

EVALUATION OF TANGIBLE ASSETS IN THE NATIONAL ACCOUNTING LEGISLATION AND IFRS**Marian SOCOLIUC***Stefan cel Mare University of Suceava, 720229, Romania**mariansocoliuc@yahoo.com***Abstract**

Since the accounting regulations complying with the European directives approved by Order No. 1.802 / 2014 of the Minister of Public Finance, effective from 1 January 2015, make significant changes and additions compared to the old provisions (OMFP No. 3.055 / 2009, as amended and supplemented), we consider it necessary to present some regulations that have been amended or supplemented with appropriate annotations, modifying regulatory acts that may be useful to many entities and individuals applying these regulations as compared to those that have already implemented IFRS.

Key words: *tangible assets, current assets, economic benefits, productive biological assets*

JEL Classification: *J41*

I. INTRODUCTION

As a complement to the provisions on tangible assets, some provisions of the sub-section "Assets that are specific to some areas of activity" which speaks of a certain category of assets that could be acquired for safety or environmental reasons. It is thus argued that elements which, although not directly producing economic benefits to another existing item of tangible assets, through their acquisition by the entity may obtain future benefits from other assets, have the possibility to be recognized as assets.

II. RECOGNITION OF TANGIBLE ASSETS IN NATIONAL AND INTERNATIONAL ACCOUNTING LEGISLATION

Obviously, the recognition of tangible assets is done through accounting policies, using in this sense professional judgment when applying the recognition criteria within the entities. There are also exceptions to the rule, where individual insignificant elements such as matrices, measuring and control devices, tools, and other similar items, are subject to an acknowledgment of their aggregate value (**Order of the Minister of Public Finance no. 1802/29.12.2014**).

In addition, according to the general recognition criteria, expenses that arise subsequently in respect of a tangible fixed asset are considered as expenses of the period in which the value of the asset in question is being completed or increased, depending on the economic benefits that these costs generate (eg: the impact on the remaining life of the asset). The entity, however, determines the direction of this expenditure. It will either increase the value of the asset or record it in the profit and loss account. (**Lazăr, 2015**).

Table no. 1 - Recognition of tangible assets under OMFP no. 1802/2014

The accounting policies that set the necessary conditions for the recognition of tangible assets, take into account the following aspects:
<ul style="list-style-type: none"> ▪ Major replacement parts and security equipment are recognized as tangible assets when the entity provides that they will use them for more than one year; on the other hand, spare parts and service equipment are in most cases listed as inventories and will be recognized, when consumed by the entity, in the profit and loss account.
<ul style="list-style-type: none"> ▪ land and buildings are separable assets and are reflected in separate accounts, even if they are purchased together; an increase in the value of the land on which the building is built will not change the depreciable value of the building.
<ul style="list-style-type: none"> ▪ as an element of novelty to OMFP no. 3.055 / 2009, the new order brings to the category of tangible assets the following elements: real estate investments, productive biological assets, as well as tangible assets for the exploration and evaluation of mineral resources; they are pursued distinctly, but the general valuation rules applicable to tangible assets are applied to them.
<ul style="list-style-type: none"> ▪ the current assets are accounted for separately from tangible assets other than real estate investments the purchased tangible assets, for which the related risks and benefits have been transferred, but are in the process of being supplied are recognized differently in the accounting.

Source: *Order of the Minister of Public Finance no. 1802/29.12.2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements (M.O. nr. 963/30.12.2014, pct.192-196, pp.23)*

According to this Standard, tangible assets must be recognized primarily as assets, the assets being defined in the General Framework and IAS Standard no. 1 as: "resources controlled by the enterprise as a result of past events and on the basis of which the enterprise expects to obtain benefits" (**International Accounting Standard IAS 1**). In order to see whether an item falls under this first recognition criterion, the entity should determine, at initial recognition, whether it will definitely bring forward future economic benefits. Certainty usually occurs when the enterprise takes over the benefits and risks associated with the asset through the transaction for its acquisition (**Mateş and Socoliuc, 2009**).

Table no. 2 - Recognition of tangible assets under IAS 16

Under IAS 16, tangible assets are recognized as an asset when:	
it is possible to generate future economic benefits related to the asset to the enterprise;	the cost of the asset can be measured reliably.

Source: *International Accounting Standard IAS 16 - Tangible assets*, pct.7

On the other hand, another recognition criterion is the cost of the asset that occurs when it is purchased. If the fixed asset is carried out by the enterprise, an objective determination of its cost can be obtained through third party transactions for the purchase of materials, labor and other elements necessary for the production process.

The entities that first apply the International Financial Reporting Standards (IFRS) should know by that they need to examine whether the tangible assets in the balance sheet according to OMFP no. 1.802 / 2014 fall within the scope of IAS 16. There may be situations where tangible assets that are required to be transferred to other IAS categories (such as real estate investments, fixed assets held for sale or biological assets). In addition to being classified in another asset category, retrenchments will be required due to the fact that the accounting policies used for real estate investments, biological assets or fixed assets held for sale differ from case to case.

However, there are situations where the IAS 16 does not apply.


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- tangible assets classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
 - biological assets related to agricultural activity (according to IAS 41 - Agriculture);
 - recognition and valuation of exploration and evaluation assets (in accordance with IFRS 6 Exploration and Evaluation of Mineral Resources);
 - mining concessions and mineral reserves such as oil, natural gas and similar non-renewable resources.

Fig. 2 - Situations in which IAS 16 is not applicable

Source: <http://ceccar.ro/>

As far as compliance in accounting is concerned, it is intended to adapt or align national regulations in this area to similar ones that contain a higher degree of generality, representativeness and acceptability.

Despite the fact that the Romanian accounting policies have always tried to harmonize with the European ones, a proof being the constant changes made to them, the Romanian accounting regulations currently represented by the Order of the Minister of Public Finance no. 1.802 / 2014, still shows significant differences from European regulations, ie International Financial Reporting Standards (**Mateş and Socoliuc, 2016**).

III. CONCLUSION

Concluding and referring to what the title of the chapter presents starting with the first page, I can say that there are a multitude of classifications and definitions brought by different authors in both national and European accounting, respectively the international one.

On the one hand, the definitions, from any source taken over, have the same defining aspects of tangible assets, these being their use by the entity over a period of more than one year, respectively the financial exercise as advocated by the European directives, and then the purpose for which they are held, ie the generation of future economic benefits, whatever the mode of exploitation of the asset.

On the other hand, we are talking about the classification of these immovable assets, which knows a novelty element once the introduction of the new Order of the Minister of Public Finance no. 1.802 / 2014,

which entered into force on 1 January 2015. The novelty consists in the introduction of a more detailed classification within this category, respectively, besides the existing ones, real estate investments also occur, along with the productive biological assets and the tangible assets for the exploration and evaluation of the mineral resources. These items are not dealt with in IAS 16 - *Tangible Assets*, as mentioned in the last subchapter, but are separately valued in IAS 40 - *Investment Property*, IAS 41 - *Agriculture* and IFRS 6 - *Exploration and Measurement of Mineral Resources*.

Consequently, the importance of differences between Romanian and international accounting policies is demonstrated at the time of preparation of the financial statements, which may reflect different images, depending on the regulations to which the entity was reported.

IV. REFERENCES

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