

SOME ASPECTS BOUNDED BY THE PUTTING IN EQUIVALENCE PROCEDURE

UNELE ASPECTE LEGATE DE PROCEDURA PUNERII ÎN ECHIVALENȚĂ

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Abstract. *This kind of procedure involves the majority stages that are met at the consolidation through the total or proportional integration. First of all the associated enterprises accounts are retreated if this one does not use the same accounting methods so those of the unity that own the participation. Because the minority investor is not always be able to get the necessary information, those adjustments are sometimes impossible to realize and this aspect must be mentioned in the appendix. In the contrary with the consolidation through the total or proportional integration, the associated enterprises accounts are not cumulated with those of the unity that owns the participation. According to this we can say that the equivalence procedure does not represent a consolidation procedure and gives us the reason by using it to the individual accounts establishment. The participation is accounted to its acquisition cost. The difference between this value and the corresponded fraction of the associated enterprise own capitals at this date is divided in two components: the fraction that correspond to the plus of the latent value of the associated society identifiable assets; the goodwill that is determined by difference.*

Rezumat. *O asemenea procedură comportă majoritatea etapelor întâlnite la consolidarea prin integrare globală sau proporțională. Se convine, de la început, să se retrateze conturile întreprinderii asociate dacă aceasta nu utilizează aceleași metode contabile ca societatea care deține participația. Cum acționarul minoritar nu este întotdeauna în măsură să obțină informațiile necesare, aceste ajustări sunt uneori imposibil de realizat, aspect care trebuie menționat în anexă. Contrar a aceea ce se întâmplă în cazul consolidării prin integrare globală sau proporțională, conturile întreprinderii asociate nu sunt cumulate cu cele ale entității care deține participația. Astfel se probează că punerea în echivalență nu reprezintă o procedură de consolidare, acesta fiind și motivul pentru care ea poate fi utilizată pentru întocmirea conturilor individuale. Participația este contabilizată la costul său de achiziție. Diferența dintre această mărime și fracțiunea corespunzătoare din capitalurile proprii ale unității asociate de la această dată se descompune în două elemente: fracțiunea corespunzătoare plusurilor de valoare latentă care privesc activele identificabile ale societății asociate; fondul comercial (goodwill) determinat prin diferență.*

The societies consolidation according to the 28 „Participations in associated enterprises” is making through the putting in equivalence method and applies for the enterprises over the one the consolidating society exercise a significant influence.

MATERIAL AND METHOD

According to the putting in equivalence method, the participation is revaluated in every year according to the results of the associated enterprise and to other events which affects its own fond (the assets revaluation, the enterprises regrouping etc.). IASB consider that the received dividends not furnish o correct measure of the benefit which correspond to an investor because they often are not in report with the associated enterprise's results. He has responsibility looking the performances of the enterprise in which he invest and, implicit, looking the profitability of his investment. Because integrates, in the consolidated financial situations, his part from the results of an enterprise over exercise a significant influence, it offer, in that mode, a analysis of the gains and investment. On that base can be determined much useful indicators.

REZULTS AND DISCUSSIONS

The putting in equivalence procedure supposes the majority of the phases met at the consolidation through global or proportional integration. We consider, from the beginning, to retreat the accounts of the associated enterprise if the last one do not use the same accounting methods like the one used by the society which hold the participation. How the minority share-holder is not always in measure to obtain the necessary information, these adjustments are, sometimes impossible to realise, aspect which must be mentioned in annex.

Contrary to the aspect which corresponds to the consolidation through global or proportional integration case, the accounts of the associated enterprise are not cumulated with the one of the entity which hold the participation. In that way we can prove the fact that the putting in equivalence does not represent a consolidation procedure, that being the motive for which it can be used for the individual accounts elaboration.

Participation is accounted at its acquisition cost. The difference between that measure and the fraction which correspond to the own capitals of the associated unity from that date will be decompose in two elements:

- ◆ the fraction which correspond to the pluses of latent value which looks the identifying assets of the associated enterprise;
- ◆ the commercial fond (goodwill) determined as difference.

