for example, the change in investment in tangible assets before 2012 and after 2012 increased by 39.65%, due to expanding industrial production in the mining industry [13].

The results of the scientific work of [9] is that an increase in the level of investment in agricultural holdings in Poland contributes to the growth of labour and land productivity. Polish farms surveyed by the authors in 2005-2013 increased the productivity of equity capital, which indicates the development of farms. At the same time, an increase in investment costs per unit of production factor contributed to an increase in investment efficiency.

The aim of the study is to clarify and systematise the recognition criteria and classification attributes, and, accordingly, the types of investments in tangible assets.

Research objectives are:
- to define the essence of investments in tangible assets of business entities;
- to identify the features of the recognition of certain types of investments in tangible assets;
- to research and summarise the criteria for recognising investment in tangible assets;
- to arrange the types of investment in tangible assets according to certain classification criteria;
- to give recommendations to companies in identifying investment in tangible assets in modern business conditions.

2. Methods

The article involves methods of analysis and synthesis in the development of criteria for attributing costs to investment in tangible assets. Dynamics of the volume of investment in tangible assets of economic entities were analysed through the statistical analysis. The monographic method is applied to a comprehensive and in-depth study of the types of investment in tangible assets, and the cause-and-effect relationships of their implementation. An abstract-logical method was used to generalise and draw conclusions. The study was carried out in the following stages:

1. Collection of materials from regulatory, scientific, periodic and statistical sources of information in accordance with the research topic.
2. Formulation of the definition of "investment in tangible assets" through scientific interpretation of the position of scientists and regulatory sources.
3. Clarification of the peculiarities of recognition of investments in tangible assets, depending on the asset type.
4. Arrangement of criteria for recognising investment in tangible assets.
5. Research of existing attributes of classification of investment in tangible assets and development of the author's approach to the attributes of distribution of investment in tangible assets.
6. Development of recommendations for modern business entities to identify investment in tangible assets.

The study involved data on investments in tangible assets of domestic economic entities in Azerbaijan as a whole and by types of assets. In international practice, accounting and reporting of the company's investment activities is regulated by a number of standards, namely: IAS 7: Statement of Cash Flows, IAS 28: Investments in Associates and Joint Ventures, IAS 32: Financial Instruments: Presentation, IFRS 3: Business Combinations, IFRS 7: Financial Instruments: Disclosures, IFRS 9: Financial Instruments, etc. However, the overwhelming majority of them determine the characteristics of financial investment in monetary assets.

In particular, IAS 7: Statement of Cash Flows notes that investing is activity that involves purchase and sale of long-term assets, as well as other investments that are not cash equivalents. However, there is no definition of "capital investment", and in particular "investment in tangible assets" in international accounting standards [10].

IAS 16: Property, Plant and Equipment discloses the status of investments in property, plant and equipment and the changes that occur in those investments. But the standard does not provide guidance on the accounting recognition of investments in tangible assets. It also lacks an answer to the question of how to reflect the costs of capital repairs of an object of fixed assets in accounting. Under IAS 16, further costs associated with an item of property, plant and equipment are included in the cost of a non-current asset if it is probable that future economic benefits will flow and can be measured reliably. In this case, the costs of recurrent maintenance of the object are not reflected in the book value of the object of fixed assets.

In accordance with IAS 40: Investment Property, immovable property is considered investment property if it is held by the owner or lessee under a finance lease for the purpose of receiving lease payments or capital appreciation, and not for the purpose of selling, using in production or supplying goods, the provision of services or for administrative purposes [10]. That is, real estate is considered an investment property if investments are made in property for the purpose of leasing.

IFRS 15: Revenue from Contracts with Customers, which replaced the previous IAS 11: Construction Contracts, does not address the issue of the performance of contracts with customers related to IAS 16: Property, Plant and Equipment. The standard considers construction not as a component of capital investment (for the customer), but as a normal activity of the contractor.

Although IAS 41: Agriculture concerns biological assets, it does not apply to the main objects of investment — land, perennial plantings, main herd. These objects are governed by the main provisions of IAS 16: Property, Plant and Equipment. At the same time, starting from 2004, since the adoption of the Law "On Accounting" in Azerbaijan (which was prepared with the direct participation of the World Bank), a mandatory transition to an accounting and reporting system in accordance with International Financial Reporting Standards has taken place [10].

Thus, international accounting standards do not recognise investment in tangible assets as separate accounting items and do not provide detailed information about their elements, but consider them as a prerequisite and component of the initial cost of an object during the construction, creation, acquisition or improvement of a tangible long-term asset as a result investing.

3. Results

Based on the study of the modern regulatory framework and the views of scholars on the key terms that determine the main essential characteristics of investments in tangible assets, we consider it appropriate to take them as a basis when developing a unified procedure for identifying investments in tangible assets.

