OPTIONS FOR THE ASSESSMENT of ITEMS of FINANCIAL STATEMENTS AT NATIONAL, EUROPEAN AND INTERNATIONAL LEVEL

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ABSTRACT: *The main purpose of evaluation is to determine the financial position and the outcome of the entity's activity. With the intensification of the phenomena of globalization of economies and financial markets and the emergence of phenomena such as inflation, it began to be more often used the assessment based on the current value and, in particular, on the fair value. The users of the financial statements must always be taken into when selecting a basis of evaluation. Internationally, we can observe the tendency that, by the use of a certain bases of evaluation, to respond favourably to the needs of a various range of users; a balance must be assured between the relevance of the information (their usefulness in decision-making) and their reliability (their objectivity).*

KEY WORDS: *evaluation; financial statements; fair value; historical cost; net value of achievement; estimation techniques; IASB; European Directives*

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1. INTRODUCTION

The evaluation is the process by which an item of the financial statements is assigned a numeric value which will be acknowledged and presented in financial statements. The International Standardization Body, through the conceptual framework, identifies the following **conventions (or bases) of evaluation:**

- **historical cost -** under this evaluation basis, assets are accounted according to the size of liquidity or of the liquidity equivalences paid or to the level of the fair value of goods ceded in exchange of their acquisition. *Debts* are recorded according to the size of the liquidity received in exchange for the liabilities or according to the size of liquidities expected to be paid for the liability defray, during normal

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operation (in the case of provisions). Often, this base of evaluation is combined with other bases for evaluation, e.g.: evaluation of_stocks is performed in the balance sheet at the smallest value between the historical cost and the net value of achievement.

- **the current cost –** *assets* are recorded at the value of liquidity or the equivalences of liquidity that should be paid if the same asset or an equivalent asset would be purchased today. *Debts* will be accounted according to the size of the outdated value of liquidity or to the equivalences of liquidity which would be necessary today in order to pay the liability. By respecting the base (specific to the assessment of the balance sheet), it replaces a certainty based on the past with another offered by the present, but that will become past itself rather quickly. If we look from the perspective of the past, the choice of this convention is fully justified, but from the perspective of the future, the question arises whether another base would not be more appropriate.
- **realisable value –** *assets* are valued at the size of liquidity or of equivalences for liquidity that could be obtained today from their sale in the context of a nonliquidation assignment. *Debts* appear at the size of the settlement amount, i.e. the outdated size of liquidities that would be paid in order to pay off the debt in the normal course of exploitation.
- **fair value –** it is the value at which an asset could be changed or a debt settled, between well informed parties which give their consent, in a transaction in which the price is determined objectively. The concept of fair value is based on the existence of active markets (market where the following conditions are met: the negotiated elements are homogeneous, buyers and sellers that can reach an agreement can be normally found at any moment and prices are available to the public). Many times however, it is difficult to determine a fair value and it is highly subjective (the result of recent transactions is taken into account, transactions made with similar assets).
- **updated value –** *assets* are booked at updated value of net cash flows that an item is supposed to generate during normal operation. *Debts* appear as updated value of withdrawals of future net funds that is expected to lead to the payment of liabilities during normal operation.

Although the assessment basis most commonly adopted by entities for their financial statements is the historical cost, the IASB Board does not impose a specific base. Thus, entities use different evaluation bases uniquely or in different combinations.

2. ACCOUNTING POLICIES END ESTIMATION TECHNIQUES FOR EVALUATION BASES

The evaluation bases based on which financial statements are drawn up represent accounting policies which affect significantly the analysis of the balance sheet, the profit and loss account, the treasury flows, the variations of equity and notes on the accounts. Implementation of a accounting policy and, in our case, of the bases of evaluation cannot be achieved without the use of different estimation techniques.

Estimation techniques are methods and estimates adopted by an entity with the purpose of determining what monetary values correspond to evaluation (measuring) bases chosen for the items that compose the financial statements. The demarcation accounting policies – estimation techniques becomes more difficult as both concepts suppose that the entity resorts to one or several bases of measurement (monetary attributes of items that compose financial statements). The methods used to reach the appropriate monetary values, which correspond the selected bases for measuring, do not represent accounting policies (e.g.: reporting at the exit price of a similar good), but estimation techniques. Determining the presenting values in the financial statements of some assets and debts cannot be achieved with precision, but only estimated, because of uncertainties inherent to the activity of an entity. For example, one can make estimates of: uncertain customers, depreciation of stocks, fair value of assets and debts, life duration of fixed assets, etc. The estimation procedure involves professional judgments based on the latest available information. In the absence of recent observations of market prices used to evaluate some assets and debts, future estimates are necessary, for example: assessing the recoverable value of different categories of fix assets, the effect of stocks depreciation, terms which are the subject of future results of ongoing litigations, etc. Estimations are rational assessments of facts and events. The use of objectives estimates is essential in preparing financial statements and one should not the start from the premise that this situation may weaken the credibility (reliability) of information presented through them. The International Board recommends however the presentation of information about assumptions and other sources of uncertainty in estimation at the time of the balance sheet in order to increase relevance, reliability and intelligibility if information reported.

