CONSIDERATIONS REGARDING THE DIVERSITY OF TANGIBLE ASSETS IN THE LIGHT OF THE NEW ACCOUNTING REGULATIONS

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Abstract: *Fixed assets represent an important category in the patrimonial structure of any entity, because they have a complex structure and they materialize in items with significant values. As regards the analysis of this group, we can observe the existence of a significant volume of empirical studies regarding the usefulness of the accounting information related to the tangible assets for different categories of potential users of the annual financial statements (among which managers and investors are distinguished with priority). This shows that the place occupied by these assets in the patrimony of the entity is of significant importance.*
Diverse categories are individually recognized in the accounts as follows: land, landscaping, construction, real estate investments, productive biological assets, tangible assets for the exploration and evaluation of mineral resources. According to the professional reasoning, it is necessary that each item to be registered separately, as a good individual, whether it was purchased in a transaction involving a mix of elements.

Key words*:* assets; professional reasoning; land; construction; investments.

JEL Classification Codes: M20, M40, M41.

1. INTRODUCTION

The patrimonial items of an economic entity are divided into assets, liabilities, income and expenses. Among these, assets are considered to be the most representative items presented in the financial statements. Furthermore, in the conceptual framework of IFRS, all other elements of the financial statements are presented as assets' functions:

-liabilities are present obligations to give up on assets;

-shares are residual interests in assets;

-incomes are the net asset's growth;

-expenses are decreases in net assets.

The recognition of an asset, liability, income or expense is made by including it in the annual financial statements on the basis of a professional judgment whose aim is to keep the insurance requirement, by means of a true image concerning the position and financial performance of the asset for which they are drawn up. The faithfulness of the annual financial statements will be ensured through an accurate representation of the transactions' effects accomplished in the entity, representation which involves the complete, neutral and error-free description of the mentioned elements.

An item and the information regarding it should meet two well-founded recognition criteria to be registered in the accounting and it will be recognized only when they are accomplished subject to the constraint of the materiality threshold. So, to be included in the financial statements, a patrimonial item such as tangible assets must meet the recognition criteria in accordance with the definitions specified in the OMFP: "an asset is a control entity resource as a result of past events, from which is expected to generate future economic benefits to the entity" and "fixed assets represent the assets that are intended to serve the entity for a long period of time i.e. more than one year.

This category of assets is divided into intangible, tangible and financial assets. Among these, tangible assets are distinguished by the fact they are tangible, and comprise the following elements:

- lands and landscaping;
- buildings;
- technical installation and means of conveyance;
- furniture, office equipment, equipment for protection of human and material values and other tangible assets;
- real estate investments;
- tangible assets for exploration and evaluation of mineral resources;
- productive biological assets.

Fixed assets represent an important category in the patrimonial structure of any entity, as they have a complex structure and materialize in items with significant values. As regards the analysis of this group, we can observe the existence of a significant volume of empirical studies regarding the usefulness of the accounting information related to the tangible assets for different categories of users of the annual financial statements, among which mangers and investors are distinguished with priority, which shows that the place occupied by these assets in the patrimony of the entity is of significant importance.

In fact, the specialized literature mentions the importance of tangible assets since 1917, when Paton and Littelton characterized the accounts as a mean of registering the complex equipment used in the production activity.

The common needs of several individuals forming a market segment can be seen as an order, and the industry, through the production of goods, executes it. The money invested in the necessary elements for the production process (raw materials, materials, means of production and, last but not least, labor) are integrated into the finished product, which will reach the consumer as a commodity in exchange for a price (the commodity will be available to satisfy the consumption needs of the entire society, including employees who participated in the production cycle or the entrepreneur himself, thereby making the capital flow in the economy). The price includes the entrepreneur's profit, which will be used in a new production cycle, but only to the extent that he understands that for the "financial health" of his entity/business, the gained capital in the form of profit must be reinvested.

We cannot ignore the role and the importance of investment in the process described above. In our opinion, the most important resources of the entity are the human resource and the material resource objectified in means of production, namely tangible assets. Next we propose to detail the structure of tangible assets' category.

