

COMPARATIVE STUDY OF INTANGIBLE ASSETS OF APPROACH IN THE SPANISH ACCOUNTING SYSTEM COMPARED WITH THE NATIONAL ACCOUNTING SYSTEM

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Abstract

In the new economy based on knowledge, harmonization of the related accounting intangible assets is far from being completed. Conducted research identifies a number of controversies related to the recognition of separate initial measurement, subsequent measurement, measurement, depreciation and amortization of these categories of assets, as well as the requirements and applicability of accounting standards specific intangibles studied and the financial reporting related. The practical activity reflects the fact that unlike tangible assets or financial, the undertaking may hold a full control of the intangible assets, and this is the reason for which the activity of management and reporting of them in the current systems of financial reporting is quite complex. Poor control of these assets generates side effects on the ability of the undertaking concerned to obtain the benefits of the investment.

Key words: *intangible assets, accounting system, recognition, measurement and amortization*

INTRODUCTION

Accounting the intangible assets has been a controversial issue, primarily by the nature of obtaining a reliable estimate value of intangible assets which is one relatively difficult. Also, the evolution of the new economy which grant a high increasingly importance for intangible assets, can influence the related accounting treatment.

The global highlighting (*insufficient*) of intangible assets in the balance sheet shall allocate the financial statements, the quality of the incomplete resource of information. Currently, in most organizations intangible assets have become the main component in generating revenues and expenses. In this regard, the marks may represent even a third of the value of the company, but even so, they are still not exploited at their true value [10].

In the market economy, accounting represents the structured information office, which is motivated by the interest of human

consumption in particular for the analysis and control of flows which reflects the economy state and evolution [9].

Belen et al. (2013) reported that the management of intangible assets are facing with many difficulties, mainly because of the lack of information, which shows their intangible nature [1]. In most cases, the value of the intangible assets does not appear in the financial statements. Mostly, this situation is due to the lack of transparency and the absence of a reference market which makes it difficult to appraisal or evaluation of these elements.

Any active intangible asset shall be measured according to its capacity to contribute to the increase of the revenue or to reduce costs, while the market remaining will determine the best value of these economic elements (*regardless of the indicators involved*).

MATERIALS AND METHODS

Given the fact that Spain is a country well developed that encourages investment in information and communications technology (ICT), research and development (R&D), innovation, design, creativity, image and brand, organization and training of specific human capital (*training/know-how, experience held by each employee*) in order to modernize and strengthen the production structure, the idea of comparative analysis in the evaluation of intangible assets in compliance of the Spanish accounting system has a significant contribution for the present scientific approach.

The purpose of the paper was to make a relevant comparison between various scientific approaches, using a set of six specialized articles ([2], [8], [5], [6], [7], [1]), in order to set up a comparative study of the approach of intangible assets in the national accounting system compared to the Spanish accounting system. (*Tables 3, 4 and 5*)

The data centralization in question is highlighted in the five tables presented in this research.

RESULTS AND DISCUSSIONS

Thanks to the information gained during the deep study of literature on the topic, we found that Spanish enterprises attach a quite great importance to the owned intangible assets (*but the information is quite difficult to access*), moving from an industrial economy to implement the economic treatment application related to the knowledge society.

Through the study conducted by Córcoles (2010) [6] in Tables 1 and 2, it is presented a comparative accounting treatment of identifiable intangible assets acquired externally and internally generated to each of Regulations PGC-2007 (*Spain*), IASB and FASB.

With regard to the depreciation, the IASB and FASB does not specify a time limit for the depreciated intangibles assets, while the Spanish accounting system, PGC-2007, proposes, as a criterion of the depreciation, the useful life of the assets, a maximum of 5

years. Thus, research expenses capitalized should be amortized over their useful life within 5 years and development costs activated should be amortized equally over their entire useful life, which usually is less than 5 years (*in the absence of any situation contrary to the idea*).

The accounting treatment related to identifiable intangible assets by which the three regulations have gone by mutual agreement can be highlighted as follows:

- (i) the accounting recognition criteria for identifiable assets acquired externally are identical;
- (ii) the creation of a very similar definition to the concept of "*identifiability*";
- (iii) the use of fair value as a criterion for measuring intangible assets arising from exchange transactions and intangible assets obtained as a result of a business combination;
- (iv) the possibility of the intangible assets of having an indefinite useful life;
- (v) elimination of the depreciation of intangible assets criterion with indefinite useful life, which will be checked annually for any impairment in value, also presented in Table 1.

