PECULIARITIES IN THE ACCOUNTING OF THE PUBLIC INSTITUTIONS' EQUITY CAPITALS

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Abstract: *Capitals take into account the sources of formation of the material and monetary means of the public institutions. Equity capitals represent the residual interest of the state or of the administrative-territorial units in the assets of the public institution, after having deducted all debts. As a result, they are considered their own sources of funding at the level of public institutions. The motivation for approaching the topic was given precisely by the importance and necessity of the existence of self-funding sources, in order to ensure the necessary goods for the development and growth of the institutions, in an economic climate of crisis, uncertainty and pandemic. As a result, the aim of the research is to present the structure of equity capitals found at the level of public institutions, both theoretically by treating the components and the funds of the public institutions, of the patrimonial result, of the retained earnings and the revaluation reserves, and practically, by presenting individual studies that customize the approach to this component of the public institutions patrimony.*

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Capitals are permanent sources of financing for public institutions and consist of their own sources (equity) and long- and medium-term borrowed sources (borrowed or attracted capital). Equity takes into account the residual interest of the state or of the administrative-territorial units in their own assets, while medium and long-term borrowed capital is available to public institutions for at least one year, in order to ensure the necessary assets for development and progress of the activity of the institutions.

Equity represents the residual interest of the state or of the administrative-territorial units in the assets of the public institution, after deducting all debts.

Equity at the level of public institutions consists of: the institution's funds, the patrimonial result, the carried forward result, and the revaluation reserves.

The funds of the public institutions include: the fund of the goods that make up the public domain of the state, the fund of the goods that make up the private domain of the state, the fund of the goods that make up the public domain of administrative-territorial units, the fund of the goods that make up the private domain of the administrative-territorial units, the fund of intangible fixed assets, funds outside local budgets, etc.

The funds include those goods that make up the patrimony of the public institutions, indicating the right of possession, use and disposition of the state and of the administrative-territorial units over them.

The goods that are of public use or interest and they are acquired by the state or by the administrative-territorial units through different modalities established by the law, make up the public domain. These are represented by: the riches of public interest of the subsoil, the airspace, the waters with exploitable energy potential, the beaches, the territorial sea, the natural resources of the economic zone and of the continental plateau, etc.

According to OMFP 1917/2005, the goods in the public domain are inalienable, imperceptible and non-prescriptible, as follows:

- they cannot be alienated, they can be given only in administration, concession or rent, in accordance with the law;

- they cannot be subject to forced execution and no real guarantees can be established on them;

- they cannot be acquired by other persons by usufruct or by the effect of possession in good faith on movable property.

The goods owned by the state or by the administrative-territorial units that are not part of the public domain, form the private domain. They are subject to the common law legal regime and are not part of the public domain.

The goods can be transferred from the public domain, to the private domain, based on the normative acts.

The accounting operations regarding the highlighting of the funds of the public institutions will be approached in the following through the prism of several individual case studies.

We consider that a public institution acquires a non-depreciable intangible fixed asset, in the amount of 10,000 lei, from budget financing. Subsequently, the intangible fixed asset is removed from the assets of the public institution. These operations involve the following entries in the accounting of the public institution:

1. The acquisition of non-depreciable intangible fixed assets is recorded:

206 00 00 “Recordings of cultural and sporting events”	=	100 00 00 “Intangible fixed assets fund”	10.000

2. The debt to the supplier of intangible fixed assets is recorded:

682 02 00 “Non-depreciable intangible fixed assets expenses”	=	404 01 00 “Providers of fixed assets under one year”	10.000

3. The supplier’s payment of non-depreciable intangible fixed assets is recorded:

404 01 00 “Providers of fixed assets under one year”	=	770 00 00 “Financing from the budget”	10.000

4. The non-depreciable intangible fixed asset is recorded:

100 00 00 “Intangible fixed assets fund”	=	206 00 00 “Recordings of cultural and sporting events”	10.000

With regard to non-depreciable tangible fixed assets, we start from the following reason:

A public institution acquires a plot of land, worth 250,000 lei, which it then transfers to another public institution. The land is included in the public domain of the state. These operations involve the following entries in the accounting of the public institution:

1. The acquisition of land is recorded:

211 01 00 “Lands”	=	101 00 00 “Fund of subscriptions that make up the public domain of the state”	250.000

2. The debt to the land supplier is recorded:

682 01 09 “Expenses with non-depreciable tangible fixed assets”	=	404 01 00 “Suppliers of fixed assets under 1 year”	250.000

3. The payment of the land supplier is registered:

404 01 00 “Suppliers of fixed assets under 1 year”	=	770 00 00 “Financing from the budget”	250.000

4. The transferred land is highlighted:

101 00 00 "Fund of subscriptions that make up the public domain of the state"	=	211 01 00 "Lands"	250.000

