USE OF ACCOUNTING INFORMATION IN EUROPEAN PROJECTS

UTILIZAREA INFORMAŢIEI CONTABILE ÎN REALIZAREA PROIECTELOR EUROPENE

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Abstract: *This paper presents the role of the accounting information in drafting European funded- projects presenting the calculation methodology used for financial predictions and for the calculation of the main financial indicators of a project financed through the National Program for Rural Development.*

Given the financial problems faced by beneficiaries of structural funds, we consider that the presented issues are of interest both for specialists in finance and accounting, as well as for applicants of projects funded through the European Agricultural Fund for Rural Development.

Key words: *accounting information, rural development, RDP, EAFRD.*

INTRODUCTION

Some of the reasons for which we should follow the procedures specific to the document management, as well as the legal stipulations, are: the saturation of the information entities, the lack of time needed to process and absorb information, as well as the incapacity to follow the information wherever necessary.

As the sources of the accounting information are the financial-accounting documents, and the documentation for a project supposes the draft of a business plan, of a feasibility study and of a cost-benefit analysis, we can notice the significant role of accounting in the projects drafting, and in order to point out the role of the accounting information in drafting projects, we will present the methodology used for the financial predictions

and the calculation of the main financial indicators for a project financed through the National Program for Rural development, measure 312: Assistance for the creation and development of small-enterprises, submitted by a newly-established company.

The general objective of the project was the purchase (one excavator and two backhoes), the purpose being the development of the company and the creation of workplaces. The total value of the project was of 1,464,040 lei with VAT, the eligible value being of 1,230,286 lei and the value of the non-eligible expenses being of 233,754 lei. In order to evaluate the reliability of a project, a feasibility study must be elaborated (for projects that suppose construction-mounting works) or a Supporting Report (for works that do not suppose construction-mounting works).

In this project's case, no construction-mounting works are performed, thus a Supporting Report will be filled. Annex 3 of the project finance application financed through EAFRD (European Agricultural Fund for Rural Development), named Supporting Report, contains, at point 9, Financial Projections and financial indicators, demonstrating the criteria of eligibility aiming the investment stability.

In this chapter of the Supporting Report, starting with the assumptions that led to the finance application, financial projections will be carried out and financial indicators will be calculated depending on the applicant's judicial nature, i.e. the self-employed person, the individual enterprises, the family enterprises, the legal persons. In this case, these calculations will be carried out for a legal person, i.e. a legal entity.

The assumptions that elaborated the financial projections are the following:

- The total value of the project is of 1,464,040 lei with VAT, the eligible value being 1,230,286 lei and the value of non-eligible expenses is of 233,754 lei;
- The period of the prediction is of 5 years after the implementation (2011-2015);
- VAT, a non-eligible expense, will be sustained by the beneficiary, being later recovered from the state budget;
- The data regarding the main indicators that will influence the performed projections will be taken from the studies carried out by the National Commission of Prognosis, as follows:

Table 1.

Evolution of main indicators for financial projections

(%)

Indicator	2009	2010	2011	2012	2013	2014	2015
Inflation	4.80%	3.60%	2.80%	2.50%	2.30%	2.00%	2.00%
Real salary increase	0.50%	0.2%	0.4%	0.5%	0.2%	0.9%	0.2%
Salary increase	9.70%	9.50%	9.10%	8.60%	8.40%	7.70%	7.50%
Price increase	4.50%	3.60%	3.20%	2.80%	2.50%	2.50%	2.50%

(Source: National Prognosis Commission, The projection of main macro-economic indicators 2008, for conformity: http://www.cnp.ro/user/repository/prognoza_pe_termen _lung _2020_dec.pdf, available since 01.10.2008)

Another factor was the seasonal character of the excavation works for water and sewage installations. Thus, a certain volume of work was predicted on trimesters, trimester I – 20%, trimester II – 25%, trimester III – 40%, trimester IV – 15% of the executed works.

