

Title : FINANCIAL LEASING AND PRACTICAL IN TERMS OF THE EFFICIENT USE OF THE COMPANY'S HUMAN RESOURCES. EVALUATION AND ANALYSIS

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Abstract:

The effective use of redemption values by companies contributes not to limit their mobility. Financial leasing is an alternative financing system for asset purchases that require significant cash outflows. Our goal in this article; In addition to reflecting leasing practices in our country, it is also a question of revealing the differences according to international accounting standards (IFRS 16) and promoting human capital (skills; knowledge and know-how consolidated over the years), immaterial assets are decisive for global economic performance and organization of the organization. Therefore, the question arises of how, in an organization, these key strategic success factors are created, disseminated, preserved and used with a view to added to the economic income of the company. From this problem arise the following research axes: to what extent do they contribute to the creation of value in a company.

Keywords: Financial Leasing; GoodWill; Human Resources.

JEL Classification : G3; J2; J3

ملخص :

يساهم الاستخدام الفعال لقيم إعادة الشراء من قبل الشركات في عدم الحد من حركتها. التأجير المالي هو نظام تمويل بديل لشراء الأصول التي تتطلب أموال نقدية كبيرة. هدفنا في هذا المقال ؛ بالإضافة إلى عكس ممارسات التأجير في بلدنا ، فهي أيضاً مسألة الكشف عن الاختلافات وفقاً للمعايير المحاسبية الدولية (IFRS 16) وتعزيز رأس المال البشري (المهارات ؛ المعرفة والمعرفة الموحدة على مر السنين) ، فإن الأصول غير المادية حاسمة للأداء الاقتصادي العالمي وتنظيم المنظمة. لذلك ، ينشأ السؤال عن كيفية إنشاء عوامل النجاح الاستراتيجية الرئيسية هذه ، في المنظمة هذه ، ونشرها ، والحفاظ عليها واستخدامها بهدف إضافته إلى الدخل الاقتصادي للشركة. من هذه المشكلة ، ينشأ البحث التالي: إلى أي مدى تساهم في إنشاء قيمة في الشركة.

الكلمات المفتاحية : التأجير المالي ؛ فارق الاقتناء ؛ الموارد البشرية.

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1.Introduction :

Businesses need to make efficient use of their existing resources. In an environment where technology is constantly evolving and cash management is extremely important, it is inevitable for companies to act rationally. In particular, companies that are faced with the direct purchase of machinery and equipment that will require large outflows prefer leasing as a model of rational behavior (Mashrap 1999). While leasing aims to eliminate the problem of scarce financial resources for investments, it helps companies financially.

In our country, leasing came into force in 1996. Despite some rental incentives, the rental rate in our country is low compared to other developed countries. However, it should be noted that leasing has started to increase in developing countries in recent years. Among the most important reasons are tax incentives and facilities in the countries concerned. It is natural for countries to have different accounting standards and different growth and developments. In this article, our aim is to reveal the leasing process currently being implemented in Algeria and to reflect its situation in relation to international standards.

the excess of the cost of the business combination over the acquirer's share of the net fair value of identifiable contingent leasing assets and liabilities. The difference in valuation is explained by the non-inclusion or incorrectly recognition in the carrying value of elements contributing to the value of the company. The difficulty in taking into account intangible elements and the non-integration of value elements likely to be generated during the business combination. But goodwill can also arise due to an erroneous assessment of the purchase price of leasing equipment. When it is recognized, goodwill is recorded as an asset. It is therefore the prediction of future economic benefits. These may result from a synergy between the identifiable assets acquired, or from assets that individually do not qualify for recognition in the financial statements. As Johnson and Petrone (1998) point out, goodwill is also likely to arise due to items that are not assets: overestimation or error in the measurement of the acquired company. However, the individual components of goodwill cannot be clearly identified. It should also be noted that the asset nature of goodwill can also be contested because it is not a separable element that can be sold without transferring other elements of the assets or the company itself and that goodwill created internally is not recognised.

