

CONSIDERATIONS CONCERNING THE BOOKKEEPING INFORMATION AND THE EVALUATION DUE TO THE PROPER CAPITAL OF A FIRM

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Abstract: We consider that the approach of the enounced theme represents a defiance for the theoreticians and the practitioners in the financial-bookkeeping field because it submits to the attention some personal points of view referring to the relations of interconditionning that exist between the quality of the bookkeeping information and the correctness of the making of the evaluation operations corresponding to the own capital of the firm. We argument this statement through the fact that it is natural that a correct evaluation contribute to the increase of quality and implicitly of credibility of information that it generates, but it must be taken into consideration that the realization of this desideratum is not possible but in the conditions in which, in the evaluation process, there are used quality data and information. Connected to the mentioned aspects, there are presented the characteristics of the evaluation of every initial category of own capitals, and the due bookkeeping information is viewed as a report of the form obligation/necessity to the economical and fiscal environment, which is interested to enjoy credible information and, at the same time, useful in view of obtaining a plus of value. This last aspect is emphasized in correlation to the value of usefulness of the analysed bookkeeping information, value that quantifies under the form of value surplus that is generated by the economical decisions for which it is used.

A succinct **introduction** in which concerns the theme under debate offers us the possibility to point out the fact that in the case of the firm's proper capital, both the information, and the evaluation due to its component present numerous specific elements, which have major implications in the complex process of adopting decisions that concern the performing administration of the activities organized or merely foreseen by the management. These elements can also be viewed from another angle, in the sense that through the characteristic evaluation methods and the indications that it generates there are obtained synthesis information relevant concerning the efficiency of the administration of the proper capital, which, in their turn, constitutes the basis of the substantiation of numerous essential decisions which are adopted in the management process. On the other hand, it is imposed to be underlined the fact that the information at which we refer are especially important for the evaluation of the effects generated by the decisions thus adopted and implicitly for knowing the qualities and performances of the firm managers, according to which the investors remunerate them. Continuing this idea, it can also be retained the fact that the information providing to the ones interested in the way in which it is a necessity how the proper capital is administrated, but also an obligation from the part of the firm, and the stockholders' right, as owners, to information of this nature is unquestionable. They are preoccupied to know, among others, the entirety of direct and indirect earnings of managers, including the nature and

the volume of generated expenses, to know if they took advantage or not of the granted mandate to take hold of some undeserved sums.

Concerning the firm offer connected to **the bookkeeping information due to proper capital**, we have in mind, for start, the fact that it is imposed to be correlated with the heterogeneous demands of this kind. Otherwise, this desideratum can be viewed as being a balance of the form of obligation/necessity referring to the information that must circulate in the economical and fiscal environment. The variables of this balance don't exclude each other, in the sense that the obligation to present information has its source in the necessity to attract and participate with financial stable resources to the entity's economical circuit, in the conditions of security or with accepted risks. At the same time, we consider that, viewed in a singular way, a piece of obligatory or necessary information has value, in the sense that it produces effects, only following its use in the decisional process, indifferently to the category of beneficiaries to which it addresses. The management or another information user will notice the profitable effect of any decision is the consequence of a cause, which, in numerous situations, concerns the use of an information obtained among others, through a credible evaluation. In this kind of situations, it may be considered that the information has **use value**, which is determined through the reduction of the earning obtained without the use of that information from the earning realized as following its introduction in the decision.

At the same time, it is just to remember that for the establishment of the net quantity of the surplus value thus realized, is necessary its adjustment with the difference in plus of the costs which is occasioned by the obtaining and the use of the respective information.

In what concerns the category of analysed information users, represented by the existent totality of stockholders and the possible investors, we underline the fact that their use has as purpose the satisfaction of their major interest, which, as a rule, prevails in comparison to the administration way of the firm's activities.

Firstly, the stockholders and the possible investors follow that through their participation to the proper capital of the firm to obtain a bigger earning than the one foreseen through the available information, because, in their opinion of financiers, prevails the remuneration of the capitals (incomes from dividends) and the market price of the instruments of the proper capital, in the conditions of reduced risks, associated to the respective operations. This statement is also found in the specialty literature, in the sense that „these financiers, also currently named stockholders, are interested in what concerns the risk estimation and the advantage of the effectuated or potential investments” [Staicu Constantin, 2003].

