CONSIDERATIONS REGARDING THE EVOLUTION IN TIME OF CURRENT ASSETS IN AGRICULTURAL ENTITIES

CONSIDERAŢII PRIVIND EVOLUŢIA ÎN TIMP A ACTIVELOR CIRCULANTE ÎN ENTITĂŢILE AGRICOLE

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Abstract: *Agriculture represents an important and old branch of world economy, but there are still gaps in agriculture accounting system. By adopting the IAS 41 standard at International level and by Romania alignment to the European Directives which in many ways, are convergent with the IFRS reference, it has been attempted to improve it. At the same time, at national level, agriculture is one of the most important branches of the Romanian economy and the contribution of the agriculture, forestry, and fish breeding to the Gross Domestic Product is essential.*

Key words*: current assets, IAS 41, agricultural activities.*

INTRODUCTION

The stock concept, largely used in the every day speech, has been define and re-defined by the economists and it is present in our every day life even since Jesus Christ times. The Bible literary connotation of the notion gives a beneficial meaning which is supported by some experts while others contest it.

At the beginning of the mankind, the household was perceived as an isolate productive type entity where each individual was interested only by its own consumption needs. No matter how well the head of the family organized the own entity, depending on each member's skills, the production has been often insufficient for the entity needs. Thus, there occurred the notion of trade and at the same time, there was defined the first important component of the stocks – merchandise. The concept, thus occurred, and it has a popular connotation, just like the stocks, but it is also the protagonist of numerous definitions. The popular and economic

connotation is given by the relation between the individual and the respective goods, the connotation which the goods loose once the individual decision to consume it. Thus, the merchandise turns into staple goods and is included in another category of stocks: staple goods.

Under these circumstances, the approach of goods is influenced by the human behavior and needs as shown by Menger who explained the economic behavior of the people using the analysis of goods as concrete notions and thus, he succeeded in making the hierarchy of needs, a theory which became well known in the XX century under the name of Maslow Pyramid. Menger's approach was based on the cause and effect term and was established in accordance with the following solid permanently valid principle: "As people reach higher levels of civilization and as they get closer and closer to the essence of things and their own nature, the number of real goods increases steadily and, as it is normal, the number of fancied goods decreases. "

So, we consider that the notion of stock as basic component of the current assets develops first, at agricultural level, the agriculture being the first human trade to ensure the living.

MATERIALS AND METHODS

The main research method consisted in reviewing the most important opinions and approaches within the specialized literature, articles and studies of journals and the normative documents in force.

RESULT AND DISCUTIONS

The evolution of needs and the increase of the welfare of a people develop in parallel with the general growth of the capacity or possibility to sell goods. The goods exchange, once the social classes have been delimited, becomes, little by little, limited, depending on the "possibilities". Thus, during the Middle Age, the sales of velvet was limited to the members of noble class and to the clergy, and today, the sales of arms, in many countries, is allowed only to those holding an official permit.

Among other financial objectives, the economic entities are preoccupied by the investment of available capitals in processing and sales of the goods and services. The efficient service and goods production involves, first the establishment of a stock of equipments, machines, tools

and technologies together with the material and natural resources allowing the increase of their productivity and the turning to account of the money invested in the allocated resources.

As balance structure, the stocks must meet, in their turn, the general conditions included in the definition of the assets – they should be resources controlled by the entity, resulted at some past events and which generate further benefits as cash flow for the entity. The exercise of the control on the stocks is when their condition can be influenced by the managers' decision in the sense that they can be consumed, sold or exchanged with other goods used to pay a debt or a guarantee right for obtaining a loan.

If analyzed from the point of view of the reduced cash, they are generating short – term incomes, generally throughout the exercise. Both during recession or prosperity periods, the stocks are important either they are the goods shown on the shops shelves or they are the goods waiting in the entities warehouses. People, due to their power of selection, can determine their variation. The stock level can influence, in their turn, to large extent, the economy fluctuations.