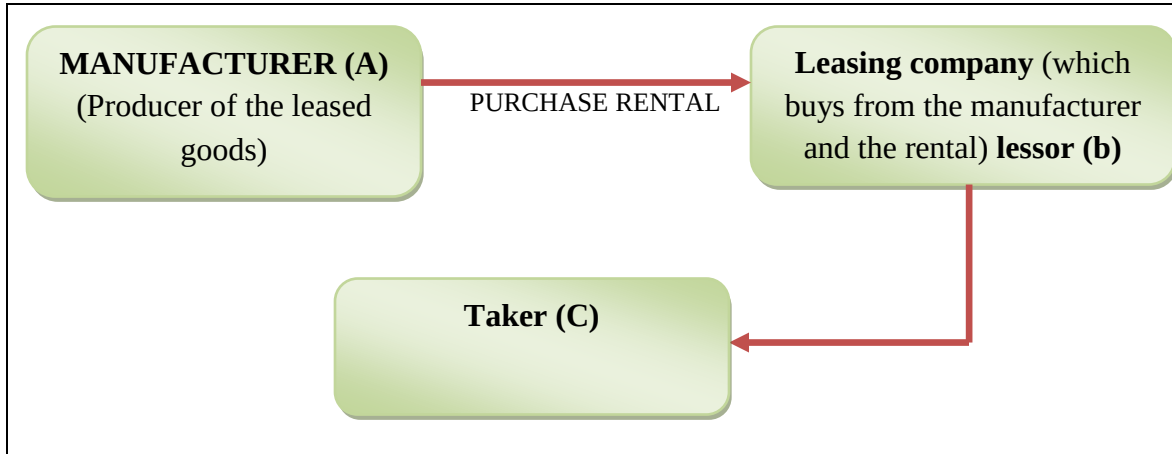
This work is structured in two parts; The first deals with the leasing and goodwill point, then the second part addresses the points of convergence and divergence between these two concepts: intangible capital and goodwill.

2.Essential characteristics of leasing :

Leasing is a financing technique that ensures that the ownership of an investment property remains with the leasing company, that the right to use the relevant product is granted to the lessee in return for the specified rent and that ownership is transferred to the lessee at the end of its term in accordance with the contract. Leasing, which has become an increasingly important mode of investment financing in our country and in the world, means that instead of buying a property using equity or on credit, it is purchased by a leasing company and rented to the investor, and sold at a symbolic price at the end of the rental period (Seyhan 1991).

The purpose of leasing is the machine that the company will use to achieve its investment and financing objective, It aims to generate profits for the purpose of carrying

out the company's activities, not the ownership of the equipment. In leasing, it is the process of giving all kinds of rental rights of a certain investment property to the tenant for a long period of time in exchange for a certain payment determined by the contract. In the field of leasing, the parts are illustrated in the diagram below.



Source: Edition by author

Figure (1): Parties to the lease

The property subject to the lease can be acquired by the leasing company and leased to the lessee. In the figure above, there is a relationship between A (manufacturer, the company that produces the leased goods), B (the company that buys the product concerned from the manufacturer - Lessor), C (the company that rents the product that will meet its own needs from B-LESSEE). In this transaction process, there is usually no direct link between the producer of the leased property and the tenant. Because the direct purchase of the leased asset will eliminate the relevance of the leasing process. Under the tripartite relationship described above, the financially strong company will purchase ownership of the leased asset from the producer and lease it to the lessee as part of the agreement.

One of the other key issues related to leasing is the types of leases. Let us briefly explain some of them.

1. **Operational lease:** The purpose of this type of lease is to rent the machinery and equipment concerned for a short period of time in order to carry out the company's activities within a certain period of time.
2. **Leasing:** This is a type of long-term leasing that economically transfers control of the leased property to the lessee and makes the lessee the actual owner of the asset, although ownership of the machinery and equipment remains with the lessor.
3. **International Trade Leasing:** This is the type of leasing that occurs when the goods being leased are supplied on the international market. The tenant signs a contract with the seller choosing the investment property and determining the price and delivery conditions, applies to the leasing company, the company makes an offer after doing the necessary research and the rental agreement is signed. Or ensure that the contract continues under more favourable conditions. In imported leasing, on the other hand,

the method is the same as the previous one, but the only difference is that the selling company that supplies the goods is located abroad.

