

THE IMPACT OF THE ENTITIES' BANKRUPTCY UPON THE ACCOUNTANCY FOR THE OWN CAPITAL

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Summary: We consider that the approach of the mentioned theme presents an interests for all the theoreticians and practitioners in the economic and financial domain for the fact that the activities of the nature of the bankruptcy know an ascending trend and they lead to accounting treatments and to specific insurance measures. We have considered that it is useful to debate the problems concerning the delimitation and the short definition of the bankruptcy situations, with national and European juridical references and especially, the implications of the operations that that they generate upon the accounting information. For the realization of the accounting registrations we have used the dates which are registered in the two obligatory balance sheets, the initial one and respectively the final one, this last one is essential for solving the examined problem.

Key words: accounting information bankruptcy, own capitals, specific procedures

Introduction

The economic and social factors, inclusively the market, normally influence the entities' activity, especially concerning their performance. As a reaction to these provocations, the entities use different reorganization ways which could allow the continuation of the activity, and in this case its cessation is produced as well as the realization of the liquidation operations.

From this perspective, in the practical activity we find many ways for the reorganization of the entities, determined by the decision taken by the competent organs concerning the continuation or the stopping of the activity. So, we use the fusion operations, in the situation when we decide the continuation of the activity, or the dissolution operations, in the case when we choose to stop the activities or to start the liquidation of the society. We mention that in the life of a society we can have some critical situations which generate the juridical reorganization and, finally, the bankruptcy.

Taking into consideration the complexity and the effects of such operations, we will further underline the connection between them and the entities' own capital and the operations of dissolution, liquidation and bankruptcy.

Definition of the bankruptcy

The bankruptcy is the juridical institution which is procedurally regulated with the aim of assuring the administration and the liquidation, in the interest of the common creditors, the patrimony of a juridical or physical person that has the quality of trader and that in the impossibility of paying his debts which have been assumed concerning the trade acts concluded in proper name. The procedure for the bankruptcy consists in certain rules for the forced execution of the goods from the debtor's patrimony for the payment of the debts towards the creditors, and its application has as an effect upon the cessation of the activity. In Romania, Italy or in Belgium only the traders- physical persons or trade companies can be declared as bankrupted, but in other countries, such as Germany and Netherlands, any physical or juridical person, without taking into account the nature of his activity, can be declared in a bankruptcy state, excepting the societies of public right. In Italy, for the insurance societies, for the societies of economies or for the cooperative societies, the is possible only the procedure of administrative liquidation. This diversity of

solutions can lead to some conflicts of laws. So, the bankruptcy of a non-trader, admitted by his national law, cannot be declared in Romania, because the law of the forum is opposed, it reserves this procedure only for the traders.

Implications of the bankruptcy upon the accountancy of the own capitals

The bankruptcy of an entity supposes a different accounting treatment compared to the ones which have been presented before, because the money availabilities resulted after the liquidation can assure or not the payment of the debts. In case of bankruptcy the accounting operations are registered in the order settled by the liquidator and which is the one stipulated by the legal norms, with the difference that in the situation when, after the liquidation there has not resulted any profit, the operations of partition are not produced.

In order to take the operations on the total we finally take into consideration an example where after the liquidation there has resulted a satisfactory profit for the payment of the debts.

So, the situation of the tangible and intangible elements, according to the balance elaborated based on the dates from the accountancy and which have been agreed with the results of the inventory, are presented in the table below:

Item	Indicators	Details and determinations	Balance (in thousand lei)
1.	Immobilized assets		1.300,00
	Corporal immobilizations (ct. 212-2812)	(1.000.000-250.000)	750,00
	Non-corporal immobilizations (ct.208-2808)	(400.000-100.000)	300,00
	Financial immobilizations (ct.265)		250,00
2.	Circulating assets		700,00
	Stocks (ct.371)		500,00
	Debits (ct. 411)	(Sums which will be cashed after a period bigger than one year)	200,00
	Cash register and the accounts in the banks (ct. 5121)		0,00
3.	Debts (ct.401+404+419) which should be paid in a period of up to one year	(450.000+200.000+ 150.000)	800,00
4.	Debts (ct.162) which should be paid in a period of over one year		600,00
5.	Assets – Debts		600,00
6.	Own Capital		
	Subscribed and paid capital (ct. 1012)	500.000 shares x 1,00 lei /share	500,00
	Legal reserves (ct. 1061)		0,00
	Other reserves (ct 1068)	Made up of the repartition of the profit in the previous years	100,00

Table 1 The situation of the tangible and intangible elements corresponding to an entity entered in the bankruptcy procedure

In order to assure the money availabilities necessary for the realization of the specific operations of liquidation from the competence of the elder judge and of the liquidator, the computer programs have been sold with 250.000 lei compared with the net accounting value of 300.000 lei; the buildings with 900.000 lei compared to the net accounting value of 750.000 lei; the goods with cu 600.000 lei compared with the net

accounting value of 500.000 lei; the participation tiles with 300.000 lei compared to 250.000 lei – as an acquisition cost. In the same time, the sum of 180.000 lei has been received from the clients, by offering a discount of 10% (18.000 lei); the loan with the sum of 600.000 lei and an interest of 100.000 lei has been paid; the sums towards the suppliers have been paid with a value of 450.000 lei, by receiving a discount of 5% (22.500 lei); the suppliers of immobilizations in sum of 200.000 lei and the advances received from the clients have been given back, being in sum of 150.000 lei.

For the realization of the liquidation operations there have been realized some expenses in a total sum of 800.000 thousands lei, from which for salaries 50.000 lei and as expenses for the auctions 30.000 lei.

