Comparative Survey on the Records of Fixed Assets of Companies and Public Institutions

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Abstract: This paper deals by way of comparison with the theoretical and practical methods to record the output and input of tangible fixed assets (non-current assets) in and from the patrimony of companies, on the one side and of public institutions, on the other side, intending to point out the differences and similarities, in compliance with the national norms and international standards of accounting (IAS and IPSAS, as the case may be).

Keywords: fixed assets, long-term assets, non-current assets, tangible fixed assets, IAS, IPSAS

INTRODUCTION

Although they mean the same thing, both in the speciality literature and within the national norms, two concepts can be distinguished: non-current assets and fixed assets. The first concept (non-current assets) is used in order to point out within the companies (financial accounting) the goods and values meant to serve for a longer period, without being consumed after their first use, but in time (a period longer than a year), as a consequence of repeated use, concept also encountered under the name of long-term assets. The second concept (fixed assets) has the same meaning as the long-term assets, but is used only for public institutions (accounting of public institutions).

The starting point for the different use of the two notions is the year 2003, due to the Romanian standards developer (Ministry of Public Finance), in the same with the elaboration of OMFP no. 1487/2003 for the approval of the Methodological Norms on the revaluation and depreciation of the fixed assets in the patrimony of public institutions and persons without patrimonial interest/ Before this regulation the term of fixed assets was used in the economical and financial analysis, and the term of long-term assets was encountered in the case of companies and public institutions as well.

Whatever the term used, we can notice that the situation stays the same. We can also see the resemblance between the accounts used in the account chart for companies (2nd class, "Non-current assets" and in the account chart for public institutions (2nd class "Fixed assets"), resemblance which can only gladden any economist. The reason I said that is that this situation is valid only starting with 2006, according to OMFP 1917/Dec. 2005. Before this date, public institutions were using an account chart approved in 1984 which was completely different from the one used by companies, and even if the names of accounts were still similar, their symbols were completely different. Yet, starting with 2006, the construction of the new account chart was based on the account chart of companies (about 80% of accounts have the same symbol and name) and as for the accounts reflecting non-current assets/fixed assets only a few exceptions are determined, as in the case of the other accounts classes, specific to public institutions:

- for the category of intangible assets/intangible fixed assets (group 20):
  - the accounts 201 "Set-up costs" and 207 "Goodwill" are used only by companies, and the account 206 "Records of cultural and sport events" only by public institutions;
- for the category of non-current assets/tangible assets (group 21):
  - the account 215 "Other state assets" is used only by public institutions;

- for the category of non-current assets in progress and advance for non-current assets/fixed assets (group 23):
    - there is no exception (the same accounts are used).

The fixed assets/non-current assets represent a category that includes in addition to the intangible fixed assets, tangible fixed assets, fixed assets in progress (unfinished) and financial fixed assets. For objective reasons, related to the extension of the work and relevance, we shall study here only the non-current assets/tangible fixed assets.

METHODS OF RESEARCH

As for the evaluation of non-current or fixed assets, we can say there is a convergence, as both are based in international reference frames, namely IAS 16 "Property, Plant and Equipment" - for companies and IPSAS 17 "Property, Plant and Equipment" - for public institutions, which were successfully implemented in the national norms as well (the only exception is the determination of the redeemable value which, according to national norms, does not take into account the residual value, considering it insignificant). There is also convergence in the definition. Therefore, according to these reference frames, a tangible fixed asset/a non-current asset represents an object or a complex of objects that are meant to be used on a continuous basis and independently for a period longer than a year, so that the activities of the entity may be carried out (in its own production of goods or service delivery, to be rented to third parties or for administrative use), being generators of benefits and whose costs can be evaluated credibly.

The category of tangible fixed assets (group 21 in both account charts) further includes (compared to the chart of non-current assets) one elements, "Other state assets" (account 215 Other state assets), pointing out the mineral resources situated on and under the ground of the country and on the continental plate of the Black Sea (exclusive public property of the Romanian state).

