

CASH ACCOUNTING ISSUES IN THE CONTEXT OF THE 2025 LEGISLATIVE CHANGES IN THE REPUBLIC OF MOLDOVA

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Abstract: *The concepts of money laundering, non-declaration of real income and increased transparency have underpinned the need for the legislation to undergo continuous changes. In this sense of ideas, the legislation of the Republic of Moldova aims to minimize cash fraud, and from 2025, restriction will be imposed on cash transactions in various forms. In turn, these changes cause various problems and uncertainties in various areas and aspects.*

Key words: *Cash, legislation, update, accounting, problems*

INTRODUCTION

Economic and financial crime manifests itself through several illegal instruments, namely corruption, the underground economy and money laundering, often involving cash [1,2].

Corruption, as defined by the World Bank, is defined as "corruption is the illegal use of public resources for personal gain". In the same vein is the definition offered by Transparency International "the abuse of entrusted power for private gain" [14].

Another undermining of democratic governance is the possession of an underground economy, which, compared to corruption, is much more complex. From a conceptual perspective, the term "underground economy" implies the existence of an economy other than the declared one. In the specialized literature, analogous to this expression, the following expressions are also used: unofficial economy, unstructured economy, undeclared economy, illicit economy, etc. [15].

In the same line, the concept of money laundering refers to attracting money from an illegal source through legal channels in order to make the activity appear legal. Examples of money laundering involving cash are: the existence of bank accounts with no money turnover, used only for cash deposits or withdrawals; cash withdrawals from a previously inactive account or where a large amount of money has been deposited and withdrawn instantly, etc. [8].

The flow of cash and the honest way in which it is used measure society's ability and intellect to manage money. A dirty juggling of it represents an incapable mind in a useless skeleton. When a person looks for a way to hide real income it is a sign of self-appreciation and shame of one's own labor. Based on this idea, the legislation of the Republic of Moldova, in relation to the Law No. 34 of 29.02.2024, on making cash settlements, clearly establishes aspects of educating the circulation of paper money [1,11].

In line with the Treaty on the Functioning of the European Union, the Republic of Moldova aims to harmonize and align local legislation with EU principles. In turn, the treaty, in Title VII, aims that a financial operation should not be controlled by a single individual, but should be properly controlled and reported in case of inconsistencies. It also, through Title V, clearly and to the point characterizes the sanctions to be imposed on the person responsible for the offence and the support for strengthening mutual assistance [9].

The topicality of this topic is that, starting 01.01.2024, among accountants, financial managers, directors and others involved in financial management, there will be

doubts in the correct management of operations, documentation and economic facts regarding cash settlements. Moreover, the restriction of some operational transactions, practiced on a daily basis, will completely change the management of money and the rationale with which it is shared. Exceptional cases will cause exceptional and reduced problems, whereas frequent transactions will cause a lot of trouble [12].

Based on a narrower segment of the topic, the legislative changes are aimed at making financial operations more transparent, reducing tax evasion and aligning with international standards. Thus, in order to manage money more correctly, a true accountant has to organize his work in a beautiful way, approaching healthy and dignified principles. In the Republic of Moldova and not only, a capable and honest accountant will always be the supporting pillar of the director, respectively, he must constantly update the legislative basis and working principles according to the normative acts. In the same order of ideas, involuntary and unavoidable are the emergence of problems related to cash accounting in accordance with the legislative changes in 2025 [10,13].

The purpose of this article is to anticipate some of the problems society will face. It is important to premeditate on some of the circumstances that, to a large extent, might arise. It doesn't matter when, where and whose money moves, it matters in what way and from what resources. According to Law No. 34, "The purpose of this law is to stimulate payments made through cashless payment instruments in order to increase their level of transparency and security" [1, art. 1 al. 2].

