

**THE ACCOUNTING POLICIES REGARDING THE FIXED ASSETS
BETWEEN THE OMFP 1802/2014 AND THE IAS-IFRS**

**LUCIAN CERNUȘCA¹, BOGDAN COSMIN GOMOI¹,
ROBERT CRISTIAN ALMASI¹**

¹*"Aurel Vlaicu" University of Arad, Arad, Romania, e-mail: luciancernusca@gmail.com*

Abstract: *If the world economy is placed in the context of the financial markets globalization phenomena, of the economic relations internationalization, of the informatics systems development, of the expansion of multinational companies and of foreign capital investments, accounting could not remain indifferent. The trial of harmonization that the Romanian accounting system developed in the last years is not easy to accomplish. Some standards were easily assimilated in the practical area, but others in a harder way. The article aims to emphasize the main similarities and differences that exist between the OMFP 1802/2014 and the IAS-IFRS standards regarding the fixed assets accounting policies. The Romanian formalizers took also efforts for assimilating the fixed assets issue to the international accounting regulations. In a large way, this purpose was reached, but there are, however, inconsistencies.*

Key words: *fixed assets, national regulations, IAS, accounting policies.*

INTRODUCTION

In the last couple of years, the global economy placed itself in the area of an ample globalization process of businesses, internationalization of economic relations, development of multinational companies and foreign equity investment. In this context, the worldwide accountancy could not remain indifferent to all these mutations that have taken place on an international level.

In Romania, the modifications that occurred in accounting followed in the last two decades a path, that started from the imitation of the French accounting system (after the 1990s) and then continued with the harmonization to the European and international accounting referential. This time, in 2016, the Romanian accounting follows the harmonization path to the European Directive 2012/34/UE and to the IFRS.

The main objective of our research is to study the accounting policies regarding the tangible assets, from the point of view of the OMFP 1802/2014 and of the IAS-IFRS standards.

Different studies and research have been made in order to determine the existing differences between the Romanian accounting standards and the international ones, referring to the tangible assets field.

Bendovschi brings into question a number of inconsistencies existing in the ambit of fixed assets' treatment, which can lead to differences between the financial reports elaborated in accordance with the Romanian accounting regulations comparing to the ones elaborated in accordance with the IAS-IFRS standards.[2]

She approaches a range of inconsistencies which can lead to differences between the financial statements elaborated in accordance with the local accounting standards related to the ones elaborated in accordance with the IFRS (divergence points): the registrations regarding the assets exchange, fixed assets purchased with delaying payment over the normal terms of crediting, depreciation (the depreciation value, the period of the depreciation start, the end of the depreciation period, the interruption of the depreciation period, the period affected by changing the depreciation method), classification of the assets owned for selling.

The researcher mentioned above correlates with the potential determinants these inconsistencies which appear between in the local IFRS accounting standards.

On the 9th of July 1990, the IASB issued the IFRS standards for SMEs which target the assurance of a financial report frame for small and medium enterprises which are included in the reporting area. The CECCAR issued in 2010 a study that targeted the offering of an image regarding the similarities and the differences between the IFRS for SMEs and the Romanian accounting regulations, regulations in accordance with the European directive, in order to inform the interested parts of the changes that would imply IFRS for SMEs for the enterprises in Romania, which currently apply the national regulations.

Across this study, the authors also approach the issues of the tangible assets accounting treatment seen through the Romanian and international accounting regulations specific for SMEs. A number of professors and researchers showed concerns in the area of the accounting treatment regarding the tangible assets in the context of the harmonization of the Romanian accounting system to IFRS and to the European accounting referential.

Thus, Cernușca approaches the issuing of the tangible assets in a comparative structure seen through the OMFP 3055/2009 and the IAS-IFRS.

This was, the comparative structure concerns: recognizing the fixed assets; depreciation; impairment of assets; revaluation of fixed assets; capitalization of borrowing costs; the delivery and handling, installation and restoring costs; assets owned for selling; government assistance; acquirements in exchange for another asset; discontinued operations; investment property and presenting the information regarding the fixed assets in the financial statements.

Berheci [3], in her work “Capitalization of the Financial Reports” leans on an analysis of the different accounting treatments applicable, presented on activity cycles, without having recourse to an exhaustive accounting of events and financial and economical transactions which can occur within an enterprise.

