

## ASPECTS REGARDING THE ACCOUNTING OF SUBSIDIARIES RECEIVED IN AGRICULTURAL ACTIVITIES ACCORDING TO OMFP 1802/2014

OCNEAN MONICA\*<sup>1</sup>, BALAN IOANA<sup>1</sup>, CONSTANTINESCU SIMONA CRISTINA<sup>1</sup>  
<sup>1</sup>*Banat's University of Agricultural Sciences and Veterinary Medicine "King Michael I of Romania" from Timișoara*

\*Corresponding author's e-mail: monicaocnean@gmail.com

**Abstract:** *Government subsidies are represented by government assistance as resource transfers to different entities, provided they comply with certain conditions relating to their current activity. Subsidies include government subsidies, grant grants, and other subsidized grants.*

**Key words:** *income grants, accounting policy, non-reimbursable loans*

### INTRODUCTION

Grants include subsidies on assets and grants related to income. Subsidies can be received from: the government itself; government agencies and other similar national and international institutions.

Government subsidies are sometimes referred to in other ways, such as: subsidies, allowances, bonuses or transfers. Government grants are government assistance in the form of resource transfers to an entity in return for compliance in the past or in the future with certain Conditions relating to the entity's operating activity. Grants exclude those forms of government assistance to which a certain amount can not reasonably be attributed, as well as those government transactions that can not be distinguished from normal business transactions of the entity. It is important to note that these subsidies should be clearly reflected in the following: government subsidies, subsidies for non-reimbursable loans, and other amounts received in the form of grants.

Asset subsidies are those grants for which the principal condition is for the acquiring entity to buy, build or acquire fixed assets. A government grant may take the form of the transfer of a non-monetary asset (e.g. a corporeal asset), in which case the grant and the asset are carried at fair value. It should be noted that investment grants are also accounted for in investment grants accounts, as well as inventory plots of the nature of tangible and intangible assets.

### MATERIALS AND METHODS

Government grants, including non-monetary grants at fair value, should not be recognized in the books until there is sufficient certainty that: A) the entity will comply with the conditions imposed by its award; and B) Subsidies will be received. It is important to note that receiving a grant does not itself provide conclusive evidence that all the conditions attached to the grant have been or will be met. Recognition of subsidy income is made in compliance with the clauses underlying their award.

The accounting for subsidized projects is held separately for each project as a source of financing according to the contracts concluded without the preparation of separate annual financial statements for each such project. To ensure the correlation of the expenses financed by the subsidies with the related incomes proceed as follows:

A) from the standpoint of the profit and loss account: - during each month the expenses are stated by their nature; - at the end of the month the subsidies corresponding to the expenditures are highlighted in the revenues;

B) from the balance sheet point of view: - the claim for subsidies is recognized in line with the subsidy income if the expenditure incurred from these subsidies has been incurred

or the deferred income if that expenditure has not yet been incurred; - on a regular basis, with the request for reimbursement of the expenses incurred or on the basis of other documents by which the due amounts are established and approved, the amounts registered as a receivable from subsidies shall be regularized.

Subsidies are recognized on a systematic basis as revenue from the periods corresponding to the related expenses that these subsidies are due to offset. There are situations in which a grant is received in the course of expenditure that has not yet been incurred, then the subsidies received should not be revenue for that current period. In most situations, the periods over which an entity recognizes the costs associated with a government grant are easily identifiable. Thus, grants awarded to cover certain expenses are recognized in revenue over the same period as the related expense. Similarly, grants related to depreciable assets are usually recognized in the income statement over the periods and in the proportion in which the depreciation of those assets is recognized. In the case of grants the grant of which relates to the production or provision of services, their recognition on the revenue side shall be effected concurrently with the recognition of the costs to be covered by those costs subsidies.

The entity shall provide in the explanatory notes information on the grants received, their destination and the elements justifying the fulfillment of the necessary conditions for the award of the grants. Land-related subsidies may require, through contracts concluded, the fulfillment of certain obligations. In this case, grants are recognized as income over the periods in which the costs of meeting those obligations are incurred. For example, a land grant may be conditional on building a building on that land. In this case, the grant is recognized in the profit and loss account over the life of the building.

Subsidies should not be recorded directly in the capital and reserves accounts as they represent amounts granted subject to certain conditions being fulfilled by the company. Asset subsidies, including non-monetary grants at fair value, are accounted for as investment grants and recognized in the balance sheet as deferred income (account 475 "Investment grants"). Deferred income is recorded as current income in the income statement as a result of the recording of depreciation or disposal of assets. Fees from operating grants to the net result are presented in the income statement as part of the Net business, and other subsidy income is presented in the income statement as a correction of the expenses for which it was granted or as income items, according to the structure provided for this purpose.

A government grant to be received as compensation for expenditures or losses already incurred or for the purpose of providing immediate financial support to the entity without any future related costs should be recognized in the income statement in the period in which it becomes receivable. Circumstances, a government grant may be granted for the purpose of providing immediate financial support to an entity. Such grants may be limited to a particular entity and may not be available to an entire category of beneficiaries. In this case, the recognition of the grant in the profit and loss account occurs when the entity qualifies for the grant. The entity shall provide in the explanatory notes information on the grants received, their destination and the elements justifying the fulfillment of the necessary conditions for the award of the grants. Land-related subsidies may require, through contracts concluded, the fulfillment of certain obligations. In this case, grants are recognized as income over the periods in which the costs of meeting those obligations are incurred. For example, a land grant may be conditional on building a building on that land. In this case, the grant is recognized in the profit and loss account over the life of the building. Subsidies should not be recorded directly in the capital and reserves accounts as

they represent amounts granted subject to certain conditions being fulfilled by the company. Asset subsidies, including non-monetary grants at fair value, are accounted for as investment grants and recognized in the balance sheet as deferred income (account 475 "Investment grants"). Deferred income is recorded as current income in the income statement as a result of the recording of depreciation or disposal or disposal of assets. Fees from operating grants to the net result are presented in the income statement as part of the Net business, and other subsidy income is presented in the income statement as a correction of the expenses for which it was granted or as income items, according to the structure provided for this purpose [1].