Agriculture is an important sector of the global economy. Despite all these, the accounting in the agriculture domain has not been a priority for the researchers for a long time. Internationally, it was only in December 2000 the standard dedicated exclusively to the agricultural field was approved: IAS 41 "Agriculture".

The Romanian rural economy is in a very large extent dominated by agriculture and a significant percentage is represented by the small farms which are mainly producing for own consumption and the market sales are only marginal.

The connection of the domestic accounting to the international requirements of financial reporting determines the necessity to investigate the possibility of evaluating the agricultural products in accordance with the provisions of the I.A.S. 41 "Agriculture". Thus, I.A.S. 41 is based on the hypothesis that at the time of the crops registration, the fair value of the products can be determined with high accuracy. On the other hand, this is possible only if there is an active market.

I.A.S.41 stipulates the compulsory recognition of the crop evaluation in accordance with its fair valuation, as incomes of agricultural activities deducting the profit or the loss of the administration period. If such an

approach is sued, it makes significantly difficult the book keeping as it requires some additional accounts of incomes and expenditures and respectively, the reflection of some untraditional economic operations which content is difficult to discern.[29] Moreover, an absolutely new source is present at the entities of the agricultural sector – income generated by the agricultural activity which, in case that the fair value of the products is effectively higher than its cost; it is noticed as profit at the end of the financial year. But these incomes, together with the profit they generate, are not real and are not materialized as buyers' claims, money means or other assets received from the thirds.

The crop obtained in agriculture in most cases is conditioned. At present, the crop obtained in the field is evaluated throughout the year at a planned cost which is corrected up to the effective cost at the end of the year. Although the method in discussion provides a higher rate of accuracy for the consumptions records and cost calculations, it is worth investigating the possibility of alternative evaluation of the crops in accordance with the provisions of the I.A.S. 41 identifying the priorities and its inconveniences.[30]

Thus, we consider that, within the agricultural economic entities, the substantiation of the stock classification criteria, depending on the agricultural activity requirements and particular features, is required as it would facilitate the synthetic and analytical book keeping, exercising the control on the respective goods circulation, the prognosis of the material needs for the basic activity development as well as the definition of factors determining the creation, development, protection and safety of biological assets.

As for the biological assets, according to the Romanian regulations, they are included both in the tangible fixed asset category and in the current asset category.

The biological assets known as current assets are included in the stock category. It is to be noted here that the stocks consist of the born and

[29] Domil Aura Emanuela, Pereş Ioan – Capturing environmental costs by using activity based costing method, Annals of Tibiscus University, Volume 16, 2010

[30] Sabău Crăciun, Artene Alin Emanuel – Relevant factors in assessing economic and environmental accounting for agriculture, International Scientific Symposium, Management of Durable Rurale Development, 2008

very young animals of any breed (calves, lambs, little pigs, foals and others bred and used for reproduction , the animals and poultry for fattening, for their further sales, bee colonies, as well as the animals for production of wool, milk and fur. As for the cultures of cereals, throughout their cycle, since their seeding to their cropping, are being considered as products under execution from accounting perspective, and the crops as stocks of finite products[31].

The agricultural entities must consider all the important methods used to determine the fair value of each group of biological assets and agricultural products, and their fair value is to be determined "at the harvesting point minus point of sales costs of agricultural assets during the period[32].

At the same time, the optimal administration of stocks under the existing economic circumstances assumes the modeling of the conceptual management frame work so that each center of responsibility contribute to the fulfillment of strategic objectives of the agricultural entity under the efficient use of the material, financial and human resources .