Secondly, the investors, either proper stockholders, or external, use the information in determining the investment risks, being known the fact that, in essence, the operation presents a high risk, fact that determines, in their current language, their financial or in kind contribution to be named “risk capital”. Thus, the investors are interested in information to guarantee the fact that the entity can generate positive cash fluxes which assure the risk diminishing or inhibition. Referring to this aspect we also retain the opinion according to which ‘the investors are interested to determine the instalment of the profit possible to be realized in the next period. For this purpose, they use, among others, the method of the comparison of total value of capitals brought by investors with the stock value of the enterprise at a given moment.’ [Staicu Constantin, 2003].

Taking into consideration the two interests, the regulations in the field of the bookkeeping information appealed to the standards established by the Commission of the Financial Accountancy Standards (FASB) where is specified that *“to satisfy the interest of capital remuneration, it will be provided information useful for the investments decisions”*. In this situation, *“the financial reports should offer information to help the investors, actual or potential, to take rational investment decisions.”* According to the standard demand, the reports must be formulated so that to be clear for all those who have economical knowledge and want to study the provided information. To evaluate the flux of future liquidities, *“the financial reports must offer information to help the investors to determine the volume, the evolution in time and the risk of the future cashing ins from dividends and interests, and also the volume of incomes coming from the cashing in, the buying back or arriving to settling day of the stocks and obligations.”*

We consider that the limitation of the investors to the use of information that satisfy only their major interest (the efficient remuneration of the invested capital, assured by the firm’s capacity to produce positive financial fluxes) constitutes a risk associated to the investment operation, as the expected result, in many cases, can be affected by scarce management and administration.

Because of this and especially for prudence reasons, which attract the attention on the risk, we appreciate that the Romanian normalizes came up to the investors specifying that *“the financial reports must offer information referring to actives, debts and proper capitals, and also the influence of the economical operations on them”*. As consequence, there are revealed information concerning the economic resources, the rights on these and the due modifications.

To assure a high degree of comparison of the information contained by the financial situations, the regulation authority in the field of the bookkeeping frequently intervened in the last years on the General Accounts Plan, on the economic content and the accounts functioning, on the ways of report, as on the content and the structure of the synthesis financial reports, which are obligatory preceded by the factual verification and the evaluation an the market price or at the just value of all patrimony elements, including those that concern the proper capital, existent in the administration of the firm [Order MFP no. 1752/2005].

Through the mentioned regulation, there are considered of general use: the information presented in the balance, the profit and loss account, the situation of proper capital modification and the situation of the treasury fluxes which address to the wide public of users and which are examined, obligatory, by persons within the entity, to increase their degree of credibility.

Because of these and to facilitate the use of the information presented in the above-mentioned financial reports, there are established norms of application, which make possible the interpretation of the bookkeeping information for a larger public.

In this context we also make definite the fact that the bookkeeping information concerning the proper capital must fulfil certain **quality traits** which offer the user the possibility to be compared both in the interior of the entity, and in its exterior. The inferior comparison is given by that information, which assures its opportunity through the dimension of the past and the foreseeable one, and in exterior it guarantees to the decision factors that it can be interpreted through analyses and objective evaluations. From here it results that an important duty is for the factors with responsibilities in the making and the presenting of the bookkeeping information, under the aspect of use and

safety, and for the users the obligation to interpret them according to some consecrated principles. Even in these conditions, we consider that the information interpretation is subordinated, on the one hand, to be users' objectives, and on the other hand to the entities' purpose, its quality being given by the intersection of the two categories of interests.

In another order of ideas, it can be emphasized that inclusively the information, contained by the synthesis financial reports, are governed under the aspect of their quality (clarity, use, relevance and safety), by some general principles (the permanence and the comparison of methods, the prudence, the threshold of significance, good information and possibility of being made), established by FASB (Norm SFAC2), which assure them their credibility and correct interpretation.

Connected to the above-mentioned aspects, it also presents an interest the opinion expressed in the specially literature [Feleagă Niculae, 2005] according to which, in our country, there were already realized the next three components of the bookkeeping reform: the construction and the implementation of the standard platform, the convergence between the national and the international standards, and a flexible frame for the making of the convergence IAS-IFRS with the American standards, US-GAAP.

Viewed from another perspective, the bookkeeping information at which we refer is inscribed in the field of action of the financial accountancy object, in the sense that it allows the measurement, the evaluation, the knowledge and the control of proper capitals [Staicu Constantin, 2007], inclusively through the annual report, called the situation of proper capital modifications.