Examples of accounting policies and estimation techniques necessary for their application:

IAS 2 Stocks. The assessment of stocks is carried out at the time of the balance sheet at the lowest value between **their cost** and **their net realizable value** (the sale price estimated that could be obtained during normal conduct of business, minus the estimated costs for the completion of the good and the sale costs). In this case we combine two bases for evaluation: the historical cost and the realizable value.

Evaluating stocks at entry is performed at historical cost (cost of purchase, production cost, utility value). Assessing stocks at exit is carried out by one of two accounting policies proposed by IAS 2: FIFO (first one in – first one out) or AWC (average weighted cost). In order to determine the cost at which stocks might be presented in the financial statements, the entry value is adjusted with the cost of sold goods. **The net realizable value** must be determined on the basis of the most credible evidence (usually, general sale prices practiced on the market) at the time of the estimation of stock value which is expected to be achieved. **The estimation of net realizable value** takes into account the purpose for which stocks are held, e.g. for stocks that will be delivered according to solid contracts for the sale of goods or for services, the net realizable value is represented by the price in the contract. General sales prices on the market are generally chosen for the determination of this value. When prices for raw material show that the cost of finished products will be higher than the net value of achievement, the cost of raw materials will be brought, by depreciation, to the net value of achievement. In that case, the **replacement cost** of the raw materials may be the best available measure for the net value of realization. IAS 2 also recommends to entities the use of some forecasted values, such as the two methods for assessing stocks: **standard cost** or **the price of retail sales**. Standard cost is used to evaluate entries and exits of stocks during the accounting period because the actual cost is not known.

IAS 11 Building contracts accepts **two methods (managements) for booking contracts for construction**: *the method of advancing works*, method used in most cases (reference management) and *the method of finishing works* (alternative or authorized management). For the use of the first method, the entity recurs to the **estimation of the degree of advancement of the construction work**, either according to the percentage of borne costs, reported to the total cost, or through the physical measuring of works really made.

IAS 16 *Fixed assets* mentions two possibilities for evaluating fixed assets at a moment ulterior to the initial acknowledgment:

- the reference processing: after its initial accounting as asset, a fixed asset must be acknowledged at its cost reduced by cumulated depreciation; in other words, IAS 16 recommends that the assessment of fixed assets at the time of drawing up the balance sheet to be made at the historical costs (cost of purchase or production costs reduced by cumulated depreciation).
- authorized processing: after its initial accounting as asset, a fixed asset must be acknowledged at its reassessed value (i.e. the fair value at the time of the reevaluation), reduced by subsequent cumulated depreciation and value losses.

After accounting policies are chosen, the entity must establish one or several estimation techniques. The evaluation of fixed assets at the entry is made at historical cost (cost of purchase, production cost, utility value). But in order to establish the entry cost of fixed assets, in some cases, the entity recurs to the initial estimation of costs for asset decommissioning and site restoration. In order to determine cumulated depreciation, the entity recurs to several accounting estimations: *the depreciation method* (determined as a result of estimates and calculations resulted from management decisions and which reflects the pace and manner in which are consumed the future economic advantages as a result of the use of assets), *the utility duration* (its estimation is a matter of professional judgment, being determined by reference to the expected utility of the asset), *the residual value* (the net amount which the entity expects to obtain by selling an asset, at the end of its utility duration, after deducting costs for sale). **The fair value** of fixed assets is usually their market value determined through estimation. For land and buildings, the fair value is determined by experts and is, in general, the market value. For fixed assets strictly specialized, the fair value is identified, most times, with the replacement cost reduced by depreciation.

