



ACCOUNTING ISSUES ABOUT FIXED ASSETS UNDER NATIONAL AND INTERNATIONAL REGULATIONS

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Abstract

The thesis presents theoretical and methodological aspects of data processing and to obtain information related to fixed assets as part of tangible assets necessary to streamline the process of decision making on the activities of the entity. It is well known that fixed assets are some of the strongest elements for checking the viability of each entity. These, in turn, must always take into account the composition, efficiency, renewal and functional status of their technical potential.

The national accounting reform started encouraged us to make comparison between the provisions of the National Accounting Standards (NAS) and International Standards (IFRS) in the treatment of fixed assets. Thus, special attention has presented evidence of the passage tangible recognition methods, initial and subsequent evaluation, and depreciation of fixed assets. The focus was on changes shaping our national accounting regulations by comparing them with international ones.

Given the accelerated economic development of contemporary times, it becomes more acute the need to obtain new information in the areas of economic activity, especially that of tangible evidence, including fixed assets. Considering this fact is of great importance and current continuous improvement of how to account for fixed assets of the entity.

Keyword: property, assets, recognition, impairment, non-recognition

JEL Classification: M41

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I. Introduction

Any entity, regardless of income, size and area socio - economic environment in which they operate, should consider permanent structure, efficiency, renewal and amortization of fixed assets. Therefore, more efficient use of fixed assets allows the entity to perform a higher volume of service, thus having a positive reflection on the final results of economic activity - namely the financial profit.

From this point of view, we define communication as an objective of *determining how to account for property, plant, especially of fixed assets and related disclosures in the financial statements, of course, according to new accounting regulations of the Republic of Moldova.*

Thus, we highlight some recent changes characteristic of accounting tangible. First, we note that the concept of **property** replaces the old term **tangible assets**.

From the composition of tangible assets and fixed assets belong. For them, the transition to new accounting standards, some changes were made, pointing out here that even the definition of fixed assets changed content.

Thus, the new version offers the opportunity to establish the entity, in order to differentiate fixed assets objects of little value and short-term (OMVSD), a threshold of significance other than the threshold value set in the tax law.

Practically speaking, the entity may opt for more options namely, whether the accounting policies will not set a threshold of significance for delimiting OMVSD of assets, thus leading to the threshold value is set by the tax legislation. The materiality will be void so the entity body sent to service all objects that are intended for use for a period exceeding one year, activity, or hire, no matter what they have unit value is accounted for as fixed assets. Or entity shall fix a threshold of significance to be zero and the threshold value of the tax law, which characterizes a situation that is different and the old national and international regulations and in practice its use is unlikely.

The accounting policies of the entity "Suvorov-Vin" LLC (limited liability company) relating to accounting for fixed assets is specified definition and how to recognize fixed assets and limit their differentiation OLVSP.



Figure 1. Statement of accounting policies of the "Suvorov-Vin" SRL

2. Long-term tangible assets

2.1 Setting the limit of fixed assets and stocks of goods and materials is made under the laws of the Republic of Moldova.

Fixed assets are considered assets for which the depreciation is calculated, which are used in entrepreneurial activity, the value of which approximately decrease depending on the technical obsolescence and wear and tear with use within more than one year and the amount that exceeds 6000 lei.

To this end for 2015, the entity's accounting policies "**Suvorov-Vin**" should be amended in accordance with the new accounting regulations.

When referring to tangible recognition, we find that according *SNC "Intangible and tangible assets"* to their initial recognition is carried **out on objects**, entities established independently nomenclature articles. Both national standards and in the international mandatory conditions are established to recognize respected as an intangible asset. Thus, this statement of recognition by new CNS conform to the requirements in IAS (International Accounting Standards) and, namely, to be probable that future economic benefits to the entity of the asset and the cost of the asset can be measured reliably, So, we can say that in this section we approached the international regulations.

However, national accounting standard says that an asset may be accounted for as a single object or record each part of it as separate objects. This, while international accounting standards supports the claim date, only specifies that separate records component of an asset is required when they use different durations.

Regarding the initial assessment of each object, NSA "Intangible and tangible assets" claims that are carried **at cost of entry**, which is composed of all costs to the commissioning of the asset in question. The difference here between those provisions and international that is directly attributable costs are accumulated in cost of entry, but until the asset is in the state of intended use. So is not putting so much emphasis on "commissioning", which is correct.

