

ACCOUNTING AND FISCAL ASPECTS SPECIFIC TO THE DIFFERENCES FROM THE REVALUATION AND THE CESSION OF THE FIXED ASSETS

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Abstract: The fixed assets of a firm, after the modifications that intervene in time, in their condition and in the price level, are periodically supposed to some revaluating operations by which it can be determined the present value. Generally, the fixed assets are subjects to revaluation (terrains and buildings) that, cause of a long period of utilization, they experienced in the most vast way the impact of the technological progress and of the prices variation. In the context of the accountable regulation according to the European directives, the revaluation is presented like an alternative method to the evaluation based upon the historic cost. So, is being stipulated, that after the initial recognition, a corporal immobilization can be presented in the financial situations at the revaluated value, based on the right value from the balance moment, and less the cumulated amortization and any lost cumulated from depreciations. In the case of the cession of the corporal immobilization, the revaluation occurs in the moment of establishing the value of the market goods that are the transactions object between the parts especially in the case of fusion operations. Consequently, the revaluation of the fixed assets is significant influences upon the values registered in accountancy and contributes at supplying some relevant informations for the users.

In the spirit of the accountancy regulations, the revaluations must be effected with sufficient regularity, so that the revaluated value must not significant differ of the right value at the balance date, and for this reason they must manifest themselves from the whole professional reasoning, and that supposes that the professional accountants establish the frequency of these operations according to the significant evolution of the right value and the treatment of the liquidation cumulated from the revaluation date.

We consider that is important to mentioned that this operation is complex and is being realized on the base of some evaluations made qualified professionals in evaluation, members of a professional structure in domain, national and international recognized. Also, a simultaneous revaluation is necessary of the whole class, from which an active is part of. This is needed for avoiding the selective revaluations and the reference to the financial situations of the values that are a result of some heterogeneous combinations of costs, calculated at different dates.

We appreciate that the letter and the spirit of the international norms had something to say in this issue and in the Romanian regulations [O.M.F.P. no. 1752/2005 for the approval of the accountancy regulation according to the European directives, M.O. First chapter no. 1080/2005], who adopted the provided treatment by IAS 16 "Fixed assets" regarding the differences resulted from the revaluation.

So, in the situation when the revaluation result represents an increment vis-a-vis of the clear accountable value, then this is different interpreted according to the existence of an anterior decrease recognized like an expense afferent to that active, so:

- increment of the revaluation reserve, if it has not been any anterior decrease recognized like an expense afferent to that active;
- an income which compensates the expense with the value decrease, anterior recognized, at the same active element.

If the revaluation result is a decrease of the clear accountable value, this will be treated, also, different according to the dimension of the reserves from the revaluation, present at the entity disposition, like this:

- like a decrease of the reserve from the revaluation with the minimum from the reserve value and the revaluation and decrease value;
- like an expense, when the reserves from the revaluation do not exist so that can cover the decrease of the value.

Between the Romanian standards and the international ones, exists only one difference that regards the treatment of the surplus from the revaluation.

While the Romanian legislation makes provision for that the surplus from the revaluation is capitalized directly into reserves, in the international norms, he is being transferred at the reported result, when the active in question is annulled or resigned. But the surplus from the revaluation can be also realized during the active utilization. In this case, the value of the realized surplus is represented by the difference between the calculated liquidation for the base of the accountable revaluated value and the liquidation value calculated on the base of the initial cost of the active. The transfer of the surplus from the revaluation, to reserves (in Romania) or to the reported result (according to the IFRS), it is not effected by the count of benefit and loss [Pîrvu Cerasela, 2004].

At the revaluation of a corporal immobilization the cumulated amortization can be treated in two ways:

a) the cumulated amortization is being recalculated proportional with the change of the gross value of the active, case where the historic value and the afferent cumulated amortization raises- this method is being utilized in the case when the active is revaluated with the help of an indices to get to the replacement cost, less the corresponding amortization;

b) the cumulated amortization is being eliminated by the gross value of the active, and the clear value is being recalculated at the revaluated value of the active- this method is being used when the revaluation is being made at the market value.

