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MANAGEMENT ACCOUNTING OPOSSITE FINANCIAL ACCOUNTING IN AGRICULTURAL COMPANIES

CONTABILITATEA DE GESTIUNE VERSUS CONTABILITATEA FINANCIARA IN SOCIATATILE AGRICOLE

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Abstract: *Financial Accounting organization in agricultural societies is necessary due to limits of financial accounting to managerial decisions. The annual financial statements prepared by the agricultural company provide information on potential cash balances concerning exploitation, financial and extraordinary activities. These balances, entitled Management of Intermediary Balances (MIB) are expressed by the indicators characterizing the operation and profitability of the farm: commercial margin, production of financial year, value added, the surplus / deficit gross working surplus, the results of the exploitation, the current result, gross and net results of the financial year. Each MIB reflects the state of financial results determined at a certain level, having function to illustrate the remuneration of production factors and financing the future activity.*

Keywords*: Profit and loss account, Management of Intermediate Balances, Management Accounting, Financial Accounting.*

INTRODUCTION

Registration costs in management accounting is done at the same time with the recording of the accounting them financially, based on the same summary documents, especially as the data will take over after their own criteria. The presentation of the financial results in accounting is based on structuring an organisation's activity into operation, financial and extraordinary activities, which, on the basis of this synthesis situation, allow the creation of certain values that characterise the economic behaviour of the respective agent, called intermediary management balance sheets (MIB

cascade). [1] The need to determine MIB within SC OANCEA OMV SRL is good in determining the farm's capacity to make profit and eventually in determining its performance. The agricultural producer's major objective is both the increase in his possessions and the increase in the farm's value, to ensure its own development. [2] Achieving this objective is conditioned by performing a *profitable* activity, which allows the *remuneration* of the production factors and capitals used, regardless of their origin. [4]

MATERIALS AND METHOD

To calculate the cost of agricultural products, management accounting extract information from their financial accounts. The paper synthetically presents the intermediary management balance sheets, as the main economic-financial indicators established according to crops (early potato, autumn cabbage and pickled cabbage) and total farm, with whose help we characterise the way in which the material, financial and human resources of SC OANCEA OMV SRL, village of Lunguletu, Dambovita county are used. An intermediary management balance sheet is calculated as the difference between two values. Indicators under the form of balance sheets, also called margins, SIG emphasise the stages in creating the intermediary balance sheet, in close connection to the revenues and expenses structure associated with the activities from SC OANCEA OMV SRL. Through successive deductions, we obtain indicators which characterize the profitability and management of the analyzed agricultural business, some being found directly in the profit and loss account, others being calculated in the case of intermediary management balance sheets.

RESULTS AND DISCUSSIONS

Management of accounting information system defined by all the processes, tools and rules used in the collection, processing, transmission, storage and use of accounting information not disclosed to the public.The profit and loss account reflects the company's *performance,* or its capacity to generate profit, expressed in its ability to generate future cash (revenue) *flows* by means of using the existing resources (expenses in the interval), allowing to establish the *efficiency* level in using new resources. [3] the

intermediary management balance sheet cascade has the features of the company and they are *value indicators* of the production and marketing.