4. **Sale and Lease-back** ; In periods when the general need for financing is intense, the company sells its economic value to a leasing company and leases the same economic value under certain conditions.

3. Advantages of leasing in our country :

We can list the advantages of leasing for our country in general terms as follows:

- 1- Thanks to financial leasing, the company's instant cash outflows are not made. Since there is a fixed payment in periodic rent payments, it has a certain protective quality against inflation (Kara 2001).
- 2- Investments in long-term assets require a certain amount of time to generate cash inflows. In such a situation, companies may prefer to pay for the lease on a fixed basis in order to achieve their cash outflows in a balanced manner.
- 3- Tax on bank and insurance transactions is paid, except for the exemption of finance lease fees and value added tax.
- 4- In addition to the cost of goods, leasing is also used for transportation and assembly. This allows the company to use its cash more rationally.
- 5- Since there is no need to allocate additional funds for investment, there is no depletion of the company's equity.
- 6- The payment of rent can be determined according to the tenant's payment.
- 7- In the event of bankruptcy, the property subject to the financial lease cannot be confiscated because it belongs to another company and therefore production can continue (Erdogan 1994).

We can list the advantages of leasing in terms of tax practices in our country as follows:

- a-) Since the leased asset belongs to the lessor in terms of tax legislation, the leasing company can distribute the depreciation according to declining balance balances.
- b-) It is possible to amortize expenses by revaluation and by spreading the depreciation to new values. For this reason, the increase resulting from the revaluation can be added to the capital.
- c-) From a corporate tax perspective, rental companies must report their rental income as income and pay it as corporate tax with corporate income.
- d-) From the point of view of VAT, it is specified as the rate of VAT to be applied by the leasing company of the leased goods is set at 19%. However, it has been stated that 9% will be used in specific equipment.

4. Legal proceedings in leasing matters :

A legal agreement must be concluded between the lessee and the lessor company in connection with the execution of the leasing transaction (Uzunoglu 1996). It is possible to summarize the main lines of the contract to be created between the parties as follows:

- 1- **Purpose of the contract**: The tenant declares to have an idea of the general structure of the property subject to the lease.
- 2- **Duration and right to purchase**: The product subject to the lease must declare to the lessee the figure showing the sale price during the rental period and at the end of the period.

- 3- **Rent Payment:** The payment plan should determine in detail the specified rent and VAT payments and the payment points should be notified.
- 4- Explain whether increases in property prices will be reflected in rents.
- 5- Definition of the criteria for termination of the contract
- 6- Procedure and method of delivery of the goods
- 7- Cancellation of delivery; The Hirer may accept the goods as having received the goods presented by the Seller, if he unjustifiably refrains from taking the agreed and duly qualified goods.
- 8- The rights that can be invoked against the seller must be clearly decided.
- 9- Prohibition of bartering; If the contract deems it necessary, the tenant cannot allow the company to exchange its goods with someone else.
- 10- Supervisory authority; If he wishes, it may be possible for the tenant to audit both the financial situation and the condition of the property rented by the lessor company.
- 11- **Insurance:** The rented property can be insured by the lessor.
- 12- The provisions that will require the termination of the contract must be clearly stated in the contract.

5. Important topics of leasing according to international accounting standards (ifrs) :

According to International Accounting Standards (IFRS 16), leasing operations have a different scope of application than in our country. Let us summarize these differences in items (Pekdemir Vol.28) :

- a- A financial lease must include both assets and liabilities in the lessee's books at the current market value of the asset subject to the lease or the present at the beginning of the lease, and these must be shown in the balance sheet as such. Following such a registration, a portion of the payments made by the tenant should be recorded as financing and the other portion as principal debt payment, and the asset should be amortized.
- b- du point of view of the leasing company, the assets subject to the lease must not appear in bodily fixed assets.
- c- Leasing claims must be followed in fixed assets because they are commercial claims for leasing companies (Akdoğan 1999).
- d- The assets for rent must be included in the company's inventories, and the accounts offered here are those of a immobilization account which is not currently used.
- e- les takers must be capitalized on the net value and bodily fixed assets. The interest arising from the leasing operation must be assigned to the costs.