2. REAL ESTATE: LANDS AND BUILDINGS, REAL ESTATE INVESTMENTS

Earth is one of the natural resources considered to be physically inexhaustible. Each plot of land is unique, immobile, durable and useful. However, the earth is constantly subject to change by the action of natural factors (climate, topography) generated by man (exploitation) or by society (economic, demographic, technological or cultural tendencies).

"In the legal theory, the surface of the earth is only a part of a topped pyramid whose top is found in the center of the Earth and pierces the surface of the earth through points that mark the contour of that land and continues to the Heaven" (EPI, Appraisal Institute, 2011, p. 1.3). Thus, it is assumed that the right to land ownership includes the right to exploit its subsoil, surface, and associated airspace. However, land ownership may only be directed to a specific part of the three, or may be affected by servitude, access restrictions, or usage restrictions.

Being one of the four factors of production defined in the economy, the concept of land has been extensively debated over time, being one of the main foundations for the formulation of value theories. It can be regarded both as a basis of social activities, therefore, a resource that must be shared unrestrictedly, as well as a commodity that can be owned and utilized/exploited individually, therefore, as a source of wealth. Thus, the ways of using the land are diverse, from recreation, to agriculture, or the exploitation of mineral, subsoil, industry, commerce or residential mineral resources. However, not all land is used. In order to obtain exchange value, the land must meet the conditions of recognition as an economic asset, namely utility, rarity, desire and purchasing power.

The most influential feature of these is considered to be utility. In principle, within an entity, all economic assets have an individual intrinsic value, but most of them are acquired for interdependence. It is intended that the mix thus obtained will maximize the future economic benefits. As regards lands, these can be regarded as individual goods only when they are marketed, in which case they will be classified as current assets in the nature of inventories. Instead, when used at the basis for other activities they are often considered to be a whole set of other assets serving the business.

Thus, the land has value because it provides a potential utility as a site for a construction, recreation facility, agricultural exploitation, oil extraction, coal, water, sand, stone, or can provide utility for transit passageways, water or other utilities. Is it true that, most often, depending on the nature of the activities carried out and, consequently, the goods involved, the value of the whole group varies, while the value of the land is stagnating. It is the case if the value of the virgin land is less than the value of the entire site, built/developed or not. In other words, the value of the ensemble is maximized by the value of the goods on the ground (fittings, constructions, plantations, natural resources).

However, there are situations where the opposite is true, in which case the land is not used for its best use. The concept of best use refers to the use that is "probable, reasonable and legal and physically feasible, adequately substantiated, financially feasible, and determining the highest value" (EPI, Appraisal Institute, p. 12.3). Thus, may encounter situations in which, although the land is used or exploited in a particular mainframe, its maximum productivity can be achieved by redevelopment and sale, or further development to the best use. For example, it is likely that a real estate type of land + residential construction located in a commercial or industrial area will have a higher market value as free land (which means demolition of the site and site redevelopment) rather than ownership residential. Or, it is possible that a plot of land located in a central urban area, in the vicinity of important traffic arteries, which has attached a commercial building to be maximally productive by using private car parking, etc. In this case, the value of the ensemble is maximized by the land.

Like lands, buildings can have a variety of uses: single or multifamily buildings, commercial properties, hotels, motels, boarding houses, office buildings, industrial properties (production halls, distribution halls or warehouses), farm buildings or buildings special destinations (religious settings, theaters, sports arenas, museums, etc.). Instead, the lands have the specific feature that it could be not developed, but only acquired, unlike all the other types of property, which can be developed and managed by themselves.

Real estate investment is defined in the OMFP as: "Ownership (a land or a building - or part of a building - or both) owned (by the owner or lessee under a finance lease) rather to obtain rental income or to increase the value of the capital, or both, than to be used in the production or supply of goods or services or for administrative purposes or to be sold during the normal course of business."

A real estate property, in order to be recognized as an investment, must fulfill the condition of being held for the purpose of use in the production process or the supply of goods and services or for administrative purposes.

