

THE PERSPECTIVES AND THE OPPORTUNITY OF EVALUATION FROM THE ANGLE OF THE RELATION EVALUATION – ACCOUNTING – REPORTING

Antonescu Ligia

*University of Craiova, Faculty of Economy and Business Administration, ligiaantonescu@rdslink.ro
0723.753.469*

Antonescu Mihail

*University Spiru Haret, Faculty of Financial and Accounting Management Craiova,
Mihail.Antonescu.DJ@mail.mfinante.gov.ro, 0740.223.764*

Summary: Regardless of the moment and the presentation stage of accounting data, the arguments of calculus and evaluation are integrated as a unit, inseparable from the accounting methods, being required by the existence and operation of the system. The evaluation is generated by the necessity to measure the complexity, being perceived as an alternative in solving the problems.

Key words: evaluation, accounting data, opportunity, convergence, interdependence.

Trying an approach which can assure the accentuation of evaluation demarche, we consider as necessary the marking-out of the established connexions between accounting and evaluation, deferring the interdependences between these fields of activity and the accounting data reporting. In the accounting theory and practice, the evaluation is based on two major principles: the utility value and time.

The utility shows the opportunity cost or the agreed sacrifice at a moment in order to make an asset to satisfy user's solvent need, if he accepts the utilization or sells on the market. Time aims the evaluation's moment in the past, at present or in the future.

On these facts we add the necessity to ensure the maintenance of financial capital and the valid calculus of the result.

The basic principles of stability of monetary unit, the historical cost, the cautiousness – opposite to the administration periods with monetary stability are convergent to the criteria mentioned above.²⁸⁰

There are numerous authors which define the evaluation as a process of quantification. Regardless the definitions' tone, it is generally accepted that the conveyance in money of the heterogeneous matter submitted to observation through accounting assures the homogeneity of the substance. Through quantification the quantitative elements are arisen in equivalence relations, enforcing criteria, conditions and restrictions on measure report between the compared amounts and establishing system properties based on the major components and on the causal relations of dependence between them.

The equivalence regards the stable report, invariable between the natural physical expression of the measured element and the quantity of monetary substance corresponding to the estimated element.

From the accounting point of view, the evaluation is “a particular form of quantification”²⁸¹, which unifies and guarantees the unity of principles, procedures and investigation instruments.

The finality of accounting is source and reason for a just disclosure of causal reports between truth, constructed reality and the medium of the constraints submitted to observation.

We consider necessary to discuss the objective “reason” of evaluation, what principles, objectives and factors characterize the evaluation and in what ratio the existence of monetary substance as an intrinsic value can or cannot assure an authentic reference of measure.

²⁸⁰ Ristea M., Noul sistem contabil din Romania, Ed. Cartimex, Bucuresti, pag.56

²⁸¹ Feleaga N., sisteme contabile comparate, Editia a 2-a, Ed. Economica, 2000, pag.127

The crystallization of evaluation rules and principles has been determined by the request of objectivity's acceptance. We consider the current meaning of the term in accounting, but also the evaluation of a company's part (assets, activity, partition of ownership).

The evaluation presumes the determination of an objective reference quota which serves as a base in transactions between partners for simplifying the reasoning, selling-buying deeds with grounding in fixing a price. We can speak in this manner about quantification, evaluation, calculus, operational need of precise figures towards the reference systems and when the negotiation rights of parts is admitted – figures which can be proved, judged and appreciated with a rational – controllable justification which can be entered by an assessor based on a complex analysis of the economic activity.

We consider that the evaluation has sense and significance only if it's based on method²⁸². Regardless the object, the research field will be objectively represented only if the rules and procedures, standards and norms are respected. The reading of liabilities, the procedure of an expert appraiser, the analysis of population data are real situation which presumes methodical competences.

The evaluation also justifies its role when is choice validated by collective options, opposite to the will of an entity which excludes the singularity : the reference position must be determined, the action is common, the renunciation is anonymous, the function and competence exertion is on a superior level compared to the egocentrism.

The evaluation is a perfectible act, between the pressure of the moment and the interest of moral promotion of principles and norms. It also pursues some ideas functionally dependent of distinction and clarity requirement, as knowledge elements which give sense to the knowledge based on experience.

