ASSESSMENT AND ACCOUNTING INFORMATION SPECIFIC TO COMBINATION OF ENTITIES, IN THE CURRENT ECONOMIC CONTEXT

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Abstract: Acknowledgements: - "This work was supported by CNCSIS-UEFISCU, project number 861/19.01.2009, PN II-IDEI 393/2008". Market economy in Romania bring corporate takeovers and acquisitions. A purchase or acquisition of capital is the first mega-budget project, because a commercial entity might decide to take another business entity only if it increases shareholder wealth. Looking at this strictly from the perspective of accounting information, we believe that the role of evaluation in this case is crucial, especially if we consider the need for rigorous knowledge level of this "wealth" of shareholders, as well as actual or potential growth opportunities Upon completion of the equity in the combination process itself, an aspect that we intend to clarify it. Romanian regulations do not provide merger entity for the purposes of assessing global asset assessment to reveal potential synergies, something which we consider it appropriate to highlight the critical manner.

JEL classification: G33, M41

Key words: critical; combination of entities, evaluation, merger, fair value, corporate interest

1. INTRODUCTION

Two or more entities within the meaning of their heritage can bring together to form a single entity. Such a concentration is achieved through the merger and to rationalize production, operation and improve overall efficiency. Addressing the role of economic evaluations in these cases was inspired by the rich experience of developed countries, but also the immediacy with which the market economy in Romania bring "news" in this field. Thus, if in connection with the presentation of financial management principles and practices that characterize these operations we will not insist too much, but consider it appropriate to make some practical considerations related to Romanian. Capital acquisitions or takeovers in the last decade have been headline news in the U.S. due to the struggle for control actions. In this respect, it is known if it took in 1988 the front page of the Wall Street Journal Article: "tender war" announcing the offer & Company Kohlberg Kravis Roberts (KKR) to take over RJR Nabisco. Five days earlier, group manager announced its intention to develop a proposal to take over RJR in consortium with Shearson Lehman Hutton, offering $ 75 per share, through a leveraged buy out - an expression designating an acquisition to be financed mainly (sometimes more than 90%) by loans. KKR to bid $ 90 per share, and fight for control actions, and hence the associated votes, lasted six weeks. Involved three groups were tender and no longer than ten banks and lawyers, intelligence agents,

accountants and commercial banks. Finally, KKR gained, offering $ 109 per share, up 45% more than the original proposal, leading to a total of 25 billion dollars. Market economy in Romania bring corporate takeovers and acquisitions. A purchase or acquisition of capital is the first mega-budget project, because a commercial entity might decide to take another business entity only if it increases shareholder wealth. Looking at this strictly from the perspective of accounting information, we believe that the role of evaluation in this case is crucial, especially if we consider the need for rigorous knowledge level of this "wealth" of shareholders, as well as actual or potential growth opportunities Upon completion of the equity in the combination process itself.

2. OBJECTIVES

A capital acquisition issues involving commercial law, tax and accounting issues. It is important technique to configure the capital budget to assess a corporate takeover. In practice the special techniques used in comparative analysis to evaluate such projects. The problem of delegating administration, and management is important in corporate takeovers. Following the principle of self-interested behavior, managers can stay passive in front of such a perspective, given that management is usually changed. If we discussed and some principles of financial management, namely:

