

CHARACTERISTICS OF SOURCES OF INCREASING SOCIAL CAPITAL THROUGH EVIDENCE MEASURES

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Introduction and Background

Share capital is a fundamental element of the equity of an economic entity, reflecting the financial basis necessary for the conduct of its activity. The increase in share capital is an important instrument of financial consolidation, used both to increase economic credibility and to comply with legal requirements. In practice, the increase in share capital can be achieved either through external contributions or through accounting measures, based on internal sources of the entity. Studying the sources of increase through accounting measures is relevant since these operations do not involve additional inflows of resources, but rather involve a redistribution of existing equity.

Methodology

The research is based on specific methods of economic and financial analysis. Documentary analysis of the specialized literature and accounting regulations in force was used to theoretically substantiate the study. The analytical method allowed examining the main sources of capital increase through accounting measures, and the comparative method was applied to highlight the differences between capital increase through internal sources and through external contributions. The generalization of the results contributed to the formulation of scientific conclusions.

Results

The analysis of the process of increasing the share capital emphasizes the characteristics of the main sources of its formation and the ways of reflecting it in the accounting records. The increase of the share capital through the entity's own sources is carried out by [1; 403-408 p.]:

- capitalization of retained earnings, which reflects the entity's self-financing capacity and its orientation towards long-term development. In this way, the accumulated profit, which previously had a temporary character and could be distributed in the form of dividends, is transformed into social capital, increasing financial stability and the degree of independence from external sources of financing. At the same time, the value of equity increases and the financial structure of the entity improves, which can positively influence its image in front of creditors and investors;
- capitalization of reserves, which contributes to the consolidation of the share capital and the strengthening of the financial stability of the entity. Reserves, previously constituted from profits or other sources, are used to increase the share capital, which leads to an increase in the level of permanent capital and an improvement in the financial structure;
- conversion of capital premiums into share capital, which contributes to strengthening the entity's financial position and increasing the level of share capital, increasing its capacity to absorb losses and guarantee obligations to third parties. Capital premiums have a complementary role to share capital, but this operation ensures a better correlation between it and the real value of the contributions made by shareholders;
- subsidies (for publicly owned entities), which support the implementation of investments or the performance of current activities and lead to the achievement of positive financial results, which can subsequently be capitalized in the form of retained earnings or reserves.

These sources do not involve additional inflows of economic resources, but lead to an internal restructuring of equity.

Conclusions

Increasing the share capital through accounting measures is an effective way to consolidate equity, without resorting to external sources of financing. This practice contributes to increasing the credibility of the entity towards investors and creditors, as well as to compliance with legal requirements regarding the level of share capital. At the same time, the correct application of these measures requires compliance with accounting principles and regulations in force.

Keywords: *share capital, capital increase, equity, accounting records*

References

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