Comparing the modalities of input and output of non-current assets/tangible fixed assets in and from the patrimony of companies and public institutions, we can see they are similar, with a few exceptions, namely:

- for the inputs:
    - purchase from third parties;
    - performance by oneself (although this method is rarely encountered in practice in the case of public institutions);
    - modernization of the existing non-current assets/tangible fixed assets;
    - increase of value of non-current assets/fixed assets through investments made by the concessionaire, occupier or tenant;
    - reception on a free basis;
    - pluses found upon inventory performance;
    - increase of value after revaluation;
    - reception on a financial leasing basis;
    - *the contribution of shareholders to the share capital* – only for companies;
    - *the transfer without payment between unsubordinated public institutions of the fixed assets (which are no longer necessary for the rendering institution)* – only for public institutions.
- for outputs:
    - release from operation (discarding);
    - sale or cession to third parties;
    - donation;
    - output of non-current assets/tangible fixed assets due to exceptional causes (natural disasters);
    - shortages found upon inventory performance;

- participation in kind with non-current assets/tangible fixed assets to the share capital of another company;
- cession of non-current assets on a financial leasing basis;
- *withdrawal of contribution - in non-current assets - by associates and (or) shareholders* – specific to companies;
- *transfers without payment of fixed assets that are no longer necessary* – specific to public institutions.

RESULTS AND DISCUSSIONS

The international reference frame applicable to companies present one IAS for each category of assets, namely IAS 38 "Intangible assets" and IAS 16 "Property, plant and equipment", while the international accounting standards for the public sector make recommendations only on tangible fixed assets by two IPSASs, namely: IPSAS 17 "Property, plant and equipment" and IPSAS 16 "Investment Property".

IPSAS 16 defines the investment property of public institutions as that property (land, building or part of a building) mainly held for rent and/or capital appreciation, as for example buildings rented on the basis of an operational leasing agreement, and the lands held by a hospital for capital appreciation, to be sold at the right time.

Compared to companies, we can see that public institutions can only resort to the option of linear depreciation. Similarly, public institutions in Romania are the only entities that can transfer to each other without payment fixed assets which are no longer useful for the rendering institution, but are useful for the receiving institution. The transfer must be approved by the main credits authorising officer of the institution that required the transfer of that good, and by the authorising officer of the institution which administers it.

All tangible fixed assets/non-current assets are not subject to depreciation, such as lands, for instance. In the case of public institutions, due to the legal peculiarity of these entities' patrimony (public and private patrimony), there are several categories of non-depreciable goods, because all the goods such as fixed assets belonging to the public patrimony of the state and/or the administrative-territorial units are non-depreciable (including the goods underlined in the account 215 "Other state assets" which are in the exclusive public property of the Romanian state) and companies hold only private patrimony.

Therefore, we shall separate the comparison of records of the input and output of tangible fixed assets/non-current assets in the accounting of companies and public institutions according to the patrimony nature and according to the financing method of public institutions (entirely from budgetary credits, entirely from own revenues or mixed). Another aspect this survey takes into account is represented by the value-added tax, since only public institutions that develop activities entirely financed from own revenues are subject to this indirect tax (VAT).

CONCLUSIONS

Comparing the accounting of common operations of input and output of tangible fixed assets/non-current assets, several situations can be distinguished:

1. the company A is not VAT payer and the public institution B is entirely financed from budgetary credits:
   1.1. for goods that belong to the private patrimony and are subject to depreciation:
   - the accounting items are similar in the accounting of both entities, the only exceptions being related to:
     - the account by whose means settlement is made, namely instead of the account 512 "Cash at bank" used in the company accounting, the public institution shall use the account 770 "Budget financing";
     - The public institution shall use the account 779 "Income from goods and services received free of charge" to reflect the fixed assets entered free of charge or found in plus upon the inventory

performance, while the company shall use the corresponding accounts in the 13th group "Investment subsidies". In the same time, the company shall also record each month, beside the depreciation, the transfer to revenues of the investment subsidy (crediting the account 7584 "Amortization of investment subsidies", by debit of the corresponding account in group 13);

