

SPECIAL ASPECTS OF ACCOUNTING AND REPORTING EXPENSES IN NON-COMMERCIAL ORGANIZATIONS

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Abstract. Expenses in non-commercial organizations represent important accounting elements involved in the entities' activities. In the accounting practice of these organizations, there are multiple issues regarding the accounting of expenses. Within the accounting of these elements, problems related to the recognition and use of accounting accounts for expense tracking must be resolved. To address the mentioned issues, it is recommended to specify the recognition and evaluation of expenses in accordance with the specific activities of non-commercial organizations. Additionally, it is crucial to reflect the accounting recording schemes for expense tracking based on the peculiarities of non-commercial entities' activities.

Keywords: non-commercial organization, earmarked funds, expenses, income and expense statement.

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Introduction

In the economic activities of entities, profit generation predominates; however, non-commercial organizations represent a special category of enterprises that have a different purpose and do not pursue profit like traditional commercial entities. In the Republic of Moldova, non-commercial organizations play a significant role in the development of civil society and the promotion of social welfare, as they focus on public utility purposes. Non-commercial organizations are established to serve the public interest and often address social, educational, community, or philanthropic issues. They can cover a wide range of fields, such as social assistance, education, culture, healthcare, environmental protection, and many others. Fundamentally, non-commercial entities do not aim to make a profit as their primary goal. Instead, they concentrate on providing services or public benefits in line with their statutory mission. Revenues obtained by non-commercial organizations are directed towards achieving their statutory objectives and activities. These can be funded from various sources, such as donations, grants, sponsorships, membership fees, or service contracts with public or private

institutions. Non-commercial organizations are subject to strict transparency and governance rules to ensure that funds are utilized in accordance with their statutory purpose. Non-commercial entities represent a valuable component of modern society, emphasizing the balance between commercial and social goals. These organizations play a significant role in the development and improvement of communities, providing essential services, and promoting social values. They contribute to diversifying the economic sector and enhancing the quality of life for citizens by focusing on welfare and addressing social issues.

In the Republic of Moldova, these organizations have a significant impact on communities and society as a whole, as they address a variety of social issues and provide solutions for them. Non-commercial organizations can contribute to alleviating poverty, improving access to healthcare and education services, protecting the environment, and supporting vulnerable or marginalized groups. These entities encourage active citizen involvement in community issues and provide a platform for people to express their opinions, make contributions, and fulfill their aspirations regarding social welfare. Non-commercial organizations play an important role in raising public awareness about social and environmental issues, as well as increasing awareness. They can contribute to educating people and promoting values and behaviors beneficial to society. Although these entities do not pursue profit, they must manage resources efficiently to achieve their goals, which involves obtaining and responsibly managing funding to maximize social impact. Thus, non-commercial organizations have the potential to change the world for the better and contribute to the development of a more equitable, inclusive, and sustainable society, focusing on public utility purposes.

An important and specific issue for non-commercial organizations is the accounting of expenses, as it involves many intricacies within them, which are not studied in specialized literature. The accounting of these entities can have significant peculiarities, given that their primary purpose is not profit-making but serving the public interest and addressing social issues. Non-commercial organizations are often exempt from certain accounting rules that traditionally apply to commercial enterprises. This fact can complicate the accurate recording and reporting of expenses since there are no specific guidelines regarding accounting entries. Considerations regarding the situation created include the fact that current accounting regulations do not explicitly establish accounting recording schemes related to expenses. Non-commercial organizations can have diverse missions and activities, which means their expenses can vary significantly in nature and complexity. This aspect complicates the way expenses are recorded in non-commercial entities and does not fully ensure the accuracy, transparency, and comparability of accounting information.

Problems and Solutions

Expenses represent an indispensable component of non-commercial organizations' activities, focused on public utility purposes and concentrated on solving social issues or serving the public interest. These enterprises generate and manage various types of expenses in an attempt to achieve their missions and objectives. Expenses are essential for providing services or implementing projects that support the community and fulfill the entity's mission. Therefore, non-commercial organizations must plan and budget their expenses to ensure the necessary resources for conducting their activities. This involves assessing the expenses associated with their projects and programs and ensuring they are covered from budgetary sources. Non-commercial organizations have the responsibility to spend resources transparently and efficiently from donations and grants, and accurate expense reporting is crucial to gaining the trust of donors and the general public. Efficient expense management is crucial to maximizing social impact. Non-commercial organizations must prioritize expenses based on their

impact and ensure that resources are used rationally and responsibly. Similarly, expense management is essential for ensuring the organization's sustainability, as uncontrolled or unplanned expenses can jeopardize the organization's ability to continue its activities in the long term.

