

NATIONAL AND INTERNATIONAL REGARDING THE ACCOUNTING POLICIES FOR THE FIXED ASSETS

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***Abstract:** The primary objective of the current study is to present a comparative analysis between the accounting policies regarding the fixed assets seen from the perspective of the Romanian accounting harmonized with the European directives and , on the other hand, the IFRS.*

***Key words:** accounting policies, fixed assets, IFRS, European Directives*

***JEL classification:** M4 - Accounting and Auditing; M41 - Accounting*

Introduction

Beginning with the 1st of January 2010, the Romanian entities use the accounting regulation harmonized with the 4th European Directive. The Romanian accounting legislators, using Order 3055/2009, tried to harmonize the accounting of fixed assets with the international accounting policies. We see a lot of similarities but also many differences regarding the accounting treatment of fixed assets as explained in Order 3055/2009 and IFRS. However, with all the differences present, we see that there's an important progress made towards harmonizing the Romanian accounting legislation with the international one when it comes to the accounting treatment of the fixed assets.

Material and Methods

In order to achieve the current objective, we use comparative analysis as research method. We present a table with a comparative analysis regarding the accounting methods applied to the fixed assets seen from the perspective of the Romanian accounting legislation harmonized with the European Directives, and on the other hand, IAS 16.

Literature review

A number of Romanian authors were interested in studying the accounting treatment of fixed assets seen from the perspective of the Romanian accounting and the international one. Feleaga and Maciu (2002) present in their paper "Politici si optiuni contabile" (Accounting Policies and Options), the accounting policies for the fixed assets seen from fair accounting vs bad accounting. A short list of some of the most important points of view regarding the fixed assets is presented by professors Ristea and Dumitru (2012) in their research paper "Libertate si conformitate in standardele si reglementarile contabile" (Liberty and conformity within the accounting legislation and accounting standards). Toma et al. (2010) bring into discussion a comparative study between the Romanian accounting legislation and IFRS for small and medium enterprises, among which we can also read about accounting for the fixed assets..

Researchers, professors, accounting professionals state in their papers that we need to harmonize the current Romanian legislation regarding the fixed assets with the European and international ones in the current context of modernizing the economies and globalizing the businesses.

Results and Discussions

Fixed assets are assets which:

- a) generate future economic benefit;
- b) are owned for a longer time than 1 year;
- c) are owned in order to be used in the production of goods and services, to rent them to third parties or for administrative purposes.

The definition stated in IFRS is the same as it's stated in OMFP no. 3055/2009.

In order to attain the objective of the current study, we want to present a comparative analysis regarding the accounting treatment of fixed assets as seen by the Romanian accounting and IFRS.

What we analyze	International legislation IAS 16	Romanian legislation OMFP 3055/2009
Recognizing the fixed assets	IAS 16 presents a legal limit, and the entities are able to determine their own threshold.	The Romanian legislation says that the legal limit of recognizing a fixed asset is 1800 lei and its useful life should be longer than a year.
Depreciation	The economic useful life and the residual value are established based on estimation, using the professional base reasoning. IAS 16 par 62 states as depreciation methods: straight-line depreciation, declining-balance method and the methods used by production units.	OMFP nr 3055/2009 brings into discussion the accounting depreciation, while the fiscal one is treated in Fiscal Code. The entity's management decides the duration of depreciation based on a catalog approved by HG nr. 2139/2004, brought up to date. The depreciation methods are similar to the ones in IFRS. The Romanian enterprises ignore the residual value when calculating the depreciation.
Impairment of assets	Deciding on how to impair the assets is based on internal and external information sources. IAS 16 states that depreciation losses can be determined for	Ristea & Dumitru (2012, pg. 815) state that "the impairment takes place in all cases when the accounting value of an

	each asset or for the entire entity, which generates income. The net accounting value is compared to the recoverable amount. “Recoverable value” and “Entity which generates income” are two concepts, which are not used by the Romanian legislation.	asset surpasses its current value, also known as inventory value in the Romanian legislation”. The inventory value can be a current value (brought up to date) determined by the valuator. It’s important to analyze the role of independent valuers in calculating the depreciation. A impairment loss is recognized immediately in the profit and loss account, with the exception of when the loss is caused by the revalued assets.
Revaluation of fixed assets	Revaluation is allowed and not necessary, but according to IAS 16 , par. 36 “If an item is revalued, the entire class of assets to which that asset belongs should be revalued.”	The entities can use the revaluation of fixed assets so that they are presented in accounting at their fair value, but we should make the distinction between accounting revaluation and fiscal revaluation. Popa (2011, pg. 269) says that “the accounting revaluation is used by the professionals – valuator and /or accountant – to bring the accounting net value of an asset to its fair value at the moment of revaluation. Fiscal revaluation is the one done according to the current legislation and which is recognized by the fiscal authority”.

