

## THE ACCOUNTING VALUE AS FINAL PRODUCT OF THE EVALUATION PROCESS

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**Abstract:** *All elements of asset, debts and personal capitals are presented in the financial statements with a corresponding value. The main idea of this article is the importance of determination of the fair book entry value of these balance elements in accounting, because the users of the accounting-financial information appreciate it very much. In the following pages, we shall present some important aspects regarding the value concept in accounting, the main types of values, economic factors which determine this value, all this information sustaining the central idea of the article.*

**Key words:** *accounting value, evaluation, fair value, realizable value*

### INTRODUCTION

Evaluation represents the process through which there are quantified and expressed in monetary units the assets, debts and elements of personal capitals as well as the economic and financial operations with the modifications occurred in case of these elements. The information which details the evaluation process is that which increases the informational transparency, providing the true value for users. The results of the evaluation activity are found in the financial statements drawn up by economic entities, reason for which any error slipped in during the evaluation process or lack of transparency of information regarding this error can cause unfavourable consequences in the long term.

### MATERIALS AND METHODS

Within the pages of this article, we shall achieve a qualitative research by using some methods as external observation, comparative method, analysis of documents. We will start with a short incursion through the specialty literature regarding the signification of the notion of *value*, the value-price and value-cost report; we shall present some aspects regarding the importance of the evaluation process for the determination of the accounting value; and last but not least, we will provide information regarding the accounting value in agriculture, as well as the accounting formulas corresponding to inflows and outflows of living animals and poultry within an economic entity.

### RESEARCH RESULTS

At present, accounting is considered a discipline of evaluation and communication (Belkaoui, 2004; Bierman Jr., 1963), and the intense process of modernization in which there were engaged the organisms of accounting normalization at international level sustains the idea according to which accounting can not be discussed outside the evaluation.

Evaluation is one of the proceedings of the accounting method which is common to other economic disciplines through which its study object is achieved and appeared

exactly from the need to express the totality of components of asset, debts and personal capitals and of economic procedures developed by the economic entity in a certain period with the help of money, no matter which currency is used in each state.

From a highly pragmatic point of view, the evaluation process can be considered as being nothing more than finding the answer to the question: “Which is the value?” (Fishman et al, 2007).

In the Illustrated Explanatory Dictionary of the Romanian language, the notion of value is defined from various points of view:

- from a general aspect: “Characteristic of some things, facts, ideas, phenomena to correspond to their social needs and ideals”;
- from an economic aspect: “equivalent in money of a good or of a merchandise on the market”;
- in a mathematical and physical sense „The mathematical size associated to a physical size (after a certain measuring procedure), allowing the size comparison with others of the same nature”.

The word value has multiple significations which go from economic to moral, from material to intellectual, from quantitative to qualitative (Robert Obert et al., 2002, p.223).

Regarding the value’s size for a good, opinions converge to the same point of view: “...There is no value of a good but a multitude of possible values depending of the personality of the agent willing to buy and of the nature of projects which he can have regarding the good (...)” (Brilman, Gautier, 1980).

The value represents the result of the interaction between various economic factors:

- **utility**, which represents the capacity of the good to satisfy an individual or social need;
- **rarity**, respectively the level of the offer of a good as against the demand;
- **wish to sell and buy** expressed on the good’s market;
- **buying power** of those interested to appropriate the good.

**Value and price**

Between these two economic categories: value and price there are certain differences synthetized in the table number 1:

**Table 1**

**Differences between value and price**

<b>Value</b>	<b>Price</b>
Value refers to someone’s physical, intellectual, moral qualities or to physical, material characteristics of a good or service.	Price represents the monetary expression of a good’s value.
Values are multiple	Price is unique.
Value is a conventional size.	Price is a concrete, tangible size.
Value represents the art’s result to evaluate, being unilateral.	Price represents the art’s result to negotiate, of a bilateral act.

Regarding the value-price relation we can say that although the investor is interested to obtain information about the value, the accounting is interested about the price.