During the paragraph about the investment cycle, the author mentioned above brings into question a comparative structure of the accounting and fiscal treatment of the tangible assets seen through the national accounting referential and through the IFRS, presenting various points of view and implications on the national legislation.

While trying to harmonize the Romanian accounting referential to the European one, the OMFP 1702/2014 brings into question some accounting treatments specific to the tangible assets and brings, moreover, a number of differences compared to the previous regulation (the OMFP 3055/2009, now repealed).

Gîrbină [6] comes to emphasize the new treatments that concern the tangible assets accounting, as well as some clarifications regarding the existing policies.

After the entry into force of the OMFP 1802/2014, Rapcencu and Stanciu [7] elaborate a practical guide regarding the new accounting regulations with applicability from the 1st of January 2015, where we also find the issue of the accounting treatment of the tangible assets, the author trying to highlight the harmonization with the IAS-IFRS.

Ristea and Dumitru consider in their work the problem of the accounting options regarding the tangible assets, which balances between freedom and conformity in building the truth, a truth pressurized in accordance with a set of principles, rules, conventions and specific accounting practices.[8]

MATERIALS AND METHODS

We will use as a research method a comparative analysis between the national accounting regulations and the IAS-IFRS standards regarding the accounting policies of the tangible assets. The results of the research will be presented by grouping them depending on the criteria used to interpret the scientific step.

RESEARCH RESULTS

We expect to bring into front the aspects used as the analysis subject in order to accomplish our objective.

The definition of the tangible assets. The definition of the tangible assets given by the national regulation is in coherence with the one provided by the IAS 16.

Generating the future economical benefits and the owning on a period greater than a year, are essential conditions so that certain assets to be classified as tangible assets. In accordance with the OMFP 1802/2014 the lands and the buildings are separable assets even if they are purchased together (the lands and the land planning are highlighted in the 211 account and the buildings in 212).

Also there are separately highlighted in accounting the tangible assets that are in an ongoing supply process.

The Depreciation of Fixed Assets

The period of the depreciation start. In accordance with the OMFP 1802/2014 the period of the depreciation start is the next month after the release and until the full recovery of its value. Unlike the Romanian regulations, according to the IAS 16, the depreciation is calculated starting with the date when the tangible fixed asset became ready to use.

The depreciation method. The OMFP 1802/2014 recognizes the following depreciation methods: linear, digressive, accelerated, as well as the calculated depreciation per unit of product or service, in the cases in which nature of the asset justifies the use of this method. The modification of the depreciation method is treated by the Romanian accounting referential as a change in the accounting policy, aspect mentioned in the explanatory notes, as well as the effect of the modification on the reported results of the period and the real trend of the results of the enterprise's activity.

The IAS 16 stipulates the utilization by the entity of different depreciation method regarding the systematical allocation of the redeemable value of an asset over his economical and useful life period, like for example: linear, degressive and the product units method.

The modification of the depreciation method is treated by the IAS 16 as a modification of accounting appraisal and it is registered in accounting in accordance with the IAS 8.

The two regulations are flexible regarding the possibility of periodical revisal of the depreciation method, with the justification on the reason of the method changing and with the presentation of the impact in the explanatory notes within the financial statements.

The fiscal depreciation of the fixed assets passed in conservation. The treatment of the fixed assets in conservation

The financial statements released by the entities applying the OMFP 1802/2014 can be affected by the accounting treatment of the assets which are in conservation.

Regarding the fixed assets in conservation, the new Fiscal Code approved by Law no. 227/2015 brings new foresights. In accordance with the Article 28 Paragraph 12 Letter k) from the Law no. 227/2015 (The new Fiscal Code), in the case when the fixed redeemable assets are switched in conservation, the fiscal value which remains unamortized from the moment of the switching in conservation, will be recovered in the normal period of use that remains, starting with the next month from the moment of their conservation, through the recalculation of the fiscal depreciation quota.

Depending on the accounting policy applied by each company, there can be registered during the period when the fixed assets are switched in conservation, an expense with the depreciation or an expense which corresponds to the adjustment for the depreciation found (aspect which is provided in the OMFP 1802/2014 within the Paragraph 2.5.1 Accounting policies point 60 (2)).

The review of the depreciation period can be justified because the fixed assets are switched in conservation, their usage being uninterrupted. Through applying of the IAS 16, the depreciation of the fixed asset continues also during the period when it is not conserved.