MATERIALS AND METHODS

Within the article, the materials used refer to the normative acts; the main one being the one on the basis of which, from 2025, new legislative provisions on cash will enter into force; manuals and web pages. Among the methods used are the analysis of the legislative changes, their logical treatment and the approach of the respective problems from the author's point of view. All these methods aim at summarizing ideas and concepts in a supposed synthesis, since the practice of theory is still non-existent.

RESEARCH RESULTS

Part 1

Upon the entry into force of this law, all provisions shall apply to legal persons, regardless of the type of ownership, sphere of activity or legal form of organization, with the exception of public authorities and institutions, non-commercial organizations, permanent establishments and branches of non-resident legal persons, individuals performing a professional activity in the justice or health sector, individuals performing an entrepreneurial activity, individuals not performing an entrepreneurial activity and purchasing real estate or means of transport from other individuals not performing an entrepreneurial activity [9].

This law deals clearly and concisely with 4 important aspects to be taken into account by cash users.

The first idea explained in the law is that setting the ceiling of 100 thousand MDL monthly or annually, depending on the context, so the main subjects are previously in relation to other natural and legal persons, except individuals who do not carry out the activity of entrepreneur and also who buy means of transportation or real estate from other individuals who do not carry out the activity of entrepreneur [1, art. 5].

This legislative change regarding the limitation of cash payments in the Republic of Moldova may generate various accounting challenges for economic entities. The establishment of a ceiling of 100,000 MDL annually or monthly for cash transactions

between legal entities and individuals, with the mentioned exceptions, brings some specific accounting issues: [5]

1. **Monitoring transactions to comply with the ceiling:** Accounting will have to ensure close monitoring of all cash transactions with non-business individuals. Exceeding the MDL 100,000 threshold may attract sanctions, which requires additional control and updating of accounting procedures to avoid such risks. Implementation of monitoring tools or procedures is essential to ensure monthly and annual compliance.

2. **Segmentation of transactions by type of activity:** The legislative amendment includes exceptions for certain types of transactions (e.g. delivery of scrap metal, returnable packaging, etc.). This will require companies to segment and categorize transactions accordingly. Each transaction needs to be separately disclosed according to its category in order to avoid confusion and to comply with the imposed limit, which may lead to increased complexity in the management of accounting records.

3. **Risk of errors and adjustments in the recording of accounts:** This legislation can cause confusion in recording transactions correctly, especially in situations where there is a large volume of cash payments. For example, a company that collects waste from multiple individuals may have difficulty ensuring that the annual total does not exceed the legal cap. If errors occur, they may require complex accounting adjustments.

4. **Impact on cash flow and budget planning:** The introduction of these limits may affect the cash flow of companies, which may have to resort more frequently to payments through the bank in order not to exceed the cash ceiling. This may affect budget planning as bank transactions may impose additional costs and delay the finalization of payments.

5. **Preparation of supporting documentation:** For transactions exempted from the limitation (return of waste, returnable packaging, etc.), companies need to have detailed supporting documentation for each cash transaction so that they can demonstrate compliance with the legal framework. This will require a well-organized filing system and may create an additional administrative burden for accounting departments.

6. **Risks of non-compliance and possible sanctions:** If a company exceeds the set limits, the risk of financial penalties is high. Accounting departments need to be trained and work closely with management to avoid such risks, which may involve investing in training and updating internal procedures.

This legislative change demands increased attention from accountants and finance departments, which need to adapt quickly to the new requirements to ensure both legal compliance and operational efficiency.

