

UDC: 657.922

**THEORETICAL AND APPLIED ASPECTS REGARDING THE ACCOUNTING OF
FIXED ASSETS**

ASPECTE TEORETICE ȘI APLICATE PRIVIND CONTROLUL ACTIVELOR FIXE

*BALAN Igor, PhD,
Free International University of Moldova, Chisinau
SPINU Ana, PhD,
Free International University of Moldova, Chisinau
BURLEA Ecaterina, PhD,
Free International University of Moldova, Chisinau*

*BALAN Igor, doctor în științe economice, conferențiar universitar,
Universitatea Liberă Internațională din Moldova, Chișinău
SPINU Ana, doctor în științe economice, conferențiar universitar,
Universitatea Liberă Internațională din Moldova, Chișinău
BURLEA Ecaterina, doctor în științe economice,
Universitatea Liberă Internațională din Moldova, Chișinău*

Annotation: *Beginning with the start of the reform in the Republic of Moldova, it has recently adopted a number of new legislative and regulatory acts that directly or indirectly regulate various aspects of the accounting for assets held by private or public ecosystems. It should be noted that the recognition and recording of the fixed assets movement is one of the most difficult and responsible financial accounting segments. Thus, the authors in this article intend to examine in a complex, detailed and conclusive manner certain theoretical and applicative aspects of the accounting of fixed assets to the enterprises of the Republic of Moldova.*

Adnotare: *Odată cu demararea reformei sistemului contabil în Republica Moldova a fost adoptat un șir de acte legislative și normative noi care direct sau indirect reglementează diverse aspecte ale contabilității aferente activității desfășurate de agenții economici privați sau publici, inclusive privind contabilitatea activelor imobilizate. De menționat că recunoașterea și înregistrarea mișcării activelor imobilizate reprezintă unul din cele mai dificile și responsabile sectoare ale contabilității financiare. Astfel, autorii în acest articol își propun să examineze în mod complex, detaliat și concludent unele aspecte teoretice și aplicative ale contabilității activelor imobilizate la întreprinderile din Republica Moldova.*

Keywords: *valuation, fair value, tangible assets, term of use, initial recognition, fixed assets, depreciation.*

Cuvinte-cheie: *evaluare, valoare justă, imobilizări corporale, termen de utilizare, recunoaștere inițială, mijloace fixe, amortizare.*

Introduction

The multilateral autonomy of the economic agent generated by the market economy stimulates the need to re-examine the traditional evidence-based practices, by communicating this optimism with the simple simplification of the technical prospect of reflecting the economical operations. Beginning with the beginning of the reform of the Republic of Moldova, it has recently adopted a number of new legislative and regulatory acts which directly or indirectly regulate various aspects of the competitiveness of private or public economic agents, for example:

the valuation of active assets or out of patrimony, methods for calculating of amortization, etc. Certainly, for many specialists in the field, valuation, recognition and recording of the fixed assets movement is one of the most difficult and responsible financial accounting segments. It is precisely in the process of determining the value and establishing the essence of the economic facts related to these assets that the most numerous problems and uncertainties related to their systemic reflection, the optimization of the related costs or expenses, the increase and diversification of the economic benefits, etc.

Material and method

As methodological support for the investigations in the domain, the author used the universal method of researching the matter, phenomena and processes, in other words, the dialectical method of knowing, with its inalienable components: analysis, induction and deduction, as well as the methods inherent in the economic disciplines: observation, comparison, selection and grouping.

At the same time, starting with the topic of the research, the author appealed to different theoretical concepts of the national and international scholars, fundamental conventions and basic principles of the accountancy, provisions of the Accountancy Law, national accountancy standards and other related legislative or normative acts.

The investigations in the domain were based on primary and centralizing data of the entities with complete cycle of production from the central region of the Republic of Moldova that apply the complete double entry accounting system, having subdivisions that are specialized in obtaining commercial and noncommercial products.

Results and discussions

The actual accounting system, which has been developed in the last two centuries, had a positive impact on the efficacy of collecting and using data regarding the existence and movement of the patrimonial elements. Simultaneously, the multiple elements of this system turned out to be overtaken morally and to contain many gaps, as well as it didn't regulate the way of accounting a large circle of accounting elements, and it didn't comply sufficiently with the requirements of international accounting regulations.

