APPLICATION OF THE ACCOUNTING PRINCIPLES FOR IMPLEMENTING PROJECTS WITH EUROPEAN FUNDS

APLICAREA PRINCIPIILOR CONTABILE LA IMPLEMENTAREA PROIECTELOR CU FINANȚARE EUROPEANĂ

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Abstract: *The present study approaches theoretical problems concerning the application of the accounting principles for implementing projects with European non-reimbursable funds, as well as the accounting policies that the entities must adopt in order to benefit from such funds. From a practical point of view we present the possible situations, the solutions applied from case to case based on the existing regulations, but also the professional reasoning when these regulations are not sufficient.*

Key words: *accounting principles, European funds, profit and loss account, accounting policies, grant, harmonization of regulations.*

INTRODUCTION

The objective of the study is to present the way of application of the accounting principles for elaborating financial situations by the entities that benefits of non-reimbursable funds, the difficulties they face due to the existing regulations, the harmonization of these regulations in order for them to faithfully show into the financial situations the operations that result from implementing projects with non-reimbursable funds.

MATERIALS AND METHODS

Our approach has as an objective a clarifying of the importance and the necessity of correcting applying the accounting principles for elaborating financial situations by the entities financed from non-

reimbursable funds and an awareness of the involved parties about this need.

The research will focus on the systematization and the integration of the notions from the regulations elaborated by the state's authorities.

For the research we have used a deductive and inductive method for identifying the opinions, the critics and the opportunities. In the first part we have done a comparative analysis of the legal and financial-accounting regulations. For a profound research we have identified, based on the situations met in practice, the problems that have appeared in the financial-accounting departments' activities and we have formulated solutions for a correct application of the accounting regulations.

Legal aspects

As an EU member, Romania benefits from financial support from the Structural and Cohesion Funds. For the programming period 2007-2013, financial assistance granted to Romania is represented by two Structural Funds: European Regional Development Fund (ERDF) and European Social Fund (ESF), and a Cohesion Fund, which are supplemented by two "complementary actions": European Fund for Agriculture and Rural Development (EAFRD) and European Fisheries Fund (EFF).

The European Social Fund (ESF), which is governed by Regulation no. 1081/2006 of the EU Council and European Parliament is the financial instrument that supports a wide range of investment in human resources development and training, under the "umbrella" of cohesion policy and convergence and regional competitiveness and employment objectives and in accordance with the European Employment Strategy of Employment.

Accounting aspects

For implementing the projects, the management authorities of the financed projects elaborate application guides, instructions and manuals of the funds beneficiaries. The information of these materials is based on the regulations issued by the state authorities.

From a financial point of view the implementation of the project supposes the execution of the expenses approved in the project's budget. In order to recover these expenses they must be eligible.

According to article 2, paragraph (1) of the Government Order no. 759/2007 regarding the eligible rules of the expenses executed in the financing operations by the operational programs, with the future

modifications and completions the first rule for an expense to be eligible is to be really paid by the beneficiary.

For accounting registration of the operations resulting from implementing the projects we must take into consideration both the specific regulations for these operations as well as the general accounting regulations.

The difficulties that appear in the practice are generated by the conditions imposed for expenses done whose regulation does not meet the accounting definition of the expenses. Thus according to point 34 paragraph 1, letter b of the OMFP 3055/2009 the expenses reductions of the economical benefits registered during the accounting period under the form of exits or deductions of the assets values or debts' increases, that concretize under the form of own capital reductions, other than those resulting from their distribution to the shareholders. The definition said in conformity to the accounting principles of engagements, that is an expense is registered when it is realized and not when it is paid, as stipulated in the definition of the eligible expenses, which actually is a rule of the cash flow accounting.

Characteristics of the profit and loss account are treated differently by the two rules are systematized in the following table.