To build an algorithm for recognising investments in tangible assets, we outline a sequence of actions that it is advisable to follow when carrying out their identification (Figure 1).
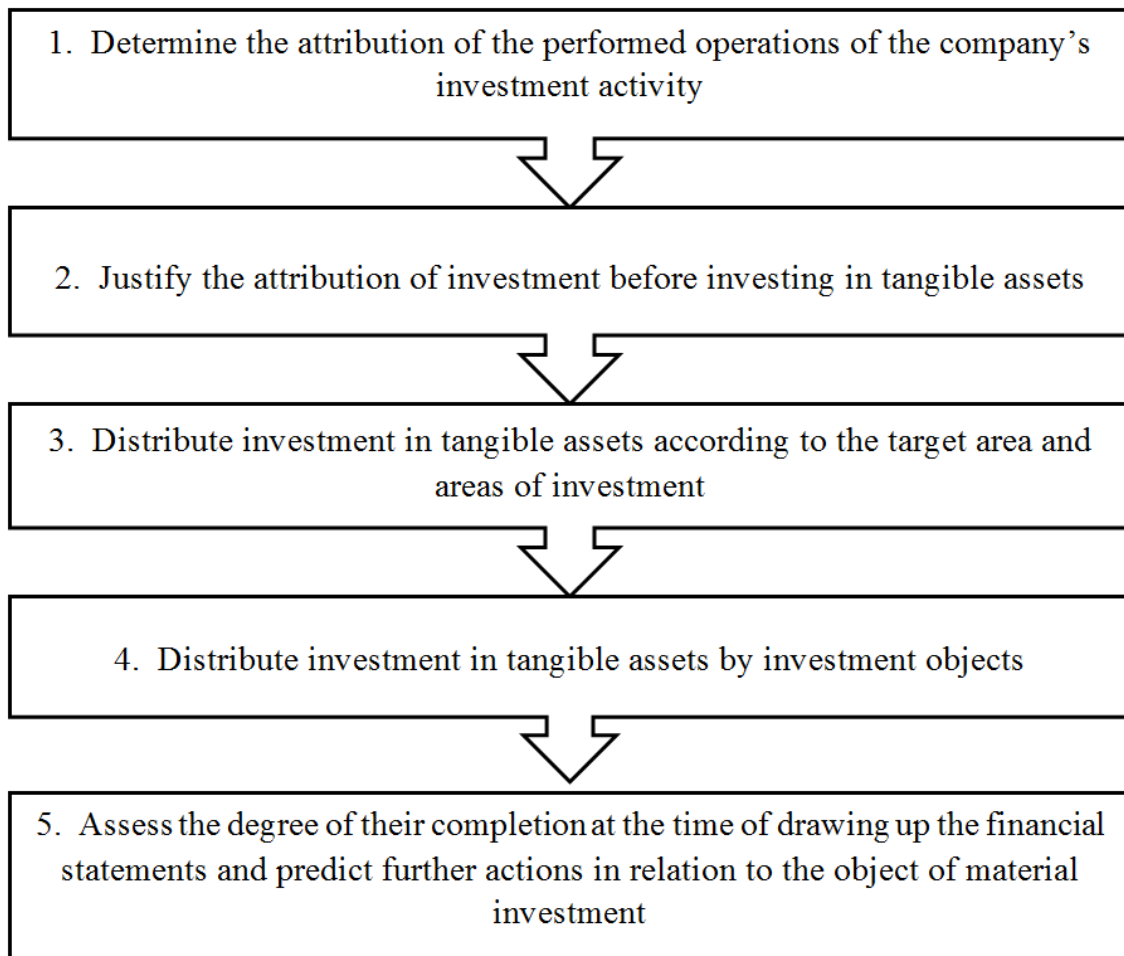
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┌──────────────────────────────────────────────────────────────────────┐
│  1.  Determine the attribution of the performed operations of the      │
│      company's investment activity                                     │
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│  2.  Justify the attribution of investment before investing in         │
│      tangible assets                                                   │
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│  3.  Distribute investment in tangible assets according to the target  │
│      area and areas of investment                                      │
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│  4.  Distribute investment in tangible assets by investment objects    │
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│  5.  Assess the degree of their completion at the time of drawing up    │
│      the financial statements and predict further actions in relation   │
│      to the object of material investment                               │
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Figure 1.   Sequence of actions for identification of investment in tangible assets

At the first stage, it is necessary to find out whether the planned business transactions are related to the company's investment activities. To do this, it is advisable to analyse the management objectives that are set by the business entity for the ongoing operation of investing values, resources or funds, to determine the expected useful life of the investment object, to make sure that it is possible to reliably recognise the value of an asset, obtain a future economic, social or environmental effect, and the ability to control the process of its use.

