Accounting for Intangible Capital- Normative Representation of Economic Reality?

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Abstract
In development economies the term globalization has become a widely debated topic, the advantages and disadvantages perceived by active participants in economic life. The modern economy is becoming more and more "immaterial". Increasing service firms exceeded those of many primary and industrial sectors. Two thirds of the gross national product of Western countries are made in the service sector. Business processes such as networking, real-time transaction with a high degree of certainty about the quantity and quality of information transferred and received that are common in business environments.

Even if this process of globalization has been and still is considered a step in the development and enhancement of business, it is assigned a major role in the international economic crisis. A possible solution to this phenomenon could be a better use of resources used so far incomplete or unknown environments, namely business and intangible assets. The role of intangible assets in the new knowledge economy and future trends in development organizations is a widely discussed topic in international business environments and new approach in the Romanian business environment. This concept is shown to be better known and widely used by default by those involved in the organization and by factors outside its. The accountants and evaluators need to create a unified vision to recognise the value of these assets in the financial statements and their credibility to investors. Moreover this impediment to recognition of uniform accounting system at European and global has raised many difficulties in presenting the consolidated financial statements.

Keywords
Modern economy, intangible assets, financial statements, consolidated financial statements, development.

INTRODUCTION

The modern economy is becoming more and more "immaterial" [1]. Increasing service firms exceeded those of many primary and industrial sectors. Two thirds of the gross national product of Western countries are made in the service sector.

New theoretical problems, of great complexity, that need to be mastered by a good manager, owner or a potential investor can be summarized in several aspects of the market value of shareholders equity and invested capital, intellectual capital or intangible assets of organization, their value to intangible investments and their cost, but especially the return on capital invested and profits gained through their capitalization.

The difficulty of this process lies in the assimilation of these concepts dispersed due to partial knowledge from several disciplines, resulting in bits of practical skills and not help the entrepreneur to form a coherent set of indicators, criteria and tools.

Therefore we consider as highly useful in providing a convergent approach to these new concepts, a process very important for any investor.

THEMATIC AREA WITHIN THE SUBJECT
Due to the many economic factors involved, the process of quantifying the intangible elements at the enterprise level is a challenge for researchers and managers involved in this direction or collateral problems. Although it operates with several concepts that refer to the same class of resources, the discussions aimed at identifying the location, the importance and contribution of intangible assets are becoming more relevant. Thus, contemporary economic theory is frequently uses concepts of intellectual capital, industrial property these concepts are found under the generic name intangible assets. This latter concept is shown to be better known and widely used by default by those involved in the organization and by factors outside its (business evaluators, investors, supervisory bodies etc.).

The question on these items is that many of the intangible assets owned by companies are not included in their balance sheet, which has spurred discussion at the national and international organizations. In this way accountants and evaluators have to create a unified vision the recognition the value of these assets in the financial statements and thus to assess their credibility.

Moreover this impediment to recognition their value in an uniform accounting system at an European or global level raises nowadays many difficulties in presenting the consolidated financial statements. Although participants in economic life desire is to create a uniform accounting system with the possibility of comparing information at any time, this is currently impossible.

**KNOWLEDGE LEVEL NOWADAYS**

For the financial statements to be comparable both in time and space, and more for data availability information to be done in real time it is necessary to adopt a system of rules (definitions, methods of recognition measures) unit .

Currently the continental accounting system [2] and by default the Romanian one [3] the concept of intangible assets knowns many definitions given by practice concepts from the various countries that are part of the EU. Although essentially the same concept and definitions have similar characteristic we can still see the presence, absence or pattern of the reformulation of some aspects of the specific results of each part of the accounting system.

Going on the same logic way the criteria for classification [4] can be seen more analytical or less depending on the method of defining specific accounting system in each hand. All these issues of definition and classification should be given most importance since they will be based on further classification, recognition and subsequent evaluation [5] of intangible assets. As a consequence of the correctness of the steps listed above we will be able to observe how whether these factors will influence or not the method of presentation of financial statements. As each based accounting system has particular manner adopted (French Method vs. the Anglo-Saxon Method) and accounting law is defined for each country in particular, it is virtually impossible to make a comparison of how the influence of intangible assets on business organizations take place at a central level. Moreover it is found more often difficulties in consolidating the financial statements of subsidiaries of various organizations that have their branches in various parts of Europe. Although the EU increasingly speaks of a common law system of accounting and taxation for all Member States, it is only a very difficult goal.