The depreciation period. Depending on the accounting policy applied by each company, there can be registered during the period when the fixed assets are switched in conservation, an expense with the depreciation or an expense which corresponds to the adjustment for the depreciation found (aspect which is provided in the Order no. 1802/2014 at paragraph 2.5.1 Accounting policies point 60 (2)).

We assist on the conformity of the Romanian accounting regulations in accordance with the IAS 16 regarding the periodical review of the depreciation period in order to highlight the fact that it reflects the actual reality.

Examples of situations which justify the review of the depreciation period could be:

- + practice by the company of a repairing or improvement policy, which brings an additional performance compared to the one initially estimated;
- + a significant modification of the conditions of use, like for example the number of changes in which the asset is used;
- + changes come as a result of the technical progress and changes in the market structure;
- + switching in conservation of the fixed assets, period in which the use of them is interrupted.[4]

The reappraisal of the initial depreciation period will have as a consequence the modification of the depreciation expenses on the period left for using.[4]

The residual value. The IAS 16 allows the deduction of the residual value in the case in which it can be reliably estimated, as well as its periodical revision, while the OMFP 1802/2014 doesn't refer to the residual value in the moment in which it is calculated.

The ending of the depreciation period. While in accordance with the OMFP 1802/2014 registering the asset depreciation stops together with the full recovery of the cost, according to the IFRS 5 this stops in the situation in which the fixed asset satisfies the classification criteria as being owned for sale. In this last case, the assets will have to be evaluated at the smallest value between the accounting value and the fair value minus the costs generated for sale.

Real estate investments. The accounting professionals will have to appeal to the professional thinking in order to be able to establish if a real estate property is a real estate investment. In the content of the of the accounting policies handbook, there will have to be elaborated specific criteria so that the professional thinking can be consequently executed in accordance with the definition of the real estate investment.

Unlike the international standards, the OMFP 1802/2014 presents distinctly the fixed assets in the group 21 (account 215 „Real estate investments”) for which there will be applied the general rules of evaluation. Rapcencu and Stanciu [7] think that the fact that „is not in discussion the problem that the enterprises can choose between the cost model and the equitable value which can be found in the IFRS”.

In exchange, the management of the companies whose real estate values are allowed to trading on a regulated market and which apply for the accounting registration Order no.1286/2012, will have to choose between the real estate evaluation at the equitable value and the cost evaluation and consequently apply the policy selected for all the real estate investments (including for the real estate investments in progress).

Fixed assets owned for sale. Within the Romanian regulations, there is no boundary between the assets owned for sale and the ones owned for the inside use of the company.

We are not yet assisting to the harmonization in accordance with IFRS 5 „Fixed assets owned for sale and interrupted activities” which provides the fact that an enterprise will not highlight an expense with the depreciation in accounting for a fixed asset meanwhile „this is classified as owned for sale” (IFRS 5 point 25).

Even if it will not proceed to the registration of the depreciation of a fixed asset, as long as this is classified as owned for sale, tests for depreciation can be made in accordance with the IAS 36.

Transactions regarding the changes of assets. Regarding the changes of assets, the Romanian accounting regulations do not accept the direct transactions reflecting the two operations: sale the old fixed asset and purchasing the new asset.

Therefore, we assist at separate acts of sale - purchasing. Based on the IAS 16 there is mentioned that „a company evaluates a fixed assets element acquired in exchange of a nonmonetary asset at the equitable value, without taking into account if the exchange transaction through which it was acquired had or did not have a commercial content.”[10]

Fixed assets acquired with delayed payment over the normal terms of crediting

In accordance with the IAS 16 Point 23, in the case of the acquisition of a fixed asset in which case “the payment is delayed over the normal terms of crediting, the difference between the equivalent in money of the price and the total payment is recognized as interest over the credit period, excepting the case in which this interest is capitalized in accordance with the IAS 23”.

In exchange, the OMFP 1802/2014 does not provide any specification regarding the actualization of the values to pay in case of delays payments over the normal terms of crediting and no specific treatment applicable to the difference between price and total payment value in these conditions”.[2]

The costs of indebtedness associated with the long manufacturing cycle assets

Starting from the 1st of January 2015 the companies applying the OMFP 1802/2014 have the obligation of capitalizing the costs of indebtedness associated with the long manufacturing cycle assets.

This treatment influences negatively the profit tax. Before the OMFP 1802/2014 appeared, this treatment was optional, entities being able to recognize them in the profit and loss account.

