SOME ASPECTS CONCERNING THE ACKNOWLEDGEMENT METHODS OF THE INCOMES AND EXPENSES ACCORDING TO THE ACCOUNTANCY INTERNATIONAL STANDARDS

CATEVA ASPECTE PRIVIND MODALITĂȚILE DE RECUNOAŞTERE A VENITURILOR ŞI CHELTUIELILOR, CONFORM STANDARDELOR INTERNATIONALE DE CONTABILITATE

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Abstract. *The variety of the incomes and expenses acknowledgement methods provides to all the managers and other persons who are interested the possibility to advance their managerial abilities, choosing that method which presents the most accurate image of the company. When the firm comes upon difficult periods of time which might affect its image, these methods become real bookkeeping engineerings. The incomes and expenses represent straight elements of the profit measurement. Hence, the interest in defining the concepts of incomes and expenses and in presenting their content, according to the new accountancy standards*

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The accountancy has a clear and complex image over the incomes and the expenses. It is the result of the efforts made by IASB who, in the General framework for the drawing up and presentation of the financial situations, points out the definitions of the two concepts:

- the incomes represent growths of the economic benefits registered along the accountancy period of time under the shape of inputs or growths of the actives or diminutions of the debts which materialize in growths of the own capital, others than those resulted from the shareholders' contributions.
- the expenses represent diminutions of the economic benefits registered along the accountancy period of time under the shape of outputs or diminutions of

the actives or growths of the debts that materialize in reductions of the own capital, others than those resulted from their distribution to the shareholders.

MATERIAL AND METHODS

The incomes contain the incomes from current activities, as well as profits from other sources. Although the incomes and the expenses are elements of the profit and loss account, we must distinguish between the incomes and profits.

The profits refer to "a favourable net outcome from a transaction, as a result of the compensation's effects (received money) with adequate efforts (the asset's cost). The incomes from the company's ordinary activities are also known as sales, allowances, rents, dues, interests.

RESULTS AND DISCUSSIONS

The profits are growths of the economic benefits that can appear or not along the current activity of the company.

The same approach method is also valid in the case of the expenses.

The expenses include the current expenses, but also the loss.

The current expenses are occasioned by the carrying on of the company's current activity, finding them under the shape of the sales', the wages' and the liquidations' cost.

The loss represents diminutions of the economic benefits that can appear or not along the current activity of the company, such as the loss generated by floods, fires, from the going out of the actives on long term.

Also, the expenses include the unachieved loss, such as those generated by the discounts conferred to the clients or by the growth of the exchange rate.

The profit and the loss are usually pointed out at the net value, without being associated to the afferent incomes, respectively the afferent expenses.

Given their importance in the decision making process, the profits and the loss, once acknowledged in the profit and loss account, they are presented separately.

Out of the classification criteria of the expenses in the managerial accountancy, we will address the criterion of the inclusion in the production cost. The mentioned criterion classifies the expenses in the following categories: incorporable, non-incorporable and suppletive.

- *The incorporable expenses* are found in the financial accountancy, as well as in the managerial accountancy and "are normally included in the cost of the manufactured production".

As a consequence, they are elements of the period's cost, but also the products'. In this category we include the exploitation expenses and, in part, the financial expenses (expenses with interests afferent to the bank credits for the production with long cycle manufacture).

- *The non-incorporable expenses* are reflected only in the financial accountancy, not being included in the cost of the product. Such expenses include: general administration expenses, sale by retail, extraordinary expenses, financial expenses generated by losses.

- *The suppletive expenses* are pointed out only by the administration accountancy and, as a consequence, they are included in the cost of the product. They are considered "costs without equivalent in the expenses".

In the accountancy's perspective, the acknowledgement represents the process of incorporation of an element in the financial situations, with the condition of achieving two criteria: the probability that any associated benefit has to enter or come out of the enterprise and the probability that the element has to have a cost or a value that can be assessed in a credible way.

There can be cases where an element, although it does not accomplish the acknowledgement criteria, is relevant for the users who are interested in measuring the financial position and the company's performances. In such situations, the presentation of the element in the explaining notes is recommended.

The conceptual framework of IASB has established the criteria for the acknowledgement of the elements that describe the company's performance.

Thus, the **incomes** are acknowledged in the profit and loss account, if the following criteria are achieved:

- future economic benefits growth associated to the growth of an active or the diminution of a debt and
- the credible assessment of the economic benefits' growth.

This means that the incomes are acknowledged simultaneously with the acknowledgement of the actives' growth or the diminution of the debts, such as the net growth of the actives as a result of the assets' sale or services' carrying out or the diminution of the debts as a consequence of the annulment of a debt.

In the case of the **expenses**, the criteria for their acknowledgement in the profit and loss account are:

- reduction of future economic benefits simultaneously with the diminution of an active or the growth of a debt and
- the credible assessment of the economic benefits' reduction.