The incomes and expenses of each trimester will be directly influenced by the above mentioned share of work. Thus, the incomes derive from the basic activity (the work execution), for this reason the following issues were considered for the income prediction:

- There will be around 12/13 contracts/year, i.e. approximately one contract per month; the works predicted for the first year will be as follows: trimester I – 2 works, trimester II – 3 works, trimester III – 5 works, trimester IV – 2 works;
- The incomes will follow the annual trend according to the predictions presented by the National Commission of Prognosis;
- The value of an execution work will be of around 40,000 Euros (172,240 lei), the trade margin practiced by the company representing 20%, the rest representing the execution costs;
- The execution capacity is strongly influenced by the number of employees as well. Thus, the company's objective is to increase the number of employees depending on the number of expected works, so that the degree of using the execution capacity will be as follows: trimester I – 25%, trimester II 60%, trimester III – 100%, trimester IV – 60%.;
- Contracting will be accomplished by participating at auctions as well as by direct contracting.

1. THE ECONOMIC-FINANCIAL PREDICTION BASED ON THE ACCOUNTING INFORMATION AND THE INFLUENCE FACTORS

Considering these assumptions, as well as the evolution of the main macroeconomic indicators, we will present the economic-financial prediction for the next 5 years as follows.

The incomes from the investment subventions represent the annual amortization of equipments, at 70% of their value (70% being the value of the requested grant, calculated from the value of the project's eligible expenses).

Table 2.

The value of amortization for the grant value

(lei)

The equipment input value	**813,058**	**I**	**II**	**III**	**IV**	**V**
The normal functioning period	**12 years**					
Amortization		69,255	69,255	69,255	69,255	69,255

(Source: the author's own calculations)

The prediction of expenses was performed considering the direct and indirect expenses of the main activity of the entity. Thus, the main categories of expenses are:

- Expenses on materials and consumables – they include the expenses registered under fuel purchase (necessary for machines, as well as for the transport of the staff and of the materials on the site) accounting for 56% of the operation costs, costs of the material used in the works. The costs of material and fuel is quantified at 1,049,976 lei/year, of which the materials - 124,014 lei and the fuel – 925,962 lei (calculations being made in view of the previously planned work for each trimester). Thus, this category of expenses has a share of: trimester I – 20%, trimester II – 25%, trimester III – 40%, trimester IV – 15% of the total registered expenses.
- Other expenses for materials – they include expenses such as advertising, stationery and office expenses, i.e. expenses of the investment project management, accounting for 0.5% of the materials and consumables expenses. Being indirect expenses, they will be evaluated and allocated on trimesters depending on the previously mentioned direct expenses. Thus, their annual value will be of 5,250 lei/year (1,049,976 lei*0.5%);

- Energy, gas, water expenses (utilities) – represent indirect expenses with utilities and telephone, they were quantified according to the total operating costs considering their share from the previous years, i.e. 0.92% (utilities) and 0.84% (telephone) of the total operating costs, representing 16,535 lei (1,803,074*0.92%), 15,505 lei (1,803,074*0.84%), respectively;
- Staff expenses – represent the gross salaries of employees, a gross average monthly salary was considered to be 1,438 lei (1,100 lei net) for 9 employees, the annual value of registered expenses being of 155,304 lei (1,438 lei*9 employees*12 months). What you have said is that employees will be paid in overhead such, the monthly salaries will not be influenced by the timeliness;
- Insurance and social protection expenses – social insurances and contributions to the state budget, directly influenced by the staff expenses, and, considering the quantum of these contributions for year 2009, 30.75%, its value will be of 47,763 lei (155,304 lei*30.75%);
- amortization expenses – the amortization calculated for the purchased equipment. Considering their value of 1,187,226 lei and the normal operating period of 12 months, applying the linear method, the annual expense will be of 98,938 lei;

Table 3.

