RECOGNITION OF FINANCIAL INSTRUMENTS INITIAL RECOGNITION. MULTIFORME AND CONCRETE

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An entity should recognize a financial asset or financial debt in the balance sheet only when it becomes party to the contractual provisions of the instrument..
For financial instruments classified as liabilities, IAS 39 does not contain specific requirements related to the accounting date and transaction settlement. Liabilities are recognized when the company becomes party to contractual provisions, and when one party has not fulfilled obligations or is a derivative contract falling within the scope of the standard. Another important aspect of the recognition of financial instruments is that of compound instruments. They should be classified separately on the components. Each component is recognized separately first duty is assessed, then allocating the residual value of the equity.

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Recognition of a classic acquisition of financial assets should be based on the date the contract (being the date on which the entity commits to purchase an asset) - Method evaluation transaction data - or on the settlement date (the date of the transfer or delivery of assets) - the method of assessment on the settlement date. Any changes to the fair value of assets between the date the contract and settlement date will be recorded by the same method as that used for asset recognition.
The initial assessment is made when a financial asset or financial debt is recognized (a) initially and must be rated (A) to its cost, which would mean determining valoarii fair contraprestaţiei offered or received for it. Transaction costs are included in the initial assessment of all financial assets or liabilities.

INITIAL COST =

- the fair value of the payment date or promises
- \+ transaction costs associated
- +/- certain gains or losses from operations to cover the risk

For the recognition of standard contracts may use one of two ways: the transaction date (the date on which the commit to buy an asset), the settlement date (the place at which the transfer/ delivery of the asset) [*].[614] normally between the data do not accumulate interest. If the choice of the two variants, for items valued at fair value is necessary to recognize gains or losses incurred related to date, even if those assets or financial liabilities are not recognized in the balance sheet

[*] American Standards not leaves it to each company the choice of method for the recognition of trades "regular way". It is customary that all firms operating in the same area to use the same method.
[614] 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. 212.

than on the settlement date of the contract. Any changes to the fair value of assets between said moments will be recorded by the same method as that used for asset recognition. The method used should be applied consistently for each of the four categories of financial assets which are valued according to the principles listed in Table. 1.1.

Tabelul nr. 1.1. Methods of assessment and recognition of financial assets

Financial asset	**Assessment**	**Methods of recognition**
Assets valued at fair value with losses / gains recognized in the profit and loss	Fair value	Fair value changes are recognized in profit or loss
Receivables and loans	Cost cushion	Is not recorded, usually fair value changes. Subject to impairment tests
Instruments held to maturity	Cost cushion	There are fair value changes. Subject to impairment tests
Financial assets available for sale	Fair value	Changes are recognized in equity. Subject to impairment tests

Consequently, an entity should recognize in its balance of all rights and obligations resulting from the primary tools or derivatives as assets or financial liabilities.[615]
Transaction date method involves: 1) if the purchaser recognition of the asset to be received and the debt represented by the price paid, 2) in the seller's recognition aside assets sold and the emergence of a claim for the price charged. Contracts accounting standard method of settlement date means the recognition of assets only after receipt / transfer derecunoașterea in its delivery to the customer. Illustrate these methods by the following example: in a year I buy a financial asset (bonds) for the sum of 10.000 um, which represents the fair value at the date of the contract (transaction date). On December 31, year N, the fair value becomes 11000 um, and at the end of January, year N +1 (settlement date), it is 13,000 um.
Methods of accounting change fair value on the category of financial instruments in which the asset is classified and reference data (or the date of settlement). If we use the time reference date, accounting records will be
- the date of acquisition recognition asset, regardless of category:
Financial Assets* = Liabilities 10.000
- at December 31, year N:
- held for investment at maturity (which are recorded at cost) does not proceed to any record,
- for the assets available for sale shall be made to the new reassessment of fair value:
Assets = Financial Reserve variation fair value ** 1.000
- for assets valued at fair value revaluation is performed:
Active = Financial gain has not change the fair value * 1.000**
- at the end of January, year N +1, are:
- for investments held to maturity shall be settled, it is still valued at cost:
Financial liabilities = Current account with banks 10.000
- assets available for sale reassessment is carried at fair value and debt settlement:
Active Financial Reserve = Fair value changes 2.000
And

Financial liabilities = Current account with banks 10.000

[615] 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.

