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ACCOUNTING OF AGRICULTURAL ACTIVITIES AND EUROPEAN FUNDS

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Abstract

The economical operations developed by the beneficiaries of European funds projects, are registered in accounting, based on justifying documents, in accordance with the national and international legislation in effect. The beneficiaries of European funds projects may be organized starting from the simplest form of organisation, which takes the form of self – employed person (SEP) till the most complex form of organisation such as trading companies (T.C.). The Romanian institutions which finance agricultural activities are Ministry of Agriculture and Rural Development (M.A.R.D) which subordinates Rural Investment Finance Agency (R.I.F.A) and Payment and Intervention Agency in Agriculture (P.I.A.A). The Ministry of Agriculture and Rural Development has an authority role, of management (AM) for the National Rural Development Program (N.R.D.P) and for the Fisheries Operational Program (F.O.P). The funds obtained from the European Union and from Romanian institutions for the development of agricultural activities are registered in accounting as grants, in the category of grants afferent to assets or afferent to incomes.

JEL Classification: M41

INTRODUCTION

Since joining the European Union, Romania has become a Member State of the Union, having full rights, starting at the 1st of January 2007. As a member state, it benefited and still does from European funds for investments and developing different activities which take place on the territory of the country. Agriculture has represented, and still does a field of interest for the European Union, as a result the Member States have settled as a common point the responsibility concerning the development of this domain, as well as the public financing. Therefore, at the level of the whole European Union, a Common Agricultural Policy (CAP) has been settled, having as purpose: (source: https://europa.eu/european-union/topics/agriculture_ro accessed in 17.10.2017)

- Producing food products in such quantities as to satisfy the needs of entire Europe
- Producing safe foods
- Protecting the agriculturist against all crises which may appear in the market
- Farm developing through investments
- Sustaining the viable rural communities
- Increasing the number of work places in the food industry field and maintaining them
- Ensuring animal and environment welfare

Common Agricultural Policy has lately registered a development having the purpose of sustaining the agriculturalists for handling the changes and challenges which have appeared, offering them the possibility to produce according to the market needs and requests.

Irredeemable European Funds which can be accessed in Romania are distributed through the Ministry of Agriculture and Rural Development, having the Authority of Management for the National Program of Rural Development and for the Operational Fisheries Program, which has in its subordination the Agency for Rural Investment Financing and the Agency for Payment and Intervention for Agriculture.

Through the National Program of Rural Development 2007- 2013, The Agency for Rural Investment Financing has paid approximately 7.4 billion Euros toward the project beneficiaries, reaching an 50.42% level of absorption in 2012, 66.74% in 2013 and 82.5% in 2014. (source: <http://www.fonduri-ue.ro/pndr-2007>, accessed in 17.10.2017).

Through the 2014-2020 National Rural Development Program, more than 9.3 billion euros are available to project applicants looking to develop the agricultural sector through 14 measures that can be accessed. (<http://www.fonduri-ue.ro/pndr-2014>, accessed in 17.10.2017).

The European funds accessed by the beneficiaries, are registered in accounting as grants, either in the category of grants afferent to assets, either as grants afferent to incomes.

METHODOLOGY

Our research aims both presenting the theoretical aspects concerning the European funds accessed in the agricultural sector, the project beneficiaries on European funds and the accounting of agricultural activities, and also practical aspects concerning the accounting of agricultural activities developed by the European funds project beneficiaries.

As methods and research techniques, in our study we have used the theoretical research, comparison, synthesis and practical research. The theoretical research was consisted of studying the specialty literature. We have used the comparison for presenting information referring to the National program of Rural Development 2007-2013 and the National Program of Rural Development 2014–2020. The synthesis was used for presenting the theoretical aspects, the domains of the European funds and the accounting of agricultural activities, being vast study fields, and we have used practical research in the moment of presenting practical aspects concerning the accounting of agricultural activities.

FORM OF ORGANIZATION OF THE EUROPEAN FUNDS PROJECT BENEFICIARIES

European funds project beneficiaries have clearly established requirements through Applicant's Guide, concerning the form of organization which they have to have when submitting the projects. The most often encountered organization forms are: www.apdrp.ro accessed in 19.10.2017)

- The companies which form based on the Law no.21/1990 – The companies law. The companies formed in Romania take the shape of Limited Company (Ltd), Separate-Legal Entity (SLE), Limited Partnership (LP), Limited Joint – Stock Company (LJSC), General Partnership (GP). (Law no 31/1990)

- Agricultural companies formed based on the Law no 36/1991 – Law concerning agricultural companies and other forms of association in agriculture

- Self – employed person, sole trader / individual business and family partnership which are formed based on the Government Emergency Ordinance no 44/2008 – Emergency Ordinance concerning the development of economical activities made by self-employed persons, individual business and family partnership.