What keeps common practice, we see from Figure 2 that the entity's accounting policies "Suvorov-Vin" SRL reflect the initial assessment of fixed assets, based on the



input value. Here it should be mentioned that both the entity and many others must perform an update of its accounting policies, already comply with the new provisions by either national standards or international ones.

Figure 2. Statement of accounting policies "Suvorov-Vin" SRL

Fixed assets entered in the accounts is reflected in the basis of the input, which is equal to:

- For fixed assets made by the company - with a real value, including taxes under the laws in force;
- Capital goods purchased from other legal entities and/or natural persons for a payment;
- Buildings and constructions - the purchase price and related costs of overhaul and bringing them into working condition;
- Machinery and equipment - the purchase price and costs for installation, commissioning, etc.

Trade discounts and discounts granted to purchase are excluded from the value of the asset.

Additional aspects related to the acquisition of fixed assets are governed by the National Accounting Standards 16 "long-term tangible assets".

In the balance sheet, assets are reflected at **cost or revalued amount**.

Compared with international, national accounting standards, on further evaluation, are more concise, recalling the revaluation method based on **book value (the cost)**. And if the entity wishes to apply another method (Table 1), SNC says you have to refer to international provisions.

Thus, IAS 16 "Property, Plant" says that once there is a difference between the fair value and the carrying of a fixed asset is carried reassessment and, unlike the CNS, explains here how to apply subsequent evaluation model based on **the value revalued**, listing two processes: *the gross and concomitant revaluation of fixed asset depreciation* and *revaluation of its remaining unamortized value*.

Table 1. Methods for evaluation of tangible assets

Recommended method	Method admissible under the rules of IAS 16 "Property, Plant and Equipment"
Book value - input cost or cost object record	Revalued value - the value of



corrected reduced by accumulated depreciation and impairment losses (SNC "intangible and tangible assets").

tangible assets determined as a result of their revaluation.

Also, according to international entity will apply the second method, you must open a new account for the revaluation, because the old account Chart of Accounts 341 was replaced in the General Plan of accounts with funds, as seen in Figure 3:

Figure 3. General plan of accounts, 3rd class

CLASA 3. CAPITAL PROPRIU			
31	CAPITAL SOCIAL ȘI SUPLEMENTAR	322	Rezerve statutare
311	Capital social	323	Alte rezerve
312	Capital suplimentar	33	PROFIT REPARTIZAT (PIERDERE NEACOPERITĂ)
3121	Prime de aporturi	331	Corecții ale rezultatelor anilor precedenți
3122	Diferențe din anularea sau înstrăinarea părților sociale retrase	332	Profit nerepartizat (pierdere neacoperită) al anilor precedenți
3123	Alte elemente de capital suplimentar	333	Profit net (pierdere netă) al perioadei de gestiune
313	Capital nevărsat	334	Profit utilizat al perioadei de gestiune
3131	Capital nevărsat privind părțile sociale neachitate de proprietari	335	Rezultat din tranziția la noile reglementări contabile
3132	Capital nevărsat privind acoperirea pierderilor anilor precedenți	34	ALTE ELEMENTE DE CAPITAL PROPRIU
314	Capital nelregistrat	341	Fonduri
3141	Ațiuni nelregistrate emise la înființarea societății	3411	Fondul de active imobilizate
3142	Părți sociale până la înregistrarea de stat a majorării capitalului social	3412	Fondul de autofinanțare
315	Capital retras	3413	Alte fonduri
32	REZERVE	342	Subvenții entităților cu proprietate publică
321	Capital de rezervă	3421	Subvenții aferente activelor imobilizate
		3422	Alte subvenții
		343	Alte elemente de capital propriu
		35	REZULTAT FINANCIAR TOTAL
		351	Rezultat financiar total

If leading accounting entities according to the new CNS want to apply the method admissible evaluation of tangible assets, they will have to make reference to IAS immediately, that accountants will need to have knowledge and international provisions, not only national standards.

Next, we highlight the main aspects of depreciation of fixed assets.



In November SNC appear any notions that replace old ones namely wear is substituted with depreciation, wear assets (finite) depreciable assets and the amount of wear found the depreciable amount, etc.

