

Depreciation and Scrapping of Assets in State Institutions

Lucica Sinteana (Anghel)
"Andrei Şaguna" University, Constanţa, Romania
lucicasintea@yahoo.com

Abstract

Depreciation is an expense within an institution and represents a gradual recovery of an asset acquired with a useful life of more than one year and a minimum amount determined by government decisions. This article will address several situations of exit from the patrimony of the entities, economic assets and the way of recording in the accounting of the operations. This article also reflects on how to recover reusable materials following the dismantling of assets, as it is imperative that we take action to recover some of the reusable materials, make decisions that lead to savings and the efficiency of all efforts used in an entity.

Key words: amortization, assets, depreciation, accounting records, recovery

J.E.L. classification: A20, G28, M21, M28, M41

1. Introduction

Depreciation is an expense for the entity and a gradual recovery of investments made by an entity, investments made to obtain future income, to use them within the entity or to build infrastructure in territorial administrative units, ensuring a high standard of living within a community.

The expense with the amortization related to the acquisitions, services, works, own production, including the modernizations to the existing ones by modifying the values and the technical and qualitative parameters is represented by the accounting and fiscal recovery.

In the practice of economic agents, there are situations in which the accounting depreciation may differ from the fiscal depreciation.

Depreciation of assets is regulated in the fiscal code, in the Government Decision, under the signature after the issuance of the Minister of Finance.

Accounting borrowing can be different from fiscal depreciation, for the real reflection of economic assets we can create provisions.

Expenditures related to acquisition, production, construction, are depreciable, as well as investments made in existing assets, continuing the same method of depreciation. The investment in an existing asset is depreciated over the remaining unamortized period of the asset to which technical improvements have been made or to which the book value has increased.

In order to obtain "comparative analyzes between countries or between economic regions, they are carried out on the basis of macroeconomic indicators determined by each country on the basis of a methodology established by the central statistical body. For a more precise characterization of the economic system, it is necessary to develop a unitary system of classifications and nomenclatures." (Begu, 2009, p. 9)

2. Theoretical background. Depreciated assets

Within institutions, depreciation may be distributed in direct costs per product or in indirect costs to be distributed proportionally following laborious and well-documented calculations for works, goods, etc. In the depreciation expenses related to the indirect expenses, we enumerate: expenses related to the fixed assets used in the activity of administration, packaging, sales, transport and last but not least the expenses with customs duties.

"The general model for calculating costs and results is based on grouping and decomposing costs according to their destination or function." (Dumitru and Ioanăș, 2005, p. 41)

Depreciable fixed assets are those intangible and tangible assets that meet several cumulative conditions:

a) fixed assets may be used in production, are used as equipment for the delivery of goods or services, in the execution of works, are owned by the entity to be rented to interested third parties or for administrative purposes;

b) the fixed assets have a fiscal value equal to or higher than the limit established by Government decision, at this moment the classification as fixed assets is 2500 lei;

c) the normal duration of use of the fixed assets must exceed one year.

Depreciated fixed assets are considered investments made in fixed assets that are subject to leases, concessions, management location, joint-venture and depending on the contractual clauses, the investment made by the tenant is depreciated by the landlord, but may reduce the value of the rent if thus agreed.

Fixed assets put into operation or those in progress, for which the commissioning registration forms have not been drawn up, as tangible fixed assets, they are recorded at the amount resulting from the sum of all personnel, material and equipment expenses. Services reflected in the C231 accounting account, an account which must be divided into analytical accounts so that the level of expenditure and consumption which contributes to the resumption of fixed assets is known at all times.

Depreciation includes investments made for the discovery for the recovery of useful mineral substances, as well as for the opening and preparation of underground and surface extraction; Investments made by public institutions, modernization investments made by public institutions for public property.

We come with the specification in depreciation and we include investments for temporary buildings, barracks, necessary for the storage of other materials for a period in which an investment in constructions, landscaping, etc. takes place.