Given the specific nature of non-commercial organizations' activities, multiple problematic aspects related to the accounting of expenses need to be addressed. These issues concern the recognition and recording of expenses in accounting accounts. Currently, accounting approaches regarding their recording do not meet the modern needs of non-commercial entities. Accountants face difficulties in accounting for expenses, making it challenging for financial management to efficiently manage these elements.

The non-commercial organization maintains its accounting in accordance with the basic principles and rules established in the Law on Accounting and Financial Reporting [3], the National Accounting Standards (SNC) [4], the General Chart of Accounts [5], the Fiscal Code of the Republic of Moldova [1], and other regulatory acts. Under the Law on Accounting and Financial Reporting and for the improvement of specific accounting regulations related to accounting in these entities, Methodological Instructions on the peculiarities of accounting in non-commercial organizations have been approved [6]. At the same time, amendments to the General Chart of Accounts have been approved [5].

Despite being non-commercial, these organizations are obligated, in accordance with the Law on Accounting and Financial Reporting [3], to apply the double-entry accounting system with the presentation of specific financial statements, according to the forms in the annexes to the Methodological Instructions [6]. These forms differ in content and structure from those established in the SNC "Presentation of Financial Statements" for commercial entities.

Expenses must be recorded based on primary documents in non-commercial entities, as provided by the current legislation. The mandatory procedures for accounting expenses are outlined in the organization's own accounting policies, following the requirements of the Methodological Instructions [6]. Accounting must ensure the differentiation and separate registration of expenses by types of activities and operations.

Non-commercial organizations use funding as the main source of financing for their statutory activities. However, funders impose restrictions on the use of earmarked funds granted, accepting that entities must operate in accordance with their budgets, meaning they must fulfill the objectives proposed and stipulated in the budget. If the funding provided is not sufficient for carrying out their statutory activities, non-commercial organizations advocate for their statutory economic activities. Thus, in addition to specific earmarked missions, the non-commercial entity can engage in economic activities, including production, service provision, investments, and other activities, directly derived from its statutory purposes.

The expenses necessary for the non-commercial organization's activities are recorded following accrual-based accounting, based on the general rules established by the National Accounting Standards (SNC). Expenses can be derived from the use of earmarked funds, statutory activities, and economic activities reflected in accordance with the Methodological Instructions on the peculiarities of accounting in non-commercial organizations [6]. In this way, expenses in non-commercial organizations are grouped into:

- Expenses related to earmarked funds,
- Other expenses (excluding expenses from economic activities),
- Expenses from economic activities.

Expenses related to earmarked funds include expenses incurred from earmarked funds, which encompass: the book value of purchased or manufactured and consumed stocks, the book value of stocks transferred free of charge, current program or administrative expenses, personnel expenses (salaries, mandatory state social insurance contributions), expenses related to the fulfillment of contractual obligations, and other expenses from earmarked funds.

Other expenses (excluding expenses from economic activity) include expenses that arise during the statutory activities, excluding economic activities, but cannot be attributed to expenses related to earmarked funds. These include expenses from:

- a) losses and damages from the deterioration of fixed and current assets,
- b) settlements for compromised receivables,
- c) other operations unrelated to specific special missions or statutory economic activities.

Expenses from economic activity pertain to economic activities conducted in accordance with the organization's statutes. These include expenses related to:

- a) the book value of goods sold,
- b) the cost of services rendered and work performed,
- c) unfavorable differences in exchange rates and amounts,
- d) exceptional losses,
- e) other transactions from economic activity.

For recording expenses in accordance with the General Chart of Accounts [3], the following accounts are designated: asset accounts **716 "Expenses related to earmarked funds," 717 "Other expenses (excluding expenses from economic activity)," and 718 "Expenses from economic activity."**

In the debit of these accounts throughout the fiscal year, the cumulative total of recognized expenses is recorded. In the credit, the settlement of accumulated expenses is recorded at the end of the fiscal year against the total financial result.

Expenses related to services provided by suppliers, covered from earmarked funds, are reflected as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 521 "Current trade payables"

Expenses related to labor compensation covered from earmarked funds are recorded as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 531 "Liabilities to employees for labor compensation"

Credit account 533 "Liabilities for social and medical insurance"

Expenses related to services provided by financial institutions from earmarked funds are accounted for as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 242 "Current accounts in national currency"

Credit account 243 "Current accounts in foreign currency"

Credit account 244 "Other bank accounts"

Expenses related to assets purchased and expenses incurred by advance holders, supported from their own account, are recorded as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 532 "Liabilities to employees for other transactions"

Credit account 226 "Personnel receivables"

Expenses related to maintaining the technical characteristics of fixed assets and those related to retired fixed assets are accounted for as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 211 "Materials"

Credit account 521 "Current trade payables"

Credit account 531 "Liabilities to employees for labor compensation"