While in accordance with the OMFP 1802/2014 the costs of indebtedness include only the interest of the borrowed capital for the funding of the acquisition, construction or production of assets with long manufacturing cycle, the IAS 23 provides the fact that in the costs of indebtedness are included not only the interests, but also other costs like:

- ✚ the funding expenses corresponding to the financial leasing contracts recognized in accordance with the IAS 14;
- ✚ the exchange rate differences corresponding to the loans in foreign currency, as long as they are seen as an adjustment for the interest expenses.

CONCLUSIONS

The article considers the identification of the specific treatments for the fixed assets which make a difference between the Romanian accounting standards and the IAS-IFRS. It is remarkable the fact that the Romanian formalizers have made considerable efforts through the OMFP 1802/2014 in order to harmonize to the international accounting referential and to the European Directive 2012/34/UE.

Even if the Romanian accounting regulations from the fixed assets field have been updated through the entry into force of the OMFP 1802/2014, we ascertain a number of divergences between these and the IAS-IFRS standards.

Bendovschi brings into questioning a number of potential determinants of the different dimensions in Romania. [2] Thus, there are brought into discussion the legal origin, the structure of the shareholding, the economical development, the capital market importance and the importance of the accountant profession. [2]

According to recent research, although the Romanian accounting is mostly in accordance with the main international standards, still there are certain characteristics which come from the local culture and practice, and the normative basis for the profession remains limited mainly to the requirements for the conformity assurance. [1] This type of divergences is confirmed also in the case of emerging countries.

At this moment, the Romanian accounting is making efforts for harmonizing to the international accounting referential, in order to keep up with the mutations which occur at a global level, determined mostly by phenomena of business globalization, by the internalization of the economical relations, by the expansion and internalization of the capital markets and by the development of the informatics systems.

REFERENCES

1. **ALBU, NADIA**, 2013, Dimensiuni ale diferențelor între standardele contabile locale și IFRS și potențialii factori determinanți - cazul economiilor emergente cu accent pe România, Accounting and Management Information Systems, Vol.12 nr.4 p.549.
2. **BENDOVSCHI, OANA**, 2015, Dimensiuni ale diferențelor între standardele contabile locale și IFRS și potențialii factori determinanți - cazul economiilor emergente cu accent pe România, Audit financiar nr.5(125), pp.34-43.
3. **BERHECI, MARIA**, 2010, Valorificarea raportărilor financiare, Editura CECCAR, București, pp.112-122.
4. **CERNUȘCA, L.**, 2012, Exemplificarea regulilor prevăzute de ultimele modificări ale Reglementărilor contabile conforme cu Directivele europene(I), Contabilitatea, Expertiza și Auditul Afacerilor, Nr. 5, pp. 14- 23.
5. **CERNUȘCA, L.**, 2014, Exemplificarea regulilor prevăzute de ultimele modificări ale Reglementărilor contabile conforme cu Directivele europene (I), Anale.Seria Științe Economice, Timișoara, Vol.XVIII-supliment/2012, pp.109-114.
6. **GÎRBINĂ, MĂDĂLINA**, 2015, Contabilizarea imobilizărilor corporale - tratamente introduse de Ordinul Ministrului Finanțelor Publice nr.1802/2014, Revista Economistul nr.37-38.
7. **RAPCENCU, C., STANCIU, L.** 2015, Ghid practic privind Noile Reglementări contabile aplicabile începând cu 1 ianuarie 2015 (OMFP nr. 1802/2014) , pg.081-099.
8. **RISTEA, M., DUMITRU, CORINA GRAȚIELA**, 2012, Libertate și conformitate în standardele și reglementările contabile, Editura CECCAR, pg.15 și 793-872.
9. **TOMA, M., VULCAN DANIELA, BUNEA, Ș., GÎRBINĂ MĂDĂLINA**, 2010, Studiu comparativ între reglementările contabile din România și Standardul Internațional de Raportare Financiară pentru Întreprinderi Mici și Mijlocii, Editura CECCAR, pp.9 și 16-18.
10. **OMFP NR. 1802/2014** pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate, publicat în Monitorul Oficial nr. 963/30.12.2014.
11. **LEGEA NR.227/2015** privind aprobarea Codului fiscal, publicată în Monitorul Oficial nr. 688/10.09.2015 cu modificările și completările ulterioare.
12. **IASB**, 2015, Standardele Internaționale de Raportare Financiară (IFRS). Norme oficiale emise la 1 ianuarie 2015, traducere, Editura CECCAR, București.