6. The relationship between leasing and the company's goodwill:

The relationship between leasing and the goodwill of a company is indirect but significant, especially in the context of mergers and acquisitions, restructuring or consolidated accounting. Leasing is a contract by which a company (lessee) uses property (equipment, real estate, etc.) without being owned, with periodic royalties; And Goodwill (business) is the positive difference between the price paid to acquire a business and the net value of its identified and passive assets at the time of identification.

Goodwill = acquisition price - (identifiable net assets)

Goodwill nature: non -depreciable active, re -evaluated annual

Strategic importance: Brand image, Customers, Synergies.

6.1. How leasing influences goodwill:

Credit-leasing does not directly affect Goodwill, but it has an indirect impact on its amount via the assessment of acquired business and net liabilities.

- Before the appearance of IFRS 16 standards (until 2018): operational lease credits did not appear. They were mentioned only in the appendix to the balance sheet. This could lead to:
 - An underestimation of the liabilities of the acquired company.
 - Surestimation of net assets.
 - So undervalued or poorly calculated goodwill.
- After the application of IFRS 16 (since 2019): companies must now count the lease credits in their balance sheet:
 - Right of use of property => Long-term assets
 - Payment obligation => Long-term liabilities

6.2. Impact on the goodwill:

When an acquisition is made, these new items (assets + liabilities) are taken into account in the valuation of identifiable net assets. This allows for a better calculation of goodwill, as all commitments related to leasing are now visible. Recognition of leasing contracts increases goodwill, as it decreases net assets.

For buyers: Knowing the leasing commitments allows you to correctly assess the real value of the company.

For consolidators: Applying the rules of the financial accounting system allows for better transparency and justifies the amount of goodwill.

For financial analysts: Leasing can mask financial risks if not included in the overall valuation.

The influence of leasing on the goodwill of the company is clarified in the following points :

- **Indirect Relationship:** Leasing does not directly affect goodwill, but influences its determination.
- **Clarified by the financial accounting system:** Especially in the case of acquisitions or consolidations, as leasing commitments change net assets. The effects of leasing are better reflected in the financial statements => Improved valuation of goodwill.

Leasing has become a common method for businesses to acquire assets without massive initial financial support. However, it generates significant financial commitments that are often invisible in the poorly handled financial statements.

Goodwill, on the other hand, represents an essential intangible value during merger-acquisition transactions.

6.3. Impact of leasing on the assessment of a company:

Leasing can distort the perception of the financial structure, a company with a lot of leasing seems to have fewer debts, but these commitments are very real: future rents, duration, risks. For a buyer, this means that the liabilities are not entirely visible without extensive analysis, therefore, the apparent assessment can be misleading (impact on global valuation)

6.4. Leasing effect on the calculation of Goodwill :

Acquisition method according to IFRS 3:

The goodwill = Acquisition price - Net value of the acquired and passive supported.

- If the lease liabilities are not identified $\Rightarrow$ overestimated net assets $\Rightarrow$ Excluded goodwill.
- With IFRS 16, these liabilities are now recognized $\Rightarrow$ Best estimate of Goodwill.
- In the event of non-compliance with standards $\Rightarrow$ Biases in consolidation $\Rightarrow$ possible accounting error possible.

6.5. Comparative analysis before-after IFRS 16 :

Table (1): Comparative analysis before-after IFRS 16

Criteria	Before IFRS 16	After IFRS 16
<i>Balance sheet</i>	Not representative	More transparency
<i>Goodwill</i>	Understated	Better Valued
<i>Financial analysis</i>	Less reliable	More accurate
<i>Ratio (debt/equity)</i>	Biased	Realistic

Source: Edition by author

Rents are tax deductible, so leasing can influence the tax base, so a secondary impact on the perceived profitability of the company, but no direct impact on goodwill.

6.6. Risks related to a misrecognition of leasing:

Overestimation of the value of the enterprise causes the following elements to appear:

- Risk of future deterioration of goodwill (oddly)
- Hidden over-indebtedness
- Erroneous financial ratios
- Regulators more vigilant since the adoption of IFRS 16

The systematic integration of leasing liabilities in the financial analysis leads to the revision of company valuation models to include non-financial commitments Balance sheet and audit of leasing contracts during due diligence.

