

ACCOUNTING SITUATION OF PUBLIC INSTITUTIONS UNDER THE CONDITIONS OF THE EUROPEAN COURSE

ALIONA BÎRCĂ

Institute of Agricultural Economics, Romania

Academy of Economic Studies of Moldova

birca.aliona1@gmail.com

ORCID ID: 0000-0002-9365-7639

Abstract: The methodical-scientific approach of this paper is concretized in the analysis of the main elements that may undergo changes in the process of accession of the Republic of Moldova (RM) to the European Union structures. The normative regulation of accounting of public institutions is the benchmark to be adjusted according to the new requirements of international and national bodies, but not least, the new requirements of financial-accounting information requested, in particular, by external users. At the same time, the importance and influence of the European budgetary process in the organization of accounting cannot be neglected in relation to: commitment, liquidation, authorization and payment of expenditure of public institutions. Another important aspect concerns the implementation in the Republic of Moldova of the European System of National Accounts, which must comply with the worldwide methodology of national accounting. Its role is to prepare the necessary information for reporting to various European bodies and in particular to the European Commission (Eurostat). Another problem concerns the need to change the ideology regarding the national plan of accounting accounts in public institutions. Currently, the existing plan is drawn up in strict accordance with the economic budget classification, but because the content and structure of this classification is based on principles of a different nature from the accounting principles, it creates a number of problems for accountants. In this regard, we consider important the need to review it and make changes in which accounting principles prevail. Internal managerial control is another area that needs to be reviewed and updated in line with the new EU requirements and in line with national realities.

Keywords: problems of organization of accounting of public institutions, accounting law chart o accounts, off-balance sheet accounts

JEL Classification: M41

1.Introduction

The specificity of the activity of public institutions is the starting point in the search for solutions to streamline their accounting. They may carry out social, cultural and/or administrative activities without obtaining financial benefits. Their activity is carried out on the basis of the financial sources received from the state budget, called in professional terms budgetary credits. The organization of accounting becomes a direct function of the type of activity carried out and the sources of financing that can differ significantly from one institution to another. The study in this article focuses on the regulatory issues faced by professional accountants in Romania and the Republic of Moldova. However, regardless of the factors mentioned above, the accounting law is the basic element that guides all the entity's asset management processes. In this perspective, the comparative study analyzed the basic laws of both countries, combined later with a series of other legal norms meant to develop and concretize certain problems.

Comparative study of accounting law

In the Republic of Moldova, accounting is organized on the basis of two laws. The first law was approved and published in 2007 with 48 articles, while the second law was published in 2018 with 37 articles. The area of application of both laws results from article 2, thus the provisions of the first law apply to all legal and natural persons carrying out entrepreneurial activity, non-commercial organizations, including public institutions. The second accounting law is the result of the policies and strategies promoted by the Republic of Moldova in the process of joining the European Union and is aimed at legal and natural persons carrying out entrepreneurial activity, with the exception of budgetary institutions based on Directive 2013/34/EU. In Romania there is a single accounting law first published in 1991 with 49 articles. The scope results from the 6 points of article 1 with reference to all categories of legal and natural persons with the obligation to organize and management of accounting. Point 2 of this article refers to public institutions, associations and other legal entities with and without patrimonial purpose that have the obligation to organize and manage financial accounting and, as the case may be, management accounting.

The public institutions of the Republic of Moldova organize and keep double-entry accounting based on the methodological norms for the budgetary sector approved by the Ministry of Finance. The head of the public entity is responsible for accounting and financial reporting, and the chief accountant may have higher or secondary specialized education. In Romanian accounting, the responsibility for the organization and management of accounting rests with the budget authorizing officer. The economic director or the chief accountant are responsible for the organization and management and must have higher economic education and must demonstrate attributions regarding the management of the entity's accounting. As can be seen, it is not clear the field of education of the chief accountant in the Republic of Moldova.

Moldovan public institutions recognize and account for economic transactions based on a cash and/or accrual basis accounting. The main object is the patrimony of the state and the administrative-territorial units. The standard accounting policy for public institutions is developed and approved by the Ministry of Finance. The accounting of income and expenses is kept according to the chart of accounts, the budget classification and the approved budget. The expenses are financed within the limits of the expenditure budgets, and the result of the budget execution is determined annually by the closure the income and expenditure accounts. The cash, bank and settlement documents, financial, commercial and calculated debts can be signed by the head of the entity alone or by two persons with the right to sign: the first signature belongs to the head or another authorized person, the second - to the chief accountant or another authorized person confirmed by the application of a stamp. The financial statements shall be signed until the moment of their presentation to the users by the manager and the chief accountant. The Ministry of Finance of the Republic of Moldova prepares the consolidated report of public institutions quarterly and annually.

