Abstract
The current activity of an economic entity requires raw materials which, once put into practice, turns into finite production and further on it is rendered valuable. Some of these finite products remain on stock, others are to be rendered valuable and even to cash their costs and thus, the resources for funding other production cycles are obtained.

Key words: stocks evaluation, financial accounting, international accounting standards

JEL classification: M41, M48

INTRODUCTION
In the practice, the current assets are defined as “that part of the patrimony which permanently change their form, being found as stocks, available funds and rights to the thirds”.

As the current assets represent immobilization of resources at the hand of the economic entity, the matter is to make efficient their use.

We consider that the efficiency of the current asset utilization must aim at the obtaining of performances within all stages of activity; supplies, production, sales.

Under the circumstances of the present economic crisis at EU level, it is necessary to mainly apply the principle of prudence when evaluating the current assets and to reveal their real depreciation in the financial statements.

CONSIDERATION REGARDING CURRENT ASSETS
The first component of the current assets, namely the stocks, including in their structure – raw materials, materials, consumables, production under execution, finite products – is generating most expenses and incomes of the economic entity activity. Under such circumstances, their influence on the exercise results is a major one. The analysts of the financial statements, by means of a comparative analysis of the modifications occurred at the level of stocks, as well as of the review of the fluctuations of incomes and expenses, can express professional opinions about the performances obtained by the economic entity.

The administration of the stocks can be carried out both based on the permanent inventory and on the intermittent one. In our country, the permanent inventory option is prevailing. But, the practice of the economic entities in developed countries consists of both the permanent inventory administration and the intermittent inventory one (which is usually most frequently used).

Under the present circumstances of the economic crisis at EU level, it is necessary to mainly apply the principle of prudence for the evaluation of the current assets and for revealing their real depreciation when developing the financial statements.

To this aim, IAS 2 reveals that the stocks have to be evaluated at their lowest value between the cost and net production value.
In the Romanian practice, in accordance with the regulations of the Order No. 3055 of 29th October 2009 about the approval of the Accounting Rules in accordance with the European Directives, section 8 “On the date of the entry in the entity, the goods are evaluated and registered in the books at their cost value which is determined as follows:

a) at purchase price – for the goods purchased with certain obligation title;

b) at production cost – for the goods produced within the entity

c) at the contribution value determined further to the evaluation – for the goods representing contribution to the social capital

d) at their right price – for the goods obtained for free or positive stock count differences.

The purchase cost includes: the buying cost, customs duties (in case of import of goods) and other taxes, transport expenses, handling and other costs related to the purchase of goods, materials and services. The VAT is mostly recoverable, thus most of the costs are evaluated “taxes excluded”. The commercial diminutions (discounts\(^1\), rebates\(^2\) and refunds\(^3\)) are deducted from the purchase price.

For the development of the annual financial statements, the entities proceed to the inventoring and evaluation of elements of the current asset type.

In accordance with the same Order No.3055 of 29th October 2009 about the approval of the Accounting Rules in accordance with the European Directives, art. 161, the Romanian practice provides that: “At the time of taking out of the administration the stocks and other fungible assets, they are evaluated and registered in the accounting books by applying one of the following methods:

a) first in – first out method – FIFO;

b) average weighed cost method – CMP;

c) next in – first out method – LIFO.

There are different options preferred by the EU countries regarding the use of one or other evaluation methods provided by IAS 2 and adapted to each economic and fiscal policy of each country. At the same time, it is to be noted that, although the LIFO method is no longer recognized by the IAS 2 “Stocks” the Romanian legislation still maintains it. (Order No.3055).

We also notice, that, if in several countries of Europe the LIFO method is no longer used, on the contrary the American entities prefer this method because, in their opinion, it measures the cost flows as accurately as possible.

As for the British accounting system, the basic rule for the evaluation of stocks is the historical cost. The company law provides that for these assets, the cost value is equal to the purchase price. The purchase price represents the price paid and the related expenses necessary to bring the goods to the utilization condition.

At the same time, the production cost may include also the indirect production costs and it is required to include the indirect costs in the production cost and to the extent to which the exploitation condition requires it, of the part of the general central expenses.