Elements of the profit and loss account	**Specific regulations**	**General accounting regulations**
Expenses	Expenses paid	Reduction in economic benefits
Income	Approved reimbursement of eligible expenses recorded to income for grants	Increases in economic benefits
Result	Result zero, maybe loss caused from the ineligible expenses	Profit or loss on the categories of activities

Taking into consideration the two different points of view regarding the registration of the expenses into the accounting system a harmonization of the regulations is imposed by a correct application of the accounting principles. Hereinafter we will analyze which are the most affected principles and the solutions for solving the situation.

According to the accounting legislation the financial exercise is usually considered the calendar year. From the financing point of view of the projects the starting date of the project is not the same to the beginning of a financing exercise. Starting from this difference it is possible that the principle of the independence of the exercise is not correctly applied while showing the expenses from the project's budget.

Another important principle is the principle of the importance of the economic over the legal that allows us to register the operations depending on the economic fund of the transaction, not taking into consideration just their legal form.

From the situations met in practice we have noticed that different reasoning appear while elaborating the annual financial situations of the funds' beneficiaries that may report wrong financial results. The regulated situation is to register the expenses stipulated in the monthly budget of the projects, the income being registered on the date when the reimbursement petitions are filled in or on the date of their real cashing in.

The monthly registration into the accounting system being balanced by the income it takes to the temporary obtaining of a negative result that influences in a non-favorable manner the financial result that reports into the financial situations, that is into the profit and loss account.

In order to fix this situation we can assimilate the activities in a project to the activity of elaborating some works in progress that register under the category "income corresponding to the costs of the services in progress".

By the proposed solution to the analysis of the elements into the financial situations it results a real situation that obeys both the accounting principles as well as the regulations specific to the non-reimbursable financings of projects.

From an accounting point of view the funds coming from non-reimbursable financing are a part of the subventions' category. The correct application of the accounting principles to the projects implementation must be based on accounting policies created by entities from the subventions fields.

We will mainly refer to the subventions corresponding to the income involving much more attention. The subventions got by the entities that benefit from non-reimbursable funds will be registered as income from exploitation and have as a purpose the deduction of the expenses done. For

this situation in the beneficiary's manual it is recommended that these income to be registered on the date of the cashing in of the pre-financing as advance income, and they will become current income on the date of filling in the application for the reimbursement of the expenses.

Taking into consideration that the reimbursement applications ask for the reimbursement of the realized expenses, for that period the entity will register just expenses, they are not balanced to an income account. Based on the professional reasoning our proposal is based also on the analysis elements of the financial situations, so that for a fundamental analysis it is necessary to present in the explanatory notes the accounting policies applied as well as their effects.

RESULTS AND DISCUSSIONS

In order to follow the application of the accounting principles and policies regarding the subventions we have set as objective a study on the entities that have benefit from non-reimbursable funds in the Timiş County. From our study we may come to the following conclusions:

- the public institutions have correctly applied the existing regulations, but for these categories the stipulations are much more explicit;
- for the entities such as economic operators and legal entities with no lucrative purpose the subventions corresponding to the deduction of the expenses have been registered on the date of filling in the application by most of the petitioners;
- the accounting policies have been applied in a most correct way for the subventions for investments, due to the fact that in this situation there is a tighter connection between the expense with the depreciation of the assets and the moving of the corresponding part from subventions to income.

Our proposal has been appreciated by the entities participant to the study as being a depreciation solution of all regulations that the entities beneficiaries of non-reimbursable funds must comply with.

CONCLUSIONS

As a conclusion we may assert that for a correct application of the accounting principle and policies regarding the subventions it is needed,

first of all a manual of accounting procedures and policies for each entity, as well as an information of the personnel in the accounting-financial department regarding the procedure of granting the subventions.

The purpose of the present work has been to point out the attention over the correctness of the accounting works to be realized by the entities that receive non-reimbursable funds by the accounting specialists, as well as for clearing up some particularities of the mentioned operations.

We consider that by the aspects debated we will contribute also to the awareness process of the users of financial situations regarding the necessity and the importance of a correct presentation of the image of the entities implementing projects with non-reimbursable funds.

Based on the facts presented in this study some improvements can be brought to the implementation guides for the projects with non-reimbursable funds.

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