SPECIFIC ASPECTS REGARDING THE ACCOUNTANCY OF AGRICULTURAL ACTIVITIES

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Abstract: *Agriculture is a main branch of economy, more so in Romania which is having a cultivated area of approximately 8.3 million and a vegetable agricultural production of approximately 43.5 billion RON. Thus, this sector owns an important financial flux and bares an important need for a better organization and accounting. The purpose of the article is to visualize the way of organizing accounting in case of economic agencies, which carry out agricultural activities, in the field of vegetable production. This topic is of particular importance in research, from the point of view of the particularities of this economic sector, which shows its action on accounting in order for specialists to implement particular accounting policies and establish the specific framework for the annual financial statements.*

Key words*: agriculture, biological asset, biological product, OMFP 1802/2014, IAS 41*

INTRODUCTION

Agriculture has been a main and economic branch since Antiquity, period in which the cultivation of the land, the growth of animals and the selling of agricultural products were the way to obtain the necessary resources for daily life. Nowadays, agriculture is practiced at an intensive level, enjoying the advantages of technical and technological development [3]. The new technologies ease physical work, but also involves another level of production costs [5].

The sustainable economic growth presupposes the existence of policies for the agricultural sector aimed to reduce the risk of poverty and material deprivation are reduced [16]. Also, policies regarding pollution and food security must be considered [10].

From the point of view of statistics, according to the National Institute of Statistics, Romania has an arable agricultural area of about 9.4 million hectares of land, of which the cultivated area is about 8.3 million. The crop production represents approximately 43.5 billion RON, and the livestock rise to 24.3 billion RON. Therefore, agricultural activities are an important macroeconomic sector, which entails significant flows and requires good organization and financial records [2]. However, the accountancy specific for these activities was regulated only in the year 2000 with the approval of International Accounting Standard (IAS) 41 Agriculture. European Union Uniunea Europeană introduced the obligation to apply the rules provided by IAS 41 Agriculture for financial reports drawn up by the companies coted at stock market.

The accession and integration into the European Union meant a series of legislative changes for Romania, including accounting and fiscal regulations, in order to converge and harmonize with the intra-Community and international law. Beside IAS 41, the accounting for agricultural activities at national level is regulated by OMFP 1802/2014.

In this paper we have chosen to discuss the accounting regulations specific to the economic agents which activate in the field of agriculture due to the importance it holds in the global economy. We have considered that the topic has high importance in research in the view of the particularities of this economic sector. The diversity and seasonality of the activities, the leasing and concession of land, the subsidies received from different entities are only some of the aspects specific to the agricultural activity. They also affect the

accountancy, which must be adapted to these particularities. In this regard, the accounting specialists must implement particular accounting policies and establish the specific framework for the annual financial statements.

MATERIALS AND METHODS

The purpose of this paper is to highlight the organization of the accountancy in the case of the economic agents that carry out agricultural activities. As a result, the research methodology used in this paper includes the synthesis and the theoretical description of the way to set up the accountancy in the agricultural field, using the information available in the literature and in the legislation in force regarding the approached topic.

In the second part of the article we presented a case study, concerning the accounting of the crop production of an agricultural society. In this regard, the materials used included the information found in the documents, accounting registers and financial forms drawn up by the company in order to carry out the activity.

CONCEPTUAL SPECIFICATIONS REGARDING THE ACCOUNTANCY OF AGRICULTURAL ACTIVITIES

Agriculture is defined as a "branch of material production that has as object the cultivation of plants and husbandry of animals; cultivation of land; all the works and methods used for this purpose" [1]. National accounting regulations define agricultural activity as: „management of biological transformation and harvesting of biological assets (live animals and plants) carried out by a company with the purpose of selling or for the transformation into agricultural products or additional biological assets" [14], and in accordance with International Financial Reporting Standards, agricultural activity „represents the management by an enterprise of the biological transformation of biological assets intended to sale as agricultural products or as additional biological assets." [9].

Agriculture is vast domain, specialized literature classifying activities into two broad categories: crop production and livestock production. Both categories differ from other economic fields by a number of particularities, namely [6]:

- the production process has living organisms, plants and animals at his core;
- matter is subject to specific bio-physico-chemical transformations and becomes a newly created organic matter by biological means;
- the obtained products have the capacity to support the physiological functions of living organisms, with implications on the economy;
- there is a temporary discrepancy in the production process, during which the living organisms undergo transformative processes;
- the expenses related to the biological transformations are realized gradually, according with the specific biological rhythm of the production;
- production is under the influence of environmental conditions (soil type, weather conditions, etc.).