For the current assets (stocks) it is stipulated, for the provisions for depreciation, that any current asset is registered at its lowest values of the following two:

- cost value
- net realizable value.

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1 discounts – are received for quality deficiencies and are applied to the selling price

2 rebates – are received for sales in excess from the agreed amount or if the client benefit of a preferential statute

3 refunds – price diminution calculated on all the transactions performed with the same third throughout a determined period
The net realizable value is the income which the sale of a good under normal circumstances would generate on the financial year end, and the expenses expected for the goods cession are deducted from the respective income.

As for the evaluation methods used for the stock take out, it is specified that, the same method must be used for all the assets of the same type. The British entities prefer the use of FIFO method as, in their opinion; it best fits in the take out flow of stocks.

In German accounting system, the goods stocks are not registered distinctly being re-grouped together with the finite product stocks. Their evaluation by different methods is accepted, the average weighed cost being most frequently used.

In the American accounting system, the term of stocks is used to indicate the asset elements:
- either held to be sold during the normal exploitation course;
- or those under production for their sales during the normal period of exploitation;
- or preserved for direct or indirect consumption during the production process or service supply process, the goods and services being destined to sales.

The main objectives of the American norms in the field of stocks (ARB 43 and FASB 1 and 17) consist of the connecting in a satisfactory manner, of the expenses and incomes to determine the outcome achieved. The accounting developments in the American accounting of stocks are quite limited offering little information about the allocation of indirect expenses or indications for the determination of production costs.

The general principle of the cost value determination is the purchase price or production cost. The purchase price of a stock element is the price paid for its purchase. It includes the direct and indirect expenses incurred to bring the good to the condition and place it is.

In the American accounting system, the evaluation of works under completion and of finite products is facing difficulties related to the allocation of costs and expenses. Under certain circumstances, the expenses caused by the residues resulted at production or by the deterioration or other production expenses, can be abnormally high. Under such circumstances, their inclusion in the stock production cost is not acceptable because they do not contribute to an effectively added value. For instance, the commercial expenses borne for the sales of goods are not part of the purchase price or of the production cost.

There are several methods for the stock evaluation, depending on the different types of goods:
- for the goods perfectly identifiable which specific costs can be individually charged, the evaluation must be based on the individual costs;
- for the stocks of fungible goods, that is the goods bought and sold in high amounts and which do not allow the identification of specific costs for each item sold, the evaluation is based on different certified methods (FIFO, LIFO, CMP).

The American accounting rules do not specify the certification requirements of these different methods used. They indicate only that the method to be retained, is the one which best reflects the income of the period.

On the other hand, the fiscal provisions are not neutral. Thus, for the American fiscal administration, when an enterprise is using the LIFO method in the accounting, it will be obliged to use the same method for the fiscal purpose, too. During a period of price increase and of stocks which do not decrease, the outcome obtained will be smaller leading to a diminution of the tax. When making the inventory, the stocks have to be evaluated at their lowest value calculated between their cost and market price, except when they can be evaluated at a higher price. When the value diminution caused
by deterioration or modification of prices, becomes obvious, the difference must be registered at the period prices. The notion of market value is equivalent to that of replacing current price under the following conditions:

- the market value must not be higher than the net realizable value;
- the market value must not be lower than the net realizable value, diminished by one provision related to the normal margin.

Depending on the type and composition of stocks, the rule of the lowest value between the cost and market price can be directly applied, at item level, by categories of stocks or for all the stocks\(^4\). Under exceptional circumstances, the stocks can be evaluated at a higher magnitude than the purchase price or production cost. It happens when it is practically impossible to determine a rather low cost and when it is possible to sell immediately the goods at a market value (quoted) and the good is fungible. When the stocks are evaluated at higher value than the selling price, it must be specified in the attachment. It is also there that the stock evaluation methods must be notified.

In conclusion, unlike the USA, where LIFO is the most often used method, we noticed that in the United Kingdom the FIFO method is preferred because the British consider that the use of LIFO method does not provide an accurate picture while in Germany the average weighed cost method is preferred. It is also in the British accounting system that the texts concerning the accounting right do not allow the use of LIFO method for fiscal purposes, and thus, this method is extremely rarely used.