**ANALYSIS ON THE TOPIC**

Of the many meanings of intangible assets of an enterprise to make a relevant research comparison of topic, we thought it was very interesting taking into consideration various approaches alongside existing national and international levels.

**Definition of intangible assets**

Considering the strict definition of the Romanian legislation [6], an item of intangible fixed asset is a good, identifiable non-monetary, non-material support and held for use in the production or
supply of goods or services, for rental to others, or for administrative purposes. Viewed from this perspective the category of elements of quantitative capture only the essence that can be evaluated in monetary terms at one time well established, but this independent vision is replaced by another of today's evolving nature that folds our vision in the current organizations. Therefore, the current Romanian accounting systems the concept of intangible fixed asset is viewed from the perspective of financial accounting, on the one hand, and regulated by the management or management accounting. The dual approach allows, we consider, a better understanding of the role and place these elements within organizations and also provides a better distribution of costs and benefits associated with their default. Costs and benefits are attributable to the Romanian legislation in the design of elements which are well identified by the entity.

From the perspective of the International Accounting Standards IAS / IFRS (IAS 38 - Intangible Assets) an intangible asset is an identifiable non-monetary asset without physical substance, eliminating the previous definition of reference set out for use referring to the intangible assets.

U.S. accounting systems, U.S. GAAP [7], have a much simplified system down to the European situation may paradoxical given that the concept of intangible assets in the U.S. is quite known and used. The definition is clear [8] and shows the concept as a key intangible asset without physical existence.

**Classification of intangible assets**

Classification of intangible assets can be separated according to several criteria, respectively, after the characteristics of the domain in which they are involved, similar in nature and use of the business after the useful life of the intangible assets.

In accordance with the laws in force in Romania by Finance Order 3055/2009 for approving harmonized with European Directives, intangible assets include: formation expenses, development costs, concessions, patents, licenses, trademarks, similar rights and assets except those created by the entity, goodwill, other intangible assets, advances to suppliers of intangible assets and fixed assets in progress.

At European level, the latest and most detailed official classification of intangible assets [9] is that contained by both IFRS 3 (2005) - Business Combinations and by SFAS 141 in - Business Combinations. This classification refers to intangible assets that are acquired in a business combination that meet the definition of the concept in mind and therefore can be recognized separately for their fair value which can be measured reliably. Identifiable intangible assets of the five fields (marked with capital letters) are an exhaustive list of the most common identifiable intangible assets that can be assessed separately from goodwill.

Classification by nature of the business and similar uses of IAS 38, includes elements that refer to trade names, web publications, licenses, franchises, etc. The usefulness of this type of classification will be established where a reassessment of intangible evidence such as this process involves simultaneous revaluation of all elements of the class.

According to the same sources IAS 38, the category of intangible assets can be classified from the perspective of life cycle, namely life intangible assets with finite useful life and intangible assets with indefinite life. This classification is particularly important in accounting for intangible assets, because the category with finite life are amortized and are subject to impairment test at least once and those belonging to the category with indefinite life are not amortized, but are test annual dupuse impairment.

The U.S. accounting system [10], there are at least two structures of intangible assets that have a bearing on the method of accounting. In terms of starting their intangible assets can be identified or unidentified. In terms of mode of entry, they may be developed or acquired business. After the U.S. Booking Institution intangible assets are classified into three categories depending on the control of the company over their sale, or the company is the owner that holds the assets but cannot be sell them and assets that can not be fully controlled by the company owner.

**Evaluation and amortization of intangible assets**
It is quite obvious that the importance of intangible assets is not a necessary or a sufficient criteria for measuring them. Stewart [11] uses the expression that you can not lead what you cannot measure. Therefore the assessment stage is one of the trickiest problems facing economists. Difficulties arising from both the amplitude of the evaluation process and how it can make it. The premises of asset evaluation [12], including intangible assets, is understood to specify the conditions, location and circumstances of the transaction in which an asset could be evaluated. Evaluation premises brings information about intangible assets to be valued as on assumptions that market participants use these assets in their estimation of their value. Not knowing premises may have the effect of calculating the evaluation value is not adequate for evaluation or the most favorable circumstances will the transaction. For the evaluation of intangible assets of an enterprise there are two alternative premises in the form of continuity assessment using asset-premise use and exchange value premise. From a practical point of any intangible asset can be measured in one of the two prerequisites for its evaluation. As a result, the assessor is mandated to select the appropriate premise of the evaluation, depending on the purpose of evaluation and status, economic and functional evaluation of intangible assets subject. A point to note here would be that the evaluation process under which such assets shall be made only after calculating the total value of all intangible assets and if there is such a value to conduct a separate evaluation of intangible assets and any goodwill.

