

ACCOUNTING POLICIES AND OPTIONS IN THE RESEARCH OF THE CAPITALS

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Abstract:

The present paper has been structured and elaborated so that it would assure the emphasizing of the specific essential problems of the economical entities related to the maintenance, evaluation and prominence of the capital. In this regard, the executive management of these entities has the responsibility of adopting of some adequate accounting policies in order to accomplish the developed specific activities. The issue is the quality of the information given by the financial situation of the management of the companies, especially the financial-accounting information related to the capital. Also, the influence of the accounting policies applied on the decision making process is analyzed.

Key words: *own capital, loan capital, accounting policies, evaluation, accounting information*

JEL classification: *M41*

The accounting policies related tot the capitals are applied in order for the financial situations to present useful information, information used to calculate some economical-financial risk indicators, indicators of profit or solvability, especially, the indicator of the result of the action, in conformity IAS 33.

The accounting policies are elaborated in order to furnish with the help of the financial situations, relevant and necessary credible information in order to know the faithful image of the performances and the financial position of an economical entity. If there are more accounting policies available in conformity with an International Accounting Standard, the management of a company can choose between them and the chosen policy has to be applied with consistency. Decision making related to the choosing and modification of the accounting policies regarding the capitals is the responsibility of the persons from the management of the economical entities. Depending on their interest, the decisions are made in relation to the applying of some policies with a significant impact on the way the activity is developed and on the way the information is reflected within the financial situations.

The capital, as a source of lasting financing and with a stable character of the enterprise, representing the value equivalent of the resources on a long term invested in assets of the owners or by the third parties. The problem of maintaining the capital is very important, especially of the own capital. Also, the own capital has to be larger or at least equal with the borrowed capital.

In this regard, the economical entities have to apply the accounting policies adequate to the maintenance of the financial capital and of the physical capital. The accounting policies adopted by an economical entity in order to maintain the financial capital refer, especially, to the evaluation in order to maintain it in constant power of buying. Thus, the profit represents the increase of power of buying over the level invested in the beginning of the period.

Regarding the choosing and applying of the accounting related to the maintenance of the physical capital, to their elaboration it is considered the expressing

of the profit as a result of the difference between the productive physical capacity or the exploitation capacity of an enterprise at the end of the period and the productive physical capacity at the beginning of the period, after all the distributions to the owners and any of its contribution during the period of analysis were excluded. An accounting policy regarding the maintenance of the physical capital could mean adopting the actual cost as an evaluation base.

For the majority of the economical entities that has profit from the developed activity there is the issue of the tax on the profit that has to be paid. This has always represented a fight between the accounting and the taxation. Thus there are some differences between the accounting result and that of the taxation. In order for them to be determined it is important to recognize the expenses and venues and the adjusting of the audit elements in the accounting using the adequate accounting policies adopted by the executive management of the economical entities.

An economical entity that wants to maintain the capital has the possibility to apply accounting policies that presuppose new infusions in nature or in cash from the share holders and associates, or the limiting of the share receiving and the capitalization of the profit obtained in order that their own capitals would increase.

In order to maintain and increase its own capital, there are some accounting policies regarding the increase of the social capital by registering of new infusions of the share holders or associates in cash or in nature that could be applied, the incorporation of some elements like their own capitals within the social capital, the conversion of the financial debt like mandatory loans in shares or social parts and the fusion by absorption. And in the case of the reduction of the social capital, the main accounting policies applied refer to the retraction of the infusions by the share holders or associates, covering the loses from the anterior years or redemption of their own shares followed by their cancellation. These policies will lead to a diminution of their own capital.

For the evaluation of the social capital there are some specific accounting policies that presuppose its evaluation and highlighting in the accounting using the nominal value of the shares and social parts. In this regard, there are some essential problems specific for the transactions with clearing using the shares, problems that are related to: the purpose, the area of applying, differences between the respective transactions, the essential characteristics corresponding to every category of transactions and the significant aspects related to their practical applying. A special problem is that of specific evaluating and recognizing of the transactions, including the difficulties and the possible risk that could affect their credibility and the clearing operations that should be accomplished and the effects of the utilization of the shares, as a basis of the clearings, on the size and structure of the capital of the entities.

An important component that helps in the modification of the structure of its own capital of an economical entity is represented by the reserves from re-evaluation. Thus, in conformity with IAS 16 "Property, Plant and Equipment" there is the possibility of applying one of the two treatments of accounting that were suggested, respectively the basic accounting treatment and the alternative accounting treatment. The basic accounting treatment presupposes the initial recognition of an asset as the element of fields and immobile means that should be registered with the re-evaluated value. This value represents the just value at the moment of re-evaluation, without any accumulated amortization and the future loses accumulated from the depreciation.

