

# **TANGIBLE ASSETS ASSESSMENT**

## ***Applicable legislation in this field***

- Law no. 15/1994 on depreciation of capital fixed in tangible and intangible assets, republished, published in the Official Gazette no. 242/31<sup>st</sup> of May 1999
- Government Decision no. 500/1994 on tangible assets revaluation and modification of registered capital, published in the Official Gazette no. 208/10<sup>th</sup> of August 1994
- Government Decision no. 909/1997, for the approval of the Methodological Norms for the enforcement of the Law no. 15/1994 on depreciation of capital fixed in tangible and intangible assets, published in the Official Gazette no. 4/8<sup>th</sup> of January 1998
- Government Decision no. 403/2000 on tangible assets revaluation, published in the Official Gazette no. 252/7<sup>th</sup> of June 2000

## ***I. Scope of the legal provisions in the field of tangible assets***

Tangible assets revaluation implies the updating of the value of the patrimonial elements in accounting reports drawn up on the 31<sup>st</sup> of December of the year previous to that in which the revaluation is made, for the purpose of their bringing to the current cost or at the entry value in correlation with the utility of the goods and their value on the market.

The followings may proceed to tangible assets revaluation:

- trade companies, regardless of their form of property;
- regies autonomes
- national companies;
- research institutes;
- natural persons and associations without legal personality performing activities with the purpose of making income and who, according to law, are obliged to have the simple entry accounts;
- the other categories of economic entities.

The economic entities under the procedure of dissolving of administrative winding up according to the Law no. 31/1990 on trade companies, republished or in procedure of judicial winding up according to the Law no. 64/1995 on the procedure of judicial reorganization and bankruptcy, republished, shall not proceed to tangible assets revaluation.

## ***II. Tangible assets subject to revaluation***

According to Government Decision no. 403/2000, the tangible assets existing in the patrimony of the legal persons and highlighted in the balance sheet drawn up on the 31<sup>st</sup> of December of the previous year to that in which the revaluation is made are subjected to revaluation, as follows:

a) fixtures in the patrimony, highlighted in the accounts:

1. 2121 “Constructions”,
2. 2122 “Technological equipments (cars, plants and installations for work)”,
3. 2123 “Devices and installations for measurement, control and adjustment)”,
4. 2124 “Means of transportation”,
5. 2125 “Animals and plantations”,
6. 2126 “Furniture, apparatus, equipments for the protection of the human values and materials and other tangible assets”.

b) fixture in their patrimony on the 31<sup>st</sup> of December of the previous year, given for lease purchase or leased, as the case may be, and those given for use to the joint ventures, according to the contracts concluded; these are revaluated by the legal persons that have them highlighted in their patrimony;

c) investments performed to tangible assets subject to concession, leased or in lease purchase are subject to revaluation by legal persons who have performed them and registered them in the accountancy;

d) capacities put into operation partially, of the nature of the fixtures for which the registration forms as fixtures were not drawn up;

e) fixtures to which between the 1<sup>st</sup> of April 1994 – the 31<sup>st</sup> of December of the previous year in which works of modernization were performed that have increased the registered value of these tangible assets;

f) fixtures delivered in a lease system – upon revaluation the negotiated value, stipulated in the contract concluded between the

- parties, shall be taken into account by the legal persons that have them highlighted in their patrimony;
- g) tangible assets belonging to the public patrimony, registered in the assets of the balance at the economic entities stipulated at the Art.1 from the decision;
  - h) fixtures at the branches, subsidiaries and agencies from abroad – are revaluated by the economic entities from the country, if registered in their patrimony;
  - i) depreciable goods, namely fixtures, registered in the Inventory-Ledger, in the case of the natural persons developing independent activities.

### ***III. Mode of revaluation***

With the purpose of revaluation, legal persons mentioned shall proceed with the performing of the inventorying of the assets.

Inventorying of the patrimony is performed by the **inventorying committees**, composed from at least two persons, appointed through written decision, issued by the administrator, funds coordinator or other person having the obligation of managing the patrimony, having the liability for the developing in goods conditions of the inventorying works.

At small units, the inventorying may be performed by only one person.

Through **smaller units** to which the inventorying may be performed by only one person, it is understood as follows: natural persons having the capacity of trader or trade companies whose number of employees is smaller than two persons and the material values that has to be inventoried do not exceed the threshold established by the administrators of the unit.

The followings may belong to the inventorying committee:

- managers of the warehouses subject to inventorying;
- accountants keeping the account of the respective administration, except small units.

### ***Specifications***

Revaluation shall be performed annually, in the case in which the inflation rate cumulated for the last three consecutive years exceeds 100%.

Tangible assets may be annually revaluated on the basis of the inflation rate communicated by the National Committee for Statistics, valid for the date of 31<sup>st</sup> of December of the respective calendar year.

Tangible assets that have come out of the patrimony of the economic entities after the date of 31<sup>st</sup> of December of the previous year, as well as those under preservation are not subjected to revaluation.

## **1. Tangible assets revaluation**

For the revaluation, the remaining value shall be established, updated to the date of 31 of December of the previous year, taking into consideration the followings:

- the entry value of the fixtures, subject to revaluation highlighted in accountancy;
- depreciation calculated until the 31<sup>st</sup> of December of the previous year, highlighted in accountancy in the credit of account 281 – “Tangible assets depreciation” and in the debit of account 8045 – “Depreciation afferent to the neutralization degree of fixtures”;
- depreciation afferent to fixtures for which total exemptions were obtained or for a limited period to the calculation of depreciation, according to Art. 16 from the Law. no. 15/1994 on depreciation of capital fixed in tangible and intangible assets, as further amended and completed and Art. 3 from the Government Decision no. 104/1994 on certain measures for the reflecting in accountancy of the financial-accounting operations from the activity economic entities;
- inflation rate communicated by the National Committee for Statistics for the period comprised between the date of the last revaluation registered in accountancy and the date of 31<sup>st</sup> of December of the previous year.

## **2. Revaluation results**

Differences resulted from the revaluation and the updated values of the revaluated fixtures shall be analyzed by the inventorying committees, taking also into consideration the utility of the respective goods and their value on the market. If over-evaluations or under-evaluation of their value are established, they shall be removed.

### *Utility of the goods*

When establishing the utility of the goods the possibility for in the future financial years, for the respective tangible assets, to exist an appropriate charge with orders and contracts, so that through the selling of the production made the recovery of the extra-depreciation generated by revaluation to be ensured, is taken into account.

### Value on the market of a tangible asset

Value on the market of a tangible asset represents the price that can be obtained on an active market, when assets on the market are relatively homogenous and there are enough quantities of such transacted assets, so that potential buyers and seller may be found any time.

The differences of revaluation shall be subject for approval of the general meeting of shareholders or associates, namely the board of directors in the case of the regies autonomes, and after their approval they shall be registered in the appropriate accounts.

If the inventorying committee performs adjustments of the updated value, the recalculation of the depreciation difference shall be performed accordingly.

The differences resulted as a result of revaluation shall be registered distinctively in the accountancy of the economic entities, in the general accounting plan introducing the following accounts:

- 105,06 – “Differences from the fixtures revaluation”;
- 2121,1 – “Differences from the constructions revaluations”;
- 2122,1 – “Differences from the technological equipments revaluation”;
- 2123,1 – “Differences from the Devices and installations for measurement, control and adjustment”;
- 2124,1 – “Differences from the means of transportation revaluation”;
- 2125,1 – “Differences from the animals and plantations revaluation”;
- 2126,1 – “Differences from the Furniture, apparatus, equipments for the protection of the human values and materials and other tangible assets”.