These, in their turn, don't ensure the obtaining of some fluxes of authentic and transparent information, that would be useful for all external and internal users. As result, this fact led to impelling the work of improving the normative framework in the given domain and the harmonization of the national accounting system with the requirements of international accounting regulations, namely with the Directives of the European Union.

The main advantages of the new normative framework in conceptual perspective could be reduced to the following principal moments:

- refusal to apply alternative methods of recognizing and evaluating the accounting elements (questionable moment in our opinion);
- editing and explicit exposing of the content of different approached subjects, with the simultaneous omission of some confused and disputable expressions by the accountants – practitioners;
- presenting as comments to normative provisions of the multiple examples, calculations and explanations, directly in the basic text, fact that amplifies the correct perception and usage of new standards into practice.

It is known that one of the main conditions for the development of the production process is the existence of assets. They, in turn, represent fixed assets and current assets (Figura 1).

At the same time, in entities, the immobilized assets (working means) and current assets (occupational objects) belonging to the technical-material basis expressed as a valuable asset are the means of production [1, p.48].

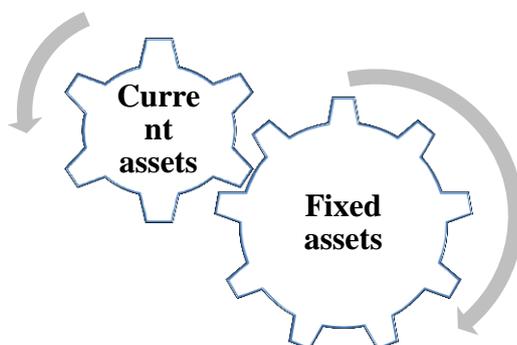


Figura 1. Composition of production assets of the enterprise [elaborated by the author]

Immobilized assets (long-term assets) are assets intended for use for more than one year in the activities of an enterprise or to be transferred to third parties. These include several elements (Figura 2).

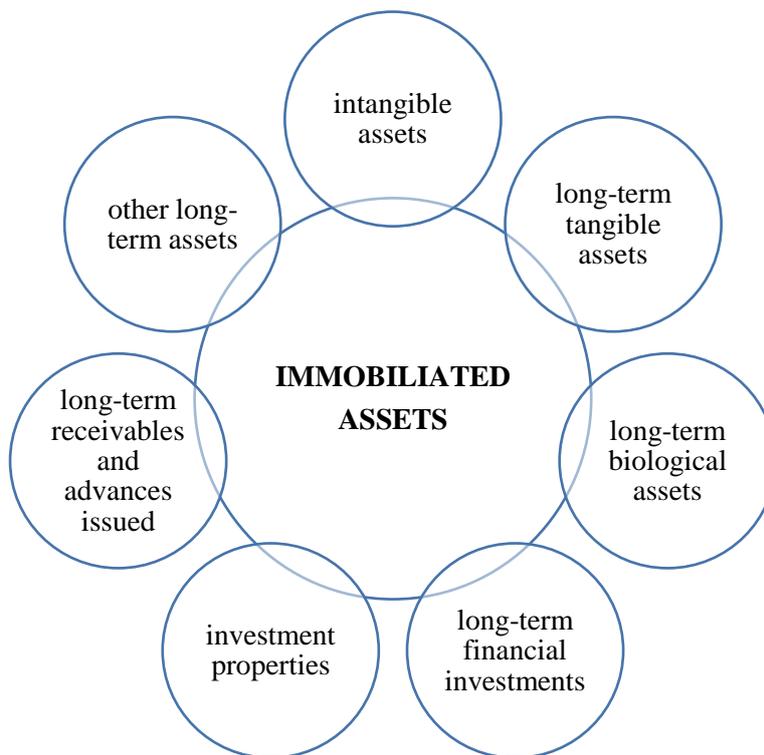


Figura 2. Classification of immobilized assets [elaborated by the author]

According to the new national accounting regulations and some publications from the specialized literature [1; 2; 6] we will refer to the theoretical and practical aspects regarding the recognition and initial evaluation of the assets.