The amortization value calculated through the linear method (lei)

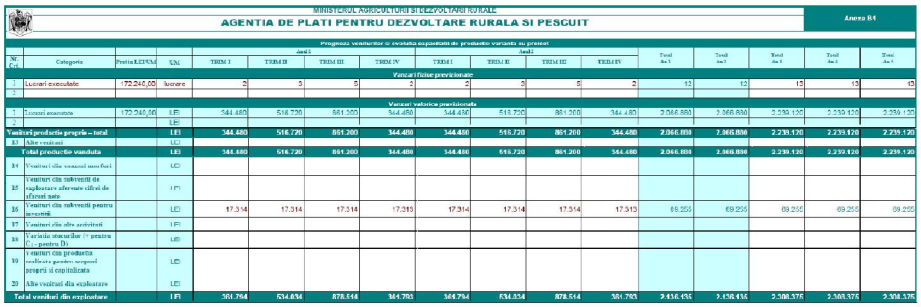
The equipment input value	**1,187,226**	**I**	**II**	**III**	**IV**	**V**
The normal functioning period	**12 years**					
Amortization		98,936	98,936	98,936	98,936	98,936

(Source: the author's own calculations)

- other operating expenses – include expenses for subcontracted services, such as: projection services, machines and equipment rental, registered office rent, the outsourcing representing approximately 10% of the total operating expenses, the machines and equipment costs – 5%, leasing 750 Euro/month (3,250 lei/month) and the rent 150 Euro/month (650 lei/month), summing up 326,907 lei/year.

2. THE PRESENTATION OF FINANCIAL PROJECTIONS IN THE STANDARD APPLICATIONS SPECIFIC TO THE PROJECTS FINANCED THROUGH EAFRD

According to the financing guide, the financial projections must be presented in a standard format, in our case according to annex 3 of the Supporting report because we deal with a legal person, i.e a private entity.

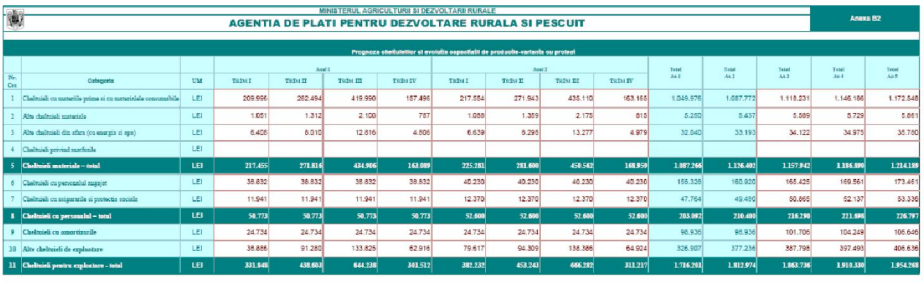


MINISTERUL AGRICULTURII SI DEZVOLTARII RURALE
AGENTIA DE PLATI PENTRU DEZVOLTARE RURALA SI PESCUIT
Anexa B4

Prognoza veniturilor si evolutia cheltuielilor de productie-varianta cu proiect

Nr. Crt.	Categoria	Pretul/UM	UM	Anul 1 TRIM I	TRIM II	TRIM III	TRIM IV	Anul 2 TRIM I	TRIM II	TRIM III	TRIM IV	Total An 1	Total An 2	Total An 3	Total An 4	Total An 5
	Variatii fizice previzionate															
1	Lucrari executate	172.040,00	bucata	2	3	5	3	2	3	5	2	13	12	15	13	13
	Variatii valorice previzionate															
1	Lucrari executate	172.040,00	LEI	344.480	516.720	861.200	344.480	344.480	516.720	861.200	344.480	2.066.880	2.066.880	2.239.120	2.239.120	2.239.120
2			LEI													
Venituri productie proprie – total			**LEI**	**344.480**	**516.720**	**861.200**	**344.480**	**344.480**	**516.720**	**861.200**	**344.480**	**2.066.880**	**2.066.880**	**2.239.120**	**2.239.120**	**2.239.120**
13	Alte venituri		LEI													
Total productie vanduta			**LEI**	**344.480**	**516.720**	**861.200**	**344.480**	**344.480**	**516.720**	**861.200**	**344.480**	**2.066.880**	**2.066.880**	**2.239.120**	**2.239.120**	**2.239.120**
14	Venituri din vanzari marfuri		LEI													
15	Venituri din subventii de exploatare aferente cifrei de afaceri nete		LEI													
16	Venituri din subventii pentru investitii		LEI	17.314	17.314	17.314	17.315	17.314	17.314	17.314	17.313	69.255	69.255	69.255	69.255	69.255
17	Venituri din alte activitati		LEI													
18	Variatia stocurilor (+ pentru D; - pentru D)		LEI													
19	Venituri din productia realizata pentru scopuri proprii si capitalizata		LEI													
20	Alte venituri din exploatare		LEI													
Total venituri din exploatare			**LEI**	**361.794**	**534.034**	**878.514**	**361.795**	**361.794**	**534.034**	**878.514**	**361.793**	**2.136.136**	**2.136.136**	**2.308.375**	**2.308.375**	**2.308.375**