In the situation when it is being used the first method, the registration in the accountancy are being presented like this:

a1) in a first phase we determine the gross value actualized by the balance of the gross value and the actualization indices; the positive variation of the gross value is being registered like this:

$$\frac{21}{\text{“Fixed assets”}} = \frac{105}{\text{“Revaluation reserve”}} \quad \text{Increase gross value}$$

a2) in the second phase we determine the cumulated amortization (actualized) afferent to the new gross value (Aa) and is being registered the difference from this one and the cumulated amortization registered before the revaluation (a), according to the accountable formula:

$$\frac{105}{\text{“Revaluation reserve”}} = \frac{281}{\text{“Amortization of tangible assets”}} \quad \text{For a positive difference (Aa > A)}$$

If we use the second method, the registrations in accountancy can be presented in details in two phases:

b1) the amortization elimination from the gross value of immobilization, according tot the formula:

$$\frac{281}{\text{"Amortization of tangible assets"}} = \frac{21}{\text{"Fixed assets"}}$$

As a response to this registration, the fixed assets are being found registered in accountancy at the accountable clear value.

b2) the accountable clear value will increase reaching the level of the right value, according to the formula:

$$\frac{21}{\text{"Fixed assets"}} = \frac{105}{\text{"Revaluation reserve"} + \frac{\text{The difference between the fair value and net value}}{\text{value}}}$$

The revaluation of the fixed assets can lead not only at the increment but also at the decrease of the registered values in accountancy.

The solution of this aspect is being different realized, according tot the existence in a sufficient measure of some revaluation reserves, so:

a. diminishing the equipment value as a result of the revaluation operation, in the situation when exists resulted reserves like a surplus from an anterior revaluation:

$$\frac{105}{\text{"Revaluation reserve"}} = \frac{2131}{\text{"Technological equipment"} + \frac{\text{Decrease of the fixed asset value}}{\text{value}}}$$

b. if the appreciation of the equipment value, as a response of the reevaluation operation, is superior to the available reserves from the reevaluation, then the difference is being recognized under the shape of some expenses with the adjustments for the immobilizations depreciations, according to the formula:

$$\frac{\%}{\text{"Revaluation reserve"} + \frac{105}{\text{The value of the revaluation reserve}} + \frac{6813}{\text{Diference}} + \frac{\text{"Impairment losses and write down of financial assets"}}{\text{value}}} = \frac{2131}{\text{"Technological equipment"} + \frac{\text{Decrease of the fixed asset value}}{\text{value}}}$$

We see the aspect that the revaluation of the immobilized actives, in the onset of the IFRS, has also some fiscal implications that leads to the appearing of the postponed taxes, in the case of the revaluations that imposed a raised of the active values and who are not known from fiscal point of view. Between the historic cost, less the cumulated amortization and the revaluated value, and less the amortization calculated on her base, so between the fiscal value and the accountable value, appears a temporary imposable difference, that gives birth to a debt from postponed taxes [Ristea Mihai, 2003]. The sense in which this problem is going to be resolved, is the transfer of a part from the revaluation (reserve) difference, in a count of provisions regarding the postponed taxes. This operation is being realized in the purpose of insuring financial resources, that come and meet the eventual fiscal debts, like, the selling of that active, for which he would have to pay taxes calculated upon the differences between the selling price and the historic cost less the amortization.

The fixed assets can make the object of the firm participation at the social capital of other economical entities. In those situations, the registration in the accountancy can be onset in two ways:

1. First variant, when the capitalization is treated like a sell;

2. Second variant, when the capitalization is treated like a direct finance.

For presenting both variants we can call for the hypothesis of the next study case:

For example, we consider an entity that decides to participate at the establishment of another society, by giving a middle of transportation. The registrement value of that active is of 20.000 lei, amortized in a proportion of 65%. In exchange of this contribution of capital they had received 800 actions with the nominal value of 10lei for an action.

In the first variant, the not amortized value is assimilated to the financial expenses, while the value of the titles obtained in exchange of the participation at the capital is considered a financial income, not necessary equal to the not amortized value, giving the next registrations:

1.1. the diminution from the evidence of the fixed assets that represents the contribution at another society capital, considering the amortization already register:

%	=	21	<u>20.000 LEI</u>
281		<i>“Fixed assets”</i>	13.000 lei
<i>“Amortization of tangible assets”</i>			
6641			7.000 lei
<i>“Losses on disposal of financial investments”</i>			

1.2. receiving the participation titles at the level of the nominal value:

261	=	7641	8.000 lei
<i>“Shares in affiliated undertakings”</i>		<i>“Revenues on disposal of financial investments”</i>	

The second variant supposes a registration of the fixed assets, that make the object of participating with material at the social capital of another firm, avoiding the counts of expenses and incomes. The accountable registrations that are interposed in the first variant are:

the titles are being registered as received titles after the participation at the social capital of another society:

%	=	21	20.000 LEI
261		<i>“Fixed assets”</i>	13.000 lei
<i>“Shares in affiliated undertakings”</i>			
281			7.000 lei
<i>“Amortization of tangible assets”</i>			

2.2. for the difference between the value of the titles and the not amortized value of the fixed assets in accountancy will be registered:

261	=	1068	8.000 lei
<i>“Shares in affiliated undertakings”</i>		<i>“Other reserves”</i>	

We agree that this last solution is close of the constant reflection of the economical reality supposed by this type of operations. Our argument considers that, in this variant, we can see the capitalization character of direct finance, while in the first variant the capitalization is treated similar to the sells. Even the names of the counts of expenses and incomes used in the first variant lead to the idea of a selling, and that is not the case.