The evaluation has always “a certification finality of evidence with measurable certainty”²⁸³. Anything accepted to be true is obvious or derived with arguments based on evidence. Empirically, the evidence can be subjective or deceptive, but the transfer from the appearance to the substance of things enables the logical distinction between the formal truth and the material truth , determining the criteria which must be satisfied by the reasoning (formal conformity).

The description or the impartial discourse of evaluation must ensure the detaching from interests, beliefs or preconceived ideas and if the truth matches the reality, it will be generally accepted.

The accounting is a unitary, coherent and indivisible system of evaluation, booking, calculus, analysis and control for managing and interpreting the flow generated by the existence, movement and transformation of the elements submitted for observation.

We consider the patrimony “ an open system with references of structural unit”²⁸⁴ : judicial, economic, financial, administrative. Any stable arrangement has a reference conveyed in money through the unity of reports as a unit. The entity being unique and indivisible, the measurement of its components and of the relations between them necessarily involves the unifying of all flows and information, with the same common denominator, the monetary unit.

This necessity derives from the fact that all means, methods and work techniques of accounting exist, do their job and form a unit only if the evaluation represents an objective reference of the reality.

Any accounting system arises, operates , permanently pursues and interprets “the own life” of economic organism – which involves the stability and unity of rules, means of evaluation and calculus, systematization, classification and generalization of data.

The establishment of reality through stock-taking, the classification and correct systematization of patrimonial exchange on corresponding accounts, the revelation of calculus sizes from the accounts' structure, the analytical grouping and the establishment of the composition of synthetic balance, the check-up of the reality and accuracy of booking, the synthesis of data at the closing of accounts, the calculus of results are conclusive examples which represent moments of accounting flow of data's processing, based on evaluation.

²⁸² Ristea Mihai, Dumitru Corina Graziella, *Contabilitate aprofundata*, Editura Universitara, Bucuresti, 2003, pag.92

²⁸³ Isfanescu Aurel, Robu Vasile, Anghel Ion, Tutu Anca, *Evaluarea intreprinderii*, Editor Tribuna Economica, Bucuresti, 1998, pag.58

²⁸⁴ Danescu T., *Conturile anuale – documente de sinteza si de raportare contabila*, Colectia Universitaria, Editura dacia, Cluj Napoca, 2000, pag.102

Generally speaking, we can say that no matter of the moment and presentation stage of accounting information, the calculus and evaluation arguments are integrated as a unit, being asked by the existence and functioning of the system as a whole.

The evaluation has a formal dimension, through acts, procedures and competences in translating the standards into real communication practices – human competence, prescriptive competence, public certified competence by an authority, asked competence, individual competence, collective competence – which are pragmatic dimensions for the company's strategy, for the economic life and its consequences.

In the accounting survey case, the forced report is always unequal in the sense that you cannot control or impose a point of view regarding the content established by the expert. An evaluator must demonstrate flexibility, no vanity, attention, empathy, trust and competence in particular situations, liberty in formulating references and solutions for various experiences.

The evaluation demarche must formulate solutions for a variety of users. The unicity of accounting and of the balance-sheet is contradictory to the multiplying of "images" for some parts of truth – each with its own truth.

The totality of technics of patrimony size's current establishment, the records, calculus, reflection and pursuit during the accounting period designates current evaluation operations regarding: patrimony structures on primary elements, separate moments in patrimonial values' circuit, calculus and registration operations, primary analytical establishment of patrimony's substance, the determination of analytical details of structure and of the direct recognizable elements in the estimation's structure, the distinct reflection of differences between sizes and pre-established values, the factual control of reality, the certification of estimations' conformity, the ensuring of evaluation acts' unity and comparability in time and space.

Based on the equilibrium relation $\text{Assets} - \text{Liabilities} = \text{Net situation (own capital)}$, we agree to define the important aspects of the elements mentioned above. Based on the finality of producing financial reports, the evaluation reveals its opportunity in describing transactions' final results, grouped in classes with the same economic characteristics.