In the case of land and buildings for which subsidies have been received and which have been partially disposed of, the grant of the ceded subsidy shall be transferred to the income corresponding to the book value of the land or the buildings taken out of the register. The return of a grant related to an asset is recorded by reducing the deferred income balance by the reimbursable amount.

Reimbursement of a revenue-related subsidy is made by reducing deferred income, if any, or, failing that, on the expense. To the extent that the repaid amount exceeds the deferred income, or if there is no such income, the surplus, the full amount surrendered, is immediately recognized as an expense. An entity discloses in its explanatory notes information on conditions that have not been met in relation to government subsidies and the obligations deriving from their non-fulfillment. Subsidies are included in the subsidy category.

## RESEARCH RESULTS

For a good understanding of how the legislation in force, namely OMFP 1802/2014 regulates how the receipt of subsidies by beneficiaries takes into account the situation of an entity benefiting from European funding for the purchase of equipment and current expenses as would be the procurement of seeds and fertilizers. The value of the subsidy to which the entity under consideration is in the amount of 100,000 lei, of which 70,000 represents the acquisition of equipment and 30,000 represents the expense for the acquisition of seeds and fertilizers.

The correct procedure for accounting for this subsidy is the following:

A) Evidence of the subsidy to be collected at the moment of the signing of the financing contract as follows: 445 "Subsidies" = 475 "Subsidies for investments" with the total value of the subsidy subject to the contract, 100,000 lei.

B) Purchase of equipment 2131 "Technological equipment" = 404 "Providers of immobilizations" with the value of the equipment, 70,000 lei.

C) Receiving the subsidy in the bank account 5121 "Accounts with banks in lei" = 445 "Subsidies" with the amount of 100,000 lei in case the entire amount of the subsidy is collected according to the contract.

D) Payment of the immobilizer provider 404 "Immovable suppliers" = 5121 "Bank accounts in lei" with the amount of 70,000 lei [2].

It should be borne in mind that each depreciation calculation returns to the subsidy share. In our situation the equipment is amortized in 3 years, and the monthly amortization in this is 1,944.44 lei for which the accounting record is: 6811 "Equipment depreciation expense" = 2813 "Equipment depreciation" with the amount of 1,944.44 lei.

At the same time, the subsidy proceeds as follows: 475 "Subsidies for investments" = 7584 "Subsidies for investments transferred to revenues" amounting to 1,944.44 lei. The registration of seed and fertilizer purchase requires the following accounting notes.

A) Purchase of seeds: 3025 "Seeds and planting material" = 401 "Suppliers" with the amount of 30,000 lei.

B) Consumption and refinement of the production cost: 6025 "Expenses for seeds and planting material" = 3025 "Seeds and planting material" with the sum of 30,000 lei and concurrently 331 "Products under execution" = 711 "Income related to inventory costs Of products" amounting to 30,000 lei.

C) Revenue subsidy: 475 "Investment Suffrages" = 741 "Subsidies Revenues" - Analytically Different If the production is sold at the price of 45,000 lei, the following accounting records are recorded: 4111 "Clients" = 7017 "Revenues from the sale of agricultural products" amounting to 45,000 lei And 711 "Income related to the cost of the stock of products" = 331 "Products under execution" with a sum of 30,000 lei.

### CONCLUSIONS

Increasing agricultural productivity depends largely on the mechanization of the sector. Although in recent years the agricultural machinery park has improved and expanded, including through the existence of public support schemes co-financed by the EAFRD under the NRDP 2007-2013, it is necessary to continue to support investment in the coming period. The provision of new technologies, machinery and equipment is still a critical measure of reforming the agricultural sector where capital investment is still insufficient. As the fleet of agricultural machinery and equipment is deficient and obsolete, in order to meet the needs and objectives of agriculture in the medium and long term, a theoretical load of 35 hectares of arable / physical tractor (equivalent to 65 hP). Such an ambitious target implies a sustained investment in equipping farms with machinery and equipment, with or without support from European funds. The share of processed products needs to grow rapidly to reach 80% of total agricultural and food exports by 2030. The process of modernizing agri-food processing units by investing in European funds along with an increase in raw material productivity (Field crops, meat, fruits, vegetables, etc.) will contribute to the satisfaction of the market requirements and to the increase of the competitiveness of the Romanian processed products.

Accession to the EU has brought exceptional financial opportunities for the agri-food sector in Romania. Under the 2007-13 programming cycle, Romania was entitled to receive approximately € 14 billion from the EU budget through the CAP. Unlike most of the previously acceded Member States where Pillar 1 payments averaged 75-80% of the total CAP allocation, in Romania, as in other new Member States, the funds allocated under Pillar 2 had the highest share, respectively 60%. A real challenge for Romania was the efficient use and absorption of these funds. Despite the initial difficulties, the absorption of these funds has accelerated significantly in recent years and Romania has secured the necessary public co-financing. In 2011-2014, the agriculture and rural development (RDA) budget has been steadily rising. The measure was dictated in part by the need to meet the co-financing requirements of the Common Agricultural Policy for the rural development program.

### REFERENCES

- [1]. Standardele Internationale de Rapoartare Financiara (IFRSs) 2007, International Accounting Standards Board, London, United Kingdom, 2212-2249
- [2]. Ordin 1802 din 29 decembrie 2014 pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale