SOME ASPECTS CONCERNING THE HISTORICAL COST AND THE JUST VALUE

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Assessing means assigning a value to an asset, a service or a company.

This value assigning can be made in a conventional manner, establishing criteria and methods of unitary estimation for an element that is subjected to an assessment.

The economic and financial assessment can be defined as a complex of techniques, proceedings and methods through which an economic, tangible or intangible asset, or an enterprise on the whole, are brought, from the value point of view, at the market's level and through which the comparability with the market's value is provided.

The accountant international settlements present a whole list of criteria that can be taken into consideration in order to assess the different accounting structures: the historical cost, the current cost, the feasible value, the updated value etc.

None of the criteria proposed by the national legislation or the IASB has a general validity or provides an absolute satisfaction.

The assessment criterion is chosen according to the purpose of the person who makes the assessment.

The assessment confers priority to the qualitative aspects and it relies on the utility value of the asset or the service, respectively on the updated value of all the net funds input, which are obtained by using or exploiting the asset or the service.

***Keywords**: historical cost, just value, shareholder valu, accountant norms, financial risks.*

The historical cost use as an assessment basis has its justification in the wish of knowing a heterogeneous patrimony formed by immobilizations, supplies, debts, reserves and a performance that results from operations of different nature, such as the consumption of raw material, services carrying out, staff expenses, products and services selling.

The historical cost has the advantage of being an incontestable and verifiable measure of a transaction. It is based on the reality of a transaction, having a certain character.

The renatbility is the major advantage that the historical cost offers in comparison with other assessment basis.

MATERIAL AND METHOD

The registration at historical cost of the reckoning up structures (combined with the prudence principle) leads to a systematic assessment of the assets and an overrating of the debts. In case of instability, inflation, the application of the historical cost leads to a series distortions in the synthesis documents.

The underrating of the supplies' cost leads, on one hand, to the impossibility of restoring them, and on the other hand -to the decapitalization of the society. The decapitalization is also the result of the payment of some taxes that are not real, but especially the consequence of the payment of some fictitios dividends.

RESULTS AND DISCUSSIONS

Another negative aspect in case of employment of the historical costs is the bringing, as much in active as in passive, of some monetary units from different periods of time, and in the case of time comparisons, the relevance of the conclusions is uncertain.

Summing up active and passive elements, expressed in monetary units dating from different periods of time, is not a mistake.

The general model, based on the historical cost, entails the desynchronization effect between the book-keeping result and the assets maintenance.

From a mathematical point of view, such a desynchronization effect is presented in the following manner:

The result at the end of the N exercise = achieved income in N exercise in day price Expenses in accordance to the achieved income in exercise N in historical costs

Such a result discussed through the price variation can be split in two structures:

a) the result from active

The result of the activity in exercise N = Achieved income in exercise N in day price – Expenses correspondent in current cost.

b) The result from holding the used assets:

Result from holding assets = expenses corresponding to current costs – Expenses corresponding to the income achieved in exercise N in historical costs.

We can say that the historical cost, in comparison with other bases of assessment, has a series of advantages and disadvantages, but it does not mean that these have to be generalized.

The model of the classical bookkeeping refers to a certain vision of the enterprise which operates in a stable and less turbulent environment (even the classical methods specific to the financial administration of the enterprise is based on the hypothesis of an efficient market) and hence the uniformity of the evolution of some indicators, such as the production cost or the business amount.

In times of stability, characterized by routine and the absence of the uncertainty, where the future is predictable (so, it is contained in the present), at least from a theoretical point of view, the absence of the predictable information cannot be experienced as a critical deficiency. Nevertheless, the environment in which the enterprise operates is based on the irreversibility of the time and the uncertainty.

For the last few years, the idea of just value accountancy has become more and more present, in the historical cost bookkeeping’s detriment.

Confronted with the traditional assessment in historical costs, this trend has the mission to puzzle the bookkeeper, as well as the classical structure financial analyst.

The just value is “the sum by which an asset could be changed of the parties’ own will in a transaction with the objectively determined price”.

The passing from the historical cost to the just value is found in the reflections’ domain, representing an essential change in accountancy.

The development of the activities in money markets had a significant meaning. The financial markets have introduced the notion of shareholder value.

In the Romanian norms, the notion of just value appeared through OMFP no. 94/2001 and OMFP no. 1752/2005.

The inclusion of the just value concept in the Romanian accountant norms contributes to the application of an accountancy that has the role of a link to the future, which does not only deliver retrospective information related to the financial position and the enterprise’s performance, but is also in a position of expressing previsions on the enterprise’s evolution.

We can say that, starting with this definition, the assessment in historical costs is very rigid, while the just value has a low rigidity. This aspect must be seen in correlation with the objectivity, because a low rigidity entails a low objectivity. The measure of the just value of an element from the balance sheet is always less rigid than the historical costs assessment. Also, the objectivity of the just value is lower than the one in historical costs.

The just value is adapted to the active administration of the financial risks, through which we can reflect more accurately over the economical reality. This means that the societies can administrate the price risks, even for the instruments that don’t sell, such as the swap.

The active administration of the price risks uses derived financial instruments which contribute to the avoidance of diminishing the value of the asset and the rise of the passive elements.

Evidently, this administration cannot rely on historical or management obstruction values, it must refer to just values of the financial instruments.

- the predictability - the just value represents the best prediction basis of the future waves, being founded on their estimations; evidently, the problem of the estimations’ accuracy is questioned.

- the accuracy - the just value delivers a more accurate assessment for the future cash-flows than the other methods of assessment, offering the financial information users the possibility to make a better decision.

However, the assessment at the just value is delicate as long as the future cash-flows are uncertain, leading to a reduction of the accuracy.

- the neutrality - being determined by external data, the just value is not influenced by the enterprise and its leadership or the origin date of the operations, the instruments' nature, having a neutrality character.

The just value cannot be precise, not being considered faithful, or verifiable, so its fiability is relative.

The just value assessment is closer to the precise image, unlike the other forms of assessment, although the historical cost is verifiable and neutral.

CONCLUSIONS

The advantages convenient for the just value, anticipated by the specialists, can be synthesized as follows:

The assessment's utility at the just value results from its capacity to inform the financial information users about the future treasury waves.

However, the managers, the investors etc. want to know the value of a certain asset, depending on what it will bring in the future, in order to have an accurate image over the enterprise's situation, so the utility of the just value is discussed.

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