IAS 17 Leasing contracts. In contracts for financial leasing we meet as bases for evaluation both the realizable value and the updated value, thus the asset and implicitly the debt must be recorded in accounting of the lessee at the minimum amount between fair value and the updated value of minimum payments. In the lessor's accounts, its debt will be recorded at the fair value of the asset granted on leasing. The application of these policies uses many estimations: the option to purchase, the residual value, quarterly royalties, the implicit interest rate, the method of depreciation, the duration of utility, etc.

IAS 36 Asset impairment. At the moment of preparing financial statements, whether as a result of the impairment test, the accounting value of an asset is greater than the recoverable value, an impairment is recorded and will be presented in the balance sheet under *recoverable value* (accounting value reduced by the sum of recorded value losses). If the accounting value is less than the recoverable value, the asset will appear in the balance sheet at its accounting value. The accounting value is obtained from the entry value reduced by the amount of depreciations and value losses, with reference to that asset. The recoverable value is the highest value between net fair value (fair value diminished by sales' costs) and its utility value (updated value achieved by estimating future cash flows expected from the continue use of an asset and from its cession at the end of its use). This rule also combines the net realizable value with the updated value, and uses multiple estimation techniques. The net fair value is either that from an irrevocable sale agreement or the market price of the asset, or the price of the latest transaction. Estimation of the utility value is achieved by estimating future cash inflows and outflows, generated by the continued use of the asset and its final output and by applying an appropriate update rate to these future cash flows.

IAS 37 Provisions, possible liabilities (contingent) and possible assets (contingent). The value of the provision presented in the financial statements should be the best estimate of costs necessary for paying off a present debt, at the date of the balance sheet. When the effect of the value- time of money is significant, the provision is calculated at the **updated value** of the estimated costs needed for paying off the debt. The used update rate must be the one before taxation to reflect an assessment on the market of the value-time of money and the specific risks of the debt. To estimate the costs, one will take into account the experience of similar transactions and, in some cases, the views of independent experts.

- **presentation on the balance sheet of client receivables** (**uncertain clients**) in a situation where there is a likelihood of non-recovery of receivables in full, is performed at the realizable value by correcting the entry value with the loss_of value determined by the estimation of the degree of non recovery of receivables.

3. TYPES OF EVALUATION IN THE PLAN OF PRACTICAL APPLICATIONS

1. Case study concerning the use of the historical cost. An entity, "Beta", acquires an oil facility in the following conditions: price negotiated with the supplier 500000 m.u.; expenditure on transportation and installation charged by the supplier 80000 m.u. According to the license contract, the company has an obligation, at the end of operation, to remove the plant and to restore vegetation. Duration of contract: 8 years. Costs estimated for decommissioning the facility and restoring vegetation: 30,000 m.u. The discount rate: 10 %. Facility reception for the value invoiced by suppliers (500000 + 80000 = 580000 m.u.):

580000 m.u.	Facilities	=	Asset suppliers	580000 m.u.

Estimated cost for decommissioning the facility and restoring vegetation [30000 x(1+10%)-8 = 13995 m.u.]:

13995 m.u.	Facilities	=	Provision for decommissioning the assets and other similar actions	13995 m.u.

Initial cost for the facility is: 580.000 + 13.995 = 593.995 m.u.

2. Case study for determining the net realizable value. An entity has in stock at December 31st year N 5.400 units of finished products A with a production cost of 5.10 lei/unit. The market price of the products at 31.12. year N is 5.20 lei/unit, and the expenses for sale represent 0.2 lei/unit. According to IAS 2, we will find out the value of finished products in the balance sheet on 31.12. year N. According to IAS 2 stocks are evaluated in the balance sheet at the lowest value between cost and net realizable value.

Production cost = 5400 units x 5.10 lei / unit = 27540 lei

Net realizable value = Estimated sale price – Sale expenses

Net realizable value = 5400 units x 5.20 lei/unit – 5400 units x 0.2 lei/unit = 27000 lei

Stocks will be evaluated at minimum (27540 and 27000) = 27000 lei.

3. Case study on the use of the updated value. Between the entities ALFA (lessor) and BETA(lessee) a rental- financing contract is signed with the following characteristics: signing date January 1st year N; duration of contract 3 years; life duration of the good 8 years; 3 rates of 200000 lei are included, payable in the last day of the year; the possibilities of expressing an option for buying at the end of year 3 at the price of 60000 lei; fair value of the good at the date of the signing 461806 lei; residual value of the asset is 70000 lei; implicit annul interest rate calculated by the lessee 20%. According to IAS 17, we will present the recordings of the lessee for the year N and an excerpt from its financial statements.

a) VAPML calculation:

$$\text{VAPML} = \frac{200.000\ lei}{1,2} + \frac{200.000\ lei}{1,2^2} + \frac{200.000\ lei}{1,2^3} + \frac{60.000\ lei}{1,2^3} = 456019 \text{ lei}$$

b) According to IAS 17, lthe lessee records the rented asset at the lowest value between the good's fair value and the updated value of minimal payments.