With regard at the accounting of agriculture-specific operations, national regulations differentiate between two categories of specific elements: productive biological assets and biological asset stocks. Thus, the productive biological assets, a component of the fixed assets are living plants and animals with self-regeneration capacity, other than the biological assets stocks [13]. Their recognition is made based on the existence of control over the respective asset, by foreseeing future economic benefits and by the possibility of reliably evaluation of its value. Their assessment is carried out at the entry value, less accumulated impairments and adjustments. The accounting entry is made in the account 217 *Productive biological assets*, self-regenerating living plants and animals. The adjustments of value, depending on the permanent or provisional character, are recorded in

the accounts 2817 *Depreciation of biological assets and respectively*, 2917 *Adjustments regarding the depreciation of biological assets* [12].

As regards the biological asset stocks, they are part of the current assets held by an entity. Stocks, in accounting terms, are "economic assets owned by economic entities in order to be delivered over the work performed by the entity under production, for sale or as raw materials and to be released for consumption in the production process or for works performed, respectively services provided" [7]. OMFP 1802/2014 characterizes the biological assets stocks as current assets that are to be harvested as agricultural products or to be sold as biological assets. In other words, the biological assets stocks are recognized in the accountancy if they are held for sale, trading or consumption in the production cycle and if they are realized during the normal course of operation [4].

In the national accounting system, these are specifically reflected in the accounts: 361 *Biological assets of the nature of stocks*, assets that are intended to be harvested in the form of agricultural products or sold as biologically active and 347 *Agricultural products*, assets resulting at the time of harvesting from biological assets. The price differences between the standard, pre-determined cost and the actual cost of production or purchase are highlighted by the amending accounts 368 *Price differences for biological assets of the nature of stocks*, respective 348 *Price differences on products*. The depreciation of value related to the stocks of biological assets and agricultural products are shown in the credit of the account 396 *Adjustments for the depreciation of biological assets of the nature of stocks*, respective 3947 *Adjustments for the depreciation of agricultural products*.

Regarding the expenses and incomes related to the agricultural activity, these are highlighted by the accounts 606 *Expenses regarding the biological assets of the nature of the stocks*, 7017 *Revenue from the sale of agricultural products* și 7018 *Venituri din vânzarea activelor biologice de natura stocurilor* [11]. It was noted that the incomes obtained from the sale of agricultural products or biological assets of the nature of the stocks fail to cover the operating expenses. As a solution, the government offers subsidies to support the development of agricultural activities. These payments are treated from an accounting point of view as income subsidies [8].

International standards do not provide for this differentiation between biological assets and biological assets of stock nature. Table 1 presents the synthesis of the divergences and similarities regarding the accounting of the economic operations specific to the entities with agricultural profile from the perspective of the national regulations through OMFP 1802/2014 and from the perspective of IAS 41 Agriculture, as internationally applied regulation.

Table 1.

Divergences and similarities between national and international reference

Element	OMFP 1802/2014		IAS 41 Agriculture
	Productive Biological Assets	**Biological assets of stock nature**	
Defining the concept	~ tangible assets ~ held for use in the production / supply of goods or services, for rent to third parties or for administrative purposes ~ are used for more than one year	~ stocks ~ harvested in the form of agricultural products ~ sold as biological assets	~ any living animal or plant ~ the product harvested from a biological asset of the entity

Recognition in the financial statements	~ assets controlled as a result of past events ~ asset is expected to bring benefits ~ the value of the asset can be reliably determined	~ holding for sale / trading / consumption in the production cycle ~ realized during the normal course of operation	~ assets controlled as a result of past events ~ the asset is expected to bring future economic benefits ~ the cost / value of the asset can be reliably determined
Initial assessment	~ the input value ~ the amount of costs directly attributable to it	~ the cost of purchase ~ the production cost	~ fair value - the estimated costs with the point of sale
Balance Sheet Evaluation	~ input value - cumulative value adjustments	~ min (book value and net realizable value)	~ fair value - the estimated costs with the point of sale
Inventory outflow Evaluation	~ input value - cumulative value adjustments	~ book value	~ fair value - the estimated costs with the point of sale

Source: OMFP 1802/214, IAS 41 Agricultura [14, 9]

CASE STUDY ON THE ORGANIZATION OF ACCOUNTANCY AT COMPANY AGRICOLA S.R.L.