JUSTIFYING DOCUMENTS USED IN THE AGRICULTURAL ACTIVITY

In the agricultural activity, for registering the specific economical – financial operations, a different number of justifying documents are used such as: (Băviță, 2008)

- Invoice/bill is a justifying document made by the supplier once with the delivery of products or provided services.
- Delivery note is a document used when the production is cropped, for the transfer to the entity's or other people's deposit
- Marketing certificate of production obtained by the self – employed, is a justifying document which is made from 2016 and it is used for registering the purchased items from the self – employed.
- Receipt, is a document provided by the supplier when cashing the counter value of the sold items or of provided services.
- GRN Goods Receipt Note is a justifying document used for the reception of items purchased from suppliers within the agricultural holding: animals, aviary, fodder and medicines
- Acceptance report of fixed assets is a justifying document of registering the animals in the operative evidence and in the accounting, as being fixed assets
- Sheet asset, used for the animal evidence which are registered as fixed assets
- Number inventory book, is a document used in attributing the inventory numbers for the items which are a part of this category for being easily identified.
- Sheet storage. Justifying document used for registering the input / output stock, as well as the received finished products.
- Transfer and refund receipt is a document used for handing the finished and semi-finished products out in the warehouse, or for the transfer between sections or from a management to another of semi-produced products of material values.
- Customer's bill is a justifying document used for registering the stock of materials, fodder consumption.
- Delivery order is a document used for disembarassing the products for sale from the warehouse.
- Inventory list. Document used for inventorying the entity's items, also serves as a document for determining the plus and minus (shorts and over) of material values ascertained during inventory.
- Sheet of fodder consumption, document used for registering the fodder consumption within the agricultural holding.

- Harvest register, is a justifying document of recording the vegetable products (wheat, corn etc.) and zoo technical products (eggs, wool etc.)
- Milking register is a document used for registering the milk production in the farm
- Scoring note for the quantity of produced products' reception
- Weighing protocol, document used for registering the gain in weight of the animals hold in the farm
- Stock register, document used for registering the stocks
- The birth document, document which in individually made for cattle and horses through giving them inventory numbers, and for the other species the registration is made for total heads, specifying the number of females, number of males and mother's registration number.
- Register of young animals record, document used for managing the animals put aside for reproduction or for completing the basic herd.

PECULIARITIES OF EUROPEAN FUNDS PROJECTS WHO ACTIVATE IN THE AGRICULTURAL SECTOR

The companies which develop agricultural activities benefit of a series of advantages given by the fiscal code, as follows:

- Pay a 9% VAT (value added tax) to the suppliers of drinking and irrigation water from the Danube, from inner rivers, streams, storage lakes or other sources of water fuelling the irrigation systems. (Law 220/2015)
- Pay reduced rate VAT of 9% for the delivery of fertilizers and pesticides which are used in agriculture, seeds and other agricultural products destined to insemination or plantation, as well as for the provision of specific services used in the agricultural sector, such as: fertilization, ploughing, harrowing; preparing seedbed with combiner and modelling the soil; seeding or planting, steamrolling; spraying, dusting – diseases and pests combating; using herbicides, treating the seeds used for making new agricultural cultures, with products of plant protection; culture harvesting or break grounding; collecting and baling the vegetable material, through baling pressing; mincing the vegetable rests; culture hoeing, gutters execution or opening, for modelling the soil for vegetables, levelling the agricultural soil, through which in ensured a culture surface as flat as possible, by reducing the deflections of micro relief made by the other agricultural works; ridge planting the potatoes and other vegetables, spacing and topping the sugar beet, ranging, baling, collecting the tobacco, mowing, raking, works of ensiling and depositing the fodders in zoo technical farms; scarifying and respectively deep loosening

on compact soils, trenching the terrains at big depths, for favouring the roots' growth, holes digging for tree planting; string chopping, branches; works of collecting, sorting, conditioning and labelling the fruit and vegetables; mounting operations for protected spaces, respectively greenhouses and solar, cleaning the unwanted vegetation and destroying the nests from pastures or meadows, enhancing water sources for animals in the pastures, parcelling out the pastures; specific works of evacuation the motions and ensuring the fodders in or from the zoo technical farms; disinfection, disinfection and ridding in the zoo technical farms; shearing the sheep; sorting, marking and packing the eggs; hooves cleaning for animals; cleaning or clogging the irrigation and/or drainage channels (Law 227/2015).