The second stage involves determining whether the investment belongs to the actual investment in tangible assets. If the purpose of the transaction is the acquisition, creation, lease of long-term non-monetary assets that can be identified in the accounting, and to obtain economic benefits, profit or capital gains in the future, the specified investment activity will be considered an investment in tangible assets. In case of business transactions involving the purchase of cash equivalents, corporate rights, securities, derivatives or other financial instruments for a long period (more than one year), the company's activities will belong to long-term financial investments. If the acquired values are not subject to further capitalisation,

and the work performed will perform the function of maintaining a long-term facility in working order without changing its quality characteristics, such expenses will be attributed to the company's operating activities.

We consider it expedient to carry out further identification of investment (third stage) according to the target area and areas of investment in tangible assets. This includes, for example, investment in new construction, creation, acquisition, manufacturing, growing of tangible assets and investments aimed at capital improvement of existing facilities, which includes the expansion, reconstruction and re-equipment of existing facilities through modification, modernisation, overhaul, reconstruction, completion, technical re-equipment, the introduction of an effective technological process, additional equipment, replacement of individual parts of equipment and the like.

The problems of allocating costs for current repairs and capital improvements are often discussed in the economic literature, because only individual line ministries approve an indicative list of works that relate to major or current repairs. The overwhelming majority of decisions about the nature and signs of repair work are made by management

according to their own professional judgment, based on the analysis of the materiality of costs. To simplify the process of recognising capital improvements, we advise companies to create a commission (with the involvement of leading specialists, if possible), which is to approve and be responsible for the distribution of such expenses, and also to develop their own classifier of repairs for fixed assets. The classifier and the composition of the commission provided in the company's accounting policy will significantly simplify the procedure for recognising investments as investments in tangible assets, and minimise the risk of erroneous attribution of current expenses to capital expenditures.

For further identification of investments, the criteria for recognising the investment object as part of the company's long-term assets, developed by separate national accounting standards (provisions), should be observed. However, we propose using a certain sequence of application of individual criteria for each type of material investment object, in particular, the materiality of the form, the right and purpose of the content, the completion of the investment process on a certain date, the decision on further investment activities for the object.

The fourth stage of identification begins with the allocation of objects of material form in the investment process. If we talk about investment in real estate, it is imperative to determine the purpose of the further use of such an asset. If it is probable that the company will receive economic benefits in the future from the use of real estate in the form of lease payments and/or an increase in equity capital, and its initial cost can be reliably determined, such investment is made in investment property. Along with the general criteria for the recognition of investment property, additional features can also be identified: state registration of transactions to acquire the civil status of real estate (land plots, buildings, structures and some mobile objects); the right to establish the way of using the asset and recording the real estate in the lease agreement; non-use in production, for the supply of goods and services, for administrative purposes or for sale in the ordinary course of business, and the like. The company shall use these criteria to distinguish between investment and operating real estate in indivisible objects to determine investments that can be capitalised, that is, increase the value of an investment property and improve the originally adopted standard indicators of its functioning.

The process of recognising fixed assets and other long-term tangible assets is complicated if the investment object consists of several components that may have different useful lives, be structurally separated from the general asset and perform certain independent functions. The company may decide to credit investment to a single multicomponent item of fixed assets or to its individual items. In this case, the choice of the investment method shall be made at the management's discretion, taking into account the level of moral and material wear and tear of the asset's components.

The final stage of identification of investment in tangible assets is to establish the degree of completion of the investment process, which is accompanied either by their recognition as uncompleted investment (qualifying assets), or by acquiring the status of "earned investment", posting items on the balance sheet and drawing up the corresponding acceptance certificates. In case of complete termination or refusal to further complete the investment, a decision is made to lay up or liquidate the investment object with its subsequent transfer or sale to another business entity.

As we can see, the proposed algorithm for carrying out the procedure for identifying investments in tangible assets assumes their consistent recognition at all stages of investment. From the moment, the operation obtains the attributes of investment activity with the subsequent sequential distribution of investment by individual groups of tangible assets to their final completion.