- instead of the account 6583 "Net value of assets disposed of and other capital transactions" used by the company upon the output of non-current assets (the value remained non-depreciated), the public institution shall use the account 691 "Extraordinary expenses from transactions with fixed assets"). In the case of selling, the public institution shall use the account 791 "Revenues from turning into account of certain state assets" (the selling price that subsequently will be transferred to the budget from which the institution is funded) and the company, the account 7583 "Proceeds from disposal of assets and other capital transactions";
- in the case of output by donation, the institution shall use the account 658 "Other operating expenses" (for the value remained non-depreciated) and the company, the account 6582 "Gifts and subsidies granted";
- in the case of natural disasters, the public institution shall use the account 690 "Expenses with losses due to natural disasters", while the company shall use the account 671 "Expenses related to natural disasters and other extraordinary events".

1.2. for goods belonging to the public patrimony (specific to public institutions):

- ➢ in this situation, the public institution shall reflect all the inputs, regardless of the methods (taking into account that public domain goods are inalienable, unseizable and cannot be acquired by prescription, by debiting the accounts of tangible fixed assets and crediting the accounts 101 "The fund of goods which constitute the public domain of the state" or 103 "The fund of goods which constitute the public domain of the administrative-territorial units", as the institution is subordinated (republican or local). The outputs of tangible fixed assets from the public patrimony shall be reflected in inverse accounting items.

1.3. for goods that belong to the private patrimony but are not depreciable:

- ➢ the company will draw up the same accounting articles as in the case 1.1., without subsequently reflecting the depreciation of non-current assets (lands);
- ➢ instead, the public institution shall make the same accounting records as in the case 1.2., using the account 102 "The fund of goods which constitute the private domain of the state" instead of the account 101 "The fund of goods which constitute the public domain of the state" and 104 "The fund of goods that constitute the private domain of the administrative-territorial units" instead of the account 103 "The fund of goods which constitute the public domain of the administrative-territorial units". In addition, only for the inputs for third suppliers, the following accounting equation shall be made (with the total payment amount from the invoice):

*

6821 "Expenses with tangible fixed assets that are not depreciable" = **404 "Suppliers of fixed assets"**

*

2. the company A is VAT payer and the public institution B is entirely financed from own revenues and is registered as a VAT payer entity:
   - ➢ the same operations presented in 1.1.-1.3. are made, – 1.3. also using for both

entities the VAT accounts, namely 4426 "Input VAT" and 4427 "Output VAT", as the case may be (taxable input/output). In addition, instead of the account 770 "Budget financing", the institution shall use the account 560 "Disposal of public institutions financed entirely from own revenues".

3. in other variants, namely company A is VAT payer and the public institution B is entirely financed from budgetary credits, or the company is not VAT payer and the institution is VAT payer (obviously, financed from own revenues) etc., for each entity the specifications of the previous paragraphs shall be used.

The general conclusion can be synthesized as follows: the reflection of goods input and output operations such as tangible fixed assets/non-current assets in the accounting of public institutions and companies is not identical and there are not only accounts with various symbols and names that apparently are close (671 / 690, 6583 / 691 etc.) but also specific situations (such as the transactions related to goods that constitute the public domain) and different accounting approaches (for pluses upon inventory performance or inputs on a free basis, for instance institutions may record to revenues the entire value ever since the input in the private patrimony, while companies are forced by the national norms to use an intermediate account of investment subsidies - group 13 - which shall be transferred to the revenues spread out - upon the record of the depreciation to expenses). The greatest resemblance is found in the case in which the public institution is financed from own revenues (including VAT payer).

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