- for assets valued at fair value revaluation is carried out and the debt is settled:
Active financial = Changes in fair value 2.000
and
Financial liabilities = Current account with banks 10.000
If the settlement date as the reference point, the accounts will be this way:
- the date of acquisition not recorded anything, regardless of category of employment;
- from December 31, year N:
- Investment held to maturity (which are recorded at cost) does not proceed to any record,
- for assets available for sale revaluation performs at the new fair value, but not the record itself, but the claim related change Value:
Financial Claims = Reserve change the fair value 1.000
- for assets valued at fair value revaluation is carried out:
Financial Claims = Financial gain has not change the fair value 2000
- at the end of January, year N +1 shall be:
- for investments held to maturity are recognized assets and settlement:
Financial Assets = Current account with banks 1.000
- assets available for sale assets are carried out recognition, settlement and revaluation at fair value:
Financial Assets = Current account Financial banks 10.000
Financial Assets =Financial Claims 1.000
and
Financial Assets = Fair value changes 2.000
- for assets valued at fair value, financial assets is recognized, the debt settled and made the revaluation value to date:
Financial Assets = Current account with banks 10.000
Assets = Claims Financial 1.000
Financial Assets = Unfulfilled gain from fair value changes 2.000
To assess the impact that application of a method of recognition or else it has on the financial position results and a firm, present comparative situation for the three types of financial assets considered in Tables 1.2, 1.3 and 1.4.

Table. 1.2. Impact of methods for the recognition of assets valued at fair value

Element	**Method „** The trade date”			**Method „**The settlement date”		
	Date of acquisition	December 31	Date of settlement	Date of acquisition	December 31	Date of settlement
Current account with bank (1)	-	-	-10.000	-	-	-10.000
Financial asset (2)	10.000	11.000	13.000	-	-	13.000
Financial Claims (3)				-	1.000	-
Total assets(1+2+3)	**10.000**	**11.000**	**3.000**	**-**	**1.000**	**3.000**
Financial Debts (4)	10.000	10.000	-	-	-	-
Total liabilities (4)	**10.000**	**10.000**	**-**	**-**	**-**	**-**
Win unfulfilled (5)	-	1.000	2.000	-	1.000	2.000

Output Current (5)	-	1.000	2.000	-	1.000	2.000
Result carried forward (6)	-	-	1.000	-	-	1.000
Total equity (5+6)	**-**	**1.000**	**3.000**	**-**	**1.000**	**3.000**

As shown in Table 1.2 and Table 1.3, on the settlement date, regardless of the recognition method used, the impact is the same: to increase assets and increase 3000 um equity by 3000 um on the outcome of current and deferred, in case, and the reserve for fair value changes in the doielea case. The situation is similar for the other two moments (the acquisition date and December 31). Regarding investments held to maturity, the cost of maintaining their cushion and non value changes leading to neafectarea equity.

Table. 1.3. Impact of methods for the recognition of assets available for sale

Element	**Method „ The trade date”**			**Method „The settlement date”**		
	Date of acquisition	**December 31**	**Date of settlement**	**Date of acquisition**	**December 31**	**Date of settlement**
Current account with bank (1)	-	-	-10.000	-	-	-10.000
Financial asset (2)	10.000	11.000	13.000	-	-	13.000
Financial Claims (3)				-	1.000	-
Total assets (1+2+3)	**10.000**	**11.000**	**3.000**	**-**	**1.000**	**3.000**
Financial Debts (4)	10.000	10.000	-	-	-	-
Total liabilities (4)	**10.000**	**10.000**	**-**	**-**	**-**	**-**
Reserve - fair value changes (5)	-	1.000	3.000	-	1.000	3.000
Total equity (5)	**-**	**1.000**	**3.000**	**-**	**1.000**	**3.000**