Regarding the inventory of fixed assets, we can encounter two situations, both in terms of intangible fixed assets and tangible fixed assets: a situation in which pluses are found in the inventory and another one, in which minuses are found in the inventory. Since non-depreciable intangible fixed assets are specific only to public institutions, we will further address inventory treatment only through their prism:

- A public institution finds after the inventory an increase of the non-depreciable intangible fixed assets, amounting to 15,000 lei. The addition to the inventory will be reflected in the accounting of the public institution, as follows:

206 00 00 "Recordings of cultural and sporting events"	=	100 00 00 "Intangible fixed assets fund"	15.000

- A public institution finds, after the inventory, a non-imputable lack of depreciable intangible fixed assets, amounting to 12,000 lei. The deficit not attributable to the inventory will be reflected in the accounting of the public institution, as follows:

100 00 00 "Intangible fixed assets fund"	=	206 00 00 "Recordings of cultural and sporting events"	12.000

Another peculiarity in capital accounting, in terms of public institutions, is given by the fact that goods can be transferred between them. Next, we will address these issues taking into account a transfer of tangible fixed assets from the public domain of the state, in its private domain, respectively a transfer from the public domain of the state, to the public domain of an administrative-territorial unit, as follows:

- A public institution transfers from the public domain of the state, to the private domain, a building worth 500,000 lei. This operation involves the following records in the accounting of the public institution:

1. The transfer of the building from the public domain to the private domain is registered:

101 00 00 "The fund of goods that make up the public domain of the state"	=	212 00 00 "Constructions"	500.000

At the same time the registration is made:

212 00 00 "Constructions"	=	102 00 00 The fund of goods that make up the public domain of the state	500.000

- A public institution from the central level, transfers from the public domain of the state into the public domain of a county, a piece of land, worth 90,000 lei. This operation involves the following accounting records:

a) In the accounting of the institution which transfers the land by transfer:

101 00 00 "The fund of goods that make up the public domain of the state"	=	211 0100 "Lands"	90.000

b) In the accounts of the institution receiving the land by transfer:

211 01 00	=	103 00 00	90.000

"Lands"		"The fund of goods that make up the public domain of the administrative-territorial units"	

The patrimonial result is determined at the end of the period, monthly, or at most at the preparation of the financial statements, as the difference between the public revenues realized, respectively financing and the public expenses incurred.

The collection of public expenditures, respectively of public revenues and of the financings of a public institution, in order to determine the patrimonial result, is presented as follows.

121 00 00 "The patrimonial result"	=	6XX Expense accounts	Total amount of expenses
7XX Income accounts	=	121 00 00 "The patrimonial result"	Total value of income

The current patrimonial result will be transferred in the following year, as the **carried forward result**.

The accounting of the carried forward result is kept by financing sources, the public institutions being able to self-finance, partially or fully financed from the budget. To illustrate the accounting of the carried forward result we will consider the following situations:

- A public institution financed entirely from the state budget, takes over the carried forward result of the previous year in the amount of 15,000 lei, as follows:

489 00 00 "Settlements on the completion of the execution of the state budget in the current year"	=	117 00 00 "Reported result"	15.000

- An administrative-territorial unit, at the closing of the settlement account, in the amount of 20,000 lei, at the beginning of the following financial year will make the following registration:

117 00 00 "Reported result"	=	481 09 00 "Other settlements"	20.000

- A public institution financed entirely from the local budget, proceeds to close the settlement account, in the amount of 11,000 lei, at the beginning of the following financial year, by registering:

481 09 00 "Other settlements"	=	117 00 00 "Reported result"	11.000

Revaluation reserves are a component of the capital of public institutions, resulting from the revaluation of the fixed assets.

The revaluation of the fixed assets must be performed regularly, so that the book value is permanently close to the fair value. With the annual inventory of assets, fixed assets are brought to their present value based on fair value. The fair value is determined on the basis of evaluations carried out by authorized evaluators or by technical commissions set up, in accordance with the law.

The two values are compared, the fair value and the book value, and for the difference found, the following entries will be made in the accounting.

- when the fair value (present value) is greater than the carrying amount (the carrying amount in the accounts), the difference in revaluation increases the revaluation reserve;

- when the fair value (present value) is less than the carrying amount (the carrying amount in accounting), a decrease in the revaluation reserve is recorded.