**Value and cost.**

Although in accounting there is a direct connection between the two notions of value and cost, it is important not to mistake the cost with the value of a good. Any producer is interested to obtain from buyer at least the cost of the good put up for sale. Cost and value tend to separate as a result of some very diverse factors. Very often, the value of goods reduces by deterioration which justifies the depreciation and write-down

for the consignment or loss of value, but it may happen that factors as rarity or its quality produce the reverse effect (as it is the case of art objects, when their quality or rarity can lead to the effect of value increase).

At the moment when an economic good enters the accounting unit, its book entry is made usually at its cost, according to the principle of the historical cost. With the occasion of stocktaking or reevaluation, this cost is compared with the value of the good. Then, value can substitute to the cost. As a result, we can say that although the two notions of cost and value are distinct, they sometimes join (in accounting).

#### **Accounting value in agriculture**

According to IAS 41 *Agriculture*, the accounting value is the value at which an asset is recognized in the situation of the financial position. An entity must recognize a biological asset or an agricultural product if and only if:

- the entity controls the asset as a result of the past events;
- it is likely that the future economic benefits associated to the asset be due to the entity; and
- the fair value or the cost of the asset can be evaluated reliably.

A biological asset must be evaluated at the initial recognition and at the end of each reporting period at its fair value minus the costs generated by the sale, excepting the case in which the fair value can not be evaluated reliably. Agricultural products picked from biological assets of an entity must be evaluated at their fair value minus the costs generated by the sale at the moment of picking.

An entity must present a reconciliation of the modifications of the accounting value of biological assets between the beginning and the end of the present period. Reconciliation must comprise:

- gain or loss from the modifications of the fair value less the costs generated by the sale;
- increases due to purchases;
- discounts assigned to sales and biological assets classified as owned in view of sale (or included in a group intended to cession classified as owned in view of sale) in conformity with IFRS 5 Frozen assets owned in view of “sale and interrupted activities”;
- discounts due to picking;
- increases resulted from combinations of enterprises;
- net differences of currency exchange resulted from the conversion of financial statements in a different presentation currency and from the conversion of foreign operations in the presentation currency of the reporting entity; and
- other modifications.

Accounting records regarding inflows and outflows of living animals and poultry within an economic entity.

Reflection in accounting of inflows of living animals and poultry.

- In case of purchase

361 “Living animals and poultry “ = 401 “Suppliers”

- For those brought as capital contribution

361 “Living animals and poultry “ = 456 “Equity settlements with the shareholders or related parties”

- In case of those obtained from own production  
361 "Living animals and poultry" = 711 „Revenues from finished products inventory cost variations”
- For those received free of charge  
361 "Living animals and poultry" = 7582 „Revenues from donations received”  
Reflection in accounting of outflows of living animals and poultry in comparison with the outflow modality.
- In case of consignment living animals and birds for storage, processing  
356 „Consignment living animals” = 361 "Living animals and poultry”
- For those transferred in its own retail shop, emphasized at the retail sale price  
371 "Merchandise" = %  
361 "Living animals and poultry"  
378 Price differences to merchandise  
4428 Undue VAT
- Contribution refund to shareholders  
456 "Equity settlements with the shareholders or related parties" = 361 "Living animals and poultry”
- Less at inventory  
606 „Expenses regarding living animals and poultry” = 361 "Living animals and poultry”
- Free of charge cessions  
6582 „Granted donations” = 361 "Living animals and poultry”
- losses as a result of natural disasters  
671 „Natural disasters and other extraordinary events expenses” = 361 "Living animals and poultry”

### CONCLUSIONS

The value established on the occasion of evaluation is the value presented in the elements of asset, debts and own capitals in financial statements. This value must be as real and correctly determined as possible because on the basis of the information presented in financial statements, there are made the most important decisions at the level of the economic entity. Therefore, the presentation of wrong values of the elements of asset, debts and own capitals in financial statements will lead to wrong decisions with effects on long term upon the business enterprise.

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