Special situations may arise where the entity uses a real estate property for a variety of purposes, in which case it is necessary to distinguish between types of economic benefits accruing from use and accounted for as follows:

- If a property is divided by destination as follows:

✓ a part is used by the entity in its own interests, for example as a registered office, or as a place where activities are carried out according to the field of activity

and

✓ a part to rent for the purpose of obtaining income of this nature, then the property will only be accounted for according to the two destinations if they can be separated and sold as such. Otherwise, a real estate investment will be recognized only if the first party is insignificant in relation to the other, a condition imposed in accordance with the definition of real estate investment.

- If an entity owns a property that is occupied by tenants, and at the same time provides them with ancillary services, it will be recognized as a real estate investment only if those services are an insignificant component of the entire contract. Otherwise, the property will be treated as an asset used by the entity.

In conclusion, irrespective of the combination of them, the following categories are recognized individually in the accounts: land, landscaping, construction, real estate investments. Thus, each item must be recorded separately as a separate asset regardless of whether it was purchased in a transaction involving a mix of items as shown in the table below (example of professional reasoning).

Table 1. Professional judgment on classification in the category of property, plant and equipment in the case of the acquisition of a mix of items

Situation	Framing in Category (if the acquisition requires a mix of elements, individual recognition is required)	* Recognition of some land developments, if any
The acquisition of a free field		
With the intention of selling it	Stocks (if it is a repeat activity) or Assets held for sale (IFRS)	-
With the intention of renting it completely	Real estate investment	-
With the intention to rent it partially	If it is a significant part, it will be recognized in Real Estate Investments. If not, he will be recognized in the Fields	x
With intent to use / exploit it for the business	Lands	x
With the intention of parceling it, and resold separately	The original purchase is recognized in Lands. After parcellation, individual analytical analyzes develop	x

The acquisition of a building			
With the intention of selling it	Stocks (if it is a repeat activity) or Assets held for sale (IFRS)		-
With the intent to rent it completely	Real estate investment		-
With the intention to rent it partially If it is a significant part, it will be recognized as Investment Property. If not, he will be recognized in Construction	If it is a significant part, it will be recognized as Investment Property. If not, he will be recognized in Construction		-
With the intent to use it for doing business	Construction		-
The acquisition of a Real Estate (land+construction)			
If used wholly as headquarters, or for production / provision of services	Lands	Construction	x
If fully used for rent	Real estate investments	Real estate investments	-
If you just rent the construction	Lands	Real estate investments	x
If only part of the land is rented	If it is a significant part, it will be recognized in Real Estate Investments. If not, he will be recognized in the Fields	Construction	x
If you rent only part of the construction	If it is a significant part, it will be recognized in Real Estate Investments. If not, he will be recognized in the Constructions	Lands	x
If the construction is demolished because the best use of the land is free land, intended for sale	Only land is recognized under the Investment Property (OMFP) / Asset-Listed Asset (IFRS) category, and demolition, restoration and site preparation work will be recognized at expense.		-
If the construction is demolished, because the best use of the land is free land, intended for renting	Only land is recognized under the category Real estate, and demolition, restoration and site preparation will be recognized at the expense		-
If the construction is demolished because the best use of the land is development for another use	Only land is recognized in the Land category, and demolition, restoration and site preparation work will be recognized at expense.		-
Buying a building. Initially, it is not used by the owner, requiring improvements and improvements. Upon completion of the building, the building will be used as the headquarters.	The building cannot be considered a real estate investment. Until completion of construction and fittings, it is an ongoing Immobilization under construction.		-

3. MOVABLE PROPERTY AND SPECIAL CATEGORIES OF TANGIBLE ASSETS

3.1. Technical installations and means of transport, furniture, office equipment, protection equipment of the human values and materials and other tangible assets.

In evaluation, the two groups of tangible assets are named machines, equipment and installations.

According to the evaluation standards ANEVAR 2017, the most common actives in this category are: production equipment, means of transport, handling equipment, auxiliary equipment, laboratory equipment and testing, office furniture, accessories and office equipment, computing equipment, tools, devices, measuring instruments and processing plants or units.