Another idea is that the limit of cash payments to a natural person without entrepreneurial activity, amounting to a maximum of 200,000 MDL per year, will be allowed for the sale of plant and horticultural production in its natural form, as well as livestock production in its natural form, either in live or slaughtered mass. On the other hand, for cash payments made in favor of a natural person engaged in the purchase of plant and/or horticultural products and/or other objects of the plant kingdom, the maximum amount allowed will be 600,000 MDL per year. [1, art. 5]

Given that the Republic of Moldova is a predominantly agrarian economy, these regulations have a direct impact on the transactions carried out by companies in their dealings with individual agricultural producers. From this perspective, there are several accounting and compliance issues that are specific to this economic and social context: [5]

1. **Detailed record keeping and classification of agricultural purchases:** As agriculture represents a large part of the Moldovan economy, companies are often involved in purchases of agricultural products (e.g. cereals, vegetables, fruits, animal products) from individuals not registered as entrepreneurs. The annual limit of 200,000 MDL for

agricultural and livestock production requires companies to keep separate and detailed accounting records for each purchase. This may require specialized accounting systems to ensure that the limits are respected without exceeding the annual ceiling.

2. **Strict segmentation of transactions for compliance with the 600,000 MDL limit:** In the crop purchase activities, the 600,000 MDL annual ceiling is relatively high, which also reflects the need to stimulate purchases of raw materials from small agricultural producers. However, accountants must correctly record these purchases to avoid exceeding the annual limit. This requires accounting systems to distinguish between transactions in plant growing, horticulture and purchases of objects from the plant kingdom, a particular challenge for companies working with many agricultural producers.

3. **Supporting documentation adapted to agricultural specificities:** Agricultural producers in Moldova, especially small farmers, may have difficulties in providing the detailed documentation required for transactions. In the absence of documentation, the accounting department may face difficulties in justifying transactions to the tax authorities. Thus, companies should develop clear procedures to assist farmers in correctly documenting sales to ensure that legislative limits and rules are respected.

4. **Managing relations with unregistered individual producers:** In the Republic of Moldova, a large proportion of agricultural production comes from small farmers who do not have entrepreneurial status. This means that transactions with these producers have to be carried out in cash, but also limited according to the imposed ceiling. The correct recording of these transactions requires greater transparency and control in the accounts, as well as mechanisms to track individual ceilings in order not to exceed the limits.

5. **Compliance risks in the context of a large informal economy:** In an agrarian economy, where informal transactions are common, new regulations will require companies to manage and record cash transactions more strictly. The existence of an informal economy can create risks of non-compliance, and accountants will need to ensure that all cash transactions are documented and recorded in accordance with the regulations.

6. **The impact on the cash flow of agricultural companies:** As agriculture is seasonal, the income and expenditure of the companies involved in this sector varies from one period to another. Limiting cash payments can adversely affect cash flow, especially during harvest periods when purchases of agricultural products are high. Accountants need to adjust cash flow planning to avoid liquidity problems and stay within the limits imposed by law.

These accounting challenges highlight the impact of legislative changes on Moldova's agricultural sector. Adapting companies to these regulations requires increased attention to the specific details of farming activities, the implementation of systems to monitor ceilings, and working effectively with small producers to ensure accurate and compliant accounting.

A **third aspect** addressed in the law is the cap on cash payments for the purchase of real estate and means of transportation.

According to the new regulations, individuals will be able to pay cash for real estate purchased only if the price of the real estate, set out in the contract of sale, does not exceed the equivalent of 100 average monthly salaries forecast on the economy, including in the case of payment in installments. For the purchase of a means of transportation, payment in cash is allowed only if its price does not exceed the equivalent of 50 expected average monthly salaries in the economy, including in the case of payment in installments. If the price of the immovable property or means of transportation, specified in the sale-purchase contract, exceeds these limits, the payment will have to be made by bank transfer, except for an amount up to 200,000 MDL, which may be paid in cash. [1, art. 5]

These changes require companies and accountants to pay particular attention to the compliance of records and transaction structuring. Here are some possible accounting issues that may arise as a result of this legislative change: [3]

1. **Monitoring limits based on the forecast average monthly wage:** Limits for cash payments are set on the basis of the forecast average wage in the economy, which may vary annually. This means that accounting departments will need to constantly update the values of the cash limits. If the forecast average wage increases or decreases, accountants will have to apply the new limits, which can add additional complexity in managing transactions.