Leasing, although initially considered as a simple method of financing, plays an indirect but crucial role in determining goodwill. Thanks to the harmonization of standards via IFRS 16, this relationship is now better controlled. Finance, accounting, and management professionals need to be aware of this impact to avoid mispricing and ensure increased transparency.

Leasing has an indirect impact on the recognition of a company's goodwill, particularly in the context of a merger-acquisition or restructuring operation. Leasing is the contract by which a company (the lessee) obtains the use of an asset (equipment, real estate, etc.) in return for periodic royalties, without owning it. Subsequently, goodwill is the positive difference between the purchase price of a company and the net value of its identified assets and liabilities. Leasing does not have a direct impact on the value of the goodwill itself, but it can influence the valuation of the net assets that go into the calculation of goodwill upon acquisition.

When a company uses large leases, identifiable net assets decrease and goodwill increases.

Since the application of IFRS 16, long-term leasing contracts must be recorded as an asset in the form of a right-of-use and as a liability in the form of a leasing liability.

Therefore, upon acquisition, leasing contracts become identifiable assets and liabilities. This therefore affects identifiable net assets and what influences the amount of goodwill.

Table (2): The situations influence the amount of goodwill

Situation	Goodwill effect
Non-counted leasing before acquisition	Can underestimate liabilities $\Rightarrow$ Understated Goodwill
Leasing recorded according to IFRS 16	Recognized assets/liabilities $\Rightarrow$ Good estimate of goodwill
Significant leasing commitment	Potential increase in goodwill so poorly evaluated

Source: Edition by author

7.The added value of the company's workers on the goodwill:

The value added by the staff of a company can positively influence the goodwill of this company. Indeed, employees are a key factor in the intangible value of the company, and their contribution can increase the value of Goodwill.

The increase in the added value of employees to Goodwill Cerne in the following points:

- **Skills and knowledge:**

Employees provide skills, knowledge and expertise that contribute to the value of the company. These skills can be difficult to imitate by competition, which increases the value of the company.

- **Relations:**

Employees establish relations with customers, suppliers and partners, which can strengthen the company's reputation and create additional value.

- **Innovation:**

Employees can contribute to innovation and the development of new products and services, which can increase business value and value of business value and Its intangible assets.

- **Reputation:**

Competent, motivated and well -trained staff can improve the company's reputation, which can in turn increase the value of goodwill.

- **Productivity :**

Productive and effective employees contribute to the profitability of the company, which can be an important factor in the valuation of the company and Goodwill.

A company that has a strong reputation for the quality of its customer service, due in large part to its well-trained and motivated staff, will have higher goodwill than a company that has problems with service quality and poorly trained staff.

In summary, the value added by employees plays a key role in valuing the company and increasing goodwill. By investing in people, companies can strengthen their intangible value and their ability to create long-term value.

7.1. Human Capital and goodwill - points of convergence and divergence:

In the Anglo-Saxon and now international common sense, goodwill refers to an intangible asset that is a little vague, corresponding to almost everything that makes the reputation of an organization with customers or more broadly with the public.

From an accounting point of view, the meaning is significantly different. When goodwill is mentioned on a financial report, it corresponds to the surplus paid during a company buyout. We will analyze the points of convergence and divergence between goodwill and intangible capital.

7.1.1. Convergences:

Goodwill is an intangible asset. It represents the difference between the assets on a company's balance sheet and the sum of its intangible and tangible capital valued at market value. Goodwill typically reflects the value of intangible assets such as the company's brand awareness, good relationships with customers and employees, patents and proprietary technologies. Goodwill is not intended to represent all the intangible capital on the balance sheet, but rather to bring the asset closer to its market value.