We will present the accountable mood of registration of the fixed assets that are being interposed in the fusion operations of the two societies. By fusion we understand the operation by which the patrimony of an entity is transmitted to another entity that already exists, or to a new entity that is being created. [Iacob Constana, 2005].

We present as an example the situation of S.C. „Alfa” S.A, with a social capital formed of 10.000 actions with a nominal value of 10 lei/action, absorbs the Beta society, with a formed capital of 3.00 actions with a nominal value of 10lei for an action. With the occasion of the revaluation effected before the fusion, they established the clear value of 130.000 lei at Alfa and 110.000 lei at Beta. We mentioned that the amortization until the fusion, for the equipments used in the accountancy of the beta society reaches the 148.000lei. The simplify balance of the two societies before the fusion is presented in the table:

Table 1

Simplify balance before the fusion

- lei -

Active		
Structural elements	Alfa	Beta
The clear value of the equipment	100.000	92.000
Clients	67.000	28.000
Available	3.000	2.000
Total	170.000	122.000
Passive		
Structural elements	Alfa	Beta
Social capital	100.000	30.000
Reserves	20.000	12.000
Suppliers	50.000	80.000
Total	170.000	122.000

We mentioned that to the solution of this example we will present only the registrations regarding the fixed assets that participate at this fusion operation, without debating all the problematic of the accountable fusion. We see that the reflection in accountancy can be made in two ways:

- the capitalization method, pervade by the Ministry of public finances
- the result method, given by the French accountancy

So, in the accountancy of the two economical entities we will register the next accountable operations:

1. The capitalization method

A. At the absorbent society Alfa

a. Registrations of the differences resulted from the immobilized revaluation:

2131	=	105	30.000 lei
<i>“Technological equipment”</i>		<i>“Revaluation reserve”</i>	

b. After the registration of the subscriptions of the social capital for the new actions, will be registered the receiver of the fixed assets from the society Beta:

2131	=	891	110.000 lei
<i>“Technological equipment”</i>		<i>“Opening balance sheet”</i>	

B. At the absorbed society Beta

a. Registrations of the differences resulted from the immobilized revaluation:

2131	=	105	18.000 lei
<i>“Technological equipment”</i>		<i>“Revaluation reserve”</i>	

b. It is registered the transmission of the fixed assets at the Alfa society, at the gross value of 148.000lei.

892	=	2131	148.000 lei
<i>“Closing balance sheet”</i>		<i>“Technological equipment”</i>	

c. At the same time is being registered and passively transmits the elements from the Alfa society, in particular, of the amortization of the fixed assets, of 38.000 lei.

2813	=	892	38.000 lei
<i>„ Amortization of tangible assets”</i>		<i>“Closing balance sheet”</i>	

2. Result method

A. At the absorbent society it is registered the receiving of the fixed assets from the beta society:

2131	=	456	110.000 lei
<i>“Technological equipment”</i>		<i>“Shareholders / associates - Amounts receivable related to capital”</i>	

B. At the absorbed society

a.: It is registered the transmissions of the fixed assets to the Alpha society, at the value of the initial gross value of 100.000lei +38.000 lei= 138.000lei

%	=	2131	<u>138.000 lei</u>
2813		<i>“Technological equipment”</i>	38.000 lei
<i>„ Amortization of tangible assets”</i>			
6583			100.000 lei
<i>“Other operating expenses”</i>			

b. The difference from the revaluation of the immobilizations is not reflected by a distinct formula, but the value will be registered like a claim on the Alfa society, for the remuneration of the contribution, according to the notable article:

461	=	7583	10.000 lei
<i>“Sundry debtors”</i>		<i>“Other operating revenues”</i>	

We can conclusion that the difference problematic from the revaluation presents a practical accountable solution that satisfies the users of accountable informations demands, and the most important role of this information is the possibility of identifying the real dimensions of the patrimony in the moments that is being demanded this kind of evaluation.

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