BY RECOGNITION FINANCIAL ASSETS AND LIABILITIES. DIVERSITY AND PROBLEMATICS

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And our country has opted for a combination of the two assessment systems, but fair value is provided only for goods received for free (if economic). Accounting regulations in accordance with European directives require the use of fair value for financial instruments, including derivatives in the consolidated financial statements under the same restrictive conditions as those contained in Directive fair value. Therefore, you can see its use restricted, limited and the economic environment and legislative existing in Romania, characterized by[491] the priority rules of legal privileges and tax to the detriment of economic, accounting mentality that does not support the new concept with all its implications, poor development of capital market which is the main source for information on fair value, knowledge of evaluation standards.

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By recognition operation is to remove the balance of a financial asset, a financial debt or of parts thereof. She was one of the most controversial aspects of the original version of IAS 39. The revised IAS 39 lays down, for situations in which the retraction of a financial asset is not obvious, a set of steps as a decision tree, which the entity should apply. This hierarchical approach is briefly explained in what follows.

Stage 1: Determine if the entity applies the retraction an active full or part thereof. IAS 39 allows the application of these criteria not only active in their entirety, but also for parts of them. Rule retraction supports an active part of that cash flows can be identified in a separate component. Therefore, the test can be applied by recognition :[492]

Stage 2: The rights expired on cash flows? If the entity is no longer receiving cash flows related to assets transferred, it has no value and should retracted. Such a situation occurs when the rights of its cash flow will expire or are lost. Appropriate payment of debts by the borrower or termination obligations toward the creditor.

Stages 3 and 4: the entity transferred substantially all risks and benefits or to hold? If the entity has transferred substantially all risks and benefits of ownership of assets, it must be retracted. IAS 39 does not explain what is meant by the phrase "significantly", which means that the necessary professional reasoning to solve this problem. U.S. GAAP understood by the phrase "right to at least 90% of cash flows (or economic benefits).[493]

An entity will by recognition financial asset when and only when: a) the contractual rights on cash flows from decurse financial asset expire, or b) Financial assets transferred assessing the extent to which the entity retains the risks and benefits of asset holders Financial. Therefore, the

491 A. Deaconu, from historical cost to fair value, economic truth, no. 19/2003, p. 23.
492 *** Financial Instruments under IFRS. Revised IAS 32 and IAS 39 and IFRS 7. A guide through the maze, PricewaterhouseCoopers, October 2006, http://www.pwc.com/ifrs.
493 Deloitte Touche Tohmatsu, Financial Instruments - Applying IAS 32 and IAS 39: Summaries, guidance, examples and comparisons U.S. GAAP, IAS Plus, Hong Kong, 2001, p. 80.

depreciation value is recognized when principal or interest payments associated with financial instruments are reduced, postponed or forgotten. Depreciation value is recognized in net profit or net loss in the period.[494]

An entity transfers a financial asset if, and only if it either:

- transfers the contractual rights to receive cash flows from financial assets, or

-retains the contractual rights to receive cash flows from financial assets, but assumes a contractual obligation to pay the cash flows of one or more recipients.

Transfers that qualify for by recognition

If an entity transfers a financial asset by a transfer that qualifies for retraction overall and retain the right to maintain financial asset in exchange for a fee, it will recognize an active maintenance or a duty of maintenance contract for the maintenance . If the fee to be received is not expected to compensate the entity adequately service maintenance, then a duty of maintenance required for maintenance will be recognized at fair value.[495]

If the fee to be received is expected to compensate the entity adequately service the maintenance, then an active maintenance will be recognized for the right maintenance at a value determined based on an allocation of the accounting of financial asset more. If following the transfer, a financial asset is retracted overall, but the transfer makes the entity to obtain a new financial asset or to take a nine financial debt or debt maintenance entity will recognize the new financial asset, the new debt or financial maintenance at fair value.