Such equipment will be individually recognized in the accounting only if it can be separated and sold as such. Otherwise, if it is an integrated part, inseparable from the site (e.g. heating, electricity, gas or lifts), their value will be capitalized in the value of the asset to which they are attached. Thus, the first step in the recognition process is to understand the functionality and destination of the good. Unlike the groups previously analyzed, namely land, construction and real estate investments, assets such as machinery, equipment and installations have a shorter economic life. This is mainly due to faster wear due to intensive use, but also to technological progress as an external factor that accelerates the process of moral depreciation. Therefore, more attention should be paid to estimating the capacity to generate future economic benefits. Its pace may vary significantly, depending on external factors, such as the one mentioned above, or depending on the performance of the activity it serves.

It can certainly be said, with solid fundamentals, that the forecast in the field of accounting is a very difficult exercise, mainly driven by the inherent time gap between the past economic conditions (the basis of what was) and the current economic conditions in full change (the basis of "what could be"). Therefore, the estimation of possible changes in cash flow generated by an asset, as a result of the recognition of the asset, due to the pace of the entity's economic activity, seems to be a very difficult task. However, this prediction is important because it influences the choice of the economic lifetime on the basis of which it will be recorded its depreciation.

As in the case of construction, assets such as machinery, plant and equipment may be recognized, according to the acquisition method, acquisition cost, production cost or fair value.

3.2. Special categories: Productive biological assets, Tangible assets for the exploration and evaluation of mineral resources.

OMFP defines productive biological assets as: "any assets other than biological assets in the nature of stocks; for example, dairy animals, vines, fruit trees and trees from which firewood is obtained but which are not cut. Productive biological assets are not agricultural products but rather are self-regenerating assets (a live animal or a living plant)."

Regarding recognition, attention must be paid to the fact that most biological assets are physically attached (physically) to the la1nd on which they are located (e.g. plantations). In this respect, although the transaction by which the asset is acquired has as its object the whole of the land and the associated biological assets, it is necessary to extract the individual values and to record in the accounts as such.

From the point of view of the separate asset valuation, it is stated that although a market for the assets concerned cannot be found, there will be a market for the whole (i.e. one of the combined assets). Then, the value of biological assets will be deducted from the value of the property, taken as a whole.

Expenditure on exploration and evaluation of mineral resources is carried out by the entity for the exploration and evaluation of mineral resources, but can be classified in this category only if they are carried out before the technical feasibility and commercial viability of the mineral resource extraction has been demonstrated.

Exploration and evaluation of mineral resources refers to:

- prospecting mineral resources after the entity has acquired legal rights to explore;
- technical feasibility assessment and commercial viability of extraction.

The entity should specify through the accounting policies the criteria for recognition of expenses in the category of exploration and evaluation assets, and also the implementation of the policy adopted must be carried out with consistency. In this respect, consideration will be given to the extent to which the expenditure in question can be associated with the discovery of mineral resources.

Examples of such expenditure include the following: the actual acquisition of exploration rights, all studies done for that purpose, digging or drilling operations or measures related to the determination of technical feasibility and commercial viability

On the other hand, in the category of expenditures that are not considered in connection with exploration and evaluation of mineral resources are all expenditures incurred.

-prior to obtaining the exploitation right, as well as those that have occurred;

-upon demonstration of technical feasibility and viability;

-expenses related to the utilization of mineral resources.

The classification of assets for the exploration and evaluation of mineral resources can be done in one of the following categories:

- intangible assets (an example of this is drilling rights);
- tangible assets (e.g. installations used for drilling).

It is noted that if a tangible asset is used in the process of creating an intangible asset, the expenses related to the wear and tear will be recognized as cost components of the intangible asset.

On the other hand, the declassification is achieved if the technical feasibility and commercial viability of the extraction have been demonstrated.

4. CONCLUSIONS

Information on the entity's patrimonial assets is very important, and their complete, neutral and error-free presentation is the basis for ensuring a true image of the entity. Under these circumstances, we believe that information about immovable assets disseminated through the annual financial statements is of significant importance in the analysis of the entity's market value in the decision-making process of potential investors as well as in areas where this information is used as data input (evaluation or statistical).

In order to meet the above mentioned qualitative conditions, the professional accountant is required to exercise his professional judgment by carrying out a detailed analysis of the nature of the transaction, the traded elements, respectively the individual or group characteristics, if appropriate, as well as their foreseeable use.

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