At the same time, the economic essence of investments in tangible assets can be simultaneously considered from different points of view, which allows classifying them according to various criteria. These attributes allow combining investments in homogeneous groups. In modern practice, there are a number of approaches to the classification of investments (Figure 2).
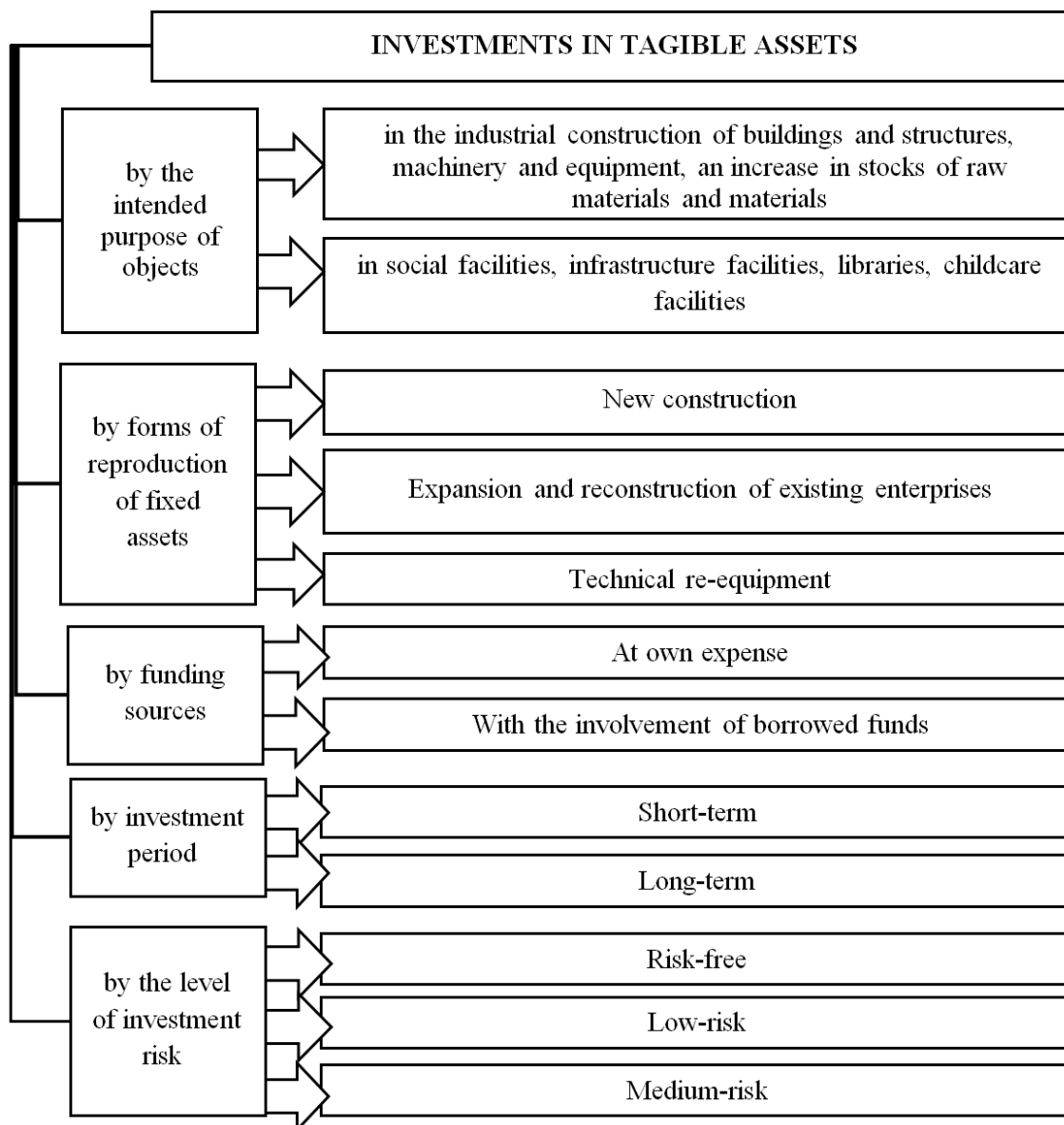
INVESTMENTS IN TAGIBLE ASSETS

by the intended purpose of objects	→	in the industrial construction of buildings and structures, machinery and equipment, an increase in stocks of raw materials and materials
	→	in social facilities, infrastructure facilities, libraries, childcare facilities

by forms of reproduction of fixed assets	→	New construction
	→	Expansion and reconstruction of existing enterprises
	→	Technical re-equipment

by funding sources	→	At own expense
	→	With the involvement of borrowed funds

by investment period	→	Short-term
	→	Long-term

by the level of investment risk	→	Risk-free
	→	Low-risk
	→	Medium-risk

Figure 2. The main features of the classification of investments in the company's tangible assets

As a rule, the intended use of investments in tangible assets is reduced to investments in production assets, that is, such tangible assets as buildings, structures, equipment and other inventories and non-production facilities of the social sphere (for example, the building of a canteen, kindergarten, etc.).

Investments in the reproduction of fixed assets, in particular, are directed to the expansion of production capacities, to the reconstruction and expansion of existing production, and the reproduction of retired fixed assets. The company chooses a specific type of investment in tangible assets depending on market requirements, its own economic and financial condition, expected economic efficiency.

Since the financial burden on a company with various forms of capital investment is significantly different —

from the maximum for new construction to the minimum for technical re-equipment — the company often chooses the latter form — technical re-equipment, which becomes vital under the conditions of scientific and technological progress. A reinforcing factor in this case is the short payback period of the investment.

An important feature of the classification is also the source of investment financing, since its own sources of investment are economically viable.

The next classification feature is the investment period. On this basis, short-term and long-term investments are distinguished. In the practice of large investment companies, long-term investments are detailed as follows: up to 2 years; for 2-3 years for 3-5 years more than 5 years.

According to the level of investment risk, there are

risk-free, low-risk and medium-risk investments [11].