By recognition in a financial asset, overall, the difference between book value and the amount of the consideration received consists of any gain or loss combined (a) that was recognized (a) directly in equity, will be recognized in the profit and loss. An example[496] that illustrates this provision of IAS 39 is presented below. Suppose that, on 10.01.2009, the company has sold a financial asset whose acquisition cost was 100 million lei, to 105 million lei, on 05.01.2009, had a market value of 103 million lei, no change in the fair value has not taken place between 05.01.2009 and 10.01.2009; entries will be:

- for investments held to maturity (are recorded at cost), selling on 10.01.2009:

Bank / Debit	=	%	105 mil.
		Financial Asset	100 mil.
		Gain from asset disposal	5 mil.

- for assets available for sale (are reflected at fair value):

108 mil.	%	=	%	108 mil.
105 mil.	Bank / Debit		Financial Asset	103* mil.
3 mil.	Revaluation Reserves		Gain from asset disposal	5 mil.

- for assets held for trading (are revalued at fair value):

Bank / Debit	=	%	105 mil.
		Financial Asset	103 * mil.
		Gain from asset disposal	2 mil.

If the asset transfer is part of a larger financial asset and the transfer qualifies for retraction overall, the book value of the previous largest financial asset will be divided among the party continues to be recognized and the retracted which is based on relative fair values of those parties at the time of transfer. In cases purpose, an asset maintenance will be kept as part of the Treaty

494 Ristea M., Dumitru C., Curpăn A., L. Manea, M. Nichita, D. Sahlian, policies and accounting treatments of fixed assets, Editura Tribuna Economica, Bucharest, 2007, p . 213.

495 *** Financial Instruments under IFRS. Revised IAS 32 and IAS 39 and IFRS 7. A guide through the maze, PricewaterhouseCoopers, October 2006, http://www.pwc.com/ifrs.

496 The example is inspired by the work Dutescu A., Guidelines for the understanding and application of IAS 39 Financial Instruments: Recognition and Measurement, Ed CECCAR, Bucharest, 2004, p. 125.

∗ Assets held for trading are revalued to fair value, with the recording of changes in value of the income and assets available for sale are revalued at fair value with changes in value recorded in equity accounts.

continues to be recognized and the unrecognizing which is based on relative fair values of those parties at the time of transfer. In cases purpose, an asset maintenance will be kept as part of the Treaty continues to be recognized. The difference between:
- the value allocated retracted
- the amount consists of the consideration received for the unrecognizing and any cumulative gain or loss that was recognized directly in equity will be recognized in the profit and loss. A gain or loss accumulated that would be recognized directly in equity is allocated in the party continues to be recognized and the unrecognizing which is based on relative fair values of those parts.

When a entity shares value has a larger financial asset between the part that continues to be recognized and that is the unrecognizing, the fair value of the party continues to be recognized must be determined. When the entity has a tradition of selling parts similar to the party continues to be recognized or if there are other transactions in the market for such parts, recent prices of the current transaction provides the best estimate of fair value. Where there are no quotas or price recent market transactions to support the fair value of the parts continues to be recognized, the best estimate of fair value is the difference between the fair value of financial assets greater whole and the consideration received by the entity which has been transferred party is by recognition.

In the sale of part of a financial asset, the seller must cancel the recognition that parts sold and to record a gain or loss, the difference between the book value of the part sold and the proceeds received. Assigning the value of accounts sold shall be based on the proportion of the fair value of that part in the fair value of assets. Where it is unable to determine the fair value of the remaining (unsold), then the entire fair value, size of the accounts, shall be awarded the full sold. The Guidelines for Implementation of IAS 39 are presented two methods that can determine the fair value can be allocated from the sold financial assets. The first method will be presented in a first step.

Examples[497] that illustrate these two methods are presented below:

Suppose that A acquires a market debt (1000 bonds) with a principal value of 100 um, with a coupon, a rate of return of 11%. Subsequently sold to investors 90% of the principal, and 90,000 um, with an interest rate of 6%. Enterprise A retains the remaining 10% of the principal, and 10,000 um, with an interest rate of 5% (11% -6%). Part of the remaining unsold bonds shall constitute a guarantee therefore is subject to the 90% of bonds sold. In these circumstances, the A will recognize a gain from the sale equal to 4.286% of the principal, and 4286 um, determined by: 90,000 um - um 85714, where 85714 is 100000 um u.m. x [90% / (90% +15%)]:

90.000 u.m. Current account with banks =	**%**	**90.000 u.m.**
	Bonds	**85.714 u.m.**
	Gain from sale	**4286 u.m.**

where 15% represents 10% of the principal and related interest rate 5% remaining. Another method (second) are based on market quotations of bonds similar to those acquired and subject to current sales. Suppose that these obligations are listed at a value of 101% of the principal. He estimated that the enterprise value we hold in bonds is 11% of principal amount, representing the difference between the stock market 101% and the proportion transferred to investors 90%. Under this method, the A will recognize a gain of 0.90% of principal amount determined as follows:

0.9% x100.000 = 90% x 100.000 um - 89.1% x 100.000, where 89.1% = 90 % / 101%

90.000 u.m. Current account with banks =	%	**90.000 u.m.**
	Bonds	**89.100 u.m.**

497 The example is inspired by the work Dutescu A., Guidelines for the understanding and application of IAS 39 Financial Instruments: Recognition and Measurement, Ed CECCAR, Bucharest, 2004, p. 128.

Gain from sale 900 u.m.

Do not buy the bonds from the market, but these bonds represent loans created business, then use the second method for determining fair value because the sale of part of assets by investors is considered a current market transaction.

By recognition a debt is a financial entity shall remove a financial debt or debt of a financial balance sheet when, and only when it is closed - in when the contractual obligation is extinguished or expire.[498]

An exchange between a creditor and a debtor's existing debt instruments with substantially different conditions will be counted as debt liquidation original financial and in recognition of a new financial liabilities existing or parts thereof, whether or not attributable to financial difficulties in which the debtor, should be accounted for as being a financial liquidation of the debt and initial recognition of a new financial debt. Read following examples[499]:

1. Assume that the purchase of their bonds on the market with the intent to resell them later, the market price of bonds is 110 um, and the nominal value of 120 um is therefore bond issuer will cancel the recognition of their bonds purchased, and the difference will be recorded as a gain:

Borrowing from bond issues	**=**	**%**	**120 u.m.**
		Current account with banks	**110 u.m**
		Net financial instruments	**10 u.m.**

Although the intention of selling later bond will not be registered as a new debt issuer's financial accounts.

2. Assume that the bond issue with a principal value of 100.000 um and a discount of 20,000 um, and sells enterprise B. Meanwhile, the company has paid the sum of 100,000 C um undertaking to assume responsibility for obligations pay the principal and interest on. However, the A is still responsible for payment of principal and interest, where the C would not pay. In these circumstances, because the A was not legally excluded from the payment of obligations issued securities can not cancel the debt financial recognition, although it transferred the responsibility of C. Therefore, obligation lending will continue to be presented as a debt of 100,000 um in the accounts at the issuer and the payment of 100,000 um by the C will appear as a claim:

- issuing and placing of bonds:

100.000 u.m.	**%**	**=**	**Loan obligatar 100.000 u.m.**
80.000 u.m.	**Current account with banks**		
20.000 u.m.	**Discount bonds related**		

- payment of 100.000 um by the C :

100.000 u.m. Financial Claims = Current account with banks 100.000 u.m.

3. Assume that company A sells the bond B with a principal value of 100.000 um and a discount of 20,000 um, with an interest rate of 10%. Subsequently, the ceding company B 50% in bonds and receives in return other bonds with a principal value of 60.000 um and an interest rate of 9%. Therefore, A will cancel the recognition of 50% of the bonds originally sent to B and will recognize a nine debt for an amount of 60.000 u.m.:

60.000 u.m.	**%**	**= Loan obligatar new**	**60.000 u.m**
50.000 u.m.	**Loan obligatar old**		
10.000 u.m.	**Profit and loss**		

The procedure to cancel a debt of recognition and the recognition of an old debt can take place when the present value of future cash flows to date, determined under the new conditions. 4. Assume that company A has a duty of 200 um to be paid by the B. However, the A is excluded from the creditor to pay the debt because it is transferred to the C for the amount of 200 um

498 ***, IAS 39 "Financial Instruments: Recognition and Measurement", Official Journal of the European Union, L 363/9.12.2004, http://europa.eu.int.