Analyzing the data shown in Table 1, we can say the following:

- all three accounting regulations recognize the identifiable intangible assets acquired externally;
- the first two accounting treatments (*PGC-2007 and IASB*) recognize intangible assets acquired separately - at acquisition cost, while FASB recognition at fair value (*in the same way as in the situation of the operation of the exchange*);
- according to the first two treatments accounts exchange transactions are recognized in the same manner;
- combinations of undertakings are recognized in the same way for all of the three accounting treatments, while the measurement of intangible assets concerned shall be carried out in a different way for each of the accounting treatment;
- in respect of depreciation all three accounting treatments are perfectly by the agreement;
- depreciation method is identical to the first two accounting treatments, while FASB

proposes a different variant; identical situation and for the methods for the recovery of past losses.

Table 1. The accounting treatment of identifiable intangible assets acquired externally

Comparable	PGC-2007 (Spain)	IASB	FASB
<i>Recognized in the accounts</i>	YES	YES	YES
<i>Initial recognition</i>	Intangible assets acquired separately		
	Cost of acquisition	Cost of acquisition	Fair value
	Exchange operations		
	<i>Business transactions:</i> • Fair value: <i>Non-business exchanges.</i> • The date of net assets.	<i>Business transactions:</i> • Fair value: <i>Non-business exchanges.</i> • The date of net assets.	Fair value
	Business Combinations		
	Fair value	Fair value	Fair value
<i>The recognition of the measurement</i>	Historical cost	- Cost model - The revaluation model	The revaluation model
<i>Amortization</i>	- <i>Finite useful life:</i> depreciates; - <i>Indefinite useful life:</i> is not depreciated.		
<i>Depreciation</i>	The book value > The recoverable value	The book value > The recoverable value	The book value > The fair value
<i>The recovery of the past loss</i>	Allows to flip the loss of impairment	Allows to flip the loss of impairment	Does not allow the reversal of the loss of impairment

Source: [6], pp.198.

Regarding the accounting treatment of identifiable intangible assets internally generated (Table 2), the situation is quite the reverse, that this time the last two accounting treatments (IASB and FASB) applies similarly, while first accounting treatment (PGC-2007) operates independently.

Therefore, the situation highlighted in the first two tables showed that the application of the three accounting treatment is relatively similar, and, in some instances, each of the studied treatments is distinctly individualized. The growing importance given to activities based on knowledge [3] in the economic development of most advanced countries, such as investment in intangible assets - information and communications technology,

research and development, innovation, design, creativity, image and brand, organization and specific training human capital is modernizing and reinforcing the structure of production safety, including the Spanish state.

Table 2. The accounting treatment of identifiable intangible assets internally generated

Comparable	PGC-2007 (Spain)	IASB	FASB
<i>Recognized in the accounts</i>	<i>Research expenditure:</i> - Capitalization <i>Development expenses:</i> - Capitalization.	<i>Research expenditure:</i> -Unfunded. <i>Development expenses:</i> -Capitalization.	Typically, research and development costs are not capitalized.
<i>The recognition of the measurement</i>	<i>Direct costs:</i> Capitalization. • <i>Indirect costs:</i> - Capitalization.	<i>Direct costs:</i> - Capitalization. • <i>Indirect costs:</i> - Unfunded.	<i>Direct costs:</i> Capitalization. <i>Indirect costs:</i> Unfunded.
<i>Amortization</i>	<i>Research spending:</i> - Within 5 years. <i>Development expenses:</i> - In less than 5 years.	It is not stated a deadline of depreciation.	It is not stated a deadline of depreciation.

Source: [6], pp.199.

Modern companies operate in a global environment characterized by competition, technological revolution [4] and the reversal of the balance in favor of intangible assets which require reporting of rigorous accounting purposes these new vectors generate new value created.

But there are doubts and why not the spare of some specialists in the field to which, the traditional accounting system currently provides sufficient and appropriate information for making decisions. In addition, there is the opinion that the search for methods and new models close to reality with a greater degree of truth but also relatively simple financial evaluation of intangible assets is still quite difficult to achieve.

In Romania, the companies listed on the Bucharest Stock Exchange satisfy the general provisions of the accounting framework and the National Commission of Securities Regulation and presents only information strictly required by accounting regulations, without insisting on the intangible business.

From the perspective of the Spanish companies, but in the reporting of their traditional indicators of the nature of the financial-accounting on intangibles assets are calculated and the results are analyzed and interpreted by enabling business a more realistic assessment of the assets held and its role in future developments.

At the level of the accounting system in respect of intangible assets, it is found that the companies have a low degree of disseminating information on the patrimonial structure.

All information relating to the initial recognition of intangible assets are recorded under International Accounting Standard, IAS 38 Intangible Assets (*IFRS, 2013*) [11], applicable from 31 March 2004 and relates primarily to the acquisition, accounting for intangible assets acquired as a result of a business combination, generating its own assets or to all other intangible assets (*Table 3*).

Table 3. The initial recognition of intangible assets

IAS 38 Intangible Assets	IASB	The economic perspective
It can generate future economic benefits attributable to the asset in question (<i>which usually are transferred to the entity</i>).	Future economic benefit associated with the item will be a flow to or from the enterprise.	Can be identified by a specific name, at some point or as a result of actually identifiable.
The cost of the assets in question can be assessed in a reliably manner.	Have a cost or value that can be obtained in a relevant way.	To be the subject to a right of private property and it can be transferred legally.
Intangible assets obtained from research or from the research phase of an internal project would not be recognized as assets (<i>see the brands, trademarks, logos, patents, licenses, know-how, goodwill, copyrights internally generated newspaper and magazine titles, customer lists and similar items</i>).	Are separable, i.e. they can be separated or divided by the entity and sold, transferred, authorized, leased or changed, either individually or together with a contract properly, a identifiable active or an identifiable debt (<i>Order of Minister of Finance no. 3.055/2009 updated by Order of Minister of Finance no. 1.802/2014</i>).	There should be a manifestation or a tangible record of the existence of the intangible (<i>contract, patent, etc.</i>).
	To obtain the rights of the contractual or other legal nature: transferable or separate entity or other rights and obligations (<i>Order of Minister of Finance no. 3.055/2009 updated by Order of Minister of Finance no. 1.802/2014</i>).	

Source: Personal processing in accordance with the accounting rules

In order to support the exposure in Table 3, we must specify that goodwill internally generated may not be recognized as an active asset, because it is not an identifiable resource controlled by the reference, and it cannot be separated and do not result from the legal rights in the contractual or of any other nature, which can be assessed credible at cost.

The criteria for the recognition set out above have been reviewed by the International Accounting Standards Board (2004), which included intangible assets in the IAS 38 Standard.

The main objective of this project was to improve the quality and obtaining international convergence in the field of accountancy in the case of combination of enterprises for tangible and intangible goodwill acquired as a result of business combination.

One of the most difficult criteria to be satisfied is the measurement of credible cost.

Assuming that this condition may be met, intangible assets must generally be valued at the cost. Among other things, this will include, the purchase price and any costs which can be directly related to the preparation of the asset for use. The only exception to this rule is the cost of any intangible assets obtained during a scan. Such intangible assets must be recognized at a fair value, which is the price objectively determined, for which it can be changed an active, of her own accord, between the parties in question.

Also, in Table 4, through some of the most well-known Orders of Minister of Finance (*OMF*), under which the Romanian accounting system operates, a comparative exposure of the recognition of intangible assets in Romania is presented [12], [13].

In accordance with the IAS 38: intangible assets, subsequent recognition of these elements property details the two methods of assessment of intangible assets, drawn up after the initial recognition.

Table 4. Recognition of intangible assets according to OMF

OMF no. 3.055/2009 ⁴	OMF no. 1.802/2014
If it is forecast that will generate economic benefits for the entity and its cost can be measured reliably.	If it can be separately or detached from the entity and sold, transferred, transferred through a license agreement, hired out or changed, either individually or together with another contract with an identifiable active or with an identifiable debt concerned, regardless of whether the entity it intends to take this.
To determine whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into a research phase and a development phase. If the entity cannot distinguish the research phase and the development of an internal project to create an intangible asset, it will treat the costs of that project as being determined only by the research phase.	If it can be obtained from the contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
An intangible asset arising from research (<i>or from the research phase of an internal project</i>) is not recognized. Expenditure on research (<i>or the research phase of an internal project</i>) are recognized as an expense unless they are generated. This is because in the research phase of an internal project, an entity can not demonstrate the existence of an intangible asset and generate potential economic benefits.	

Source: Personal processing as required by law in Romania

(a) **The base treatment** - cost or less any accumulated amortization and losses of gained impairment;

(b) **Alternative Treatment accepted** - the value is reassessed; it is about the fair value at the time of the re-evaluation of less any accumulated amortization afterwards and any loss of accumulated depreciation at a later time. The treatment is accepted where fair value can be determined by reference to an active market for that intangible asset.

Therefore, the comparative analysis of the three referential accounting related to recognition of assets, proved that between Romanian accounting regulations and International Financial Reporting Standards there are many similarities and few differences.

⁴ Repealed by OMF no. 1.802/2014.

In this context, it is confirmed the trend of convergence of accounting regulations the existence at world level.

Table 5. The accounting treatment of intangible assets: OMF and IAS

OMF	IAS
INITIAL RECOGNITION OF INTANGIBLE ASSETS	
Presented in table no. 4	Presented in table no. 3
IMPAIRMENT OF INTANGIBLE ASSETS	
Cash generating unit and the recoverable value are not defined. The depreciation is performed at an individual level.	Shall apply to the provisions of IAS 36 Impairment of Assets.
Will perform annual impairment tests for goodwill and intangible assets with indefinite useful life.	
CAPITALIZATION OF INTANGIBLE ASSETS [14]	
An entity may capitalize the costs of lodging, in which must perform their amortization over a period of up to 5 years.	Shall apply the provisions of IAS 38 according to which, the expenses of the Constitution may not be capitalized (<i>affects the profit and loss account when they are engaged</i>). IAS 22: <i>Business combination</i> requests that the goodwill to be capitalized in the case in which it was purchased.
VALUATION OF INTANGIBLE ASSETS	
According to OMF no. 3.055/2009, customer lists are not recognized as an intangible asset.	At historical cost at the current cost (<i>or replacement</i>), realizable value and the discounted value.
RE-VALUATION OF INTANGIBLE ASSETS	
OMF no. 3.055/2009 does not allow revaluation of intangible assets.	IAS 38 requires revaluation of intangible assets that have an active market. <i>If an intangible asset is revalued, any accumulated depreciation at the date of the revaluation is either:</i> (a) restated proportionately to the change in the accounting value of the gross assets in such a way that the book value of the assets after the revaluation reserve should be equal to the value to be reassessed; or (b) eliminated the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.
AMORTIZATION OF INTANGIBLE ASSETS	
<i>There are allowed four methods of depreciation:</i> depreciation of the linear, degressive depreciation, accelerated depreciation and the amortization of the identified per unit of the product or service.	In accordance with the IAS 38, intangible assets with a duration of an indefinite life may not be depreciated over time.

Source: Personal processing in accordance with the accounting rules

However, in respect of intangible assets, major discrepancies were noticed between the three models of accounting, with respect to capitalized assets according to OMF no. 3.055/2009, which is the only one who

capitalizes expenditure formation, IFRS recognizes the residual value in the calculation of depreciation, while OMF no. 3.055/2009 does not do this.

Regardless of the differences arising between the three variants, we support the idea that the process of harmonization is in an advanced stage, due to national legislation to implement referential IASB, which is in turn an advanced harmonization referential FASB.

Both the Romanian as well as the Spanish ones are faced with the lack of an *Unitary Guide*, formally, in which to be treated the way of interpretation and presentation of reports on the intangible assets of the economic actors, which unfortunately, affect the comparability of the evolution of the companies at regional level and both at national and international one.

CONCLUSIONS

The opinion of the most Spanish authorities is that in the future, intangibles assets would be likely to facilitate the development of new active or factors of competitiveness. Thus, this economic element which have become basic resources for the generation of competitive advantages will represent one of the main challenges in the business management.

The accounting treatment for intangible assets, internally and externally identifiable, highlighted in Tables 1 and 2, that, the development of a higher level of convergence between the accounting regulations referred to (IASB, FASB & PGC-2007) is not a uniform one.

The main differences between the analyzed regulations consist of:

- The use of the fair value for the purpose of measuring certain categories of purchases;
- The criteria for the measurement are applied subsequently;
- Revaluation of intangible assets;
- Loss measurement of depreciation of the value and the possibility of their reversal, but also the recognition and the amortization of the costs of research and development.

The study compared on the treatment of intangible assets in the accounts of companies

in Romania and the ones in Spain reveals the following:

- The majority of the Spanish companies forecast that their assets intangible assets could lead to the creation of new assets or factors of competitiveness.
- The Romanian and Spanish companies are affected by the lack of a single guide, formally, which would treat the mode of interpretation and presentation of reports on intangibles assets, because the degree of comparison of the evolution of the companies it is getting lower.

It is therefore needed as the experts of both Member States of the European Union to divert its efforts toward the development of a standardized model of processing and reporting of data reliable, comparable and relevant, so that in the future, through the accounting standards relating to intangible assets recommended by the European Union, the two systems of accounts, the Romanian and the Spanish one, to be able to perfectly harmonize, and become comparable.

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