An asset represents a company's controlled resource as a result of some past events and which will generate future economic benefits for the company. The future economic benefits incorporated in assets represents the potential of contributing directly or indirectly at the cash flow or equivalents for the company. This potential can be a productive one, being part of company's working activity. Any cost reduction process becomes the alternative for cash output's reduction. The company uses assets for production and the solvable customer demand's satisfaction contributes to a cash action, which represents an advantage. An asset can be separately used or together with another assets, can be changed with other assets, can be used to square a debt or can be distributed to the company's shareholders. The majority of assets has a physical form. The material form isn't important, there are many situations assets are defined by the certitude of future economic benefits. The assets signifies real rights or property conditioned rights.

A debt is an actual obligation of the company which derives from past events; by its settlement we can expect economic benefits from resources' exit.

"A debt is a commitment or a responsibility to action in a certain way"²⁸⁵. The law can force a company to settle its debts, issued from contracts or legal requirements. Usually this represent amounts of money which must be paid for received goods or services. There is a distinction between current debts and future engagements. The redemption of a current debt can be made by cash, asset transfer, replacement of the debt with another debt, debt transformation in capital, or creditor's renunciation of his right.

Also from the evaluation point of view, we must recall the specific of own capital, which represents the shareholders' residual interest in company's assets after the redemption of all its debts. There are distinctive structures – shareholders' funds, retained earning, reserves from profit sharing. The re-evaluation or the adjustment of assets and liabilities' value determine own capital's increase or decrease. These are included in own capital as adjustments for maintaining the capital or as re-evaluation reserves.

From the evaluation point of view, the capital has more distinctive significations:

- stable financing resources, which ensures the productive physical capacity for profit earning, private or professional earning resulted from risk-taking in a competitive environment;

²⁸⁵ Caraiani Chirita, Olimid Lavinia, Bazele contabilitatii, Editura ASE, Bucuresti, 2001, pag.79

- monetary-financial value which guarantees net assets maintaining, nominal or in purchasing power;
- shareholders' material or financial contributions, based on a legal association contract which establishes administration obligations and gives payment right (property's usufruct) – as residual interest, after obligation's redemption, based on the nominal value of stock, as an expression of a property right;
- the creditors' general mortgage right, the material guarantee of continuity and of the financial position;
- non-exigible and intangible liabilities, particularly capital's due date being the company's lifetime, legal guarantee of continuity.

“Earning profit is necessary in order to maintain the financial capital”²⁸⁶ and the profit can be earned only if the net asset value at the end of the period is bigger than the net asset value at the beginning of the period (excluding the distributions or shareholders' contributions). The profit represents the nominal capital's increase during the period or the increase of the invested purchasing power, calculated over the inflation ratio level.

In order to maintain the physical capital, price changes that affects company's assets and liabilities are considered adjustments to maintain the level of capital and not profit.

The necessity of company's evaluation is also determined by the requirement of balance-sheet's correction, asked by the legal frame of economic activities, asked by the need of an elaborate and valid economic and financial analysis of the company, in order to present it in a real situation to shareholders, creditors and employees, corrections that appear due to the characteristics of a competitive economy and especially due to the following factors:

- the existence of free prices, that impose for managers the need to bring up to date the information from company's reports (historical cost information), depending on the price evolution on market;
- the mechanism of national currency's exchange rate, which acts from outside the company, being determined by macroeconomic phenomenon and processes pertinent to foreign exchange and to relations with international institutions and financial organizations;
- the company's housekeeping, regarding the bookkeeping methods, consumption's evaluation methods, capital depreciation methods, because one of the company's financial management characteristics is the functional autonomy – the management chooses the appropriate methods for an efficient housekeeping, respecting the principle of method's permanence in order to assure the comparability of results.

In our country's specific conditions, the company's evaluation is pertinent to privatisation, being needed to reduce state's influence in economy and to increase the private property's share as a guarantee of a future efficient activity. For privatisation, the evaluation is mandatory due to the following:

- the majority of patrimonial elements from the company's accounting doesn't reflect market values, even if has been tried the prices' bringing up to date, but this was realized on subjective requisites;
- the company's achievements cannot be extended and it cannot define future previsions, because these are not the effect of a normal situation (the inflation had a very high level during the transition period; the economic, an incomplete usage of production capacities;; the high interest rates and the lack of money resources, etc.).