In the process of evaluation of separate intangible assets can apply different approaches: by comparison with the market, income approach and cost approach. These methods have advantages and disadvantages but it’s the evaluator’s competence which tells him how to act in these situations. To prevent possible problems in this process must demonstrate their competence as assessor in the assessment process. On the basis of these skills are two standards for evaluating intangible assets, such as: Guidance Note 4 - Intangible Assets Appraisal and Guidance Note 8 - Assets Valuation intangible. In addition to accurate assessment could clarify the issues, are taken into account: Guidance Note 6 - Business Valuation, IVS 1 - Market value - Basis for evaluation, IVA 1 - Valuation for Financial Reporting and Guidance Note 9 - Flow discounted cash-based assessments and market information outside the market. In addition to assessing whether intangible assets is to include them in the financial statements are considered IAS 38 - Intangible Assets and IFRS 3 - Business Combinations.

The objective of IAS 38[13] is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IAS. The Standard requires an enterprise to recognize an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures thereon. The Standard sets out examples of possible intangible assets for accounting purposes, which include computer software, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, licenses, import quotas, franchises, customer and supplier relationships and marketing rights. IAS 38 requires an enterprise to recognize an intangible asset whether the intangible asset is acquired externally or generated internally.

On the other hand, the objective of IFRS 3[14] is to prescribe the accounting treatment for business combinations. In these, the acquiring company must always be identified. A business combination should be accounted for using the purchase method of accounting.

Under this method:

- the income statement should incorporate the results of the acquire from the date of acquisition;
- the balance sheet should include all the identifiable assets and liabilities of the acquire measured at their fair value, and any positive or negative goodwill arising.

The fair values of assets and liabilities should be determined by reference to their intended use by the acquirer. Goodwill arising on the acquisition should be recognized as an asset and subjected to an impairment test at least annually, according to the requirements of IAS 36. In particular, goodwill must be impaired if its carrying amount exceeds its recoverable amount, which corresponds to the
greater between its fair value and its value in use. An important innovation introduced by IFRS 3 regards the separate recognition of intangible assets apart from goodwill. This is the most important change in allocating the cost of the business combination. It prescribes that intangible assets have to meet two criteria for their separate recognition; otherwise their value must be included in the goodwill.

To help companies to better allocate the cost of the business combination, IFRS 3 gives a list of examples of intangible assets that meet these two criteria and are therefore accounted for as an asset apart from goodwill.

The American companies have to find meaning in acquired intangible asset cost. Price recovery (production cost) of intangible assets developed by the enterprise or expenses incurred in order to keep them to be estimated (appreciated) by the income generated by these assets. Damping procedure is determined by applying the depreciation on the value of their input. Regarding the duration of depreciation can make the following distinctions: - in the sense Romanian legislation, relating to depreciation of property, was adopted the concept of normal life span, which is defined as the life of an asset, which brings its operating profit that revenues are higher than necessary operating expenses, maintenance and repair - useful life as defined by IAS 16, is less than the physical life and is estimated based on the following criteria: a) wear influenced by physical conditions under which the asset is used, ie, the number of exchanges, repairs regime b) obsolescence occurred due to modernizing the operation of tangible fixed assets, c) the legal provisions on the lifetime life. The accounting system is envisaged that U.S. firms held, acquired intangible assets in the asset cost. Methods for determining cost are diverse and include in the cost: purchase price, fair value, current value of the expenditure incurred so. The process refers to the use of depreciation or straight line if the situation requires another method deemed adequate and set a maximum amortization period of 40 years. Regarding the traditional accounting model it is based on the principle of historic cost and for this reason, only a very narrow range of intangibles is included within financial statements. In providing a record of what has happened in the past, historic cost accounts provide a useful starting point in assessing the performance of a business however, without forward looking information, the picture that they provide is incomplete. Although intangible assets are the hidden driver of the knowledge-based economy, because they are not totally included in the traditional accounting model they are mostly ignored in the decision-making process for investments. Creating greater transparency in the process of identifying and reporting of these assets we can improve the quality of the dialogue between investors and research intensive enterprises. Although a wide range of methods for measuring and reporting intangible assets have been developed during the last decade, especially for internal managerial purposes, the take up in companies is still quite low. Articulating the value of intangible assets is problematic and therefore attracting capital for investments is much harder to achieve than doing so for investments in tangible assets. Investors are reluctant to invest in intangible assets because of its inherent high-risk nature.