According to the provisions of national accountancy standard “Intangible and tangible assets” [8] and publications of some autochthonous authors [1; 2; 5; 9], assets are considered the patrimonial elements of the entities that simultaneously meet the following conditions:

- are identifiable by the enterprise, i.e. they are separated according to the natural value criteria by other patrimonial elements;
- are controllable by the entity, i.e. they are held by the enterprise with property rights or received in financial rent (financial leasing) in order to be used in the enterprise activity;
- are held in order to be used for a period longer than a year in the activity of entity or in order to transmit in use to third parties;
- its properties and peculiarities correspond to the definition of intangible and tangible assets;
- from their usage the entity will get future economic benefits;
- the incoming price of the object could be evaluated in a reliable way;
- their existence is confirmed with justifying perfected documents in accordance with provisions of the Accountancy Law (art. 13, 19 and 20) [6] and Fiscal Code (art. 257) [4].

A significant part, from the value point of view to the entities with complete cycle of production goes to the tangible assets, which in fact take the form of fixed means, land, tangible assets in progress and mineral resources.

It is important to mention that one of the requirements of recognition is the correspondence between assets’ properties, peculiarities and the appropriate definitions. In this context, a new definition of the fixed assets, which, according to the point 4 from national accountancy standard “Intangible and tangible assets” [8], represent tangible assets transmitted in exploitation, which unitary value overtakes the value limit provided by the fiscal legislation or the threshold of significance established by the entity in accounting policies. This definition, which is more concise and clear in comparison with the previous one, offers to entities the possibility to establish, aiming the delimitation of the fix assets and objects of low value and short duration, a significance threshold, another than the value limit provided by the fiscal legislation (actually – 6000 MDL). Emerging from these considerations, there are three plausible situations in practice.

If, in the own accounting policies, the enterprise doesn’t establish a threshold of significance for attributing the objects of evidence to fixed means or objects of low value and short duration, when the entity should apply the value limit provided by the Fiscal Code [4]. In our opinion, namely this way will be selected in the practical activity of the majority of entities from the country.

If, in the own accounting policies, the enterprise establishes for the nomenclature of objects of fixed objects a threshold of significance equal with zero, when all tangible objects transmitted in exploitation, designed to be used for a period longer than a year in the enterprise activity or for rent, indifferently of their unitary value, are accounted as fixed means.

The last plausible situation, but less probable in the activity of autochthonous entities, consists in the fact that if, in the accountancy policies, the enterprise establishes for the nomenclature of redeemable fixed means a threshold of significance that is not equal to zero and at the same time it differs of the current value limit, then this nomenclature will not coincide with the objects composition on categories of property and their deterioration in fiscal goals.

According to the provisions of national accountancy standard “Intangible and tangible assets” [8], the initial recognition of corporal assets (inclusively of the fixed means) is made on objects of evidence. At the same time, the standard stipulates that the entity establishes for itself the nomenclature of respective objects. This fact presupposes that in determining the distinct elements of the fixed means, in circumstances specific to certain enterprise, the accountant should apply the professional reasoning. As for example, if a fixed object represents a complex of components with different durations of usage, then the entity could account this asset as a unique object of evidence

or as some different objects of evidence. In both cases, it should be respected the condition that the entry cost of each object of evidence should overtake the value limit provided by the fiscal legislation or the threshold of significance established in the own accounting policies of the enterprise.

To be mentioned, the self-standing choice of the entity of the nomenclature of objects of evidence of the fixed means presupposes also the possibility of its changing as result of some circumstances, as for example – disassembling complexes formed initially, changing the destination or way of usage of elements etc.

According to the provisions of the pt. 7 of national accountancy standard “Intangible and tangible assets” [8], the initial evaluation of each object of fixed means is made at the entry cost, and its composition differ depending on the way of object entry (Figura 3).

Among the variety of ways of entry of the fixed means, that of acquiring prevails. In this case, the entry cost of the purchased object comprises more elements: the price of purchase (including the custom taxes, state taxes and unrecoverable taxes) and any cost that can be attributed directly to the object in order to bring it to the place of location and in respective state. Here, we can mention that according to the new provisions there is no need of separated recognition of the entry cost of the acquired fixed means in case of postponing the payment over the regular term of crediting (paying), including the recognition of expenditure regarding the interest rate (except the cases when this provision is stipulated in the accounting policies of the entity).