Min (461806 lei; 456019 lei) = 456019 lei.

c) According to IAS 17, in the financial statements of the lessee, payments in the name on the rent must be divided into two components: financial expense and depreciation of the debts' balance, this way:

Day	Cash flows	Interests	Repayment of due capital	Remaining capital
01.01.N				456.019
31.12.N	200.000	456019 x 20 % = 91204	200000 - 91204 = 108796	456019 - 108796 = 347223
31.12.N+1	200.000	347223 x 20 % = 69445	200000 - 69445 = 130555	347223 - 130555 = 216668
31.12.N+2	260.000	216668 x 20 % = 43334	260000 - 43334 = 216668	0
Total	660.000	203983	456.019	

d) Depreciable value = 456019 lei – 70000 lei = 386019 lei

$$\text{Depreciation for year N} = \frac{386019\ \text{lei}}{8\ \text{years}} = 48252\ \text{lei}$$

e) Accounting recordings:

1) on the day of the signing of contract:

456019 lei	Asset	=	Debts from rental financing contracts	456019 lei

2) payment of fees on 31.12.N:

108796 lei	Debts from rental financing contracts	=	Bank accounts	200000 lei
91204 lei	Interest expenses			

3) Depreciation for year N:

48252 lei	Debts from rental financing contracts	=	Bank accounts	48252 lei

f) At the end of year N in the lessee's financial statements are included:

- in the balance sheet: asset at net accounting value = 456019 lei – 48252 lei = 407767 lei and debts from rental financing contracts = 456019 lei – 108796 lei = 347223 lei
- in the profit and loss account: financial expenses, respectively interest expenses 91204 lei and depreciation expenses 48252 lei.

4. PARTICULARITIES OF EVALUATION SYSTEMS

Three decades after the creation of the International standardization board, and despite the results of the harmonization process, the accounting pictures describing the same reality differ seriously from one country to another. This situation continues to cause confusion among financial statement users that are looking for reliable and relevant information to improve their decisions.

4.1. Evaluation systems used in Romania

In the first stage of the Romanian accounting reform the historical costs pattern was used, becoming the basis for evaluation used as a rule in the development of the financial statements. At this stage, as a result of hyperinflation shocks which affected Romanian economy, the historical cost has become less relevant to the decision-making. In the absence of an inflation accounting, entities have resorted periodically to reassessment, which were imposed by government decisions or by the entities' decision. In the second stage of Romanian accounting reform carried out by the Order No 94/2001 and 306/2002 favourable ground is created for the use of other bases for assessment encountered in the European and international accounting standards. The Order no. 94/2001 refers solely to the historical cost as basis for assessment, even though the International accounting standards invite to the use of a wider range of options concerning the evaluation system of qualitative structures recorded in the accounting statements, and the 4th European Directive allows a series of alternatives to the evaluation based on historical cost. Even if they keep the old rules about the moments of evaluation of the elements in the balance sheet (the evaluation on entry, on inventory, on balance sheet and on exit), the new program of accounting reform (by OMFP 1752/2005) comes with certain changes to the problematic of evaluation. By the harmonization of Romanian accounting regulations with European accounting directives and by incorporation the International accounting standards, with a focus on professional reasoning, Romanian entities will be able to opt between the basic treatment of historical values and the alternative treatment of current values (current cost, residual value, updated value, fair value), depending on the accounting policy adopted by the entity, but also according to the needs of key users of accounting information. The order MFP no. 3055/2009 revokes order MFP no 1,752/2005 concerning approval of accounting regulations in accordance with European Directives, and items listed in annual statements are assessed in accordance with the general accounting principles provided in the present section, according to the commitment accounting. Referring to the concept of *fair value*, it has made its appearance also in the Romanian accounting rules by OMFP 94/2001 and has constituted a real revolution in the field of accounting. In the Romanian accounting environment was recorded an option for combining evaluation system based on historical cost with the system based on fair value.