Since these resources are considered now the main driver of value creation and growth, this negative investment bias is seen as harmful, particularly for research-intensive and innovative enterprises.

CONCLUSIONS

Accounting as science always tried to reflect an economic reality as closely as it could. With a very precise set of rules developed by science itself, but also a set of rules imposed by the economic life, this area wants to be social and real at the same time. The social nature of the subject area that is manifested by actions taken by individuals participating in economic life, The fact that these actions are translated into numerical data that have meaning for those who have knowledge in the field and suggests the real side of science. At the same time since these data are used by various people engaged in economic and based on their character or taken decisions affect the economic life of organizations is mandatory compliance with relevant laws. Regulatory accounting area is governed by laws to guide the work of organizations. These provisions are intended to correct and consistent pursuit of various
economic activities. Considered by many area rigid and governed by numerous laws binding accounting has proven ability to adapt to new conditions imposed by society. At present, the phenomenon of globalization leaves its mark on all the activities that govern the activity of an organization (relationships with various customers, suppliers, third-person organization or institutions) requires a change in how business processes operate. Accounting area was also targeted by these changes and the phenomenon of globalization and thus recent economic crisis has forced a rethink of how resources are accounted for organizations of how economic processes and how they are carried out. Moreover exhaustible nature of most accounting items that required a rethinking of operating resources. If resources were seen in the past through the prism of their material and identifiable character, new approaches refer to the intangible nature resources but with significant influence over organizțiilor. Concepts such as intellectual capital, name, trademark, trade are becoming more and more common in the economic life and now specialists are trying to find a method of recognition of all these elements. Accounting rules have also adapted to new conditions by trying to quantify the influence of monetary data. From this point but some problems arise due to the specificity of each part of the accounting system. Lack of uniform accounting system at EU level requires different reporting for each country. Gathering data or presentation without prior processing in accordance with European standards is proving to be useless. The processes of gathering or processing accounting data in a system governed by national law in a system governed by international law is a quite difficult, laborious and resource-consuming. Moreover obtain a global picture on the presentation of financial statements is immaterial nature of the resources currently impossible. This results in different ways in dealing with intangible assets, based on the recognition, measurement and depreciation in each accounting system separately. Even if efforts are made to that effect, a uniform image-level accounting of certain aspects involves a comprehensive process of change and also to reunite the laws governing this area. Convergence of accounting is therefore an irreversible process, as determined by the need for comparability of financial reports as required by the globalization of economies, the propensity of financial markets. Key concepts used to describe the best current economic environment and globalization are changing, talk about the new economy increasingly intangible. In this type of economy, intangible assets occupy an important place in the elements of an organization and contribute substantially to the achievement of economic performance. Regarding the latter aspect mentioned, organizations are tempted to recognize these assets in the balance sheet intangible assets, even if not met all the criteria for recognition under the reporting framework. “Temptation” is derived from the special desire of investors to see the short and medium term results and reporting cases to the detriment of long-term. Therefore the recognition and registration of assets restrained tone can refer differentiation in terms of accounting rules imposed by Romanian legislation and its external legal system. Even if these approaches are only as elements of the definition of intangible fixed assets of these "differences" should be taken into account in drawing up financial statements and hence the way in which these elements are in accordance with the law. The accuracy of the records and financial statements of reporting will benefit both investors (directly affected) and managers of companies, state institutions and by extension the entire society. On the other hand, if Europe wants to make comparative cases vs. U.S., having gone sharply it quite interesting and also difficult owing to their different approach between the two accounting systems. In the current conditions in which globalization manifests itself in all facets of economic and accounting system must adapt to these changes. With a set of legislative rules such as national and international accounting system provides the necessary performance is, under optimal conditions activity. The problem occurs because of this resulting set of rules. How they are written according to the specificity of each country makes it impossible to obtain an overview of the accounting system to characterize both continental and global. The situation may seem paradoxical given condition for globalization that it relies more and more attributes and character development. Therefore the importance of uniform accounting and analytical as any resources that a company has proved to be an essential and necessary for its existence on the national and international markets. These accounting procedures are proving their usefulness especially in the new economy that is increasingly referred. Researching, finding, accounting and disclosure in the financial statements of the elements of influence on the organization itself is a goal that many of the companies participating in international economic life to reach it was planned to ensure success.
References:

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