The incomes' acknowledgement criteria, as IAS 18 "Incomes" prescribes, must be separately applied for each transaction or for two or more cumulated transactions, when these are connected, and the commercial result can be understood only if the transactions are analyzed on the whole.

In order to emphasize the way of acknowledging the incomes and the expenses depending on their nature, we present a few examples:

The incomes from the assets' sales are acknowledged when the following conditions are simultaneously accomplished:

a) the company has transferred to the customer the significant risks and advantages that result from the assets' property;

b) the company does not administrate the sold assets at the expected level, in case of holding their property and does not hold the effective control over them;

c) the size of the incomes can be reasonably assessed;

d) it is probable that the economic benefits that are associated to the transaction be generated to the enterprise and

e) the costs of the transaction can be reasonably assessed.

The incomes from services carrying out are acknowledged according to the "*execution percentage method*", which means that along the execution of the contract, only when the result of such a transaction can be reasonably estimated.

The incomes and the expenses associated with constructions contracts are acknowledged by resorting to two methods recommended by IAS 11 "Constructions contracts": "*the contract finishing off percentage method*" (*the percentage advance method*) and "*the method referring to the final stage of the contract*".

The contract finishing off percentage method (percentage advance) involves the acknowledgement of the incomes and expenses stipulated by the contract, according to the stage of the contract's accomplishment.

Thus, the incomes and the expenses stipulated by the contract are acknowledged in the profit and loss account, as incomes, respectively expenses, at the closing of each financial exercise, depending on the stage of the work's execution.

The incomes from dues are acknowledged having as a base the obligations accountancy, according to the economic reality of the contract.

The incomes from divvies are acknowledged when the shareholder's right to receive the payment is established.

The incomes from interests are *periodically, proportional acknowledged, relying on the effective output of the active*.

The cost of the stocks must be acknowledged as expense in the following situations prescribed by IFRS 2 "Stocks":

a) when the stocks are sold, their accountant value must be acknowledged as an expense during the period of time in which the adequate income has been acknowledged;

b) when a diminution of the stocks' cost until the net possible value level as a result of the devaluation appears. The devaluations value is acknowledged as expense during the period of time in which they were reckoned;

c) when a stock loss appears: stocks whose warranty period has expired, without the capitalization possibility, deteriorated stocks.

The expense with the interests and other expenses sustained by the enterprise with the loan of funds are designated by IFRS 23 "The debts costs". According to this international accountant standard, the debts costs entail two bookkeeping methods: *the expenses' reflection in the period of time in which they appeared* (fundamental accountant treatment) or their *capitalization*, as part of a long term active.

The differences in the exchange rate represent a purpose of the IFRS 21 "The effects of the exchange rate variations" which prescribe two methods of acknowledging them.

The incomes assessment is made according to the stipulations of the paragraph 9 from IFRS 18, "at the just value of the received or receivable payment method.

Usually, the value of the incomes generated by a transaction is established relying on an agreement between the company and the customer or the active user, taking into account the commercial reductions granted by the company.

The payment method that will be received is generally represented by the cash or cash equivalents, and the incomes sum represents the cash sum or received/receivable cash equivalents.

Postponing situations of the cash inputs or cash equivalents can appear, having as a result the diminishing of the payment method comparatively with the nominal sum of the received or receivable cash.

In order to surpass such situations, IFRS 18 recommends establishing the just value of the payment method, by updating all the future receivable sums, using an established interest rate.

The difference between the just and the nominal value of the payment method will be acknowledged as income from interests.

The presented method is made through the agreement established between the purveyor and the client, and the established rate of the interest can be: the rate that is prevalent for a similar instrument of an issuing, having credits which have the same risk degree or the interest rate that updates the nominal sum of the instrument at the present prices in cash for the sale of assets and services.

Related to the assessment of the expenses, this is made "at the just value of the granted or grantable payment method in the exchange of the received or transferable labour conscription".

CONCLUSIONS

A cost system depends on the followed objectives. As a result, the system will be simple if we have in view only the reckoning of the costs or elaborated if we want to get information that can serve the management in the exercise of the control and the substantiation of the decisions.

As far as the expenses and the incomes are concerned, they need a complex analysis, independent on the manner in which they are regarded.

The variety of the incomes' and expenses' acknowledgement methods gives the managers the possibility to advance their managerial "mastership", choosing that method that presents an accurate image of the company.

Yet, when the company faces difficult periods of time that can affect its image, these methods become real accountant engineerings.

That is why we consider that the relativity of these notions, as well as the relativity of the performances is obvious, on one hand, because every actor-partner has his own perspective over the enterprise's functioning and performances, and on the other hand, because every indicator privileges one image or another of the obtained results.

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