Credit account 533 "Liabilities for social and medical insurance"

Materials used for special missions are recorded as follows:

Debit account 716 "Expenses related to earmarked funds"

Credit account 211 "Materials"

Objects of low value and short duration with unit value not exceeding 1/6 of the limit set by legislation used for project implementation are reflected as:

Debit account 716 "Expenses related to earmarked funds"

Credit account 213 "Low-value and short-duration items," subaccount 2131 "Low-value and short-duration items in stock"

Calculating the wear and tear of low-value and short-duration items provided for special missions or projects is recorded as:

Debit account 716 "Expenses related to earmarked funds"

Credit account 214 "Wear and tear of low-value and short-duration items"

The value of transferable assets used or donated is recorded by the following accounting entry:

Debit account 716 "Expenses related to earmarked funds"

Credit account 262 "Other current assets"

The record of other expenses, except those related to economic activities, is done through the following accounting entries:

Debit account 717 "Other expenses (except those from economic activities)"

Credit account 211 "Materials"

Credit account 213 "Low-value and short-duration items"

Credit account 241 "Cash"

Credit account 246 "Cash documents"

Expenses covered later from non-designated funds for maintaining the technical characteristics of fixed assets are recorded as follows:

Debit account 717 "Other expenses (except those from economic activities)"

Credit account 211 "Materials"

Credit account 521 "Current trade payables"

Credit account 531 "Liabilities to employees for labor compensation"

Credit account 533 "Liabilities for social and medical insurance"

Expenses necessary for the disposal of fixed assets are accounted for as:

Debit account 717 "Other expenses (except those from economic activities)"

Credit account 211 "Materials"

Credit account 521 "Current trade payables"

Credit account 531 "Liabilities to employees for labor compensation"

Credit account 533 "Liabilities for social and medical insurance"

If the pre-determined remaining value of low-value and short-duration items is higher than the value of the materials obtained when these items are withdrawn from use, the difference is recorded as other expenses using the following formula:

Debit account 717 "Other expenses (except those from economic activities)"

Credit account 213 "Low-value and short-duration items"

Settlements related to the expiration of prescription terms for receivables are reflected as:

Debit account 717 "Other expenses (except those from economic activities)"

Credit account 221 "Trade receivables"

Credit account 224 "Current advances granted"

Credit account 226 "Personnel receivables"

Credit account 234 "Other current receivables"

Expenses related to economic activities are generated by various activities of non-commercial organizations allowed by current legislation in accordance with the entity's statutory objectives outlined in the founding documents, such as:

- a) organizing lessons, exhibitions, auctions, fundraising events;
- b) production of goods and sale of merchandise, provision of services;
- c) providing social services in fields such as education, science, culture, health, human rights defense, social assistance, disaster relief, environmental protection, and other socially important activities.

Expenses related to statutory economic activities during the management year are recorded through the following accounting entries:

Debit account 718 "Expenses from economic activities"

Credit account 211 "Materials"

Low-value and short-term items used for special missions or projects with a unit value not exceeding 1/6 of the limit set by the legislation are recorded as follows:

Debit account 718 "Expenses from economic activities"

Credit account 213 "Low-value and short-term items," sub-account 2131 "Low-value and short-term items in stock"

The calculation of wear and tear on low-value and short-term items used in economic activities is reflected through the following accounting formula:

Debit account 718 "Expenses from economic activities"

Credit account 214 "Wear and tear of low-value and short-term items"

Stocks used for production purposes from the organization's own resources are recorded as follows:

Debit account 811 "Core activities"

Credit account 211 "Materials"

Credit account 213 "Low-value and short-term items"

The costs of services provided by third parties are recorded through the following entry:

Debit account 718 "Expenses from economic activities"

Credit account 521 "Current trade payables"

The calculation of salaries and social and medical contributions is accounted for as follows:

Debit account 718 "Expenses from economic activities"

Credit account 531 "Liabilities to employees for labor compensation"

Credit account 533 "Liabilities for social and medical insurance"

If the economic activity conducted by the entity involves work in progress, their value at the beginning of the month is accounted for as follows:

Debit account 811 "Core activities"

Credit account 215 "Work in Progress".

The value of work in progress at the end of the month is reflected through the following accounting formula:

Debit account 215 "Work in Progress"

Credit account 811 "Core activities".

The actual cost of products obtained in the statutory economic activity is accounted for as follows:

Debit account 216 "Products"

Credit account 811 "Core activities".

Recognition of the cost of goods sold is recorded as:

Debit account 718 "Expenses from economic activities"

Credit account 216 "Products".

Stock shortages identified during the economic activity inventory are accounted for as follows:

Debit account 718 "Expenses from economic activities"

Credit account 211 "Materials"

Credit account 213 "Low-value and short-term items".

