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CONSIDERATIONS ON ACCOUNTING OF FUNDS IN NON-COMMERCIAL ORGANISATIONS OF THE REPUBLIC OF MOLDOVA

The funds are a crucial element of financial reporting of any non-commercial organisation (hereinafter referred to as the NCO). The procedure for setting, using and accounting for the funds is governed by the Methodological Guidelines regarding the peculiarities of accounting in non-commercial organisations (hereinafter referred to as the Methodological Guidelines) [1] and by the General Chart of Accounts (hereinafter referred to as the Chart of Accounts) [2]. Some aspects of accounting for specific categories of funds held by the Moldovan NCOs are outlined in economic literature [3; 4; 5].

According to the Methodological Guidelines, funds are the totality of NCO own financial resources related to incoming (received/purchased) long-term assets on account of earmarked and unearmarked means, as well as on account of operating activity outcomes [1, paragraph 5].

While accounting for the funds, the following areas of concern may arise:

- defining the composition of funds and their delimitation from other financing resources of NCOs;
- recognising and appraising the funds;
- reflecting the transactions relating to the creation and use of funds in the balance sheet accounts;
- disclosing the information on funds in financial statements.

The composition of funds depends on their categories. According to the Methodological Guidelines, the Moldovan NCOs may build funds, including the sources of financing and their intended use, which are listed in the Table below.

Table 1

Description of NCO funds established in the Republic of Moldova

Fund name	Sources of financing (increase)	Intended use (decrease)
Founders' initial contributions	Founders' initial contributions made in the process of establishing the NCO (funds) as intangible assets, fixed assets, materials, cash amounts, etc.	<ul style="list-style-type: none"> ▪ compensating for administrative and other expenses; ▪ financing of target activities; ▪ setting (increasing) other funds.
Fund of long-term/fixed assets	Targeted financing and proceeds, and unearmarked means, related to the purchased/created long-term/fixed assets, including the subsequent capitalized expenses.	<ul style="list-style-type: none"> ▪ accrual of amortisation of long-term tangible and intangible assets, received on account of earmarked and unearmarked resources; ▪ writing-off the carrying value of disposed long-term assets, received earlier as earmarked and unearmarked resources.
Self-financing fund	The surplus of past years and of the current reporting period, reflected in the process of balance reformation, as well as of the amount of unspent unearmarked resources before the reporting date.	<ul style="list-style-type: none"> ▪ writing-off in the process of reforming the surplus balance of past years and of the current reporting period; ▪ financing the target activities; ▪ compensating for the current expenses of NCOs (repair of fixed assets, accrued payroll, settlement of utilities and of leasing payments); ▪ establishing (increasing) other funds.
Other funds	Founders' initial contributions and the means of the self-financing fund made (allocated) to other funds as per the decision of the NCO Management.	<ul style="list-style-type: none"> ▪ covering the deficit (losses) incurred by the NCOs; ▪ financing the target activities; ▪ compensating for the NCO expenses (accrued bonuses for the employees, settlement of leasing payments, etc.).

The recognition of funds is done on the basis of the accrual method, while their appraisal is done in the actual amount of resources, allocated for their establishment. Herewith, it is advisable to bear in mind that the contributions to such funds can be made both in cash and in kind. The contributions in cash shall be appraised at their nominal value, while the contributions in kind – at the initial cost of long-term and current assets, determined in compliance with the provisions of the National Accounting Standards. It should be noted that some NCOs use the cash basis method for the recognition of funds, i.e. as the money and/or the compensations of other kind are physically received. In our opinion, such approach is unsubstantiated and contradicts the accounting basic principles, which are mandatory for adoption by the NCOs [1, paragraph 6]. Furthermore, the recognition of funds using the cash basis method leads to the distortion of financial statement indicators and has a negative impact on the quality of decisions taken by NCOs at all levels of management.

There is a separate account in the General Chart of Accounts [2] intended to record the funds; subaccounts may be opened to this account as needed to record the funds by specific categories. As this Chart of Accounts does not comprise any accounting entries for the transactions related to the

establishment and use of funds, the NCOs shall be entitled to develop the corresponding schemes of accounting entries and include them into their accounting policy and/or into the operational chart of accounts. In our view, the funds accounting operations shall be reflected as follows:

- founders' initial contributions – as an increase in the current receivables and funds, while their use – as a decrease in funds and increase in operating expenses and liabilities;
- establishing the fund of long-term assets – as a decrease in earmarked and unearmarked resources, and the use of the fund – as a concurrent decrease in funds and assets and an increase in the amortization of intangible assets and fixed assets;
- establishing the self-financing fund – as an increase in funds and a decrease in the past years and the current reporting period surplus and in liabilities, while its use – as a concurrent decrease in funds and in the past years and the current reporting period deficit and an increase in liabilities;
- setting other funds – as a decrease in the Founders' initial contributions and in the self-financing fund and an increase in other funds, while its use – as a decrease in other funds and an increase in current liabilities.

The information regarding the funds shall be disclosed in the Balance Sheet and in the Report on changes in the NCO's financing sources. Such reports are developed as per the standard templates included in the attachments to the Methodological Guidelines. Thus, the Balance Sheet reflects the fund balances at the beginning and at the end of the reporting period, and the Report on changes in the financing sources – the balances at the beginning of the reporting period, increases and decreases during the reporting period and balances at the end of the reporting period for each category of funds.

In conclusion, it should be noted that in compliance with the current regulatory acts, the Moldovan NCOs must create funds, which are needed to finance the target activities and compensate for the operating expenses. The list of funds and the sources for their establishment and intended use must be reflected in the NCO's accounting policy.

Due to the fact that some NCOs recognize the funds in compliance with the cash basis method, which contradicts the regulatory acts requirements and fails to ensure reliable information regarding the availability and movement of funds, it would be advisable to recognize the funds on the basis of accrual method, which is provided for by the Methodological Guidelines and is applicable to all accounting items (1, paragraph 9).

The General Chart of Accounts does not govern specifically the rules for reflecting the transactions aimed at establishing and using the funds in the Balance Sheet accounts. Therefore, the NCOs account for the aforementioned transactions differently and not always properly. Hence, it is advisable to include the standard accounting entries into the General Chart of Accounts or in the Methodological Guidelines. To summarise the information on various categories of funds, we would suggest opening second- and third-level subaccounts to the "Funds" account. The data by fund categories is needed to calculate the financial statement indicators and prepare the information for effective decision-making. Furthermore, we consider it essential to stockpile the information in the NCO management accounting system by the funds' financing sources and their intended use. Depending on the users' information needs, such data shall be reflected in internal management reports, as well as in the Explanatory Note to the NCO's financial statements.

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