Prognoză venituri



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Prognoza cheltuielilor si evolutia cheltuielilor de productie-varianta cu proiect

Nr. Crt.	Categoria	UM	Anul 1 TRIM I	TRIM II	TRIM III	TRIM IV	Anul 2 TRIM I	TRIM II	TRIM III	TRIM IV	Total An 1	Total An 2	Total An 3	Total An 4	Total An 5
1	Cheltuieli cu materiile prime si cu materialele consumabile	LEI	209.696	282.464	419.990	187.496	217.554	271.943	435.110	163.165	1.099.646	1.087.772	1.118.231	1.146.186	1.172.546
2	Alte cheltuieli materiale	LEI	1.651	1.312	2.100	787	1.088	1.359	2.175	816	5.850	5.437	5.589	5.725	5.861
3	Alte cheltuieli din afara (cu energia si apa)	LEI	6.408	8.010	12.816	4.806	6.639	8.298	13.277	4.979	32.040	33.193	34.122	34.975	35.790
4	Cheltuieli privind marfurile	LEI													
5	**Cheltuieli materiale – total**	**LEI**	**217.455**	**291.786**	**434.906**	**193.089**	**225.281**	**281.600**	**450.562**	**168.960**	**1.137.536**	**1.126.402**	**1.157.942**	**1.186.886**	**1.214.196**
6	Cheltuieli cu personalul angajat	LEI	38.832	38.832	38.832	38.832	40.230	40.230	40.230	40.230	155.328	160.920	165.425	169.561	173.451
7	Cheltuieli cu asigurarile si protectia sociala	LEI	11.941	11.941	11.941	11.941	12.370	12.370	12.370	12.370	47.764	49.480	50.865	52.137	53.336
8	**Cheltuieli cu personalul – total**	**LEI**	**50.773**	**50.773**	**50.773**	**50.773**	**52.600**	**52.600**	**52.600**	**52.600**	**203.092**	**210.400**	**216.290**	**221.698**	**226.787**
9	Cheltuieli cu amortizarile	LEI	24.734	24.734	24.734	24.734	24.734	24.734	24.734	24.734	98.936	98.936	101.706	104.249	106.646
10	Alte cheltuieli de exploatare	LEI	38.886	91.282	133.825	62.916	79.617	94.809	138.386	64.924	326.907	377.236	387.798	397.493	406.636
11	**Cheltuieli pentru exploatare - total**	**LEI**	**331.848**	**458.603**	**644.338**	**343.512**	**382.332**	**453.243**	**666.282**	**311.217**	**1.766.291**	**1.812.974**	**1.863.736**	**1.910.330**	**1.954.268**

Prognoză cheltuieli

Fig. 1. The income and expenses budget. Income prognosis

Related to the projection of the profit and loss account, the financial incomes have not been taken considered (their value being insignificant), and the financial expenses are the ones resulted from the credit contracting necessary for the co-financing and the project implementation. Thus, the company contracted a sustaining credit of 1,033,440 lei (the difference between the total value of the project and the pre-financing of 50% that will be allotted according to the finance contract stipulations), of which 664,355 lei will be refunded at the end of the implementation period, when all the remained eligible expenses will be discounted after the recovery of pre-financing and VAT. The loan difference, i.e. 396,089 lei (85,714.28 Euro), will be repaid in 5 years (annual rate 73,817 lei). The performed predictions took into account the

values included in the loan refund graphic for 60 months, with an interest rate of 13%/year (47,981 lei, 38,385 lei, 28,789 lei 19,192 lei and 9,596 lei).