The following fixed assets do not fall into the category of depreciable assets:

- Land, including forests;
- Lakes, ponds that are not the result of an investment made by an entity;
- Any fixed asset that does not lose value over time.
- Buildings from the state public patrimony and from the local public patrimony
- fixed assets, other than state public patrimony and local public patrimony
- Cultural heritage buildings, works of art.
- Videos, audio, event recordings, theaters, movies, recorded shows.
- Fixed assets owned and used for the organization and development of education in accordance with legal regulations in the field of national education

If the incorporation expenses are recorded in the category, respectively in the accounting account C201, these values are recorded as intangible assets, they are recovered through depreciation expenses for a maximum period of 5 years.

Asset depreciation is calculated both for economic agents, non-governmental organizations and for public institutions as follows:

The depreciation period begins to be highlighted in the accounting starting with the month following the month in which the depreciable fixed asset put into operation, or in the case of works after the receipt and commissioning documents have been signed by the first site managers, the administrator of the entity, the persons who took them in management and the members of the commissions established according to the internal procedures of the respective entity.

For investments made in existing fixed assets in order to improve the initial technical parameters and leading to future economic benefits, the tax depreciation on these investments is calculated based on the unamortized value, increased by the investments made, of the depreciation method used for the improved fixed asset, for the remaining normal life. If the investments are made in depreciable fixed assets for which the normal period of use has expired, the tax depreciation is determined on the basis of the depreciation method corresponding to the improved fixed asset, for the normal period of use established by an internal technical commission or technical expert.

For the landscaping, the investment is amortized is linear, for a maximum period of 10 years.

Depreciation of mining constructions, the use of which is limited by reserves according to the analyzes carried out by technical experts, are calculated per unit of product, depending on the exploitable reserve of the useful mineral substance.

"The depreciation regime for a depreciable fixed asset is determined according to the following rules:

- a) in the case of constructions, the linear depreciation method is applied;
- b) in the case of technological equipment, respectively of machines, tools and work installations, as well as for computers and their peripheral equipment, the entity may opt for the method of linear, degressive or accelerated depreciation;
- c) in the case of any other depreciable fixed asset, the taxpayer may opt for the straight-line or degressive depreciation method." (Sintea (Anghel), 2019)

In the case of the straight-line method, depreciation is determined by applying the constant rate to the value of the input asset.

In the case of the degressive depreciation method, the depreciation is calculated by multiplying the quotas by linear depreciation by one of the following coefficients:

- a) 1.5, for depreciable fixed assets for the period between 2 and 5 years;
- b) 2.0, for depreciable fixed assets for the period between 6 and 10 years;
- c) 2.5, for depreciable fixed assets for a period longer than 10 years.

The accelerated depreciation method consists in the amortization in the first year of operation, maximum 50% of the asset value, and in the following years the amortization is linear. The Ministry of Public Finance elaborates the norms regarding the classification and the normal duration of operation of the fixed assets, these being reflected in the Depreciation Catalog of the fixed assets.

Within public institutions it is regulated and only linear depreciation is used.

The fiscal depreciation is calculated starting with the month following the one in which it was reclassified in the category of fixed assets held for its own activity, by recalculating the fiscal depreciation rate.

3. Results

The registration of fixed assets in economic agents, non-governmental organizations and companies organized by the territorial administrative units or in which the territorial administrative administrations participate in the share capital of the companies, the accounting is the following:

The expenses for setting up the entity are recorded

C 201 = C404

The purchase of a fixed asset from the fixed asset provider

C 212 = C 404

Depreciation of intangible assets

C 680 = C 280

Depreciation of property, plant and equipment

C 681 = C 281

Sale of fixed assets

C 461 = % C 461 = C 7588
C 7588
C 4427

Disposal of fixed assets that are not fully depreciated

% = C 212
C 281
C 6588

Disposal of fully depreciated fixed assets

C 281 = C 212 C 280 = C 208

The acquisition of a fixed asset that forms the public domain of the state is registered

C 212.09.01.01.A = C 101.00.00.01.A
Constructions - other fixed assets included
in the construction group The fund of goods that make up the public
domain of the state

Purchasing a fixed asset from the fixed asset provider

C 212.09.01.01.A = C 404.01.00.01.A.84.01.01.71.01.30
Providers of fixed assets under 1 year"