Intangible elements, for which a direct valuation is not possible, are grouped under the concept of goodwill. One definition of goodwill would be the ability of the company to maximize its profits from the means of operation at its disposal. The value of goodwill will represent the measure of these additional profits generated by the firm and will be composed of:

- **Elements related to the company's customer base:** loyalty, number, quality of the customer base, possibilities for its development. Loyalty and development opportunities depend essentially on the commercial quality, charisma and technicality of the manager;
- **Elements related to suppliers:** possibility of choosing them, putting them in competition, lowering their prices. The manager participates in the development of these elements thanks to his negotiation skills;
- **Personnel-related elements:** knowledge accumulated by the staff, and also by the manager; relations between management and staff (limited risk of strikes, low absenteeism, etc.); quality of work provided by employees (technical competence); staff replacement facilities; leadership and employee dynamism; low turnover (movement of staff in and out); quality of administrative services (in the hands of the manager in small companies) limiting the risk of adjustment in the event of a tax audit;
- **Elements related to the company's bankers:** quality and stability of relations with banks, which can be called into question during a succession; discount line; room for manoeuvre for long-term debt and negotiation of the leasing contract;
- **Elements related to third parties in the company:** quality of relations with social security bodies, the tax authorities, the labour inspectorate and trade unions. It is also the manager who is the main interlocutor of the unions and who influences the relations that exist with them.
- **Elements related to the company's assets:** quality of productive assets, premises; good reputation and quality of designs, trademarks and models; modern computing; and the positive influence of leasing on the production chain.
- **Elements related to the company's production:** quality of the products manufactured or services provided by the company, reputation of these products or services, ability of the company to develop this quality. The craftsman or

shopkeeper will enhance these elements through his know-how, which risks disappearing with him.

Goodwill (denoted GW) is therefore formed by all the internal elements, (the manager of an SME is the main component), or external elements favorable to the maximization of the profits generated in the past, present and future by the firm.

GW = present value of the discounted income stream - Net assets (A) Value of the company

(V) = Certain wealth (A) + Risky value (GW)

The risky value depends largely on the entrepreneur himself.

If we consider that the value of the successor, emanating from his training, technicality and experience, is lower than that of the previous manager, we can legitimately think that less effective management and a fortiori less efficient management will contribute to reducing the value of the company. This decrease is mathematically reflected in the inclusion of negative goodwill or Badwill (denoted BW).

$$V = A + BW < A$$

If, on the other hand, the new management is likely to improve results, thanks to the dynamism of the rising generation, goodwill will be positive and higher than that calculated the day before departure. Accounting prudence will require that this goodwill not be included in the tax valuation of the company (PALOU 2008).

If **D = day of departure**, then:

In D-1, $V1 = A + GW1$ and in D, $V2 = A + GW2$

If $GW1 > GW2$, then $V = V2$ and if $GW1 < GW2$, then $V = V1$

In the case of business acquisitions, one of the names of this intangible capital is 'Goodwill'; all the factors that make up the brand image and competitive advantages of the acquired company.

Goodwill is the difference between the total value of a company and the 'properly valued' value of its assets recorded in the accounts. This difference in value, although permanent, is only valued precisely at the time of the acquisition of a company. In practice, the price paid for the acquisition of a company is compared to the sum of its net book assets, the value of its assets on the balance sheet, from which the debts due are subtracted. We obtain, by difference, the first consolidation difference. Part of this difference is attributable to the difference between the economic value of the assets and their carrying value (valuation difference), the balance constituting goodwill.

The challenge of characterizing goodwill is high. Indeed, this Goodwill, which is regularly present in the consolidated accounts of companies, represents a significant weight in the balance sheets of groups. The characterization of the nature of this goodwill may lead to restatements that will then have a significant impact on the indicators used by financial analysts to assess the performance and risk of these groups.

The goodwill that we see emerge can be considered in three different ways:

- a- It can indicate that there is a balance left after revaluation of the assets. The first consolidation difference corresponds in part to a revaluation of the assets present on the company's balance sheet, and for the remainder, that is, goodwill, at a premium that the market is willing to pay on top of the actual net value of the assets. However, we dispute the term 'overprice', implying that 'the buyer has paid too high a price' Cailliau, 1996: the 'fair price' is the price on which the buyer and seller agree.