According NSA "Intangible and tangible" to calculate the depreciation of fixed assets, three methods can be applied, excluding the balance method with decreasing rate, which was set in the old accounting standards: 1. Straight line, 2 the method of production and 3 diminishing balance method with linear damping rate increase of up to twice (or other amount determined by the entity). The standard also specifies that the entity chooses independently depreciation method convenient, stating it in its accounting policies.

Terms of IAS 16 "Property, Plant and Equipment", it lists the same three methods of depreciation of fixed assets, but says that the entity may use other methods if warranted and recommended business leaders, selected method reflects the expected pattern of consumption the asset's future economic benefits.

That method will be applied as from one year to another, unless the change would occur as expected economic advantages relating to the asset.

As regards the date of commencement / cessation of depreciation of property, according to the new CNS Depreciation is calculated from the first day of the month following the month of its transmission in use, or from the date of delivery in use. But IAS 16 "Tangible" offers a third option, namely the calculation of depreciation of an asset begins when it is "ready", that is ready to use.

But national provisions on international coincide with that calculation of depreciation ceases when the asset is depreciated total, i.e., from the first day of the month following the expiration month service life and / or output object, or disposal (sale, donation, etc.) thereof.

Referring to the above, the accounting policies of "Suvorov-Vin" SRL, stipulates:



Figure 4. Statement of accounting policies "Suvorov-Vin" SRL

2.3 Depreciation of fixed assets is computed based on straight-line method, proceeding from duration of useful operation.

2.4 It is provided for the possibility of conservation (suspension wear calculation) of individual assets or groups of assets temporarily withdrawn from the production process.

2.5 Current and operating expenses for the repair of fixed assets are considered as current expenses.

2.6 Fixed asset's accounting and tax purposes depreciation is performed for each category of property at the end of the fiscal year, based on the rules established for each category of property.

Like most entities, the entity "Suvorov-Vin" SRL chose as the means or method of depreciation, straight-line method, which results in a constant charge over the useful life if the asset's residual value does not change.

All the provisions of the new enlarged concept of residual value content (Table 2). If, according to the old standards, referred only to the residual value of tangible goods which are expected to obtain the expiry of the use of the asset, now, in addition to this version, it also provides the possibility of selling the property for a sum of money.

Table 2. Definitions according to national and international regulations

NAS "Intangible and tangible"	IAS 16 "Property, Plant and Equipment"
<p>Residual value - estimated (expected) of a depreciable asset, the entity provides to obtain the expiry of its use.</p>	<p>The residual value of an asset - the estimated amount that would currently obtain an entity of disposal of the asset, after deducting the costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.</p>
<p>Duration of use of an asset is: 1) the period of time during which the entity expects to obtain economic benefits from the use of restraint; and</p>	<p>Useful life is: a) the period over which an asset is expected to be available for use by an entity; and</p>



2) Quantity of units produced, works, services or other entity similar units expected to be obtained from use of the asset.	b) Number of units of production or similar units expected to be obtained from the asset by an entity.
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According pt. 20 of the CNS "tangible and intangible assets" residual value of fixed assets is insignificant and is considered null when calculating depreciation. Everything about it says in IAS 16 "Property, Plant and Equipment", i.e. the residual value of a tangible asset must be deemed void unless a third party has committed to repurchase the asset at the end of its useful or if there is a market active for this asset and residual value can be determined by reference to the market and if it is probable that such a market will exist at the end of the utility of the asset.

However, under the new entity may specify in its accounting policies, the residual value and useful life of tangible assets are reviewed or not (unless indicated in the CNS "Impairment of Assets" that when establishing any indicators of impairment of active remaining service life, depreciation method and residual value must be reviewed), whether a certain periodicity review, or revise as necessary. Another approach, however, meet international regulations, because according to IAS 16 "Property, Plant and Equipment", the residual value and useful life of an asset shall be reviewed at least at each financial year-end.

Another important in accounting for fixed assets, according to new standards, is the inclusion of **depreciation** and **non-recognition** concepts (Table 3).

Table 3. Discord between getting used to the new CNS and those applied to the date of transition to these

SNC November	SNC old
Depreciation	There is an analog
Non-recognition	There is an analog



According SNC "Impairment of Assets", **impairment loss** is the difference with the carrying amount exceeds the fair value less costs to sell of an asset or group of assets, and under IAS 16 "Property, Plant" is the amount by which the carrying amount exceeds the recoverable amount of an asset (the higher of its fair value less costs to sell and its value in use).