The result from the statutory activities of the non-commercial organization at the end of the management period is reflected by settling the expenses to the financial result using the following accounting entries:

Settling expenses to the financial result:

Debit account 351 "Total financial result"

Credit account 716 "Expenses related to designated funds"

Credit account 717 "Other expenses (except expenses from economic activities)"

Credit account 718 "Expenses from economic activities".

Calculation of the income tax from the activities carried out is accounted for as:

Debit account 731 "Expenses related to income tax"

Credit account 534 "Liabilities to the budget".

Settling expenses related to income tax to the financial result is recorded as:

Debit account 351 "Total financial result"

Credit account 731 "Expenses related to income tax".

Recording the surplus (profit) from statutory activities:

Debit account 351 "Total financial result"

Credit account 336 "Net surplus (net deficit) of the management period".

Recording the deficit (loss) from statutory activities:

Debit account 336 "Net surplus (net deficit) of the management period"

Credit account 351 "Total financial result".

Settling the net result of the current management period to the self-financing fund is reflected through the following accounting formulas:

1) For the net surplus:

Debit account 336 "Net surplus (net deficit) of the management period"

Credit account 3413 "Self-financing fund".

2) For the net deficit:

Debit account 3413 "Self-financing fund"

Credit account 336 "Net surplus (net deficit) of the management period".

The turnover of the accounting accounts of non-profit organizations' expenses is reflected in the standardized form attached to the Methodological Instructions on the Specifics of Accounting in Non-Profit Organizations [5] called ***the Income and Expenditure Statement***. This report includes information about the revenues, expenses, and results from the statutory and economic activities of non-profit organizations. When calculating the indicators in the Income and Expenditure Statement, the indicators are determined based on the turnovers of the organization's revenue and expense accounts, cumulatively from the beginning of the management period. Revenues and expenses related to the same transactions are reflected in the Income and Expenditure Statement within the same management period. This standardized form represents an important tool in the accounting of these entities and is specific for tracking their revenues and expenses. It is used to monitor and report financial activities to various stakeholders, such as funders, donors, tax authorities, and the general public.

The Income and Expenditure Statement can help the organization track its expenses to ensure that the budget is respected and that resources are used efficiently. The given form can be used to create periodic financial reports, providing an overview of the organization's financial situation. This report is used to report to funders and donors, as well as to meet the financial reporting requirements imposed by applicable legislation. Analyzing the data from the Income and Expenditure Statement can help the organization plan its budget and financial strategy for the future. This standardized form is essential for maintaining transparency and financial accountability in non-profit organizations and ensuring that they can continue their activities for the purpose of serving the public interest.

Conclusion

In conclusion, non-commercial organizations play a crucial role in building a better world where profit is not the sole objective. They are an essential element of civil society, with a mission to address social issues and improve the well-being of local communities and society as a whole. Expenses constitute a vital part of non-commercial organizations' activities, significantly impacting how these organizations fulfill their missions and contribute to social welfare. Managerial accounting of expenses is essential to ensure that resources are used efficiently and that the organization achieves its public utility objectives.

In the context of the aforementioned points, we observe that the success of non-commercial organizations depends on the accuracy of reflecting operations in accounting. Expense accounting is specific and involves many intricacies. Summing up the discussed approaches, we deduce that information regarding the existence and movement of expenses is useful, both for internal users and external stakeholders, serving as fundamental elements to ensure the uninterrupted functioning of the organization. The primary task of expense accounting lies in managing and accurately documenting these expenses.

To enhance expense accounting in non-commercial organizations, it is recommended to specify the recognition and accounting of expenses in accordance with the specific activities of non-commercial entities. Particularly, accounting recording schemes related to expenses should be tailored to the specificities of non-commercial organizations' activities. Establishing the methodology for expense accounting in non-commercial organizations based on national accounting regulations holds theoretical and practical significance, enabling the achievement of the entity's performance indicators.

In their activities, non-commercial organizations focus on achieving public utility objectives, making monitoring and reporting expenses essential to assess their effectiveness and social impact. These entities are funded through donations, grants, or public sources, which necessitates enhanced transparency and responsibility in the correct use of funds and truthful reporting of expenses.

Solutions to improve expense accounting in non-commercial organizations can include developing specific accounting guidelines or regulations tailored to these organizations. These guidelines should outline the recording of expenses adapted to the organization's specific nature, highlighting expenses based on public utility objectives. Transparency and timely reporting of expenses are crucial to ensure accountability to donors, funders, and the general public. This objective can be achieved through providing appropriate training and accounting resources to employees responsible for the organization's financial records. Consequently, it is important to recognize the complexity of expense accounting in non-commercial organizations and adopt approaches suitable for their specific nature and objectives to ensure the accuracy and transparency of financial information.

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