

THE ACCOUNTING OF THE PLEDGED ASSETS PASSED TO THE LICENSED BANKS FROM THE REPUBLIC OF MOLDOVA FOR THE REPAYMENT OF THE GRANTED LOAN

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Abstract

In banking practice the pledge plays an important role, it is often used to denote the pledge agreement, as well as the real right that is the result of the pledge agreement conclusion and the good that is the object of the pledge. The pledge is the only real security interest in the range of bank guarantees. Actually, each obligation can be guaranteed by the pledging. Assets diversification and trade needs have led to the development of a new pledge form. Anyway, regardless of the number and content of the economic material, the licensed banks from the Republic of Moldova attach importance to the correctness of pledge accounting taking into account the deadline. Thus, this research aims to present the accounting of the pledged assets passed to the licensed banks from the Republic of Moldova for the repayment of the granted loan, taking into account the enforcement of the obligation secured by the pledge deadline, the right to possession of the pledged asset and not the least of its value. In the research there was mainly used the method of monographic study applying elements of observation, selection, induction and deduction.

Key-words: bank, deadline, loan, pledge, value

INTRODUCTION

Pledge is the only real estate guarantee in the range of bank guarantees. Each obligation may be guaranteed by forming a pledge. First of all a pledge is “the insured sequester of the poor people” [3]. Today in the Republic of Moldova the majority of licensed banks cannot give loans for a building built in the proportion of 30-40% because there is the risk to lose their investments. Another reason would be a different interpretation of the Law regarding pledge (2001, with subsequent amendments and supplements) and other legislative and normative acts, that is why judicial decree is delayed for years [3]. In addition, the population doesn't trust real estate firms which often don't commission the lodgings at the time stated by the contract. Thus, the way of accounting of the pledged goods, passed in the possession of the licensed banks of the Republic of Moldova in order to pay off the pledge, plays an important role. Accounting aspects aren't researched and reflected in specialty literal sources, that's why their opportunity is necessary and undisputed.

MATERIALS AND METHODS

The researches have been carried out on the basis of problems and conflicts generalization appeared when implementing the actions plan which allows passing to the International Standards of Financial Reporting (IFRS)(2008, with subsequent amendments and supplements) of the Republic of Moldova. The methodological support of the researches is the Accounting Law no.113-XVI of the 27th of April 2007 (with the following amendments and supplements) (2007, with subsequent amendments and supplements), Financial Institutions Law no 550-XIII (1995, with subsequent amendments and supplements), the Law regarding pledge no 449 (2001, with subsequent amendments and supplements) [1,2, 3]. The information presented by the licensed banks JSC “Banca de Economii”, CB"Victoria Bank" JSC have served empirical basis of the researches. We mostly used the monographic method also applying elements of analysis, observation, selection, induction and deduction.

RESULTS AND DISCUSSIONS

According to the Law regarding pledge, a pledge is a real guarantee on which basis the creditor pledger may track the pledged goods having priority over other creditors and over the state when satisfying the secured debt. The validity of the pledge depends on the validity of the liability secured by pledge, it is established on a mobile good or on a real estate good or on a university of mobile goods and real estate goods. The pledge of real estate goods is called mortgage. According to the legislation of the Republic of Moldova the object of the pledge may be money means in national currency and in foreign currency deposited to open accounts in banks, as well as in the form of jubilee and memorial metallic money (including the money that contains precious metal). The pledge of money means may be formed only by storing them (pawn). The creditor pledger has the right to be satisfied from the insurance indemnities for the destruction, loss or damage of the pledged goods and it doesn't matter in whose favor this good has been pledged, unless the destruction, loss or damage happen, because of the creditor's fault or if the pledge contract stipulates otherwise. The procedure of the pledge registration starts with the submission of a registration application to any notary who deals with Pledge Register.

The registration application must contain:

- a)The identity of the debtor pledger and of the creditor pledger: first name, address and the identity card data – for natural persons; full name, headquarters and registration data – for legal persons;
- b)The identity of the pledge manager if there is one: first name, last name, address and the identity card data – for natural persons, full name, headquarters and registration data – for legal persons;
- c)Express agreement of the debtor pledger to form a pledge in creditor's favor;
- d)The description of the pledged good;
- e)The essence, volume and the due date of the liability secured by the pledge and its maximum value without interests and expenses;

- f)The pledge type;
- g)The prohibition to form the following pledge on the same good if the parties have agreed on that;
- h)The date of application submission;
- i)The signatures of the debtor pledger and the creditor pledger or of their representatives.

Neither the debtor pledger nor the owner of the pledged good can destroy or damage the pledged good or diminish its value unless this happens naturally or in case of necessity. In case there is the danger of destruction or damage of the pledged good, the party, which owns it, is obliged to inform immediately the other party, the other party having the right to examine the good.

According to the Law regarding the pledge (2001, with subsequent amendments and supplements), when the term of the pledged liability's execution expires, the bank solves the problem concerning the orientation over the pledged object applying to the court or not.

Having obtained the right of possession of the pledged good, the bank reflects these objects in group 1800 "Other assets"(The accounts plan of the accounting records in the licensed banks in the Republic of Moldova, with subsequent amendments and supplements, 1997) [4,5]. In case the credit has been passed to the decrease from the reduction account for the depreciation losses, the registration of the pledge as the bank's possession is reflected by the following accounting formulas:

Debit account 1811 "The assets passed in possession/ purchase for sale".