- b- Goodwill may also reflect the presence of assets other than those recorded on the balance sheet, either because they could not be recognized as assets, or because the company has decided not to recognize them as assets.

These two reasons are not mutually exclusive: most of the time, the goodwill that emerges is attributed to these two elements simultaneously.)

- c- Goodwill can be considered as the discounting of the company's future results, or it can be assimilated to potential unrealized gains and therefore, according to some authors, 'being representative of future value, it falls into the category of potential unrealized gains whose inclusion as an asset on the balance sheet is totally prohibited by usual accounting principles'.

As a general rule, the logic behind the notion of goodwill is as follows : the value of a company is not only equal to the value of its assets on the balance sheet, even disregarding the criticisms that can be levelled at accounting (historical costs, principle of prudence, principle of realization). Indeed, a company's reputation, its brand image, the specific services it provides to its customers, the various competitive or synergy advantages it possesses, are all intangible elements that have value, although they are not present on the balance sheet.

Here, goodwill is well considered as a difference in value, a premium that the buying company is willing to pay for the value of the intangible elements and benefits of the acquired company.

However, we will rather adopt the perspective of Marion (1990), considering that a globalization of intangible elements and benefits in the form of goodwill leads to inaccuracies in the identification and valuation of the company's performance elements. As far as possible, it is desirable to reason on identifiable and separable intangibles, and to attribute to them a value of their own, rather than drowning them in a non-homogeneous whole: in fact, research and development expenditure is a type of intangible, which has its own specific characteristics (value, lifespan, depreciation), different for example from training costs or commercial expenditure. However, as Pierrat (1992) points out, 'it is not possible to define a method and a duration of depreciation adapted to goodwill', given that this aggregate has no economic existence and specificities. Finally, goodwill is only a market measure of intangible capital: recognized goodwill simply means that on a given date, a buying company has agreed to pay a premium to acquire a company. This premium may only represent the revaluation of the assets present at a fairer economic value, or it may include certain elements of the intangible capital of the acquired company (for example, a brand image), or it may include both elements (revaluation of the assets in place and 'purchase' of part of the intangible capital) but what seems certain, This is because we cannot deduce a statement about the value of the intangible capital of the company acquired.

Our position is therefore that goodwill should be reduced to its simplest expression, and should only be assessed as a balance not allocated to the revaluation of existing assets. Indeed, the presence of high goodwill inevitably poses problems of precise identification and depreciation of this item. We prefer its allocation to identifiable, separable items rather than its retention in this item, even if these elements are debatable: a group that values 'market shares' in its consolidated balance sheet at least the merit of creating an asset which, however debatable it may be in its characterization and valuation,

makes it possible to allocate part of the goodwill to an item that will now be identified and whose evolution of the asset will be monitored. value.

7.1.2. Discrepancies :

Goodwill is close to certain intangible assets. In reality, depending on the diligence exercised by the purchaser in inventorying the identifiable assets acquired and measuring them at their fair value, the goodwill will be more or less residual. A non-exhaustive inventory and reduced values inflate goodwill. A complete inventory and increased values reduce goodwill. The importance of what is sometimes called the PPA (purchase price allocation) cannot be underestimated. IFRS (3) specifies that: 'identifiable assets acquired, liabilities assumed and minority interests, if any, must be accounted for separately from goodwill'. This leads to the recognition of assets and liabilities of the acquired company that had not been recognised by it because, although these were its assets and liabilities, they did not meet the conditions for recognition. This is particularly true for intangibles developed internally, such as trademarks or customer relations. These identifiable assets and liabilities should be initially recorded at fair value, with limited exceptions.

Then, the points of divergence between goodwill and intangible capital can be deduced from the goodwill accounting system.

The accounting treatment of intangible assets is the subject of a debate among proponents of an in-depth reform of the rules relating to intangibles and advocates of the regime currently in place, which is largely based on a voluntary reporting system.