Table 1

Intermediary management balance sheets SC OANCEA OMV SRL

No	Specification	Early potato	Autumn cabbage	Pickled cabbage	TOTAL FARM
1	Revenues from selling the merchandi	-	-	-	-
2	Expenses regarding the merchandise	-	-	-	-
3	Gross margin (1-2)	-	-	-	-
4	Sold production	750,000	420,000	18,000	1,188,000
5	Stick variation	-	-	42000	42,000
6	Own work capitalized	-	-	-	-
7	Intermediary balance sheet (4+5+6)	750,000	420,000	60,000	1,230,000
8	Seeds / Seedlings	116,250	30,000	-	146,250
9	Fertilizers	58,500	-	-	58,500
10	Pesticides	19,350	4,800	-	24,150
11	Other material expenses	33,088	5,230	32,767	71,085
12	Works and services performed by thi	3,000	1,500	-	4,500
13	Overall intermed consumptions and t	230,188	41,530	3,267	274,985
14	Added value (3+7-13)	519,813	378,470	27,233	925,516
15	Revenues from operation subsidies	3,000	1,200	-	4,200
16	VAT	82,995	60,428	4,348	147,771
17	Land tax	900	360	-	1,260
18	Buildings tax	-	-	-	-
19	Machines tax	1,071	429	-	1,500
20	Other taxes	-	-	-	-
21	Overall expenses on taxes	84,967	61,217	4,348	150,532
22	Salaries	25,893	61,000	3,530	90,423
23	Salary contributions	4,661	10,980	635	16,276
24	Overall personnel expenses	30,554	71,980	4,165	106,699
25	Gross operation excess/deficit	407,292	246,474	18,719	672,485
26	Other operation revenues	-	-	-	-
27	Other operation expenses	3,571	1,429	-	5,000
28	Expenses on depreciation and provisi	15,280	5,471	7,467	28,218
29	Operation result(25+26-27-28)	388,440	239,574	11,253	639,267
30	Financial revenues	-	-	-	-
31	Financial expenses	1,290	516	-	1,806
32	Current result (29+30-31)	387,150	239,058	11,253	637,461
33	Extraordinary revenues	-	-	-	-
34	Extraordinary expenses	-	-	-	-
35	Extraordinary result (33-34)	-	-	-	-
36	Gross intermediary balance sheet res	387,150	239,058	11,253	637,461
37	Corporate tax	61,944	38,249	1,800	101,994
38	Net intermediary balance sheet resul	325,206	200,809	9,452	535,467

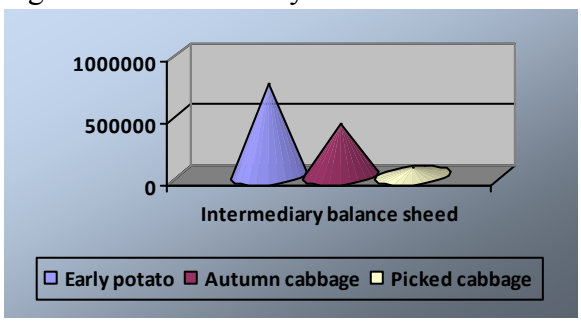
The commercial margin (MC) or gross margin is the first intermediary management balance sheet and it refers to the commercial activity performed by various economic agents. In the case of SC OANCEA OMV

SRL, this indicator is null because the agricultural activity performed by the agricultural producer involves production, therefore obtaining finished products and not only trade (merchandise). This indicator becomes significant in the case of distribution (trading) companies within which it is important to be determined in detail, according to products or groups of products.

The intermediary balance sheet (PE) is an indicator with applicability in agricultural companies and it includes the finished agricultural products value meant to be sold, stored or used for the own needs. Consequently the intermediary balance sheet will include three elements: sold production, stored production (stocks variation) and own work capitalized.

Thus, within SC OANCEA OMV SRL, the intermediary balance sheet is composed of 1.230.000 lei per total farm, of 60,97% the intermediary balance sheet in early potato, 34,14% the intermediary balance sheet in autumn cabbage and 4,87% in pickled cabbage, in which 30% is the production sold by 31.12.2010 and 70% the stock variation.

Fig 1. The intermediary balance sheet



Since it is not an intermediary management balance sheet, but an entry in the results account, *the turnover* is a global indicator of the sales resulting from the trading and production activity (obtained by adding the merchandise sales and the production sold). Because the agricultural producer does not sell merchandise, his basic activity being the agricultural production, the turnover level is the same as the sold production level, amounting to 1.188.000 lei at the end of 2010.