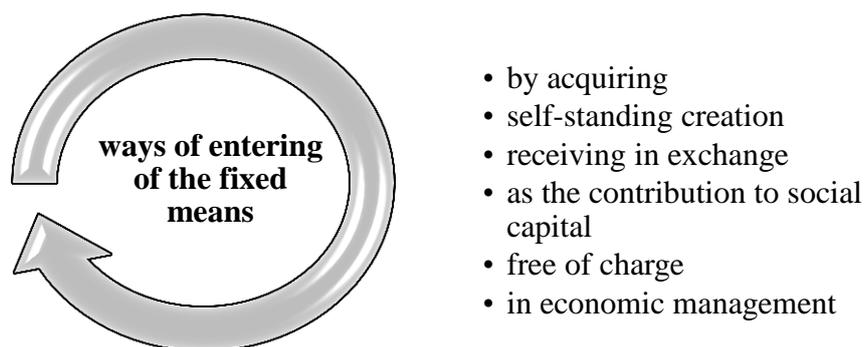


Figura 3. Ways of entering of the fixed means [elaborated by the author]

In our opinion, this approach is more relevant, because it is easier to apply in practice than the former one (which needed additional counting and information, was creating difficulties in the process of deducing the expenses afferent to interest rate etc.).

There are some adjustments intervened in the process of entering the fixed means received in exchange for another intangible or circulating assets (with or without cash). In our opinion this approach is simpler and clearer than the one provided by the previous accounting standards. Thus, the new approach provides that any entry of the fixed means in exchange for other intangible or circulating asset (with or without cash) is treated as two distinctive economic operations: the first – of selling the object of fixed means transmitted in exchange, and the second – of acquiring the asset received in exchange. In this case, the entry cost of the assets received in exchange is evaluated at the value indicated in the fiscal bill and serves as entry cost of the fixed means in exchange or not (in this case a certain sum of cash is necessary to pay or get to the sum of the difference).

In this context, we admit that an entity transmitted in exchange an automobile, the accounting value of which is 90 000 MDL, and the contractual value – 100 000 MDL, for a tractor with the contractual value – 135 000 MDL. In the given case, the entity, besides the contractual value of the transmitted car, should pay to the provider another 35 000 MDL.

Thus, the entity should recognize the tractor received in exchange at the entry cost of 135 000 MDL, equal with its contractual value or with contractual value of the car (100 000), increased with the sum paid cash (35 000) by a transfer from the current account in national currency. The given exchange transaction is reflected systematically in the following way.

1) The settlement of accounting value of the car offered for exchange: debit account “Expenses with intangible assets”, credit account “Fixed means” – in the amount of 100 000 MDL.

2) Counting the incomes from operations with intangible assets: debit account “Other current receivables”, credit account “Incomes from operations with intangible assets” – in the amount of 100 000 MDL.

3) Counting VAT afferent to the contractual value of the car offered in exchange: debit account “Other current receivables”, credit account “Debts to budget” – in the amount of 20 000 MDL (100 000 x 20 %).

4) Reflecting the entry cost of the tractor: debit account “Fixed assets”, credit account “Current commercial debts” – in the amount of 135 000 MDL.

5) Transferring to account the VAT sum afferent to the contractual value of the tractor: debit account “Debts to budget”, credit account “Current commercial debts” – in the amount of 27 000 MDL (135 000 x 20 %).

6) Compensating mutually the receivables and debts in the amount of contractual value of the transmitted asset for exchange: debit account “Current commercial debts”, credit account “Other current receivables” – in the amount of 100 000 MDL.

7) Transferring the sum of the difference appeared in result of the exchange operation through the bank system: debit account “Current commercial debts”, credit account “Other current receivables” – in the amount of 35 000 MDL (135 000 MDL – 100 000 MDL).

To be mentioned that, in fact, the correspondence of the accounts to such transactions, in comparison with the previous accounting regulations, is the same, but the way of determining the corresponding sums is simplified very much, which in its turn reduces considerably the risk of the appearance of some errors and respectively of applying some fiscal sanctions from the authorities.

Finally, we would like to mention that, for the first time, the new national accounting regulations address and examine the problem of systemic reflection of the occasional operations, which occur in the process of reconstruction, or modernization of a fixed asset. Thus, according to the provisions of national accountancy standard “Intangible and tangible assets” [8], the incurred expenses and obtained incomes from making occasional operations, which are not linked with the destination of the fixed asset, are not taken into consideration in determining the entry cost of the object of evidence, and they are reflected in the situation of profit and loss of the current period of management. In this context, we admit that the entity has acquired from a citizen an old building of 220 000 MDL designed for the construction of a hotel, that will be started in five months.