- Conduct self-interest (Self-Interested Behavior) refers to targeting capital procurement opportunities that are profitable. Acquired another commercial company only if it leads to increased investor wealth the company's shareholders.
- Bilateral transactions (Two-Sided Transactions) that are considering to purchase or take over another company requires often pay a premium over market price premium so high as to deter shareholders from selling the company to sell actions.
- Comparative Advantage (Comparative Advantage) is determined by the net present value (NPV) of actions.
- Reasonable behavior (Behavioral Principle) requires consideration in comparing different acquisition opportunities, a reasonable price to the market and circumstances.
- Increase the value of the company (Valuable Ideas) involves monitoring opportunities redefining the nominal value of shares or a capital restructuring to attract increasing shareholder value, and thus the company.
- Added benefits (Incremental Benefits) is based on net benefit of the acquisition of capital through the cash flow gap after-tax sites, which develops a new capital purchase.
- Risk management revenue (Risk-Return Trade-Off), meaning that the merger of two companies through a conversion is beneficial holders of debt securities and even shareholders, because the opportunity exists to increase their respective incomes, while the risk diminishes.
- Diversification of the portfolio (Diversification) the diversification of holdings by a conglomerate merger beneficial shareholders, if this diversification could not achieve on their own.

Given these factors, we ask: what characterizes a merger? A corporate takeover is usually a substantial capital investment to buy a company (as a whole or as part of its capital). Due to its size an acquisition may have a significant impact on owners of capital to shareholders, compared with other capital investment (such as the stock market portfolio or the investment property).

3. METHODOLOGY

If we assess the impact of accounting on the appropriateness of information released in the process of combining intersocietară, we regret to mention the need for analysis tools and decision-making must be applied cautiously because of the size and complexity of investment.

An acquisition can take both as a corporate merger, a merger and the merger or meeting. Fusion is one in which the assets of an entity is passed to other entities existing or new entity is created. Fusion is regulated by Law no. 31/1990 republished, with subsequent changes and takes two forms, namely:

- Merger by absorption, which involves the transmission assets of an existing entity to another entity, in whole or in part. Absorbing entity (tissue) acquires the rights and obligations acquired entity outgoing. In this case, the acquiring entity increased its share capital and the entity being acquired is dissolved;
- Merger by meeting or by merging is that two or more entities submit their property to form a new entity. In this case, the rights and obligations of entities that are closing entity that is going on.

Note that the merger has the effect of dissolution without liquidation of the entity outgoing, and transmission assets by the entity acquiring the state placed at the time of the merger in exchange for the award of shares or its shares to shareholders or entity that ceases and, possibly, a sum of money which can not exceed 10% of the nominal value of shares awarded. The effect of how the asset assessment is carried out in these conditions is crucial, especially if we consider that in determining the fair value of assets at the date of the merger depends on the mathematical value of the shares to be issued in November to remunerate assets transferred. The merger is decided by the individual features to the conditions set for the amendment to the constitution of the entity. The key document underpinning the merger is "Project Fusion" which, according to art. 241 of Law 31/1990 republished - the law of corporate entities, should include:

- Type, name and registered office of the entities participating in the merger;
- Foundation and conditions of the merger;
- Establishing and evaluating assets and liabilities that are transmitted recipient entity;
- How to teach the shares and the date on which they entitle to dividends;
- The exchange ratio of shares and, if appropriate, the amount of any compensation, no shares will be exchanged for shares issued by the entity acquiring entity whose owners are absorbed directly or through intermediaries, the entity acquiring or acquired entity itself;
- The size of the first merger or division;
- Rights of bondholders and is granted any special benefits;
- On the financial situation of merger/demerger, which will be the same for all participating entities;
- Any other data relevant to the operation.

The merger or division, signed by representatives of participating entities shall be submitted to the Trade Registry Office where each entity is registered, accompanied by a statement of the entity ceases to exist after the merger or division, decided on how to extinguish its liabilities. Stages and accounting procedures required to be taken on the merger by absorption, which depend on achieving an effective evaluation process, including approval by the AGM of the merger, separated by all entities involved with the establishment of accounting reference date merger based on an evaluation study, background and feasibility studies, which highlight the strengths and weaknesses of those involved and to convince shareholders that the future effectiveness of operations. We mention that this study can substitute for inventory and assessment phase required by law and not create economic changes, ie, not accounted for. Nor can we omit the inventory and evaluation of assets and liabilities of the merging entities and no accounting of the results, according to law. On this occasion, compile and evaluate all assets and liabilities of the entity, according to the Law on accounting, inventory by specific rules and regulations as applicable accounting.