But the company's evaluation in mandatory is the following situations:

- in any moment when changes take place in the size and structure of subscribed capital (issuing new stocks, summing of undivided profit, stock transfer to another shareholder etc);
- in any moment when changes take place in shareholders' number or structure;
- in commercial transactions (acquisitions, divesting, merger).

²⁸⁶ Bran P., *Finantele intreprinderii – gestionarea fenomenului microfinanciar*, Editia a 2-a, Editura Economica, Bucuresti, 2003, pag.39

In case of acquisition operations, the evaluation methodology is different, depending on acquisition's nature. If it's the case of a classic acquisition, the investor makes a long-term investment, trying to buy the majority package of shares. In this case, he will ask a detailed evaluation methodology for a conscious decision. If it's the case of a financial investment – buying a certain part of other company's capital – the investor's purpose is the placement of money with a superior efficiency. Usually, this kind of investment is represented by stock buying at stock exchange and requires less complicated evaluation procedures.

In case of divesting operations, the evaluation problem is similar, but it's regarded from the seller's point of view. In case of selling without special characteristics, the seller can be in one of the following situations: the sale of a small company to an important group or the sale of a company in a difficult situation. In both cases, but especially in the second one, the seller cannot afford a normal evaluation of the company, because there are many candidates for taking it over. Anyway, the evaluation's result cannot have significant differences from a situation to another, the evaluation methods being similar – only the negotiators' power will make the difference between the adjudgement price and the real value.

In case of merger, the calculus is more refined, because is the case of evaluating two companies, with an advantage for one of them. The evaluation has specific dimensions if the merger is made between two companies of the same shareholder, if it's the case of small companies which redefine in the judicial plan for simplifying their presentation in front of a third party.

At the level of big companies, the fusion usually initiated by a parent-house has the object of savings resulted from the regrouping of some services. In case of inheritance, the necessity of evaluation is given by the inheritance right. Based on this evaluation, the inheritor can make a buying offer to the other inheritors, for taking their parts. In case of partition between spouses after a divorce, the evaluation of common possessions, including companies, is necessary for compensating one the spouses.

In both cases, the evaluation methods must consider the administrative, judicial rules in order to establish a reasonable price and to avoid any part's prejudice. In case of evaluation for mortgage or bankruptcy, this must consider the specific banking norms and the bankruptcy procedure, the difficult situation of the company, which will automatically lead to an undervalue.

In case of expropriation, the properties can be expropriated for public interest by authorities (the construction of a transport way, of a public edifice, an area's systematization), in this case the owner receiving a compensation which represents the market value of the company and the losses until the company's relocation. As a support in case of litigation, the company's evaluation establishes the loss due to improper products received from the suppliers or to wrong quality standards, which is detrimental to the economic situation and to the company's image. The problem of company's evaluation has particular emphasis in the actual stage, when there are companies' buying-selling between parts from different countries. It is necessary to adopt some standard evaluation practices, in order to permit an homogeneous vision in the world, being necessary to elaborate international evaluating standards and norms or to find some compatibilities between regional institutions.

Bibliography

1. Ristea M., Noul sistem contabil din România, Ed. Cartimex, București, 1994
2. Feleagă N., Sisteme contabile comparate, Ediția a 2 –a, Ed. Economică, 2000
3. Ristea Mihai, Dumitru Corina Graziella, Contabilitate aprofundată, Editura Universitară, București, 2003
4. Ișfănescu Aurel, Robu Vasile, Anghel Ion, Tuțu Anca, Evaluarea întreprinderii, Editor Tribuna Economică, București, 1998
5. Dănescu T., Conturile anuale – documente de sinteză și de raportare contabilă, Colecția Universitaria, Editura Dacia, Cluj Napoca, 2000
6. Caraiani Chirața, Olimid Lavinia, Bazele contabilității, Editura ASE, București, 2001
7. Bran P., Finanțele întreprinderii – gestionarea fenomenului microfinanciar, Ediția a 2-a, Editura Economică, București, 2003
8. Stan Sorin V., Anghel Ion, Gruszninczki, Veroniva, Capitalul intelectual al întreprinderii. Evaluarea proprietății intelectuale și a altor active necorporale, Ed. IROVAL București si Editura Universitatii "Petru Maior" Targu-Mures, 2006