The entity has decided that the given building temporarily will be transmitted in the operational leasing to an economic agent (i.e. an occasional operation) until the beginning of the hotel construction. The incurred expenses regarding the occasional operation occurrence has constituted 15 000 MDL, and the collected incomes from clients – 55 000 MDL. On the bases of mentioned above conditions, the entity should elaborate the following accounting formula.

1. Reflecting the entry cost of the acquired building from the natural person: debit account “Tangible assets in course of execution”, credit account “Other current debts” – in the amount of 220 000 MDL.
2. The preliminary retention of the income tax to the source of payment in the amount of 7 % (according to the art. 90 of the Fiscal Code): debit account “Other current debts”, credit account “Debts to budget” – in the amount of 15 400 (220 000 x 7 %).

3. Reflecting the incurred expenses regarding the occurrence of the occasional operation (giving the building in operational leasing): debit account “The cost of sales”, credit account “Material”, “Debts to staff regarding the job’s remuneration”, “Debts regarding the social and medical assurance” etc. – in the amount of 15 000 MDL.
4. Reflecting the incomes got from the occasional operation running (giving the building in operational leasing): debit account “Receivables regarding the incomes from the usage of the third parties of the entity assets”, credit account “Incomes from sales” – in the amount of 55 000 MDL.

The data of this example denotes firmly that giving the tangible assets in temporary usage, which represents an occasional operation, doesn’t affect the entry cost of the assets that are not included yet in the composition of the fixed means.

Conclusions

1. One of the requirements of recognition is the correspondence between assets’ properties, peculiarities and the appropriate definitions. In this context, we mention that the new definition of the fixed means is more concise and clear in comparison with the previous one, offers to entities the possibility to establish, aiming the delimitation of the fix assets and objects of low value and short duration, a significance threshold, another than the value limit provided by the fiscal legislation.

2. In the process of acquiring the fixed means, according to the new provisions, there is no need of separated recognition of the entry cost of the acquired fixed means in case of postponing the payment over the regular term of crediting (paying), including the recognition of expenditure regarding the interest rate (except the cases when this provision is stipulated in the accounting policies of the entity).

3. For the first time, the new national accounting regulations address and examine the problem of systemic reflection of the occasional operations, which occur in the process of reconstruction, or modernization of a fixed asset. Thus, the incurred expenses and obtained incomes from making occasional operations, which are not linked with the destination of the fixed asset, are not taken into consideration in determining the entry cost of the object of evidence, and they are reflected in the situation of profit and loss of the current period of management.

Bibliography

1. Balan I. Contabilitatea micului business. Chişinău: UASM, 2007. 225 p.
2. Balan I., Burlea E., Spînu A. Ghid de contabilitate financiară, Chişinău: „Print-Caro” S.R.L., 2017, 57 p.
3. Burlea E., Balan I., Spînu A. Fundamentele contabilităţii (note de curs), ULIM, Chişinău: „Print-Caro” S.R.L., 2017, 64 p.
4. Codul fiscal. Nr. 1163-XIII din 24 aprilie 1997. <http://www.fisc.md/CodulfiscalalRM.aspx>
5. Grigoroî L. ş.a. Contabilitatea întreprinderii: manual. Chişinău: Cartier, 2017. 563 p.
6. Legea contabilităţii: nr. 113-XVI din 27 aprilie 2007. În: Contabilitate şi audit. 2007, nr. 9, p. 71-87.
7. Planul general de conturi contabile. In: Monitorul Oficial al Republicii Moldova, 22 octombrie 2013, nr. 233-237.
8. Standardul Naţional de Contabilitate „Imobilizări necorporale şi corporale”. In: Monitorul Oficial al Republicii Moldova, 22 octombrie 2013, nr. 233-237.
9. Балан И., Бурля Е. Особенности признания и оценки долгосрочных материальных активов. În: Tezele conferinţei ştiinţifico-practice internaţionale, Institutul Umanitar de Stat din regiunea Moscova. Orehovo-Zuevo, 2017, p. 28-32.