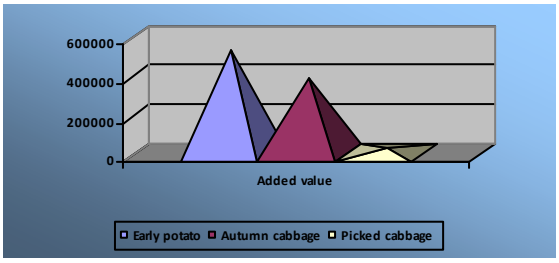


Fig 2. Added value

The added value (VA) expresses the creation or increase in value brought by the agricultural producer to the goods or services from third

parties. This intermediary management balance sheet is a gross added value which makes the connection between micro and macroeconomic. The added value allows for the comparison between farms in order to better measure their contribution to agriculture. The agricultural producer who records a higher added value, implicitly makes a more important contribution. At farm level, the added value is an indicator which allows for measuring its economic power, which was determined by the difference between the global intermediary balance sheet (obtained by adding the gross margin and the intermediary balance sheet) and the consumption of goods and services provided by third parties for the respective production.

It is noticed that SC OANCEA OMV SRL achieved a money accumulation margin (VA) of 925.516 lei composed of 56.16% value added to the early potato, 40.89% value added to the autumn cabbage and 2.95% value added to pickled cabbage.

The money accumulation margin (VA) is of special interest because:

• it makes the connection between the micro and macroeconomic level.

• it represents a criterion in assessing the specific contribution of the farm to its production. The added value is a more synthetic indicator than the turnover, emphasizing the commercial performance of the company, respectively its capacity to sell and produce.

• it reflects the degree of using the factors of production.

The gross operation excess/deficit of the business (EBE) corresponds to the economic result of the farms generated by the operations independently from the financial activity, the depreciation method used and the creation of provisions or not, which makes it be consider as an essential indicator in the management analyses and in performing comparative analyses between agricultural trading companies.

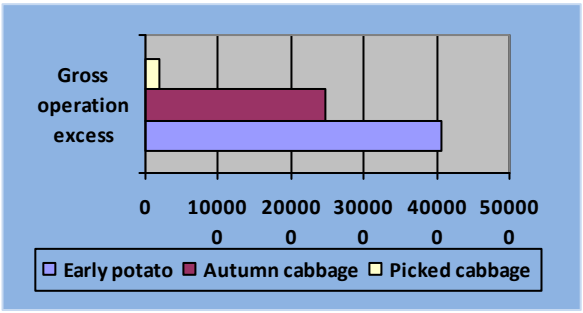


Fig.3 Gross operation excess

The gross operation excess within SC OANCEA OMV SRL amounts to 672,485 lei and it is composed of 60.56% operation excess for the early potato, 36.65% operation excess for the autumn cabbage and 2.79% operation

excess for pickled cabbage.

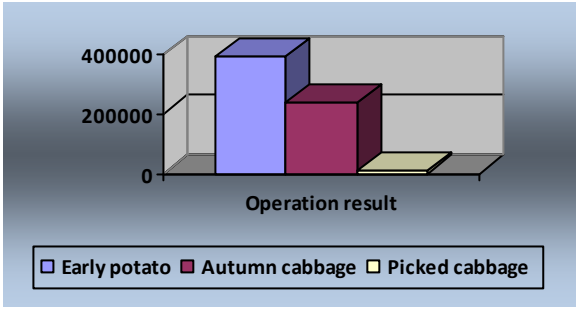
The role of the gross operation excess may be seen in three aspects:

- it is the measure of the agricultural company's economic performances: based on calculating it, the agricultural producer may decide or not to renew his fixed assets through depreciation, covering risks from established provisions and ensuring his funding which involves financial expenses, and the difference will be distributed to the state (corporate tax), to the shareholders (dividends) and/or preserved through self-funding.
- EBE is independent from the financial policy (it is not influenced by revenues and expenses), the investment policy (it does not take account of the company's decisions on ways to calculate the depreciation), the individual policy (the company's decisions regarding the net profit allocation), the fiscal policy and the exceptional elements (it does not consider the corporate tax and the exceptional result)
- EBE is a fundamental financial source for the company.
- EBE is the first level of the analysis regarding the creation of the company's global treasury, therefore the starting point in the treasury flows picture.