At each reporting date, the entity shall determine whether or not an indicator of impairment of an asset (asset group). Impairment indicators come from external and internal sources.

The provisions SNC "Impairment of Assets" coincide with those of IAS 36 "Impairment of Assets" and warns that if there is indication that an asset may be impaired, this may indicate that during its remaining useful life, depreciation method or the residual value the asset shall be reviewed and adjusted even if it is not recognized for any impairment loss.

An impairment loss is recognized in the amount of the asset carrying amount exceeds its fair value less costs of sale. The accounting for the impairment loss is determined by the method evaluation assets as subsequently applied by the entity.

The SNC "Impairment of Assets", impairment loss of an asset valued at **book value (cost)** is accounted for as current expenditure and increase the correction (decrease) in the value of the impaired asset. According to the entity's accounting policy, the correction value may be impaired assets is recorded as impairment losses increase to a separate account (by analogy with accumulated depreciation of property) or whether reduction of input cost of the asset or corrected cost substituting cost entrance.

Impairment losses on an asset carried at **revalued amount** is recognized as a reduction of the potential difference (surplus) from revaluation of assets and that correct the impaired asset.

If the gap is outweighed by the impairment loss, the impairment loss is accounted for as asset revaluation decrease the spread of assets and impairment losses increase, and if the situation is reversed, then, part of the impairment loss is found to decrease spread the asset revaluation and impairment losses increase, the remaining impairment loss - as a concomitant increase in current expenses and impairment losses. Finally, if the revaluation gap exists, then the asset impairment loss is recognized as current expenses increase as correct the impaired asset.



Tangible assets must be removed from the balance sheet when sold or permanently decommissioned and no longer possible to generate future economic benefits after their release. According SNC "Intangible and tangible" assets are **derecognized upon** their exit in case of liquidation of why physical wear and / or aging moral destruction from natural disasters and in case of transmission (alienation, disposal) by sale under a contract finance lease, exchange, donation, etc. This corresponds to IAS 16 "Property, Plant and Equipment", which also specifies that the carrying amount of an item of property shall be non-recognized on disposal or when no future economic benefits are expected from any use or disposal.

Another change under the new regulations would be the inclusion of accounting information in the financial statements.

According to CNS "Presentation of Financial Statements" balance sheet represents the financial position of the entity and include information relating to outstanding balances at the reporting date the assets, equity, debt. The following are extracted from the balance sheet metal (according regulations the violin until 31.12.2014) and extracted in balance again (which refers to assets):

Figure 5. Extract from the Balance Sheet, old and new format

BILANȚUL CONTABIL			BILANȚUL		
la _____ 20__			la _____ 20__		
No. d/o	ACTIV	Cod. rd.	No. d/o	Activ	Cod. rd.
1	2	3	1	2	3
1.	ACTIVE PE TERMEN LUNG		1.	Active imobilizate	
1.1	Active nemateriale	01		Imobilizări necorporale	010
	Active nemateriale (111, 112)			Imobilizări corporale în curs de execuție	020
	Amortizarea activelor nemateriale (113)	02		Terenuri	030
	Valoarea de bilanț a activelor nemateriale (rd.010-rd.020)	03		Mijloace fixe	040
1.2	Active materiale pe termen lung			Resurse minerale	050
	Active materiale în curs de execuție (121)	04		Active biologice imobilizate	060
	Terenuri (122)	05		Investiții financiare pe termen lung în părți nefiliate	070
	Mijloace fixe (123)	06		Investiții financiare pe termen lung în părți afiliate	080
	Resurse naturale (125)	07		Investiții imobiliare	090
	Uzura și epuizarea activelor materiale pe termen lung (124, 126)	08		Creații pe termen lung	100
	Valoarea de bilanț a activelor materiale pe termen lung (rd.040+rd.050+rd.060+rd.070-rd.080)	09		Avansuri acordate pe termen lung	110
1.3	Active financiare pe termen lung			Alte active imobilizate	120
				Total active imobilizate (rd.010+rd.020+rd.030+rd.040+rd.050+rd.060+rd.070+rd.080+rd.090+rd.100+rd.110+rd.120)	130
			2.	Active circulante	
				Materiale	140
				Active biologice circulante	150
				Obiecte de mică valoare și scurtă durată	160



Line 060 "Fixed Assets" and 080 "Depreciation and depletion of long-term tangible assets" in the balance sheet were pooled and old information related to their book value of fixed assets and financial leasing received and / or economic management in service reduced by size of fixed assets depreciation and impairment loss is presented among 040 "Fixed Assets" of the balance sheet, the new format (Figure 5).