In the midst of this debate, the accounting treatment of goodwill has posed, and still poses, many problems for the accounting regulator, as evidenced by the numerous changes to the rules for accounting for goodwill made over the last twenty years, and the intense lobbying around these rules. Zeff (2002), in particular, warns of the importance of political pressure. The study of these accounting rules and their evolution is of major research interest for several reasons:

- (a). In the light of the elements developed above dealing with the nature and breakdown of goodwill, the relevance of the different possible accounting treatments can be assessed: deduction of equity/profit or loss or capitalization at the initial valuation, impairment or depreciation tests, etc.
- (b). An understanding of the current rules in terms of initial recognition and value monitoring of goodwill raises research questions, recalling that financial reporting can be analysed using the agency theory model Jensen and Meckling (1976), where the interests of managers do not necessarily align with those of the owners of the capital, following the seminal work of Berle and Means (1932) on the separation of control and ownership of the firm.
Communication theory Verrecchia, (1983); Dye, (1985), which builds on the teachings of agency theory a foundational theoretical corpus on managers' financial reporting behaviors, allows for a more in-depth analysis of financial reporting practices of accounting goodwill.
- (c). Finally, from a practical point of view, an understanding of the different accounting treatments of goodwill and the discretionary margins left to managers in the preparation of financial statements is necessary to understand the nature of the available data and to implement empirical models.

The literature identifies, in a traditional way, three theoretical conceptions of goodwill to which ad hoc accounting treatments are based:

- (a) goodwill is not an asset: it is a premium, a charge borne to acquire the target's assets;
- (b) goodwill is a part of the investment made to control the target;
- (c) goodwill is a generic asset, i.e. a strategic asset controlled by the originator company following the combination.

It should be noted that a fourth approach to accounting for business combinations has been introduced in many accounting frameworks (when the acquisition of all or almost all of a company in a single transaction with payment by issue of shares): the 'pooling of interest'. Under this approach, the carrying amounts of the balance sheets of two entities are simply added together, the price paid is not used as an accounting basis, and goodwill is not shown. This method does not distinguish which entity acquires the other to the extent that it was intended to be used in a corporate combination without a clear transfer of control.

One of the conditions necessary for the application of this method was in particular an exchange of at least 90% of shares between the two companies, according to accounting principles. This optional method, intended for types of 'equal' groupings, was de facto at the origin of opportunistic behaviour intended to avoid the write-off of goodwill and, for this reason, has been abandoned in US GAAP as well as in IFRS.

8. Conclusion :

Managers or companies that understand the importance of increasing the efficiency of cash management and its rational use prefer to lease capital goods rather than buy them directly. With leasing, the company has the flexibility to transfer all of its resources to different points rather than directing them to an asset or investment tool.

Based on the accounting standards that have been the subject of intensive work in Algeria in recent years, the accounting of lease transactions will be carried out in accordance with the standards and will be reflected in the records in accordance with the essence of accounting.

SMEs or large companies strive to use their cash flow in the most optimal way possible. In view of the inflation problem in our country, the rational use of cash resources in all areas is inevitable.

Leasing influences the recognition of goodwill by changing the value of the identifiable net assets of an acquired business. With the adoption of IFRS 16, this impact is more transparent, as leasing commitments are now clearly reflected on the balance sheet.

The role of intangible assets in the life of companies is becoming increasingly important. The volume of investment in intellectual capital has been steadily increasing for years. The company's focus on the non-financial aspects of its business strengthens its reputation with customers, employees and other partners. Reputable companies see the perception of their performance improve beyond the actual performance. Their brands are better valued by customers, and potential employees are incentivized to join the teams of reputable companies. The role of reputation is very significant when market volatility increases. A good image helps companies control stock price fluctuations. Investors are less disturbed and the level of confidence is not affected. In general, intangible expenses

make it possible to achieve higher future returns. Thus, analysts' forecasts can be more advantageous.

Accounting professionals have joined forces to introduce new standards to better value intangible assets. The IFRS framework is based on the concepts of fair value and future economic benefits and requires annual value tests to be carried out, which allows the volatile value of intangible wealth to be discounted. However, these accounting standards do not allow for the inclusion of the completeness of intangible asset data in financial reporting. Human capital, innovation capabilities or the company's strategy have no place in the accounts. In addition, the requirement to accurately estimate future flows and allocate them to assets is often a difficult task and limits the recognition of future benefits from intangible items.

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