The operation result (RE) assesses the economic profitability of the analyzed farm and corresponds to the normal and current activities of the company, including the operations performed in the previous balance sheets but associated with the current balance sheet. The activity corresponding to the financial and extraordinary operations is not considered. This result is used in comparing the agricultural companies' performances with various financial policies. This indicator was calculated based on the relation:

$$RE = EBE+AVE-ACE-CAP$$

Fig. 4 Operation result



In which RE- the operation result, AVE – other operation revenues, ACE – other operation expenses, CAP – expenses on depreciation and provisions.

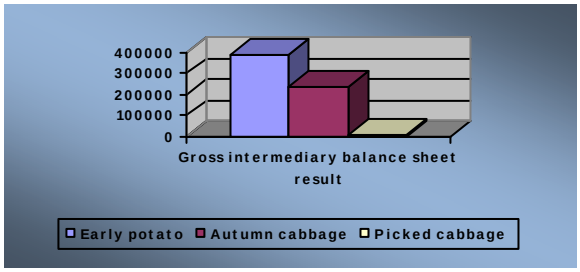
Calculating the operation result for SC OANCEA OMV SRL, led to the

following results: for total farm, its absolute value is of 639,267 lei, composed of 60.76% early potato, 37.47% autumn cabbage and 1.77% pickled cabbage.

The current result (Rc) is the result of all the current, regular operations of a farm, being determined both by the current operation result and by the result of the financial activity, also allowing the assessment of the agricultural company's financial policy impact on profitability. Because it is not influenced by extraordinary elements, this balance sheet allows for the analysis of the agricultural company's current result dynamics along several balance sheets.

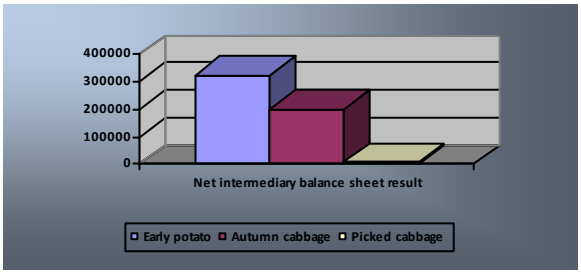
Considering that the analysed agricultural company does not have financial revenues, and its financial expenses are reduced to the bank interests to the credit purchased for a means of transport, the current result is not much more different from the operation result and it represents the absolute value of 637,461 lei per total farm.

Fig.5. The gross result of the balance sheet



The lack of *extraordinary result* was reflected in the equality between the current result and the *gross result*, whose absolute value is 637,461 per farm and composed of 60.73% gross result of the balance sheet for the early potato, 37,50% gross result of the balance sheet for the autumn cabbage and 1,76% gross result of the balance sheet for the pickled cabbage.

Fig.6. The net result of the balance sheet



By applying the corporate tax (16%) on the gross result of the balance sheet, we calculated the net result of the balance sheet amounting to de 535,467 lei per total farm, and composed of 60.73%, for the early potato, 37.50% for autumn cabbage and 1.77% for pickled cabbage.

CONCLUSIONS

1. The economic behaviour of the agricultural producer is an expression of its involvement in the market economy realities, relates to the necessity of optimal administration of resources, which are objectively limited.

2. In the decisions on the resources allocation, production and structure volume, size or restriction of finished products, technological innovation, the production cost represents an extremely useful economical instrument etc.

3. The producer must look and find reserves to reduce consumption of inputs, to act in all phases of economic activity, to apply possible measures for reduction on the costs, according with the competition requirements imposed by the market.

4. By increasing expenses correlated with the increase of production, can be obtained a lower cost of production than in the case in which the total expense are minimum.

5. Reduction of costs causes stability or even the reduction of the prices, leads to increase economic performance and provides special advantages on the market.

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