Investments in tangible assets can also be classified according to a number of additional characteristics:

- the use of limited resources in the investment process: land, capital resources;
- the required amount of initial investment in small, medium and large projects;
- the degree of control over the influence of other investments: independent; requiring associated investments; sensitive to competing investment decisions;
- the form of the effect obtained (depending on the investment objectives): economic, social, technical, environmental;
- functional activities with which investments are most closely related;
- degree of mandatory implementation — mandatory, not absolutely mandatory, optional.

From the point of view of the moment of investment and the use of results, they also distinguish: one-off — one-time production; multiple — in this case, capital expenditures are carried out in time, and production output — at once.

At the same time, in the matter of classifying investments, the practical experience of European and American companies, group investments of which depend on their purpose, is interesting:

1) forced investments — they are made to protect the environment, improve the reliability of equipment and improve production safety;
2) investments aimed at maintaining the company's position in the market, that is, maintaining the established reputation and conquering new markets;
3) investments in the renewal of production fixed assets to rationalise production;
4) investments to ensure cost savings, increase labour productivity and the level of profitability of products;
5) investments aimed at increasing the company's income by increasing the volume of production and production capacity;
6) risky investments — financial investments in securities, in the development of innovative products.

It should be noted that the first four classification groups are mainly objects of internal investment, and the last two are external. Thus, the classification of investments depending on their purpose makes it possible to better understand the deep essence and type of investment behaviour; more accurately determine the circle of potential investors; more successful planning and simulation of investment processes, projects; achieve optimal investment management decisions; ensure timely accounting, comprehensive control and system analysis of investments.

It is important to note that investments in tangible assets play an important role in the system of ensuring the effective functioning of the company. They contribute to the fulfilment of almost all strategic and significant part of the current objectives of company development, namely they provide access to modern technologies, help in the formation and expansion of production potential, contribute to the optimisation of the structure of assets and capital, the implementation of innovation policy and strategic development goals, the solution of social development problems of the company, and the growth of its market value.

According to [12], the domestic practice of investing in tangible assets of companies shows an increase in investments in tangible assets of Azerbaijani enterprises until 2017, which, despite the high activity of domestic investors — business and government — forms the basis for increasing competitiveness and positive expectations regarding the prospects of further development of the country.

The volumes of investments in tangible assets of companies in 2020 were somewhat lower, mainly due to the impact of the Covid-19 pandemic (Figure 3).
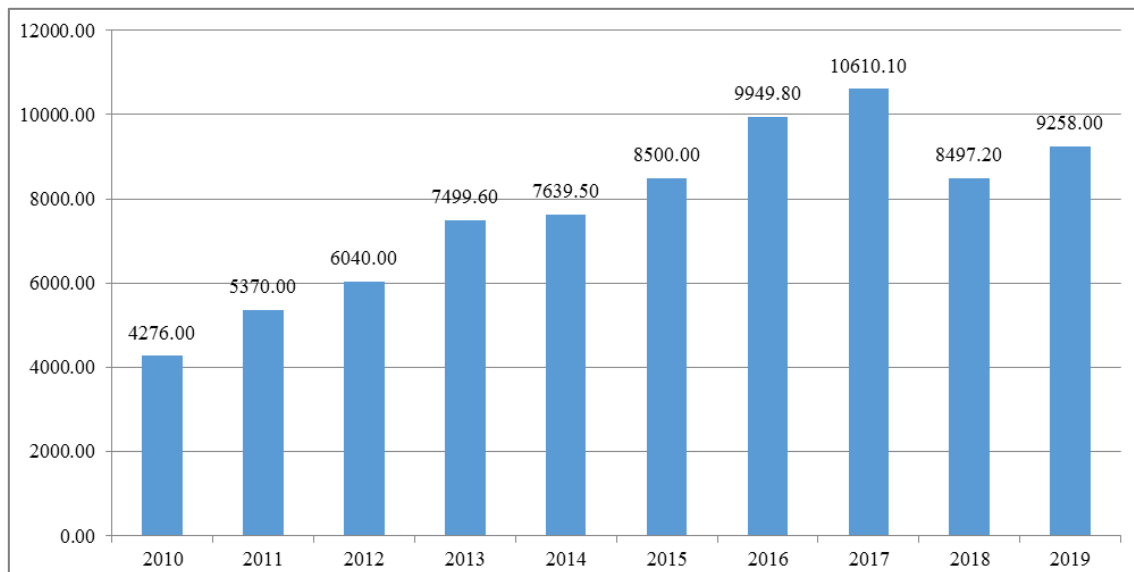
Figure 3. Dynamics of the volume of investments in tangible assets of Azerbaijani companies from 2010 to 2019, AZN million [13]
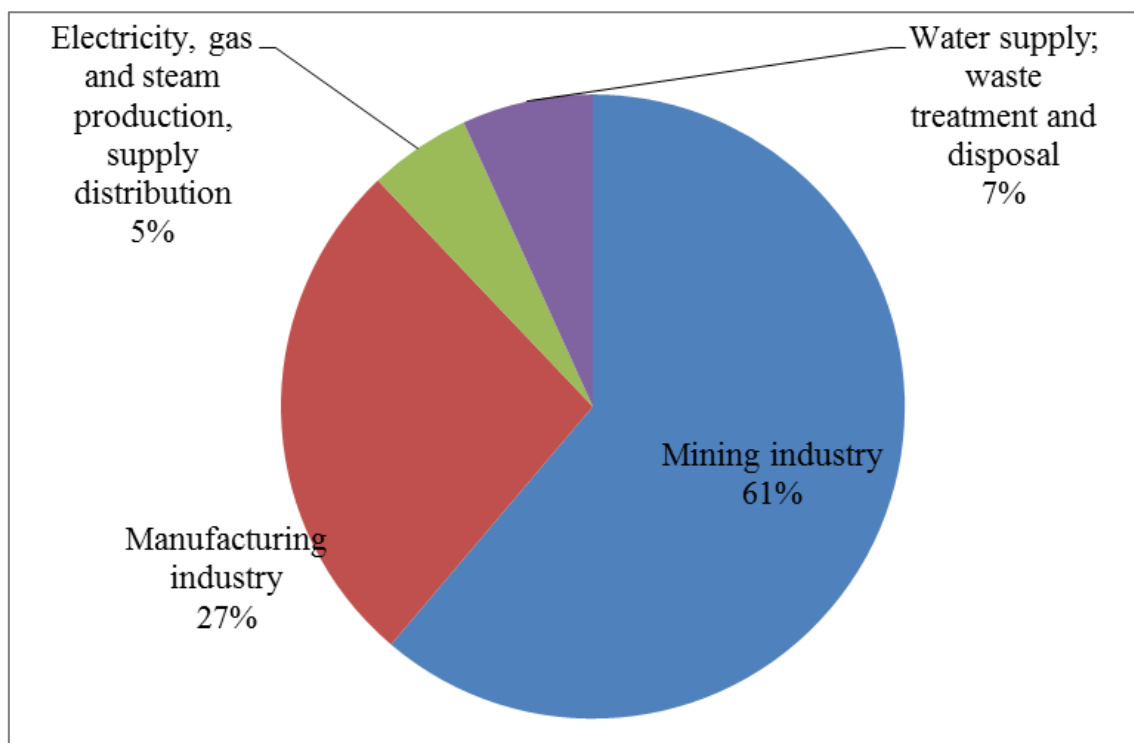