For example, with information on input costs and depreciation of fixed assets "Suvorov-Vin" SRL, as shown in Figure 6, the new balance will be written only one amount, 040 among which is the book value of fixed assets, i.e. the sum of 20 863 839.05 (RON) and not two amounts, i.e. the input cost and accumulated depreciation, as it was previously.

Figure 6. Asset Register on sections of ICS "Suvorov-Vin" SRL

Denumirea	Valoarea initiala	Codul conform catalogului actiune	Suma uzurii totale	Valoarea de bilant ramasa
101 ADMINISTRATIA	710290.47		397099.06	313191.41
102 V/FRIN, POPEASCA (CHIR)	15739600.40		5789396.57	9950203.83
103 FIB. CAUSENI	7370.35		7370.35	0.00
106 SECT. GENERALA (ALEXAN)	352830.13		116524.38	236305.75
107 SECT. MECANICA (SILOCI)	3452050.48		1889383.77	1562667.71
108 VIN, CUPRAJ, CAUSENI	7721955.25		4823534.70	2904420.55
109 LABORATORIA (KEDOSEEV)	418755.46		293178.17	125577.29
110 SECTIA MARKETING	36756.82		0.00	0.00
111 Depozitul Central	418755.46		36756.82	381998.64
112 SECTIA DE INMUTUAT	895961.29		414233.15	481728.14
113 SCRAP-MATER. B SRCLIL	8686121.22		895961.29	7790159.93
114 SECTIA PRODUCT. GATA	634965.47		4329986.08	4357135.15
115 SECTIA PRODUCT. GATA	181765.97		193307.94	441657.53
116 ADMIN. CAUSENI (DARANU)	60562.66		99917.97	81848.00
117 CONTABILITATEA CAUS.	4270.00		58938.04	1624.62
118 CARTECULYKEA	69288.55		2260.80	2009.20
119 OSBETARIE (RUNDUNICA)	10150.05		23781.44	45501.11
125 ОТДЕЛ ОБЕСПЕЧЕНИЯ	157281.56		9642.55	507.50
138 SECT. MECANICAZ	1237.50		5242.72	152038.84
139 SECTIA CADRE	6875.00		1153.74	83.76
146 BROKER	55824.22		1145.88	5729.12
151 ПОПЯСКА ЛАБОРАТОРИЯ	38738.06		46730.72	9093.50
157 LABORATOR CHISINAU	106588.53		24929.62	13808.44
184 DEPOZIT GCC PRIM SA	9085.84		12435.36	94153.17
190 ТРАНСПОРТНЫЕ ПАСХОДЫ	183150.00		8710.84	375.00
191 Servicii Transport	1060757.12		148523.11	34626.89
234 FABRICA DE STICLA DI	183150.00		1060757.12	0.00
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For users, the general information on the assets in the balance sheet is good, but for the accounting department is more difficult because of the financial statements preparatory work generates extra work.

In conclusion, we can conclude that the new changes are intended to bring it in line with international accounting terminology native of the European Union Directives and IFRS.



Unlike IFRS, NAS and other provisions of the new accounting legislation are presented in a more simple and more accessible to practicing accountants. In addition, the aforementioned documents contain practical examples and explanations of the accounting elements, which facilitates their use in practice.

The new NAS and other normative acts are binding new accounting related entities double entry bookkeeping, except entities applying IFRS and public institutions.

It is recommended that the management to use judgment in developing and applying an accounting policy that leads to obtaining relevant information in decision-making by users reliable and appropriate to its particular circumstances in order to provide a true and fair view of the financial position and performance entity.

However, exemplified entity, as well as many other businesses, must perform an update of its accounting policies to conform to the new provisions already imposed either by national standards, or international.

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