These operations have been registered in the accountancy as it follows:

1. The capitalization of the computer applications
 - a) Sale of the programs

461	=		%		<u>297.500 lei</u>
				7583	250.000 lei
				4427	47.500 lei
 - b) Subtraction from the evidence of the sold computer programs

	%	=		208	<u>400.000 lei</u>
				2808	100.000 lei
				6583	300.000 lei
 - c) Cashing of the value

5121	=		461		297.500 lei
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 - d) Closing of the account for incomes

7583	=		121		250.000 lei
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 - e) Closing of the account for expenses

121	=		6583		300.000 lei
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2. Capitalization of the corporal immobilizations
 - a) Sale of the buildings

461	=		%		<u>1.071.000 lei</u>
				7583	900.000 lei
				4427	171.000 lei
 - b) Subtraction from the evidence

	%	=		212	<u>1.000.000 lei</u>
				2812	250.000 lei
				6583	750.000 lei
 - c) Cashing of the value for the building

5121	=		461		1.071.000 lei
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 - d) Closing of the account for incomes

7583	=		121		900.000 lei
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 - e) Closing of the account for expenses

121	=		6583		750.000 lei
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3. Capitalization of the goods
 - a) Sale of the goods

4111	=	%	<u>714.000 lei</u>
		707	600.000 lei
		4427	114.000 lei
b) Cashing of the value			
5121	=	4111	714.000 lei
c) Subtraction from the administration			
607	=	371	500.000 lei
d) Closing of the account for incomes			
707	=	121	600.000 lei
e) Closing of the account for expenses			
121	=	607	500.000 lei
4. Sale of the participation titles			
a) Sale of the shares			
461	=	7641	300.000
b) Cashing of the value			
5121	=	461	300.000 lei
c) Subtraction from the administration			
6641	=	265	250.000 lei
d) Closing of the account for incomes			
7641	=	121	300.000 lei
e) Closing of the account for expenses			
121	=	6641	250.000 lei
5. Cashing			
a) Clients cashing			
5121	=	4111	180.000 lei
b) Allowance of discounts			
667	=	4111	20.000 lei
c) Closing of the account for expenses			
121	=	667	20.000 lei
6. Payment of the creditors			
a) Restitution of the loans			
162	=	5121	600.000 lei
b) Payment of the interests			
666	=	5121	100.000 lei
c) Closing of the account for expenses			
121	=	666	100.000 lei
7. Payment of the suppliers			
a) Payment of the suppliers of immobilizations			

404	=	5121	200.000 lei
b) Payment of the suppliers			
401	=	5121	427.500 lei
c) Registration of the discount			
401	=	767	22.500 lei
d) Closing of the account			
767	=	121	22.500 lei
8. Restitution of the advanced received from the clients			
a) Restitution of the advance			
419	=	5121	150.000 lei
9. Registration of the salaries and of other operations concerning the salaries			
a) Registration of the rights			
641	=	421	50.000
b) Registration of the tax			
421	=	444	5.000 lei
c) Internal payment			
581	=	5121	45.000 lei
d) Effective taking of the cash			
5311	=	581	45.000 lei
e) Payment by the pay office			
421	=	5311	45.000 lei
f) The payment of the tax			
444	=	5121	5.000 lei
g) Closing of the account for expenses			
121	=	641	50.000 lei
10. Realization of the auction expenses			
a) payment of the expenses 6			
628	=	5121	30.000 lei
b) Closing of the account of expenses			
121	=	628	50.000 lei
11. Operations of VAT liquidation			
a) VAT registration			
4427	=	4423	332.500 lei
b) VAT payment			
4423	=	5121	332.500 lei

The situation of the accounts 121 and 5121 before the realization of the partitions (in lei):

Account 121		Account 5121	
Debt	Credit	Debit	Credit

300.000	250.000	297.500	600.000
750.000	900.000	1.071.000	100.000
500.000	600.000	714.000	427.500
20.000	300.000	300.000	200.000
250.000	22.500	180.000	150.000
100.000			45.000
50.000			5.000
300.000			30.000
			332.500
Total		Total	
2.000.000	2.072.500	2.562.500	1.890.000
Sold	72.500	672.500	

From the facts presented above it results that from the liquidation operations it has been gotten a profit of 72.500 lei, which will be added to the social capital, in sum of 500.000 lei, and to the reserves that have been constituted before the liquidation, in sum of 100.000 lei, case when the assets resulted and registered in the account 5121 in sum of 672.500 lei will be covered. In the **partition balance**, the result of the liquidation, as an accounting information, is represented by the creditor balance of the account 121 „Profit and Loss”.

After the confirmation of the balance, the liquidator realizes the operations concerning the restitution of the own capital towards the shareholders, operations which lead to the situation for the accounting registrations in the following way.

12. Operations concerning the social capital

a) Registration of the social capital

1012 = 456 500.000 lei

b) Restitution social capital

456 = 5121 500.000 lei

13. Taxation of the liquidation result

a) Registration of the profit tax

691 = 441 11.600 lei

b) Closing of the account of expenses

121 = 691 11.600 lei

c) Sending to destination

441 = 5121 11.600 lei

14. Registration of the dividends resulted from reserves and from the net result

a) Registration of the dividends

% = 456 160.900 lei

1068 100.000 lei

121 60.900 lei

b) Registration of the tax for dividends

456 = 446 25.744 lei

c) Payment of the tax			
	446	=	5121
			25.744 lei
d) Obligation for the payment of the dividends towards the shares			
	456	=	457
			135.156 lei
e) Effective payment			
	457	=	5121
			135.156 lei

The conclusion that we considered to be motivated consists in the fact that the present work brings a plus of quality to the accounting information concerning the own capitals, by the fact that it allows a profound study of the problems of juridical nature and especially of the accounting problems concerning the bankruptcy and its financial and financial implications.

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