Figure 4. Structure of investments in tangible assets of Azerbaijani companies by type of activity in 2019, % [13]

Thus, investments in tangible assets include investments in fixed assets (investments in land, existing buildings and structures, new buildings, structures, construction in progress, long-term biological assets of livestock, capital repairs and other long-term tangible assets.

At the same time, as evidenced by the experience of Azerbaijani companies, the largest part (61% of investments) is occupied by the mining industry (Figure 4).

Taking into account the studied trends in the dynamics of investments in tangible assets of Azerbaijani companies, we will draw up a regression model to predict the volume of investments in tangible assets of companies for the next five years. Regression analysis refers to analytical smoothing methods, together with the least squares method and its modifications. Identifying the main trend by the analytical method means providing the studied process with the same development during the entire observation period. Therefore, for these methods, it is

important to choose the optimal function of the deterministic trend v_t (growth curve), which levels the series of observations y_t.

The parameters of the growth curves are estimated based on the construction of a regression model, in which the explanatory variable is time:

$$y_t = v_{t} + \varepsilon_t \quad t = 1, 2\ldots, n \qquad (1)$$

where v_t — trend function (growth curve)
ε_t — unknown random errors.

Based on theoretical considerations, the growth curve can be described by any mathematical function v_t. This functional dependence is assessed on the basis of sample observations y_t, $t = 1, 2\ldots, n$, and the choice of the assessment method depends on the type of the curve and the stochastic origin of the random errors ε_t.

The constructed forecast model should be accompanied by additional information about its accuracy and adequacy, for example, in terms of the coefficient of determination. To calculate the predictive estimate $\hat{y}_n(\tau)$ at the time $t=n$ for the advance period τ, it is necessary to estimate the parameters of the linear trend $\hat{A}$ and substitute them into the trend equation, where $t = n + \tau$. So, let's summarise the results of the regression analysis carried out through MS Excel regression analysis tools (Table 1).

Thus, based on the indicators of the models, the second-order polynomial model is the best for forecasting

in terms of the coefficient of determination (R2=0.9). Using the coefficients of this model, we can predict the size of investment in tangible assets of Azerbaijani companies for the next five years under pessimistic and optimistic scenarios of the further impact of the COVID-19 pandemic on economic processes (Figures 5, 6).