We consider, for a better understanding of these aspects, that the „A” enterprise buys, at the beginning of the „N” exercise, for the sum of 300.000 lei, a participation of 30% in the „B” society's capital. At that date, the own capitals of the „B” unity represent 600.000 lei. The real value of the last entity assets correspond to their accounted, excepting some constructions estimated at 60.000 lei and which appears in the „B” society's balance-sheet for the sum of the 40.000 lei. The analysis of the participation price will be realised through the dates from the table 1.

Table 1

The participation acquisition price analysis

Nr. crt.	Specification	Elements of calculus
1	The part-quota from the clear accounted active of the „B” unity (30%) which returns to the „A” enterprise	$600.000 \text{ lei} \times 30\% = 180.000 \text{ lei}$
2	The part-quota from the pluses of latent value registered at the identifying assets of the „B” society which returns to the „A” entity	$(60.000 \text{ lei} - 40.000 \text{ lei}) \times 30\% = 6.000 \text{ lei}$
3	Postponed taxes which correspond to the established plus- values	$- 6.000 \text{ lei} \times 16\% = - 960 \text{ lei}$
4	TOTAL (rd. 1 + rd. 2 + rd. 3)	185.040 lei
5	Participation acquisition cost	300.000 lei
6	Commercial fond (goodwill) determined as difference (rd. 5 – rd. 4)	$300.000 \text{ lei} - 185.040 \text{ lei} = 114.960 \text{ lei}$

Because the latent plus-values of the identifying assets and the goodwill not figure in the associated enterprise's balance-sheet, its accounted result does not take account by the amortisation or the depreciation of these elements. As consequence, must be corrected the part from the result which return to the investor.

We suppose, in that sense, that the utile period of life of the constructions from the „B” unity, remained at the participation's acquisition date, is of 20 years and the commercial fond will be amortised, also, on the same period of time. We must correct, therefore, the part of the „A” society's in the result of the „B” entity (table 2).

Table 2

The correction of the „A” society's part in the „B” unity's result

Nr. crt.	Specification	Elements of calculus
1	The yearly amortization of the „A” unity's part in the latent plus- values which correspond to the identifying assets of the „B” enterprise (reduce the result of the „A” entity)	$6.000 \text{ lei} : 20 \text{ years} = 300 \text{ lei/year}$ (–)
2	The commercial fond amortization (reduce the result of the „A” society)	$114.960 \text{ lei} : 20 \text{ years} = 5.748 \text{ lei/year}$ (–)
3	Yearly reintegration of the postponed taxes which correspond to the latent plus-values for the identifying assets of the „B” enterprise (increase the result of the „A” unity)	$960 \text{ lei} : 20 \text{ years} = 48 \text{ lei/year}$ (+)
4	TOTAL (rd. 1 + rd. 2 + rd. 3)	$- 300 \text{ lei/year} + (- 5.748 \text{ lei/year}) + 48 \text{ lei/year} = - 6.000 \text{ lei/year}$

The registering in bookkeeping of the presented aspects needs the elaboration of the following articles:

▪ at the balance-sheet level:				
Result „A”	=	Titles put in equivalence	6.000	6.000
		„A”		
▪ at the results account level:				
The part-quota from the result of the society put in equivalence	=	Result „A”	6.000	6.000

CONCLUSIONS

The application of the putting in equivalence method furnish more information about the investor's clear assets and clear income.

The using of the putting in equivalence is compulsory for the consolidated accounts. The only exceptions from that obligation refers at the fact that:

- ♦ the participations are buy only to be yield in 12 month from the acquisition date and for which, the leadership seek, actively, a buyer;
- ♦ participations satisfies the ensemble of the following conditions:
 - the investor is himself subsidiary of an other society which public group accounts;
 - the other investors was informed by the investor's decision and they not opposite to it;
 - the titles emitted for the investor are not quoted to the stock-exchange.

Participations which are not put in equivalence are treated according to the IAS 39 „Financial instruments: recognition and evaluation”, meaning there are register in bookkeeping at the true value (at the stock-exchange course) if these stocks are quoted on an active market, or are evaluated at the acquisition cost, in contrary.

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