The company "AGRICOLA" S.R.L. is a limited liability company established for the purpose of carrying out economic activities in the agricultural field, respectively, according with the code CAEN 111, cultivation of cereals (excluding rice), leguminous plants and oilseed plants.

The company owns 350 acres of land in the Western Plain, an area known as having fertile soils and a favorable climate for this type of activity. Plants and cereals grown in this area are mostly cereals: wheat, corn, rye, autumn barley, oats, rice, barley.

Regarding the retail market, the company mainly practices the wholesale trade of the obtained products. The developed commercial relations are both with national clients and with entities from the European Community area.

In order to carry out the activity in good conditions, the entity has all the necessary technical means: tractors, combines and other agricultural machines, as well as storage and conservation spaces suitable for the cultivated agricultural products.

Also, the human resources necessary to perform all the operations specific to the field are ensured by the additional hiring of personnel during the periods of intense activity.

Regarding the organization of the accountancy, the company concluded a contract for the provision of accounting services with the company "N.S. CONSULT ”S.R.L. in view of the accounting record of the patrimony and of the changes that appear in its structure due to the transactions and operations carried out.

Accounting is organized into two distinct segments, namely financial accounting and management accounting. The delimitation in the two branches is necessary due to the usefulness of the information obtained for the management of the company, but also for third parties. Thus, if the financial accounting brings us all the information regarding the financial position and performance of the entity, the management accounting offers the possibility to know the costs of the activity and the value of the production, essential information for the management.

Financial accounting is organized in compliance with the legal provisions in force, respectively OMFP 1802/2014 [14], and the management accounting is organized accordingly OMFP 1826/2003 [15].

The activity of "AGRICOLA" S.R.L. is the cultivation of cereals, respectively wheat. The production process is carried out in several phases and begins by preparing the soil for sowing. The second phase includes sowing, followed by crop care activities. The production process is completed by harvesting biological products.

Each vegetable crop has its own production cycle, with different time periods as regards the beginning of the production process and its completion. Thus, the wheat crop has a technological process that starts in September with the preparation of the soil, following the sowing of the seed. The maintenance of the crop involves the tackling weeds and pests by applying herbicides, fungicides, bactericides, insecticides and other chemical treatments. The technological process is finalized by harvesting wheat in July.

RESEARCH RESULTS

Operations and transactions of the company „AGRICOLA" S.R.L. in the production process will be reflected in accounting as follows:

1. Preparing the soil for sowing involves the consumption of fuel, auto parts and materials of the nature of inventory objects

6022 Fuel expenses	=	3022 Fuels	5 700
6024 Spare parts expenses	=	3024 Spare parts	20 400
603 Expenses on materials inventory objects	=	303 Materials inventory objects	500

2. Sowing presupposes:

a. purchase of seeds, fertilizers, herbicides, fuel and materials of the nature of inventory items:

%	=	401 Suppliers	421,200.5
3021 Auxiliary materials			27 800
3022 Fuels			1 800
3025 Seeds and planting materials			325 650
303 Materials of the nature of inventory objects			500
4426 deductible VAT			31 247,5

b. the consumption of raw materials, consumables and the use of materials of the nature of inventory objects:

6021 Expenditure on ancillary materials	=	3021 Auxiliary materials	14 200
6022 Fuel expenses	=	3022 Fuels	1 335
6025 Expenditure on seeds and planting materials	=	3025 Seeds and planting materials	325 650
603 Expenditure on materials of the nature of inventory objects	=	303 Materials of the nature of inventory objects	400

c. recording the production in progress:

331 Products in execution	=	711 Income related to the costs of product stocks	381

3. Crop care consists of consumables:

6021 Expenditure on ancillary materials	=	3021 Auxiliary materials	13 600
6022 Fuel expenses	=	3022 Fuels	1 345

a. recording the production in progress:

331 Products in execution	=	711 Income related to the costs of product stocks	396

4. Production harvesting:

347 Agricultural products	=	711 Income related to the costs of product stocks	396 730

CONCLUSIONS

The agricultural sector represents an essential importance for the national economy. Agriculture is different from all other activities for a number of particularities, which influences and changes the way of accountancy organization and management policies of companies. In this paper we have highlighted the main accounting aspects specific to agricultural activities. The case study captures in a synthetic way the main aspects required for accounting practice for applying the provisions OMFP 1802/2014 in the case of companies with crop production activity.

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