The gathering of different categories of reserves and their utilization in conformity with the decision of AGA, of the constitutive document and of the effective regulations, represents the main accounting policies applied in the case of the reserves, policies that have as an effect the changing of the structure of their own capital. Thus, in the case of the conversion of the monetary elements related to a net investment in an

external entity, there are some differences of the exchange rate that could appear due to the reference of the same unit of a currency in the reference cash at different exchange rates. The accounting policies applied in this case in conformity with the IAS 21 norm "The effects of the exchange rates variation" foresee the inclusion of the differences of exchange rates in the accounting value of the respective asset with the condition that it wouldn't exceed the minimum between the replacing cost and the recoverable sum of money by selling or using the asset.

The problem of observing the results of an economical entity presupposes choosing some accounting policies that would highlight the result of the financial exercise by closing the accounts of revenues and expenses. In order to reduce the expenses with the taxes, in this case of the expenses with the tax on profit, it is considered the applying of some accounting policies that have as a result a reduced financial result.

In the case of the companies that have profit, the share holders will decide the repartition of the profit in order to create the legal, statutory reserves, the reserves for their own shares or other reserves, for the increase of the social capital, the transfer of the non directed profit or for the uncovered loss from the carried forward result or the covering of the losses from the anterior years using the elements of their own capitals.

From the category of assimilated loans and debts we included: the loans from the emission of bonds, long term bank credits, debts regarding the financial immobilization and other assimilated loans and debts. The main specific operations of the accounting policies applied to the loans presuppose: their recognition in accounting, registration of the bonuses related to the bonds' reimbursement, the redemption and cancellation of emitted bonds or their conversion in assets in the case of the mandatory loans, registering of other assimilated loans and debts, respectively the financial and operational leasing, with their specific particularities.

In relation to the components of the borrowed capital presented above, a special importance is that of the accounting policies regarding the costs of the loans. Thus, in conformity with IAS 23, "The costs of the loans" their registering in the accounting is made considering the expenses of the interests or by incorporating them as a component of an asset, in conformity with IAS 23 "Costs of the loans".

The applying of the International Standards of Financial Reference (IFRS) in Romania had as a result, at least theoretically, the increase of transparency of the financial information, the reduction of the informational and risk asymmetry. Their effect consists of minimizing the cost of the capital. To see the way the cost of the capital has decreased as a consequence of adopting IFRS in Romania, it has been analyzed by one of the models proposed by Botosan and Plumlee (2005) and the value of the cost of the capital before and after the utilization of the international accounting norms. The results of the research have shown that, after the utilization of IFRS, the cost of the capital has decreased from 0,8 (before the utilization) to 0,7 (after the utilization). With other words IFRS offered the advantage of a reduced cost of the capital for the Romanian companies quoted at the Stock Market Bucharest.

Regarding the provisions, in conformity with IAS 37 "Provisions, eventual passives and eventual actives", the main accounting policies refer to their foundation, cancellation and diminution. The interest in the provisions is related to the way in which they are deductible from the calculation of the tax on the profit. The economical entities will be interested to create provisions from the category of those who expenses are deductible in conformity with the effective fiscal legal provisions.

All the accounting policies related to the elements of capitals that we referred to have as a purpose the presentation of a faithful image of the events and transactions as a fundamental objective of the accounting. This notion has an Anglican Saxon origin and there is a different way of its perception in the countries of European

Union, beginning with its introduction in the 4th Directive. The communication report between the producers of accounts and their users has, usually, as a result different aspects related to the concept of faithful image.

The diversity of the interests that coexist in relation to the life of an enterprise gives birth sometimes to the subjective attitudes regarding the evaluation and appreciation in the accounting of the capitals, especially if they come from those who, taking advantage of the finesse of the juridical and accounting rules, can apply the ensemble of the techniques, options and liberties given by the accounting texts depending on their interests, showing a pessimist or optimist attitude of the result and of the financial situations, remaining though in the limits of the accounting exigency.

Applying the European accounting directives there were some discrepancies in the interpretation and application of some rules of evaluation and of some accounting principles. Although the 4th Directive doesn't allow any derogation from the application of an accounting principle, though it is difficult to establish that a principle is being put into practice in the same way in different situations.

The economical entities are confronted with specific situations of the developed activity. In these situations the problem of adopting the most adequate accounting policies from the possible accounting dimension is considered. Besides these there are some liberties taken into consideration when the accounting texts didn't provide a clear solution for a certain case. The finality of this situation could be an influence on the result with impact on the dimension and structure of its own capital or on the content of the presented financial situations. The result of these situations consists of presenting some financial accounting information whose utilization could influence the decisions made by the managers of the economical entities.

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