For the performed projections, a synthetic balance-sheet was presented, resulted mainly from the predicted incomes and expenses, the investment value, the contracted credit and the EAFRD grant value. Given the fact that the private entity, a case study, is newly founded, it will not contain accounting information from the previous years, thus:

- the value of fixed assets will be the value of the assets purchased through the project;
- the accumulated amortization is equal to the expenses cumulated with the equipment amortization;
- inventories consist of materials and consumables purchased for the work execution (their value will be zero);
- the cash value will be taken from the predicted cash flow;
- the short term debts consist of the actual debts of the company (the payables will be paid to suppliers in due date, i.e. 48 hours, and the ones to the state budget will be paid at their registration moment);
- the debts that are to be paid in a period longer than 1 year contain the sums loaned for the project implementation (the value from the balance-sheet being the value of the balance to be paid);
- the investment subventions represent the difference between the annual amortization of the equipment at 100% of their value and the annual amortization of the equipment at 30% of their value;
- the share capital is of 200 lei and does not change on the entire period, and the outcome of the financial operation will be allocated to reserves.

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Anexa B4

BILANT SINTETIC PREVIZIONAT - LEI

		Anul 0 (anterior depunerii cererii de finantare)	Anul 1	Anul 2	Anul 3	Anul 4	Anul 5
1	Active imobilizate - brute		1.230.286	1.230.286	1.230.286	1.230.286	1.230.287
2	Valoarea amortizarii cumulate		98.936	197.871	296.807	395.742	494.678
I	**Active imobilizate - nete (1-2)**	**0**	**1.131.350**	**1.032.415**	**933.479**	**834.544**	**735.609**
3	Stocuri						
4	Creante		178.011	182.834	187.261	191.798	196.448
5	Casa si conturi la banci		195.325	281.001	296.361	311.890	327.590
II	**Total active circulante (3+4+5)**	**0**	**373.336**	**463.835**	**483.622**	**503.688**	**524.038**
	TOTAL ACTIV (I+II)	**0**	**1.504.686**	**1.496.250**	**1.417.101**	**1.338.232**	**1.259.647**
III	**Datorii ce trebuie platite intr-o perioada de pana la un an**	**0**	**900.501**	**710.000**	**672.886**	**636.944**	**600.948**
6	Imprumuturi si datorii la institutii de credit						
7	Datorii comerciale		900.501	710.000	672.886	636.944	600.948
8	Alte datorii, inclusiv fiscale si la asigurari sociale						
IV	**Datorii ce trebuie platite intr-o perioada mai mare de un an**	**0**	**295.269**	**221.452**	**147.635**	**73.818**	**0**
9	Imprumuturi si datorii la institutii de credit		295.269	221.452	147.635	73.818	
10	Datorii comerciale						
11	Alte datorii, inclusiv fiscale si la asigurari sociale						
V	**Subventii pentru investitii**		69.255	69.255	69.255	69.255	69.255
12	Capital social		200	200	200	200	200
13	Rezultatul exercitiului financiar		239.461	255.882	271.243	286.772	302.472
14	- repartizare profit la dividende						
15	- repartizare profit la la rezerve		239.461	255.882	271.243	286.772	302.472
16	Rezerve			239.461	255.882	271.243	286.772
VI	**Total capitaluri proprii**	**0**	**239.661**	**495.543**	**527.325**	**558.215**	**589.444**
	TOTAL PASIV	**0**	**1.504.686**	**1.496.250**	**1.417.101**	**1.338.232**	**1.259.647**

Fig. 2. Predicted synthetic balance-sheet

CONCLUSIONS

Given the main financial issues presented in our literature, we can conclude that in the case of projects financed through structural funds, wrong predictions based on financial situations may lead to the impossibility of achieving certain indicators presented in the application to attract funding. All these factors can endanger the project development, which may entail a series of side effects such as: the impossibility of providing liquidities between the refund applications, of complying with the estimate graphic to submit the refund applications, or to perform the project objectives, determining the decrease of the budget or the indispensability of returning the funds received, and most seriously, the impossibility of accessing future European funds.

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