According to OMFP 3471/2008, the following fixed assets are re-evaluated:

a) tangible fixed assets in the patrimony: land and landscaping, constructions, technical installations, means of transport, animals and plantations, furniture, office equipment, equipment for the protection of human and material values and other tangible fixed assets;

b) tangible fixed assets given in concession, with rent, for free use to legal persons without patrimonial purpose, as well as those given in the administration of autonomous utilities;

c) capacities put into partial operation, of the nature of tangible fixed assets for which the forms of registration as tangible fixed assets have not yet been drawn up;

d) tangible fixed assets for which investment works have been carried out (modernizations, capital repairs, rehabilitations, consolidations, etc.) which have increased their accounting value, regardless of the source of investment financing;

e) tangible fixed assets acquired by public institutions under financial leasing contracts;

f) tangible fixed assets located at diplomatic, commercial, military representations abroad, in conflict areas. They are inventoried and re-evaluated by the public institutions in whose patrimony they are registered.

According to the same regulation, OMFP 3471/2008, the following categories of tangible fixed assets are not re-valued:

a) tangible fixed assets that entered the patrimony of public institutions during the year in which the revaluation is performed and that were recorded in the accounting at acquisition, production or fair value, as the case may be;

b) tangible fixed assets that at the date of revaluation have an expired normal operating period;

c) tangible fixed assets in conservation, as well as mobilization reserves that are recorded in the accounts as tangible fixed assets;

d) the tangible fixed assets for which the documents were drawn up, but the legal decommissioning approvals were not obtained, and which were not dismantled, demolished or taken apart;

e) tangible fixed assets in progress.

The accounting of the revaluation reserve, as well as the treatment of positive or negative differences, from the revaluation of the fixed assets will be analyzed by us in the light of the situations below.

To illustrate the recording in the accounts of a positive revaluation of tangible fixed assets, we start from the situation where a public institution, at the end of year N on the occasion of the first revaluation of constructions found that the fair value of the tangible assets (constructions) is 20,000 lei higher, compared to the registration value of 40,000 lei. The calculations and accounting entries are as follows:

In exercise N:

- the book value of the tangible assets: 40,000 lei

- the fair value of the tangible assets: 60,000 lei
- the positive difference from the revaluation of tangible assets: 20,000 lei

212 00 00 "Constructions"	=	105 02 00 "Reserves from the revaluation of constructions"	20.000

At the same time, the fund of goods that make up the public domain of the state is increased:

105 02 00 "Reserves from the revaluation of constructions"	=	101 00 00 "The fund of goods that make up the public domain of the state"	20.000

In order to illustrate the recording in the accounting of a negative revaluation after previously having had a positive revaluation, we resume the previous situation with the mention that in the year N+1, for the same depreciable tangible fixed asset, there is a depreciation of 22,000 lei.

In N+1, the revaluation difference is recorded:
- book value: 60,000 lei
- fair value: 38,000 lei
- differences from revaluation: - 22,000 lei
- revaluation reserves set up: + 20,000 lei
- depreciation adjustment expenses: 2,000 lei

%	=	212 00 00 "Constructions"	22.000
105 02 00 "Reserves from the revaluation of constructions"			20.000
681 03 00 "Operating expenses on adjustments for impairment of fixed assets"			2.000

At the same time, the fund of goods that make up the public domain of the state is diminished:

101 00 00 "The fund of goods that make up the public domain of the state"	=	105 02 00 "Reserves from the revaluation of constructions"	20.000

If a new revaluation is carried out at the end of N+2 and an increase of 10,000 lei of the fair value is found, the procedure is as follows:

In N 2, the revaluation difference is recorded:
- book value: 38,000 lei
- fair value: 48,000 lei;
- differences from current revaluation: +10.000 lei;
- depreciations (adjustment expenses) registered in the previous years: - 2,000 lei;
- revaluation reserves to be set up: 8,000

212 00 00 "Constructions"	=	%	10.000
		781 03 00 "Revenue from adjustments for impairment of fixed assets"	2.000
		105 02 00 "Reserves from the revaluation of constructions"	8.000

At the same time, the fund of goods that make up the public domain of the state is increased:

105 02 00 "Reserves from the revaluation of constructions"	=	101 00 00 "The fund of goods that make up the public domain of the state"	8.000

Conclusions:

The accounting of the capitals of the public institutions presents a series of particularities and differences compared to the accounting of the own capitals of the economic entities. A first peculiarity is given by the existence of funds of public institutions, an element that is not found in the equity of any other category of entities. From here derives a second peculiarity represented by the fact that any inflow of non-depreciable fixed assets automatically leads to the increase of equity, by increasing the funds of the public institutions. Another peculiarity is given by the method of accounting for the revaluation reserves which, in the case of non-depreciable fixed assets, lead to the increase or decrease of funds of public institutions, depending on the meaning of the revaluation. Yet another peculiarity is the fact that the patrimonial result, unlike the result of the exercise in the case of the economic entities, is represented, except for the situation when it is zero, by the surplus or the deficit.

Given all the above particularities, we can conclude that the equity of public institutions differs fundamentally from the equity of other entities in the economy.

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