2. **Difficulties in recording partial payments in cash and by bank transfer:** The regulations allow partial payments in cash, but only up to 200,000 MDL, and the rest must be made by bank transfer. Recording these mixed payments requires accountants to segment each payment and ensure that the accounting records accurately reflect the cash and bank transfer structure to comply with the law. This can increase the workload and the risk of error in the records, especially for installment payments.

3. **Control over the value of sale-purchase contracts:** In the case of purchases of immovable property or means of transport, sale-purchase contracts must be structured in such a way as to comply with the limits imposed. Accountants will need to constantly review and check the values specified in the contracts and ensure that the amounts quoted are within the legal ceiling so that cash payments are not made in excess of the permitted limits.

4. **Management of installment payments and transparency of accounting records:** The new rules specify that payments made in installments must also respect cash limits. This requires accountants to keep clear and detailed records for each installment paid so that compliance with the cash limit is documented. Lack of clear records can lead to transparency issues and difficulties in justifying transactions to the authorities.

5. **Reassess internal payment policies:** Companies that purchase real estate or transportation must re-evaluate their payment policies and implement wire transfer payment procedures for amounts over the legal threshold. This may require training of accounting staff to ensure that policies are consistently followed and that procedures comply with updated regulations.

6. **Impact on cash flow and financial planning:** For companies that rely on cash payments, the new limits require more careful cash flow planning. This can affect access to cash and can create difficulties in keeping large amounts of cash outside the allowable limit. Accountants need to adjust budgeting and plan payments in a way that minimizes the effect on cash and remains in compliance.

These issues underline the importance of implementing strict accounting controls, close monitoring of ceilings and continuous training of accounting staff to prevent irregularities and ensure regulatory compliance. Adapting to these legislative changes can be effectively accomplished through clear accounting policies and the use of accounting systems that facilitate the tracking of imposed limits.

The fourth law concerns the circulation of cash for household purposes, related to operating expenses. For operational and household expenses, the entities shall release cash for settlement within the time limits set by their management, but not exceeding a period of 30 days, except for expenses related to travel outside the Republic of Moldova. In these circumstances, unused cash released for disbursement must be returned to the entity's cash office within 5 working days of the expiry of the period for which it was allocated [1, art. 7].

The new regulations on the use of cash for operating and household expenses impose certain strict deadlines for settlement and reimbursement, which can create some significant accounting challenges: [5]

1. **Monitoring the 30-day settlement deadline:** Establishing a maximum 30-day time limit for the settlement of operating and household expenses requires accountants to closely track the date the cash was released and ensure that each settlement is made on time. Missing this deadline can lead to compliance issues and may be considered a breach of internal rules, which could attract administrative sanctions.

2. **Handling the return of unused cash:** If the cash issued is not fully used, it must be returned to the entity's cashier within 5 working days after the settlement period has expired. This can lead to recording errors and risks of late return of amounts, especially in cases where employees have difficulties in justifying expenses or do not promptly return unused cash. Accountants should monitor and confirm returns to avoid accounting discrepancies.

3. **Documentation and justification of expenses for external travel:** Although outbound travel expenses are exempt from the 30-day rule, they still require accurate and detailed documentation. Unjustified expenses or incomplete documentation can create problems in the accounting records, especially in the case of tax audits. Accountants must ensure that supporting documents are in order and check them for accuracy.

4. **Risk of misuse and improper use of cash:** Time limits for settlement and return of unused cash can reduce the risk of misuse of funds, but require strict control by accountants. In the absence of proper monitoring, there is a risk that monies may be used for improper purposes, which may affect the financial integrity of the entity.

5. **Challenges in advance accounting and expense recognition:** When cash is advanced for operating expenses, it must be properly recorded in the books. After settlement, accountants must verify and categorize the actual expenses appropriately, and if there are unjustified or unsettled amounts, they should be recorded as employee liabilities to the entity.