Capitalization of borrowing costs	IAS 23 states the method of capitalization regarding the borrowing costs, which comes from using an asset with a long production cycle. The method through the result is no longer used. IAS 23 is part of the process, which eliminates the alternative accounting methods in certain cases.	Capitalization of borrowing costs is allowed by the national legislation only in the situation in which the assets have a long production cycle and any other borrowing costs are accounting as expense.
The delivery and handling, installation and restoring costs	According to IAS 16 par 16 (c) , within the cost of a fixed asset we should also include: “costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site”.	OMFP nr. 3055/2009 has similar requirements as IFRS about this matter , as stated in art. 105 alin (4). The general chart of accounts brings into discussion account 1513. In the “credit” the estimated costs for dismantling and moving the asset are recorded, as well as restoring the site.
Assets owned for selling	IFRS 5 explains the accounting treatment of the assets owned for selling.	In the Romanian legislation there is no distinction between the assets used by the enterprise and those owned for selling. The Romanian legislation does not require calculating the depreciation of the assets owned for selling.
Government Assistance	IAS 20 explains the accounting treatment of the government assistance: -accounting for the assistance as deferred income; -deducting the grant from the asset's carrying amount. (IAS 20, par. 24) Berheci (2010, pg. 113) says that “when a fixed asset is the	Government assistances for assets are recognized in the balance sheet as deferred income. There isn't any information regarding the method of deducting the subsidized value from the asset's value. Just like in IFRS, OMFP 3055/2009 says at

	subsidized object, then both the asset and the government assistance will be accounted for at fair value”.	art 234 paragraph (2) that the subsidized asset is valued at fair value.
Acquirements in exchange for another asset	According to IAS 16 , par 24 :” If an asset is acquired in exchange for another asset (whether similar or dissimilar in nature), the cost will be measured at the fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up”.	Such acquirements are regarded in the national legislation as sale-buy transaction, with a special character. Toma et al. (2010, pg. 18) say that “the exchange of assets determines two accounting registrations: removing the exchanged asset from the balance sheet and recognizing the received asset”.
Discontinued operations	According to IFRS 5 art 30 an entity “ should present and describe information which allow the users of the financial statements to evaluate the financial effects of the discontinued operations and the sale of fixed assets (or disposal group)”	The Romanian legislation does not say anything about defining the discontinued operations.
Investment Property	IAS 40 discusses the accounting treatment of the investment property.	Toma et al. (2010, pg 18 and 19) says that “OMFP nr 3055/2009 does not define accounting policies to deal with the investment property. Specific accounting policies are applied to the fixed assets. A building held by the tenant based on an operational lease contract cannot be recognized in account”.

Presenting the information regarding the fixed assets in the financial statements	Berheci (2010, pg 117, 118) says that “among the more important information which should be presented in the financial states regarding the fixed assets , are: -basis for measuring carrying amount; -depreciation methods used and the useful life; -gross carrying amount , accumulated depreciation and impairment losses at the beginning and end of period; - increase/ decrease in results due to revaluation; - the assets classified as owned for sale according to IFRS 5, etc” (IAS 16, par. 73).	Within the notes added to the financial statements , there is the information regarding the fixed assets.
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Conclusions

After the comparative analysis of the accounting policies of fixed assets, we can say that there are a lot of similarities and some differences between the two accounting procedures (Romanian and IFRS).

Regardless of the differences presented in this comparative study, we can say that the harmonization with the European directives and IFRS for some entities (listed entities and those which use consolidated accounts) is , right now, in a very advanced phase. We also see that the present of the Romanian accounting reform is characterized by a mixture of European and international norms. We shall see what the future holds...

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