Regardless the adopted methods of the stock evaluation, the entities must comply with the following rules\(^5\):

- the selected method must be applied consistently;
- in case that the managers decide the method replacement, the explanatory notes must provide information about the reason of the replacement and its effects on the results;
- for stocks of similar type and use, the same methods for the determination of costs (evaluation) must be used;
- in the balance, the stocks must not be registered at a higher value than the value that can be obtained further to their sale or utilization, getting diminished up to a net realizable value by reflecting an adjustment for depreciation.

As for the evaluation of stocks, in the Romanian practice, the current average price method is most often used. It is a method for calculating the value of the stocks at the current average price, which is often used by the retailer entities. To this aim, many times, to reduce the expenses and render the activity more efficient, the said entities use Excel software for the final stock calculation.

The Excel software is used by the financial – accounting division of the entity as auxiliary means for stock administration.

The entities operate complex stock administration software, using database. The stock administration module allows the economic entities to organize the evidence and analytical accounting of the stocks according to the operating – accounting method\(^6\). This module provides the necessary means for initializing and controlling the existing stocks of each administration. For each item of the stock, qualitative and quantitative data are stored. For the items registered with several administration prices, the book evidence is separately kept for each price. Using this software, for the stocks of the warehouse, the following operations can be achieved:


\(^5\) “Vasile Goldis” Studia Universitatii Arad – Economic Sciences, Year 21/2011, Part II

A) Calculation of the final accounting stock

In the first stage, there are introduced the goods ins and outs corresponding to the central warehouse including the following elements: denomination of the goods, supplier, respectively the transfer number, invoice number, dispatch note number or consumption note number. When interrogating the program, about the final accounting stock, for certain merchandise, the following fields occur: administration code; group; sub-group; merchandise; bar code. By ticking out the fields there are obtained accurate data about any goods category.

B) Calculation of the total goods stock

To obtain the total goods stock the first two fields are marked (Administration, Goods). The available fields are the following: Stock- amount; Administration type code; Average price calculation. By actuating this sequence, the total stock of a certain goods category is obtained. This software uses the database and for this operation, it works in three fields: list, stock and goods. In the first field, the name of the document, its data, number, administration code and goods code are introduced. By means of the column “entry” the average price is calculated based on the inputs and already existing stock.

C) Calculation of the warehouse list

Practically, this operation precedes the calculation of the average stock. The software operates in the second stage with three columns: list, stock, warehouse. In a first stage, the complex data about a certain goods category are introduced: supplier, type, stock amounts, selling price VAT included, VAT excluded, clients, etc.

D) Report for the price modification

Whenever a modification of the price is occurring, at request the program develops and provides a report. To obtain the necessary data, the following columns must be filled in: document date, administration code, document type, total modified amount. Depending on the goods amounts which is transacted through the entity warehouses, it is required or not the use of a performing accounting software in general and of stock administration in particular.

For instance: An entity is supplying, among other goods, mineral carbonated water and non-carbonated mineral water, it has to introduce point by point, by water category, each invoice corresponding to each supplier, so that at any time, on any date, it could find out the value of the stock for an average current price (average purchase price – average purchase cost, average current price – value at average current price) and at the same time it performs the take out of the inventory the sold goods.

Based on the data introduced, the entity has to know at any time, the amount of water existing on the stock, purchased from each supplier as well as the clients where the water was delivered, but also the payments made by each client and the payments rates due to each supplier.

CONCLUSIONS

We consider that the informatics system presents a significant importance for the efficient administration of stocks, particularly using the informational system allowing the permanent knowledge of the economic processes and events directly or indirectly related to the stock level, structure and evolution.

Such a system allows obtaining on the computer all the necessary data for reporting purpose, on fixed periods or by request, the effective stocks in comparison with the rated stocks as well as the follow up and operative control of the stock movement to prevent the formation of irrational stocks.
Thus the accountancy of the Romanian stocks becomes a combination of practice with legislation, of accounting and informatics, but also an efficient monitoring and evaluation of stocks (at low costs).

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