4.2. Evaluation systems used in France and Germany

In France, the Code of Commerce and the General Accounting Plan (PGC) consider the historic cost as the primary evaluation criterion. In Germany, the main German state policy is the stability of currency, hence the strict observation of the principle of historical cost. We conclude that both France and Germany are moving away from the provisions of the 4th Directive, which allows the use of other bases of assessment. In the French General Accounting Plan, the conventions of general assessment and presentation of accounting information are: historical cost, caution, non-offsetting, intangibility of the opening balance sheet. According to PGC, evaluation on historical cost entails three phases: defining the entry value, determining the value of inventory and calculating the value at the closing of accounts or the balance sheet value. According to each case, the entry value can be the purchase cost, the production cost, or the venal value. The historical cost corresponds to the purchase cost for assets acquired onerously and to the production cost, for goods manufactured by the entity. French accounting law provides several exemptions from the application of historical cost. For consolidated accounts, it is allowed to use the rules of assessment, taking into account price changes or replacement values. Also, companies may use for their consolidated financial situations the indexed historical cost method or the replacement value for depreciated tangible assets and for stocks. These rules of evaluation, derogating from the provisions of the Code of Commerce, are rarely put into effect. Other general exemptions result from the possibility of assessment, in individual accounts, of the participation titles by equating, by using the market value for evaluating time contracts and options of interest rates and for reassessment of the assembly of tangible and financial assets approved by the Code of Commerce. If the tangible and financial assets of an entity are revalued, the appendage must indicate: the method used the list of concerned items and their size, the fiscal taking over of the revaluation difference and the evolution of involved liability items; if French entities establish their financial situations on historical cost, they have no obligation of informing about evaluations. In situations of inflation, in France, with the exception of some revaluation operations or other fiscal practices, which aim at minimizing the adverse effects of inflation on the accounts' loyalty, and, in particular its result, the historical cost principle is still the legal principle for financial accounting. French entities can keep, on a voluntary basis, an accounting of inflation, possibly in the management accounting, when the economic environment requires it. Conversions of financial statements of subsidiaries in hyperinflationary countries do not address to all entities. As such, the information varies considerably from one entity to another. The most often used processing is the revaluation of non-monetary assets.

4.3. Evaluation systems used in the United Kingdom

In Britain, when preparing financial statements, for each category of assets or debts, there must be selected one measurement (evaluation) base: either the historical cost, or the current value, according to Firm law. The selected base will be the one that best ensures the objective of financial statements and requirements on quality characteristics of the financial information, given the nature of assets or debts covered and circumstances concerned. An asset or a debt, assessed by using the historical cost basis, is initially registered at its transaction cost. An asset or a debt, which is evaluated by using the current value as a base, is initially registered with its current value, at the time of its purchase/assumption. However, such assessments will be accepted only if there is enough evidence that the value of the asset or the debt has changed and that the new value of the asset or debt can be reliably measured.

Alternative evaluation bases. Under British accounting rules, assets may be expressed at historical cost, replacement cost or net realizable value and debts, at historical cost, cost of debt settlement by the most economic means available or, in some cases, at the value the entity may engage, commonly, through the issuance of the similar debt. The only major feature that distinguishes these assessment bases is whether they are based on historical cost or on current value.

Alternative evaluations based on current value. The current value of an asset may be determined by reference to the entry value (replacement cost), the exit value (net realizable value) or the utility value (the current value of treasury flows expected from the continued use and final selling made by the current owner). For some assets (e.g., investments in the form of securities) the three alternative assessments based on current values lead to identical values, with small differentiation on transaction costs. However, for other assets (e.g., assets specific a certain domain of activity), the differences between alternative assessments may be significant. It is therefore necessary, to select one of these alternative assessments of the current value, the one which maximizes the relevance of the current value base. Thus, the current value expresses is most relevant when it reflects the loss which the entity would support if it would be dispossessed of the assets involved in the operation. This assessment is known as "dispossession value" or "enterprise value" and it depends on the circumstances in which the entity is found in (Feleaga, & Malciu, 2004). The current value of a debt is likely to be selected through a similar manner (using the concept of "salvage value"). The salvage value of a debt is the smallest value at which the entity can deprive itself of a liability (the lowest value at which the debt may, hypothetically, be paid off).