Thus, for an agricultural entity which cultivate cereals the following situation is revealed against the conditioning of crops and production cost:

- thousands lei -

Name	Quantity	Total consumption of which:	Direct cost crop	Cost of labor	Cost of materials	Indirect consumptions
Wheat 010	10000	1452	1320	61	6	65

Under these circumstances the following production amount is obtained:

-thousands lei-

Name	Quantity	Total cost	Unit cost
Good quality wheat	8,840	1404	0,1588
Fodders	820	48	0,0585

GDP and stock variation

[31] Feleaga, Liliana; Feleaga, Niculae; Raileanu, Vasile - Theoretical considerations about the implementation of IAS 41 Standard in Romania

[32] Mates, Dorel; Grosu, Veronica - "Evaluating and recognizing biological assets and agricultural activities according to IAS 41"- Science Works – vol.51 serie Agronomy

Menger' s theory explains somehow the modifications occurred in the approach of pro and against stocks and their components in the modern economy evolution. Thus, the stock is a concept which was contested sometimes, by certain economic analysts, taking into account the principle that "saving is bad"and the promotion of population expenses as factor generating the GDP increase. This theory is based on GDP definition: GDP = consumption + investments + exports – imports. In accordance with the direct proportionality principle, the GDP decreases as a result of the direct diminution of the consumption creating thus, the premises of stock increase.

Based also on the GDP definition, the increase can be generated by an increase of investment in stocks, too, but this increase is only for the time being, if it does not result in the consumption increase continuity. Such an increase of the investments, not materialized in consumption, generate an artificial increase of GDP for one financial year followed by a sudden decrease in the following financial year.

As mentioned in Business Magazine, "According to the preliminary report published by the Bureau of Economic Analysis (BEA) in Q4 2009 the USA economy increased from Q3 2009 by a rate of 5,7% - the quickest of the last 6 years". Analyzing the figures, the specialists noticed the slow down of the stock liquidation, which decreased by 33.5 billion USD compared with 139.2 billion USD in the Q3 2009. The net modification of the stocks contributed by 3.4% to the GDP increase which represents the highest percentage since the Q4 1987 up to present.

Referring to the Romanian economy, the GDP recorded an overall increase compared to 2010, with slight fluctuations from one quarter to another. The increase noticed in comparison with 2010, was mainly resulted at the increase of the agricultural, hunting, fishing, industry increases followed by the more reduced increase of commerce, transport, hotel accommodation, restaurants, car repairs.

At national level agriculture represents one of the most importance branches of Romanian economy.

The contribution of agriculture, forestry, and fish breeding to the Gross Domestic Product is approximately 6% of the GDP, and in the EU

states it is 1.75 Thus[33]. The weight of agriculture, forestry and fish breeding to the GDP8 is presented in the table below:

GDP	**2007**	**2008**	**2009**	**2010**[34]	**2011**[35]
Agriculture, forestry, fishing and fish breeding	23,992	234,126	331,734	930,728	62,229
Total GDP	416,006.8	514,700	498,007.5	513,640.8	106,723.5
% of GDP	5,8	6,6	6.4	6	2.1

In the press release of 28th December 2011 of the Directorate for Agriculture of Timis County it was specified that: "Romania must become an exporter of food products, but the essential target is to meet the requirements of the national feeding security, the year 2011 was very good from agricultural production point of view allowing to obtain high production rates of good quality. An important step Romania made to join again the club of wheat exporters, but we need continuity in cereal production." One of the strongest points could be the food industry which provides good production and significantly contributes to the improvement of the GDP. The perspectives of this branch development could be generated by a more intense involvement of the state to financially support the agriculture activity.

The estimations made by the foreign entities for the year 2012 are optimistic as BERD; the largest institutional investor of Romania has recently estimated an economic increase of zero up to 0.9%.

CONCLUSIONS

Thus, the definition of GDP is false, but it can create consumption "madness", "hate" against the imports and unlimited exports. The slowing down of the stock decrease does not represent, in itself, a warning sign, but an indication that companies become more and more optimistic.

[33] Statistic Year Book of Romania, 2010, table 11.1
[34] Monthly statistic bulletin 1/2011 INS tab., 72 provisional data
[35] Press release 124, INS 8 June 2011

However, under the circumstances of the present "European economic madness' the big European powers could attempt to reduce their stocks and to increase the exports which would be at the disadvantage of Romanian economy. Thus, under the circumstances of a reduced consumption and external stock assault, Romania could face a decrease of the GDP in 2012 and instead of Romanian agricultural products which could invade the Romanian markets; we shall remain stuck to the agricultural products imported from European countries by the hyper markets.

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