Justification of the predicted values of investments in tangible assets of Azerbaijani companies allows increasing the readiness of companies and the government, as well as provides them with various options for future events and allows them to respond to these events, helping to develop an effective strategy of preventive measures to reduce the impact of negative factors on the Azerbaijani economy.

Table 1. Indicators of regression models for predicting investments in tangible assets of Azerbaijani companies

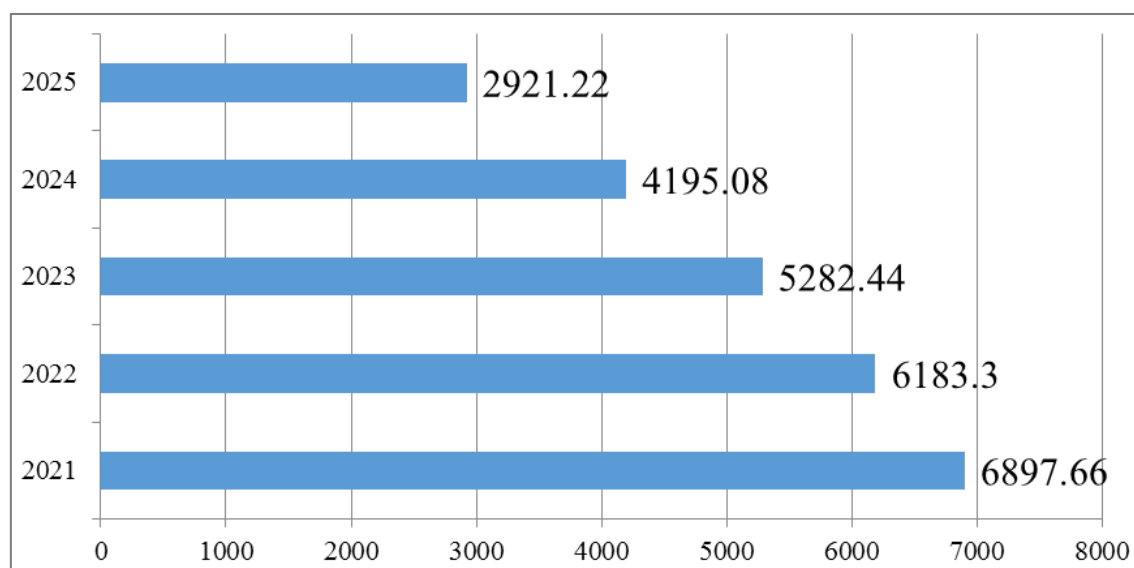| Trend form	Trend equation	Coefficient of determination R^2
Linear	y = 592.67x - 1 186 162.98	0.78
Exponential	$y = 0.00e^{0.08x}$	0.78
Logarithmic	y = 1 194 223.40ln(x) - 9 078 037.19	0.78
Polynomial (2nd order)	$y = -93.25x^2 + 376\ 295.39x - 379\ 611\ 962.28$	0.90
Power	$y = 0.00x^{170.20}$	0.78

Figure 5. Forecast of the size of investments in tangible assets of Azerbaijani companies for 2021-2025, AZN million under a pessimistic scenario
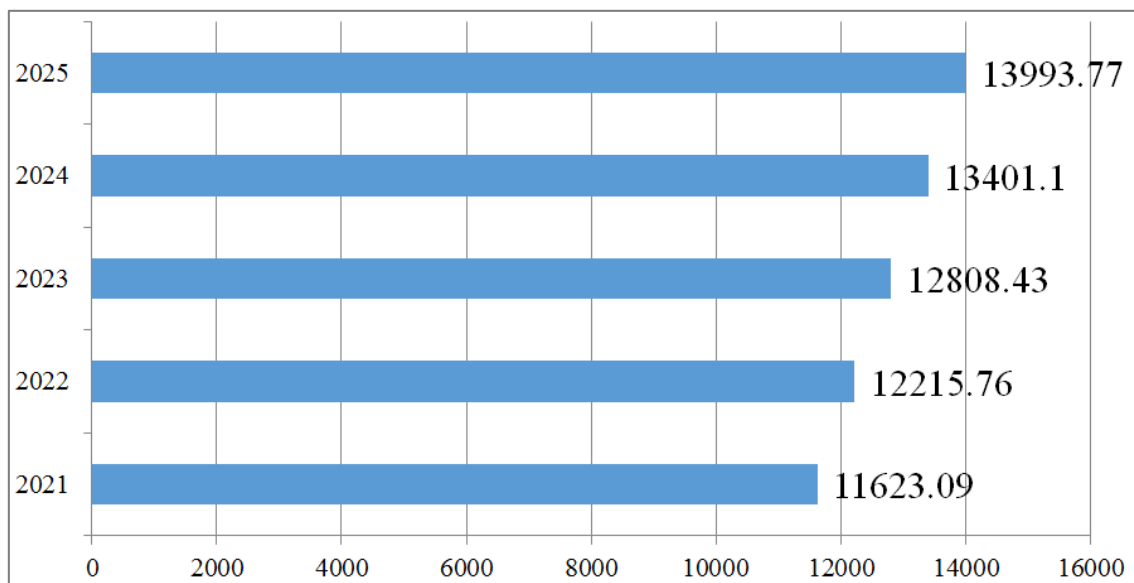
Figure 6. Forecast of the size of investments in tangible assets of Azerbaijani companies for 2021-2025, AZN million under the optimistic scenario

4. Discussion

Thus, investments in tangible assets, in contrast to current costs, are carried out in the company in order to create or improve assets, the use of which will lead to economic benefits and capital gains in the future. This opinion is shared by [14].