Viewed from the angle of proper bookkeeping balance, we consider that the information connected to the proper capital expresses, on the hand, its volume and components (proper capital, reserves, capital bonuses, result, etc.) and, on the other hand, according to the organization form, the belongingness of property (social capital, administration patrimony, public patrimony, social parts, etc.).

At the same time, the information users can also consult other data contained by supports as: constitution document, AGA registers- verbal statements, registers of the administration council, stockholders register, the prospect of actions issue, subscription bordereau, documents of the stock transactions, etc., to find details and to identify aspects of property nature, stockholders and others.

According to the bookkeeping doctrine, the balance is that which reveals the financial structure of the entity, starting from the fundamental relation that expresses the financial equilibrium, according to which the proper capital is equal to the totality of actives diminished to the totality of debts.

On the other hand, we underline that the information referring to the proper capital can be viewed according to its relation to the net income obtained by the entity, and thus with its level of profitability. This information signifies the profitability of proper capital, which is determined as report between the net income (taxable profit) and the medium proper capitals. This last element of the report (denominator) is obtained as arithmetical average between the initial balance and the final one inscribed in the situation of the modifications of proper capital.

The interpretation of the information thus obtained concerns the knowledge of the net income obtained for an invested monetary unit.

From the angle of the bookkeeping information concerning the proper capital of the firm, it is also retained that the existent section in the annual financial situations referring to the treasury fluxes of the financing activity includes the monetary

consequences of the operations that provoke modifications in their structure and measure, as are the cashings from the actions and payments issue for the paying back of proper actions, and the section referring to the fluxes due to the basis activity includes the monetary effects of the current operations that contribute to the forming of the result from exploitation.

Taking into consideration the International Bookkeeping Standards, as the importance accorded by IASB to the concepts of “capital” and “capital maintenance”, the entities have the obligation *“to include in the set of financial situations a component which reflect either all modifications of proper capital, document also adopted in our country, or the modifications of the proper capital, others than those coming from capital transactions with owners and distributions to owners”*(the International Bookkeeping Standard, no.1, paragraph 7).

“The situation of proper capital modifications” provides information connected to the elements of proper capital, which modify between two consecutive exercises.

Presented in a matrix manner, the model offers information concerning the elements of proper capital, the causes of proper capital modifications, the evolution of every cause, as the effect on the elements of proper capital. In this way, it reflects the increase or the decrease of the net active of the firm during the exercise, through the global modification of the proper capital under the form of gains or total losses generated by the developed activities, with the exception of the modifications resulted from the transactions with the stockholders.

The information emphasized in this kind of model are used by the management and the investors, having a particular importance in their decision concerning the proper capitals, because they allow the knowledge of some useful elements, namely:

- the net profit or the net loss of the period;
- every element of income and expense, gain or loss which, as it is asked by other Standards, is directly recognized in the proper capital, including the totality of these elements;
- the cumulative effect of the modifications of the bookkeeping politics and the correction of the fundamental errors approached at the basis treatments from IASB;
- the capital transactions with the owners and the distributions to these ones;
- the balance of the cumulated profit or of the cumulated loss at the beginning of the period and at the balance date, as the modifications during the period;
- a reconciliation between the bookkeeping value of every class of proper capital, capital premiums and every reserve at the beginning and the end of the period, distinctly being presented every modification.

The alternative variant of the previous document, “The situation of gains and losses for the closed exercise” is more and more close to the content of the economical indicator, “the global result”, met in the American accountancy. The information that it contains refer to the first three aspects presented in the case of “the situations of proper capital modifications”, and the other ones are revealed, in detail, through the explicative notes.

This model comprises only the modifications of the elements of proper capital, which represent unrecognised gains or losses in the account of profit and loss, at which it is added the net profit of the period and are adjusted with the effect of the modifications of the bookkeeping politics. In this case, through the notes at the financial situations are presented information concerning the reconciliation of initial and final balances due to the accounts corresponding to the proper capital.

Indifferently to the model chosen for the users information on the modification of the proper capital, the bookkeeping norm IAS 1 demands a subtotal of the elements concerning gains and losses, expenses and incomes, which were directly affected to the proper capitals by virtue of a special norm, as the total of these elements.

In our country, the entities apply bookkeeping norms according to the European directives and have the obligation to present, as a separate component of the financial situations, a picture of the proper capitals variations. Referring to the content of this informational support, we consider that the letter and the spirit of the norm will certainly lead to the presentation of the performance indicator, inclusively to the economic result that includes the net result of the exercise, corrected with the value of some gains or losses that are the consequence of the revaluation of corporal and/or uncorporal immobilizations and the adjustments generated by the conversion of lists accounts.