Table. nr. 1.4. Impact of methods of recognition of the investments held to maturity

Element	**Method „ The trade date”**			**Method „The settlement date”**		
	Date of acquisition	**December 31**	**Date of settlement**	**Date of acquisition**	**December 31**	**Date of settlement**
Current account with bank (1)	-	-	-10.000	-	-	-10.000
Financial asset (2)	10.000	10.000	10.000	-	-	10.000

Total assets (1+2)	**10.000**	**10.000**	**0**	**-**	**-**	**0**
Financial Claims (3)	10.000	10.000	-	-	-	-
Total liabilities (3)	**10.000**	**10.000**	**-**	**-**	**-**	**-**
Output Current (4)	-	-	-	-	-	-
Total equity (4)	**-**	**-**	**-**	**-**	**-**	**-**

Where, on December 31, the fair value of financial assets becomes um 8500, the accounting records for the assets available for sale, is amended in the following manner:
- under the "date": • December 31 year N:

Reserve for fair value changes * = Activ Financial 1.000

year January 31 • N 1 - revaluation is carried at fair value and the debt is settled:

Active Financial Reserve = change fair value financial liabilities 4.500

Financial claims = Current account with banks 10.000

- under the "settlement date": • December 31 year N:

In this account shows both increases and decreases the value of assets available for sale, indifferent of their size. According to IAS 39, this account must be bifuncţional. English books, the "Reserve for fair value" is passive, not the manner prescribed for the registration of any negative fluctuations of the excess value beyond the existing stocks.

- Revaluation is carried out at the new fair value, but not the record itself, but the debt value associated change:

Reserve for fair value changes = Debt 1.000

- January 31 exerciţtiul N 1 - is efectuează asset recognition, settlement and revaluation at fair value:

Financial Assets = Current account with bank 1.0000

Debt = Activ Financial Assets 1.000

And

Financial Reserve = Fair value changes 4.500

We will address the issue of a contract of sale accounting financial situation to use one of the two methods mentioned above. For illustration we propose the following example: On December 25 the year N (date), a company enters into a contract for the sale of a financial asset (bonds) to the current fair value of Euro 2500. Asset was purchased prior to 2300 Euros, and recouping the cost is 2300 Euros. On December 31 N, the fair value of assets is 2550 Euro. On January 10 I 1 (settlement date), the fair value is 2580 Euros. If a standard contract of sale (regular way), changing its fair value between trade date and settlement, is not recorded in the accounts, even if the company applies the "settlement date", and the asset is not yet derecunoscut.[616] Following the acquisition , holds the balance in a financial asset, valued at Euro 2300.
- under the " trade date":
- 25 December year N:
- for investments held to maturity, available for sale assets and assets valued at fair value are:

Financial claim = % 2.500

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

Financial asset 2.300
Gain from disposal of assets 200

-December 31 year N: not done any recording, regardless of the type of financial asset.
-January 10 year N +1: debt collection are:
Current account with bank = Financial claim 2.300
- under the "settlement date"
- December 25 year N (which is the day the contract):
- for investments held to maturity not done any recording.
- to available for sale assets, the revaluation is fair to the new value, which is performed even on the transaction:
Financial asset = Reserve for fair value changes 200
- for the kind of assets valued at fair value, revaluation is carried out:
Financial asset = Unfulfilled gain from fair value changes 200
- December 31 year N: not done any recording, regardless of the type of financial asset.
- January 10 year N +1:
- for investments held to maturity, are selling:

Financial claim = % 2.500
Financial asset 2.300
Gain from disposal of assets 200

- for the assets available for sale, sale and recorded the passage of the amendment value of equity in the results:
Current account with bank = Financial asset 2.500
Reserve for fair value changes = Financial income 200
- for assets valued at fair value, recorded sales:
Current account with bank = Financial asset 2.500

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