The agriculturalists who are not registered for VAT purposes, who develop agricultural activities, either produce agricultural products or provide agricultural services, benefit from a special regime which supposes that the agriculturalists don't deduce the VAT for purchasing and do not collect VAT for selling, but receive a compensation from their clients through invoicing, in a 1% flat rate (for 2017), for covering the taxes afferent to purchasing. The fiscal code presents the agriculturalist as being "individuals, self – employed person, individual company, or family business having the headquarter of economical activity in Romania, which realize activities of agricultural production or agricultural services which do not use any other kind of economical activities whose annual turnover in lower than the 65.000 Euros exemption limit, equivalent 220.000 Ron for the year of 2017" (Law 227/2015).

The accounting of agricultural activities is carried out in romanian language and in national currency. Transactions in foreign currency are recorded in the accounts in both national currency and in foreign currency (Law 82/1991).

PRACTICAL ASPECTS CONCERNING THE EUROPEAN FUNDS REGISTERED IN THE PROJECT BENEFICIARIES' ACCOUNTING

1. Company FARM Ltd, registers the to be received grant from PIAA, in 2017, for the agricultural field owned in the property, of 1500 Euros, rate of exchange 4.59 Ron/Eur.

- Registering the to be received grant
4451 = 472 6885
Governmental Deferred registered
grants incomes
- Cashing the surface grant in October
5121 = 4451 6685
Ron bank Governmental
accounts grants
- Grant's registration as income, in October

- 472 = 7417 6885
Deferred registered Incomes from
incomes exploitation grants
- 2. The company FARM Ltd, receives a grant for gasoline of 1 Ron/litre from PIAA. A consumption of 2000 Litre of estimated for developing the agricultural activity within the farm.
- Registering the to be received grant
4451 = 472 2000
Governmental Deferred registered
grants incomes
- Registering the gasoline consumption
6022 = 3022 10400 (2000 l x 5.2Ron/l)
Expenses concerning Fuels
fuels
- Registering the grant as income,
concomitant with the consumption
472 = 7412 2000
Deferred registered Incomes from
Incomes exploitations grants
for raw materials/
materials
- Cashing the gasoline grant
5121 = 4451 2000
Ron bank Governmental
accounts grants
- 3. Company FARM Ltd receives a 50.000 Euro grant for purchasing a cropper from RIFA, exchange rate 4.59 Ron/Eur.
- Registering the to be received grant, at financing approval
445 = 472 229.500
Grants Deferred registered
Incomes
- Cropper purchasing
2131 = 404 229.500
Technological Assets suppliers
equipments
- Cashing the grant
5121 = 445 229.500
Ron bank accounts Grants
- Paying the supplier from the cashed grant
404 = 5121 229.500
Assets Ron bank accounts
suppliers
- Annual registration of assets on a 10 years period
6811 = 2813 22.950 Ron/ year
Exploitation Amortization of
Expenses installations and
concerning of means of
the assets transport
immobilization
- Resuming the grant as income
4752 = 7584 22.950
Irredeemable Incomes from
loans having investment
character of grant
grants

CONCLUSIONS

Starting with the year of 2017, Romania has become a State Member having full rights in the European Union, and having the possibility to access European funds for developing the activities which are developed at national level. Among these activities, the agriculture has an important role, because it has to ensure the necessary amount of products for the population and also, the obtained products have to be safe. Financing the agricultural activities with European funds in Romania is made through Ministry of Agriculture and Rural Development, having the quality of Authority of Management for the National Program of Rural Development and for the Operational Fisheries Program, which has in its subordination the Agency for Rural Investment Financing and the Agency for Payment and Intervention for Agriculture. The form of organization for the European funds project beneficiaries varies from the simplest which is the one of self – employed person, till the most complex form of the companies. The funds obtained from the European Union and for the Romanian institutions for the development of agricultural activities are registered in accounting as grants, in the category of grants afferent to assets or afferent to incomes.

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