The model of the picture of proper capitals variation, foreseen by the national norms according to the European directives contains numerous relevant information, which, in their large majority, were previously mentioned.

On its turn, **the evaluation of proper capital** imposes to be approached, in a first stage, at the firm constitution, corresponding to every category of subscribed contribution, and afterwards, during the development of its activities, when are produced inherent modifications in its volume and structure.

At the constitution of every entity, the social capital, especially the one subscribed and brought as contributions in cash or in kind, is materialized in actions or social parts, according to the firm organization form. The operation suppose, firstly, the establishment of the number of actions or of social parts, after which for every one is attributed a determined value through the report of the contributed capital to the total number of actions or social parts. This value, known in the specialty literature as nominal value is published in the constitution document and is at least equal to the value foreseen in the Law of commercial societies.

In what concerns the subscriptions evaluation to the proper capital (initial social) of the firm, there are mentioned the aspects that are presented in what follows.

- The contributions in cash express in lei or foreign currency at its official course. They have an obligatory character for every form of commercial society.
- The contributions in kind are evaluated in lei by authorized persons, according to the standards in the field, being allowed to all entities forms.
- In the case of the contribution of a trading fund, it is imposed the evaluation in lei, by authorized evaluators, of every component elements.
- The contributions in debts have the juridical system of the contributions in kind, being allowed only to the societies on stocks which are constituted through the subscription, complete and simultaneous of the social capital by the signers of the constitution document. They are considered to be freed only when the entity cashed in the sum for which they were subscribed.
- The prestations in work or services are not allowed as contribution at the forming or at the increasing of the social capital.

During the development of the commercial processes, the nominal value of the actions suffers modifications, on the one hand, as following the increase or the diminishing of proper capitals, due to the capitalization of the favourable result obtained in the financial exercises, the incorporation of reserves, with the exception of the legal ones, of the capital bonuses and others, and on the other hand, through the

issue of new actions. These transformations that appear, generally, in the interior of the entity, impose evaluations connected to the events that take place in their lives, and also the evidence necessities and of presentation of the bookkeeping information due to proper capitals.

Concerning the necessity of the evaluation of the actions, we appreciate that its source is in even the essence of the entity's proper capital, because the residual interest of the stockholders in an entity's actives, after the deduction of all debts, must be real, actual and contain the economical results following the use of the financial effort made by the investors.

In conclusion, in this case, we deal with an 'internal evaluation market' generated by the stockholders' interest, by the management for the level of appreciation criteria of its activity, as by unions or the entity's staff. Evaluation problems arise if we also investigate the exterior environment of the firm, because on it act numerous factors among which we mention: the capitals market, the economic increase registered in the branch in which the entity develops its activity, the image in front of third parties, and, especially, the investors' previsions. Concerning these aspects, we consider that there is a "market of the external evaluations of proper capitals", which has its source, this time, in the demand generated by "the actors foreign" to the entity drawn by its performances.

Otherwise, the evaluation is a demand imposed by the law, through norms and procedures meant to offer, firstly, guarantees concerning the quality of proper capitals, determined on the basis of consecrated indicators, and secondly the increasing of the fortune of those who make efforts and are implied in the economical processes.

In the context of those presented, we consider that the evaluation of proper capitals, expressed through indicators, came before the information users, fact that needs a **current or regulated evaluation**, as **an evaluation demanded by certain events or persons**, which have interest in participating with disponibilities at the financing of the entity's activities. Because of this, the specialists put at the disposal of those interested a varied range of **indicators and values categories concerning the capitals**, from which we mention those that have relevance under the aspect of the information they generate, namely:

- f) the bookkeeping mathematical value (V_{mc}), also known under the denomination of bookkeeping value;
- g) market value (V_p) or the quotation of stocks on a capital market;
- h) intrinsic value (V_i);
- i) financial value (V_f);
- j) productivity value (V_r).

Concerning the information through which these indicators are interpreted, we consider that details are not necessary, because they are frequently used in the practical activity, and the understanding of the significance doesn't need but minimum professional knowledge in this field.

In conclusion, we consider that through the way of elaboration of the present work, it is brought a modest contribution to the enrichment of the bookkeeping information due to the proper capital of the firm, which can be useful for theoreticians and in a bigger measure for practitioners.

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