At the same time, as it was revealed, the spent values (monetary, property, labour, etc.) form the initial value of the investment object and are subsequently capitalised, since the value of commissioned long-term assets is gradually included in the company's expenses in the amount of accrued depreciation during their useful life. At the same time, according to [15], those costs that are not subject to further capitalisation, for example, repairs to maintain an item of property, plant and equipment in working order and receive the initially determined the amount of future economic benefits from its use, are accumulated as part of the company's expenses.

It was also found that if repairs or other improvements were carried out to increase the technical and economic capabilities of the facility and increase economic benefits (even by increasing the expected useful life of the facility in which the funds are invested, or by increasing the number, quality of services produced by such object), it is a capital investment, not an expense. This position is also expressed by [2] and [16].

It was found that the concept of "capital investments" most successfully reveals the features and characteristics of investments in tangible assets. The term "investment" comes from the Latin "invest", which means "to dress", "to make an input", and literally from English (investment) and German (investition) — "capital investment" or "investment". This concept of "capital investment" was used in Soviet times, and was applied to accounting practice until January 1, 2000, replacing the term "capital investment".

According to [6], the use of the term "capital investments" in the economic activities of companies in the controlled economy was explained by the fact that investment activities in those days were mainly aimed at improving the material and technical resources (fixed assets) in order to increase in production volumes, while there was no talk at all about the achievement of socio-economic and environmental effects from investment.

Agreeing with the conclusions of [8], it is shown that in a market economy, capital investments are not only investments in fixed assets. Unlike consumer investment, which involves investing in assets only for their long-term use, capital investment is the investment of values in long-term assets in order to generate profit (income) or achieve social and environmental benefits.

Another category that is systematically used in legislation to recognize investments in tangible assets is the "cost" of acquiring or creating tangible non-current assets.

However, some scholars [17-19] consider it inappropriate to use the term "costs" in capital investment.

So, to describe investments in tangible assets, it is advisable to apply criteria similar to the recognition of assets. The problem of the lack of clear criteria for recognising investments in tangible assets by the current legislation forms a wide field for their discussion and scientific substantiation by researchers.

Economists [9], [20-23], combine cost and resource approaches when defining the concept of "capital investment" and "investment in tangible assets", describing them as "costs" or as "investments" of funds, property, intellectual and other values (funds, various

resources) for the acquisition, manufacture, expansion, modernisation or reconstruction of fixed assets, and other non-current tangible assets with the aim of obtaining economic benefits or other effect by the company in the future.

That is, investment, as discussed in the study, is a process of investing in various forms and a process of acquiring and improving real assets, including means of production, it is "modern cost" incurred in order to obtain future benefits [24, 25].

Besides, it was also been found that younger and more profitable companies tend to invest more in all types of assets. In terms of size, larger firms invest more in R&D and intangible assets, but less in tangible fixed assets. However, the likelihood of investing in all types of assets, including tangible assets, increases in size [26].

5. Conclusions

Increasing the efficiency of social reproduction by strengthening the production activity of all companies in the real sector of the economy is possible only if the reproduction is intensified and the use of existing fixed assets and other assets is improved by increasing the volume of investments in tangible assets. World practice shows that such investments are an important catalyst for production and the basis for stable economic growth, both of individual economic units and the state.

Investments in tangible assets are investments of values or funds in the acquisition, creation or improvement of tangible assets, the use of which in the future will contribute to obtaining or increasing economic benefits, capital gains and profits. Various definitions are used, which reveals the accounting essence of such investments depending on the stage of their implementation and the acquired content, at certain stages of accounting and information support.

Investments in tangible assets can be identified according to the following algorithm: determine the attribution of the company's activities to investment (based on the purpose, term, effect and ability to control investments); distribute material investment by target areas; attach investments to individual objects; assess the degree of their completion for a certain period and decide on the next display of investments in accounting in accordance with the projected objectives for the investment object.

The presented algorithm greatly simplifies the methodology for identifying investments in tangible assets in the accounting of companies, since it includes a number of sequential stages. The application will help in making informed management decisions on investing in individual objects and will help to avoid mistakes in the formation of qualified professional judgments regarding the accounting recognition of investments in tangible assets.

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