Evaluation criteria are: correct accounting net assets, amounting to yield the expected

results and value stock, but it is essential that any adjustments to be made in preparing the balance sheet accounting to the merger. Another step is the preparation of financial statements by all entities involved in the merger and their publication and determination of equity (net assets) based on the merger balance sheet of each entity involved and determining the exchange ratio of shares of corporate entities merging capital coverage. In this stage of multiple operations, such as:
- Determining the accounting value of the shares of the merging of corporate entities, by reporting on equity (net assets) by the number of shares issued;
- Determining the share-exchange ratio, the ratio of book value of shares of each acquired entity at book value of shares of the acquiring entity. The exchange ratio is certified accountants, according to Art. 239. (1). e) Law no. 31/1990, republished, with subsequent amendments;
- Determining the number of shares to be issued by the acquiring entity following the merger, either by reporting on equity (net assets) of the entities being acquired at book value of shares of the acquiring entity, or by weighting the number of shares of the acquired entity to report exchange;
- Determination of the share capital increase to the entity which absorbed by weighting the number of shares to be issued by the entity that absorbs the nominal value of shares of that entity;
- Calculation of the merger premium as the difference between the carrying amount of newly issued shares and their nominal value.

Date on which the merger differ depending on its nature, as follows:
- In case of merger by absorption, date of entry into the trade register of claim on the acquiring entity's share capital;

Meeting, in case of merger or amalgamation, date of registration in the commercial register of the new entity.

4. ANALYSES

A merger by acquisition involves combining two companies, the buyer / investor who is acquiring company and acquired company. Buyer absorbs all property, assets and liabilities acquired company and take risks. The company lost its independent existence absorbed, often becoming a subsidiary of the buyer. This is American politics and other states where groups of entities to encourage the formation and corporate governance. Romanian regulations do not provide merger entity for the purposes of assessing global asset assessment to reveal potential synergies, something which I consider it appropriate to highlight the critical manner, opinând for its introduction, while the book is only required assessment of all elements property, transaction accounting required by law, when the annual inventory. Property valuation practices relevant tests, but lack of experience and credibility of financial managers in assessing the entity's synergies make the exchange ratio between the merging companies' shares still to be determined based on net asset accounting. Moreover, the exchange ratio is certified accountants, according to Art. 239. (1). e) Law no. 31/1990, republished, with subsequent occasion when evaluating synergies can be invalidated. In Romania, the merger is an operation whereby two or more entities separately decide the transmission assets and liabilities from one entity or establishment of new economic entities in order to conduct joint activities.

The exchange ratio is calculated under the procedures for determining the economic potential of the merging entities. More counts than the absolute value of contributions "to their economic weight, which meant that the assessment of contributions in the merger remains in the background to the share exchange parity. It is a competition that should count not only the absolute value of a contribution, but also the value compared with other contributions, and especially with the net assets of the acquiring entity. The first expresses a fusion of the entity acquiring greater potential given its action value higher than the shares acquired entities. Data