4.4. Evaluation systems used in the United States of America

In the United States the FASB (Financial Accounting Standard Board) presents five bases of assessment used in practice: the historical cost, the current cost or the replacement value, the market value, the net achievement value, the updated value of treasury flows. FASB encourages any form of assessment, as long as it ensures the pertinence and the reliability of the information provided by financial statements, but the evaluation method considered the most appropriate for determining the value of a good is the method based on updated value of future treasury flows. This concept is obviously superior to the concepts of past values (historical costs), current entry prices (replacement cost, renewal cost, etc.) and current exit price (net achievement value, market value, liquidation value, etc.). The nearest concept to the one of updated value is the concept based on current exit prices. In American accounting it is prohibited the use of revalued values in financial statements.

By contrast, standard FAS 89 encourages companies to publish, for each of the last five years, an information as comprehensive as possible, on the inflation effects, in particular the restated turnover, the regular result calculated on the basis of the current costs, the gain or loss of purchasing power, regarding the net monetary position, changes in current cost of tangible assets, net assets calculated on the basis of the current costs, etc. In terms of inflation accounting, standard FAS 52 considers that a currency affected by inflation may not be regarded as a functional currency. Therefore, financial statements drafted in the currency of a hyperinflation economy must be converted, first into a functional currency, by using that temporal method, afterwards the functional currency is translated into a strengthening currency, by using the closing exchange rate method. By applying this process we reach, in fact, a revaluation of the financial statements in question.

5. CONCLUSIONS

The choice of the evaluation system used by an entity in its financial statements raises numerous controversies. The international accounting regulations provide the possibility to choose between several methods of assessment, the one that is considered the most suited to the entity’s policy. The historical cost has been and still remains the most used base of evaluation. Its use gives an indisputable advantage: it provides the spatial comparability of entities, which use the same system of assessment. **The method of evaluation at historical cost** has many advantages, such as: *historical cost is easily verifiable* (it is recorded on the basis of evidence); *it is established objectively; it is easily applied; by using the same method of assessment by entities (historical cost) ensures their spatial comparability*.

Among the drawbacks of the historical cost principle are: the under assessment or over assessment of items in the financial statements; over assessment of income for the period, in an unstable economic and monetary environment (as it is in Romania), the use of historical cost is highly criticized, because, in times of inflation, the evaluation at historical costs does not reflect the real value of the elements in the balance sheet and from the profit and loss account; entities operate in an environment influenced by disturbing factors, therefore, the evaluation of items in the financial statements at historical cost is unable to provide a faithful image. Since the application of historical cost does not satisfy the current demands of fidelity required by financial statements, other evaluating methods are used: replacement cost, achievement value, updated value, fair value. Investors are looked upon by accountant regulators as being more important than other categories of users, and the financial information they need is not exclusively historical. Investors must also have access to information oriented towards the future, in order to assess the performance of an entity. Evaluation based on fair value best expresses the current value of future cash flows.

Among the **advantages of fair value** we include: *it leads to more reliable financial statements, it reduces the difference between the accounting value and the stock market value for listed entities*, as opposed to historical cost, the fair value allows comparison of actual performance of the entity, as it represents an updated value, observed on the market; the result is evaluated in a more reliable manner. The use of fair value also has its **disadvantages**, such as: *it is difficult to calculate (especially when there is no active market for that element), requiring many times the knowledge of an assessment expert; most financial instruments are not traded on the assets' market and, as such, they do not have a fair value easily determined and compared from an entity to another; the application cost of this method is quite big.*

The international (and European) accounting rules allow entities to choose between systems of evaluation, according to the interests of managers, shareholders. The existence of several options in choosing the method of evaluation is justified by the fact that in many countries there are traditions that can not be easily changed (for example, in France and Germany, the historical cost assessment is a basic principle of the accounting). And yet, the comparability of financial statements of entities is affected, because of this "freedom" of choice of the evaluation method. For example, if an entity uses the evaluation at historical cost and another entity presents in its financial statements certain elements (especially fixed assets) evaluated at fair value, the comparison of financial statements, particularly of financial results of the two entities, is not relevant.

In the context of globalization of financial markets and national economies, it is required to present the financial statements according to the same accountant standard, in order to allow their comparison. Especially for large entities, quoted on international capital markets, it is absolutely necessary to present annual financial statements according to an international accounting standard (FASB, IASB). European accountant regulators acknowledge the need to harmonize the European accounting directives with the international accounting standards.

Although the historical cost is an objective and verifiable basis for assessment, its use is not justified for the evaluation of all elements in the financial statements, given that financial statements made on historical cost do not always reflect an accurate image of the entity. Considering the limits of the historical cost, but also those of fair value, we express our view that the two methods of assessment should continue to be combined, taking into account however that fair value has more advantages than the historical cost, as a future-oriented accounting model.

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