Credit account 5860 "The expenses for the depreciation of the credits and the payments related to credits". So, the accounting registration of the pledge in the bank's possession takes place at the least value of the assets passed as the exchange of the credits payment between the aggregate value of the debtor's debt (credit's balance, the interests calculated and reflected in the balance sheet, allowances, penalties and other debts related to the credit) and the real value (market value stated by a professional value) of the mentioned assets minus the actual costs generated by the sale (independent valuation, voluntary/ forced transmission, press

announcements, assets maintenance expenses etc.).

Simultaneously, with the records mentioned below there are reflected:

Coming out: account 7201 “Credits passed to decreases”,

Coming out: account 7202 “Interests and allowances calculated at credits passed to decreases”,

Coming out: account 7204 “Penalties calculated at credits passed to decreases”,

Coming out: account 7205 “Penalties calculated at interests and allowances calculated at credits passed to decreases”,

Coming out: account 7102 “Liabilities in the form of pledge agreements”, account 7103 “Pawn received”, account 7121 “Guarantees, securities and transfers received” – in the corresponding amounts of the insurances received according to the contracts.

Coming out: account 7754 “Goods passed in possessions/ purchased for sale” – in the amount of the property taken in possession.

In case when the credit hasn't been passed before to the decreases from the reduction for depreciation losses account, the recording of the object of pledge to bank's possession occurs by using the following accounting formulas in the following order:

1) Debit account 1811 “Assets passed in possession/purchased for sale”, credit respectively from groups accounts 1230-1530 – in credit's amount;

2) Debit account 1811 “Assets passed in possession/ purchased for sale”, credit corresponding account of group 1700 “Calculated interest and other incomes that are to be received” – in the amount of the interest calculated and not paid;

3) Debit account 1811 “Assets passed in possession/ purchased for sale”, credit account 1758 “Calculated allowances related to interests” – in the amount of the allowances calculated and not paid;

4) Debit account 1811 “Assets passed in possession/ purchased for sale”, credit on account “Adjustment of credits value to depreciation cost”;

5) Debit account 1811 “Assets passed in possession/ purchased for sale”, credit account 4951 “Fines, penalties and other sanctions” -

in the amount of penalties to the interest calculated and not paid;

6) Debit account of group 1700 “Calculated interest and other incomes that are to be received”, credit account corresponding to groups 4230-4530 of the incomes related to interests for credits – in the amount of the increased interest calculated, not paid and simultaneous;

7) Debit account 1811 “Assets passed in possession/ purchased for sale”, credit account of group 1700 “Calculated interest and other incomes that are to be received”.

As in the previous case, in this case the recording of the pledged goods passed in bank's possession is carried out at the smallest amount (accounting value of the credit or real value minus the costs generated by pledge sale). Simultaneously with the mentioned above records, there are recorded:

Coming out: account 7102 “Liabilities in the form of pledge agreements”, account 7103 “Pawn received”, account 7121 “Guarantees, securities and transfers received” – in the corresponding amounts of the insurances received according to the contracts.

Entry: account 7754 “Goods passed in possession/ purchased for sale” – in the amount of the property taken in possession. According to the legislative provisions, in case when the means taken in possession don't satisfy all the debts, the bank has the right to obtain the missing means by capitalizing other goods that belong to the debtor. In case it is impossible to obtain the amounts mentioned above by taking the debtor's other property, the part not paid for credit debt is passed to decreases from the depreciation of granted credits account:

Debit on account of the reduction for losses of the depreciation of the granted credit of the corresponding groups 1230-1530, credit account corresponding to groups 1230-1530 of the granted credits, credit account of group 1700 “Calculated interest and other incomes that are to be received”, credit account 1758 “Calculated allowances related to interests”, credit on account “Adjustment of credits value to depreciation cost”.

Simultaneously, the amounts of the debts from the credit are reflected at the entry in

accounts memorandum 7201 “Credits passed to decreases”, 7202 “Interests and allowances calculated at credits passed to decreases”, 7204 “Penalties calculated at credits passed to decreases”, 7205 “Penalties calculated at interests and allowances calculated at credits passed to decreases”. For all the mentioned above cases, only when the debtor’s debts to the bank are paid completely, the following accounting record is made:

Coming out: account 7101 “Liabilities in the form of credits agreements” – in the amount of the credit contract. The originals of the corresponding contracts are to be passed to credits department to be archived.

CONCLUSIONS

When the term of the pledged liability’s execution expires, the licensed bank solves the problem concerning the orientation over the pledged object applying to the court or not.

The licensed bank gets the right of the pledged object possession; it reflects these objects in group 1800 “Other assets”. In case when the credit has been already passed to decreases from the reduction account for the depreciation losses, the registration of the pledge as the bank’s possession is reflected by the accounting formulas.

The accounting registration of the pledge in the bank’s possession takes place at the least value of the assets passed as the exchange of the credits payment between the aggregate value of the debtor’s debt (credit’s balance, the interests calculated and reflected in the balance sheet, allowances, penalties and other debts related to the credit) and the real value (market value stated by a professional evaluator) of the mentioned assets minus the actual costs generated by the sale (independent valuation, voluntary forced transmission, press announcements, assets maintenance expenses etc.).

In case when the means taken in possession don’t satisfy all the debts, the licensed bank has the right to obtain the missing means by capitalizing other goods that belong to the debtor. In case it is impossible to obtain the amounts mentioned above by taking the debtor’s other property, the part not paid for

credit debt is passed to decreases from the depreciation of granted credits account.

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