ISSN 1223-365X

fusion is the effective date of transmission assets and liabilities and registration with the Trade Registry. The date at which assets and liabilities of effectively transmitted from the legal point of view, marks a change of ownership, and the fact that the Registry. In practice, even in our opinion, it is equally important and the balance date of completion of the merger or division, which in accounting terms is the date the contributions of merger or division. It is time for the shareholders decide, in the GMS, the operation of merger or division, approving, on an informed basis, the balance of the merger or division. This "reference date" is similar to closing the financial year and accounting data and calculations used in specific operations. Transfer of ownership of assets and liabilities of the entities involved is the Trade Register on the claim, but in its current state, ie adjusted for changes in the balance sheet date of the merger or division. These adjustments are more numerous and more complicated as the period since the "accounting reference date" until the effective date of the merger or division is greater. The same problems are emphasized in the case of the process of dissolution and liquidation. Practice shows, unfortunately we say, even lack of understanding of the difference between accounting reference date and date of the transaction itself, by sending real property items. In both variants (absorption or amalgamation) or acquiring entity acquires newly established and is bound by obligations of acquired entities, it automatically fills in all the assets and liabilities. Entities that are absorbed dissolve and lose their legal status. What is the rationale for the merger? A merger may be economically advantageous only if the sum of the parts exceeds the whole. There are at least one situation where this occurs: achieving efficient operation and cost savings over conventional fixed or constant. Two companies may decide to merge the idea of achieving an efficient operation, or to take advantage of savings on fixed costs. Fusion combined companies can eliminate duplication of utilities, operations or departments work (acquired company's financial staff is frequently the first eliminated). A horizontal merger combines two companies in the same economic sector or the same kind of business. A vertical merger involves the integration of "downstream" to the final consumer, or "upstream" to the original supplier for a specific business line (Pop A.: 2002, 125). The merger of two airlines is a horizontal. When a company buys a supplier we are dealing with a vertical merger. Most fusions produced in the United States after the Second World War were conglomerate. One way of achieving a better exploitation is involving two companies have complementary resources (managerial experience, well-trained sales personnel, technical staff valuable). But a merger would be beneficial to both parties only if they are not able to get what they need on their own cheaper, than in combination. Two companies of the same kind of business would be amalgamated to achieve "economies of scale" that is fixed cost, production, distribution or other phases of their business. Economies of scale occur when average unit cost of products decreases with the increase in production and sales. For example, a higher volume of production may allow a company to build a bigger factory than they can currently build. Achieving economies of scale is why prominent horizontal mergers.

More efficient exploitation of economies of scale are the main sources of economic potential (synergies). A conglomerate merger is at least able to generate synergy. In Romania, the legislative reform economic and financial developments in the merger, division and liquidation of commercial entities, relating only to the liquidation of the entity acquired absorption and merging with the liquidation of the entities that merge to form a new economic entity, something lacking, in our opinion , while the fusion process can take different forms with distinct features, including evaluative line. Thus, national merger restructuring converge towards the use of capital and not to develop foreign economic entities by extending full equity and acquisitions.

4.1 Critical

Comparatively, we can see that this is the difference between the merger by absorption with liquidation of the entity being acquired in Romania and the merger by absorption through the transformation of the absorbing subsidiary (wholly owned) absorbance in the developed market economy countries. In these economies absorbing the loss of independent existence does not necessarily mean liquidation and removal from the Trade Register (as required by regulations in Romania), but it can only mean loss of business decision are directed at the group level. In any case, the operation of fusion without the deletion of absorbing lead to stable performance to continue its business, it is a capital restructuring and not due to the disappearance of absorbance development of the economic landscape of the absorber. So prevalent form of economic interest and not record companies, which explains over form principle. Unjustly we say in Romania is often confused economic interest manifested in terms of legal and ethical point of view, you can create groups of economic entities and interest groups, necessary and beneficial economic development, with interests in the pejorative sense of doing business "less honest" to rapid enrichment.

5. Conclusions

Finally, merger and acquisitions of entities in Romania only occur as solutions for the restructuring of capital as a result of decrease in performance signals to the entity being acquired and not as external development solutions by taking equity entity to continue business entity acquired stable performance. The difference between the fusion resulted in the loss of legal personality and commercial removal of the absorber and the fusion resulted in the continuation of commercial activities of the entity being acquired by becoming a member of the group as its subsidiary, subsidiary or related entity or significant participation by minority, expresses the prevalence judiciary economics, what characterizes the respective national rules. Harmonize with the principles developed market economy requires changes and adaptations that generate over form, a principle now, otherwise the accounting regulations in force, but inapplicable to the conditions unsuitable regulations concerning such operations.

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