6. **Impact on cash flow and liquidity management:** Returning unutilized cash on a timely basis helps maintain a healthy cash flow. In cases where employees delay the return of cash, the entity may experience difficulties in financial planning and cash management. Accountants must carefully manage these issues to ensure the availability of financial resources.

These accounting challenges require careful management of internal procedures, cash controls and compliance with deadlines imposed by new regulations. Adapting to these rules can help the entity minimize the risks of non-compliance and improve the transparency and accuracy of accounting records.

Part 2

The new legislative changes on the use of cash impose strict rules and clear limits to be respected by all entities and individuals. In this context, the accountant plays a key role, being responsible for ensuring compliance with tax and reporting regulations. Their involvement becomes crucial as non-compliance with these rules can lead to **significant criminal risks**. It is important for all accountants to understand the possible legal implications of improper cash management and to implement appropriate monitoring and reporting procedures so as to avoid the severe penalties associated with non-compliance.[7]

New legislative changes on strict limits and regulations for the use of cash place increased responsibility on accountants to ensure that both entities and individuals comply with these rules. Along with these regulations, there can be criminal risks in the event of

non-compliance. One of the main problems that can arise is **fraud**, which occurs when a company or individual intentionally breaches the cash limits set by law. It is the accountant's duty to properly monitor the use of cash and prevent exceeding the limit for purchases of real estate or means of transportation, thus avoiding possible fraud charges that can lead to criminal liability [3].

Tax evasion is also another serious issue for accountants to be aware of. Using cash payments above the permitted limits or artificially splitting transactions to avoid payment by bank transfer are key considerations in financial management. These practices, involving the intention to hide income and avoid paying taxes owed to the state, can lead to serious charges for the individuals and entities involved [4].

Forgery of accounting documents is also a major risk. Accountants need to avoid altering or falsifying documents in order to comply with the limits imposed by law. Recording fictitious payments or restructuring documents to justify the use of cash in excess of the permitted limit can lead to charges of false accounting. Such actions constitute criminal offenses and can expose those involved to severe legal penalties [6].

Delapidation and breach of trust are other problems that can arise in the management of funds. Accountants must ensure that monies released for operational expenditure are used for the stated purpose and that cash is returned when appropriate. Failure to do so can lead to criminal liability for those involved in the management of funds [7].

Corruption and bribery are also relevant issues that accountants need to manage carefully. The use of cash to influence decisions or obtain undue advantage is a criminal offense. Accountants have a responsibility to prevent such practices and to ensure transparency in all financial transactions [7].

Failure to comply with reporting and financial transparency obligations can also attract criminal liability. Accountants must ensure that all cash transactions are correctly reported and that the required limits are respected. Omissions or incomplete reporting are particularly serious and can lead to criminal liability for management [7].

Finally, **obstruction of tax controls and audit** is another criminal offense that accountants must avoid. Attempts to prevent the authorities from checking the compliance of transactions can have serious legal consequences. Accountants have a duty to cooperate with the tax authorities and provide the necessary supporting documents [7].

These risks underline the importance of strict compliance with the new regulations and the need for accountants to implement effective monitoring, transparent reporting and training procedures to ensure compliance with the legal framework and avoid criminal risks.

CONCLUSIONS

From the author's point of view, cash transactions seem difficult at first reading, bringing various divergences to accountants, managers, in general, to the finance department.

At the beginning, due to ignorance, various errors may occur regarding documentation, transactions and cash circulation, followed by small penalties if the mistakes are expressed in small amounts. These are intensified with the repetition of these errors on numerous occasions.

One piece of advice from the author is that accountants should train their limited cash circulation as a habit. Besides, it will be easy for accountants to adapt to these changes in order to harmonize their legislation with the European one, as new laws are issued every year and accountants are some of the most skilled in legislative changes.

Also, regarding the legislative changes, the author considers that they are welcome, as they eliminate many of the social, economic and financial loopholes and support the official circulation of cash.

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