499 The example is inspired by the work Dutescu A., Guide understanding and application of IAS 39 Financial Instruments: Recognition and Measurement, Ed CECCAR Bucharest, 2004, p. 138-143.

enterprise assumes the obligation reimbursements of the obligation where C will not pay at maturity. Fair value of the obligation is 190 um Therefore, the record book is:

390 u.m.	**%**	**=**	**%**	**390 u.m.**
200 u.m.	**Old bond**		**New bond**	**190 u.m.**
190 u.m.	**Profit and loss C**		**Current account with banks**	**200 u.m.**

The difference between the value of a financial debt or part of the financial debt liquidated or transferred to another party and the consideration paid, including any assets other than cash transferred or debt incurred will be recognized in profit or loss. Again purchase if an entity part of a financial debt, the entity will share book value of debt prior to the financial side which continues to be recognized and the unrecognizing which is based on relative fair value of those parts on again purchase. The difference between book value and unrecognizing the allocated amount paid, including assets other than cash transferred or debt incurred for the unrecognizing ă will be recognized in profit or loss. In many cases, transfer of assets involves the issuing of derivative instruments that can be more or less explicit. Derivatives embedded in these transfers are sometimes difficult to identify, but the identification and evaluation are crucial in applying the criteria of unrecognizing because certain elements derived control that can significantly influence the cancellation of recognition. Any derivative is a potential constraint for use in customer assets transferred in such a way as to allow obtaining the corresponding economic benefits. For this reason it is necessary to careful assessment of derivatives and their characteristics, taking into account issues such as[500]:

-derivatives can operate automatically or require them to exercise one of the parties;
- exercise may be free or in the event of a future event
- future can be sure to take place or may be subject to another event production
- events may be subject probable, possible or removed;
- in certain circumstances is not possible to assess certainty of these events;
- exercise price of derivative can be fixed above, below or be equal to the market value of initial assets Support, in other cases it is variable;
-derivatives can be combined to give various types of derivative instruments.

When an entity uses settlement date accounting for in an asset that is then assessed at cost or the cost of cushion, the assets are recognized initially at fair value at the date of trading. Fair value of a financial instrument at initial recognition is normally the price transaction, ie the fair value of the amount received or paid. However, if part of the consideration given or received is for something outside of the financial instrument, the fair value of financial instruments is estimated using a valuation technique. For example, the fair value of long term loan or a debt that is not bear interest can be estimated as the present value of all future entries of cash flows using the updated key interest rates in the market for similar financial instruments regard to the conditions, type of interest rate and other factors with similar credit ratings. Any additional amount lent is an expense or a reduction in income, except when be recognized as another type of asset.

If an entity is the source of the loan has an interest rate outside the market and receives some fees to purchase the compensation, the entity recognizes the loan to fair value, ie net of fees that it receives. Entity discount increase profit or loss using the effective interest rate.

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500 Deloite Touche Tohmatsu, Financial Instruments - Applying IAS 32 and IAS 39: Summaries, guidance, examples and comparisons U.S. GAAP, IAS Plus, Hong Kong, 2001, p. 88.

derivatives in the consolidated financial statements under the same restrictive conditions as those contained in Directive fair value. Therefore, you can see its use restricted, limited and the economic environment and legislative existing in Romania, characterized by[501] the priority rules of legal privileges and tax to the detriment of economic, accounting mentality that does not support the new concept with all its implications, poor development of capital market which is the main source for information on fair value, knowledge of evaluation standards, etc.. The discussions on the controversial topic of using the fair value are far from being completed and will continue long because , "in terms of accuracy, it is in the same area with" fair picture ". Both concepts are constantly moving, influencing to each other "[502]and is of great topical issues.
Given that dialogue is beneficial in any area, we hope the current barriers will be overcome and will reach an agreement that benefit both producers and users of financial statements.

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502 Tabara N., Horomnea E., conceptual demarcations on fair value, Public Finance Review and Accounting, no. 5 / 2002, p. 17.