Depreciation of property, plant and equipment

C 681.01.00.01 = C 281.02.08.01.A

The sale of the building is recorded

C 461.01.01.01.A = C 791.00.00.01.A.39.01.01
Debtors under 1 year - trade receivables Revenues from capitalization of state
assets

The de-registration of the building sold not fully depreciated is recorded

% = C 212.09.01.01.A
C 281.02.08.01.A
C 691.00.00.01.A

Receiving a building for free

C 212.09.01.02.A = C 779.01.01.02.A
Construction - other assets Income, goods and services received free of
charge

Recovery of waste assessed as a result of dismantling inventory items or fixed assets

The recovery of ferrous waste is recorded:

C 346.00.00.02.F = C 709.00.00.02.F
Residues

Disassembly costs are recorded.

C 628.00.00.02.F.66.10.06.01.20.01.30 = C 401.01.00.02.F.66.10.06.01.20.01.30

The invoice for the sale of ferrous waste is recorded:

C 411.01.01.02.F.33.10.50 = C 751.01.00.02.F.33.10.50
Customers with a term of less than one year Revenues from services and other
activities

C 346.00.00.02.F = C 709.00.00.02 register with the Residues
opposite sign

The scrapping of a measuring device, completely depreciated, is recorded; the resulting spare parts are valued at x lei.

The scrapping of the air conditioning system is recorded
C 281.03.03.02.A = C 213.02.00.02.A

**Measuring, checking and adjusting apparatus and installations
It is recorded to obtain spare parts**

C 302.04.00.02.A = C 791.00.00.02.A
Spare parts Revenues from the capitalization
of some state assets

4. Scrapping of fixed assets

The removal from the records of companies, fixed assets, but also economic assets, such as inventory items, involves a set of operations performed to recover the materials resulting from destruction and dismantling, so that they change their original shape and can no longer be used.

The materials recovered from scrapping can be used within the institution, transferred to other institutions with the approval of the senior authorizing officer, sold with the approval of the senior authorizing officer or destroyed by a previously formed commission According to O.M.F.P. 1917/2005, with subsequent amendments and completions

Disposal of fixed assets / declassification of materials, such as inventory items, is performed according to the procedure established within the entity, either at the time of inventory of items such as assets, liabilities and equity, or at the time of decommissioning and disposal of assets.

According to O.U.G. 112/2000, the tangible fixed assets that make up the public domain of the state or of the administrative-territorial units of the nature of fixed assets, with the normal duration of use amortized or not fully depreciated, can be transferred to another unit sold.

If the tangible assets constitute the public domain of the state or of the administrative-territorial units of the nature of fixed assets, they are first transferred to the private domain of the state or of the administrative-territorial units, according to the regulations on public property and its legal regime. All transfers of assets from the public and private domain and / or from the local domain are made with the approval of the senior authorizing officer and are published in the Official Gazette.

The amounts resulting from the capitalization of the assets, after deducting the related expenses, represent an income to the state budget or to the budgets of communes, cities or counties, as the case may be.

5. Conclusion

In public institutions and other entities great attention must be paid to all acquisitions of fixed assets and inventory items, records must be kept separately according to the nature of origin, classification, depreciation period, tax depreciation regime, approval by the senior authorizing officer of modifications, transfers, scrapping, dismantling and capitalization of goods such as consumables, spare parts or inventory items.

6. References

- Begu, L.S., 2009. *International Statistics*. Bucharest: University Publishing House;
- Dumitru, C.G., Ioanăș, C., 2005. *Management Accounting and Performance Evaluation*. Bucharest: University Publishing House;
- Sinteia (Anghel), L., 2019. *Course notes for the academic year 2019-2020*. "Andrei Saguna" University, Constanta;
- https://www.anaf.ro/anaf/internet/ANAF/asistenta_contribuabili/persoane_fizice/legislatie/codul_fisca_l/Codul_Fiscal_2020;
- https://www.anaf.ro/anaf/internet/ANAF/asistenta_contribuabili/persoane_fizice/legislatie/ O.M.F.P. nr. 2.634/2015O.