Romanian public accounting includes the accounting of budget revenues and expenditures, reflecting the revenue collection and the payment of expenses related to the budgetary year. At the same time, it includes general accounting based on the principle of recognizing rights and obligations related to changes in the financial and patrimonial situation, as well as the patrimonial surplus or deficit. On the other hand, it represents the main provider of information for credit officers regarding the execution of income and expenditure budgets, the patrimony under administration, as well as for the preparation of the annual

general account of the execution of the state budget, the annual account of the execution of the budget state social insurance, special funds, as well as the annual execution accounts of local budgets.

The quarterly and annual financial statements are the official document of the public institutions justifying the situation of the patrimony under the administration of the state and administrative-territorial units and the situation of the execution of the income and expenditure budget. They shall be signed by the credit officer and the head of the financial-accounting department. The Ministry of Public Finance prepares the annual balance sheet of public institutions. The financial exercise for Romanian public institutions corresponds to that of the Republic of Moldova and is the budget year. Another particularly important element consists in keeping and archiving financial-accounting documents. From the Romanian accounting law, these provisions directly follow, namely that the mandatory accounting records and the supporting documents underlying the financial accounting records are kept for 10 years, salary States - 50 years, there is also a list of financial-accounting documents that are kept for 5 years.

While in both accounting laws of the Republic of Moldova do not directly indicate certain limits, they it is referred to a specific normative act. The analysis of this act demonstrates that the limits for archiving differ from the Romanian ones, for example: financial statements - permanent, salary payment statements - 6 years, reports on labor remuneration (form IRV, REV, IAL, IPC 18, CAS 18-YEAR etc.) -75 years, registers of current accounts -6 years.

Comparative study on the structure and content of the chart of accounts

In researching the specifics of the chart of accounts from one country to another, we take into account the specifics of economic development and culture of the respective country. Although the analysed countries speak the same language and have the same religion, however, the way of organizing accounting differs significantly. In this perspective, the process of transition of accounting from socialist to capitalist accounting had different trajectories.

The period corresponds for both countries, that is, the late 1980s - early 1990s, but the predominant factor that marks the difference is the type of accounting system used. The normalization of Romanian accounting started with the elaboration of a chart of accounts whose structure fully corresponds to the French one. The accounting reform in the Republic of Moldova in the period 1995-1998 is characterized by important changes based on the conceptual framework of International Accounting Standards. In general terms, the major differences in the methodology of organization of accounting in the two countries are determined by the initial objectives set. Thus, the structure of the chart of accounts resulting from the Moldovan accounting reform points us more towards the Anglo-Saxon accounting system, while the Romanian one has more similarities with the continental-European accounting system. Currently, these two accounting systems have more of a theoretical value with historical roots, but the present accounting is moving towards globalization with a general conceptual framework that can be applicable in all countries.

The comparative study of a chart of accounts starts from the general analysis of the structure presented in Table 1.

Table 1. Structure of the main elements of the chart of accounts

| Group | Romania | Class | Republic of Moldova |
|--------------|-----------------------------------|--------------|----------------------------|
| 10 | Capital accounts, reserves, funds | 1 | Income |
| 20 | Fixed asset accounts | 2 | Expenditures |

| | | | |
|----|---|---|---|
| 30 | Inventory and production accounts in the course of execution | 3 | Non-financial assets |
| 40 | Third Party Accounts | 4 | Financial assets |
| 50 | State treasury accounts and commercial banks | 5 | Liability |
| 60 | Expenditure accounts | 6 | Funds sent and transfers between accounts |
| 70 | Income and financing accounts | 7 | Results |
| 80 | Special accounts: 8.1. Off-balance sheet accounts 8.2. Credits budgets 8.3. Budget commitments 8.4. Closing and opening balance sheet | 8 | Off-balance sheet accounts: 8.1. Off-balance sheet accounts related to budgetary receivables 8.2. Off-balance sheet accounts related to budget debts 8.2. Off-balance sheet liabilities and other off-balance sheet accounts |

Source: Developed by the author on the basis of Ordinul MFP nr. 1954/2005; Ordinul MF nr. 216/2015)

Analysis of the structure of the chart of accounts demonstrates the significant differences between these accounts, but a more detailed examination is necessary for clarification. For example, fixed assets are found in group 20 of the fixed assets accounts and classes 3, 4 of the chart of accounts of the Republic of Moldova. A more detailed examination of each category of long-term assets separately demonstrates that the accounting essence is the same, but the way of establishing an accounting formula differs by direct relationships with the budget classification. In this perspective, we are investigating the method of accounting for the most widely used economic operation - the procurement of fixed assets (cars, machinery, equipment) from suppliers with subsequent payment.

Table 2. Comparative accounting format of an economic operation

| | Accounting formula | | | |
|---------------------|--|-----|---|-------------------------|
| Romanian accounting | 71.01.02* | 213 | = | 404 71.01.02* |
| | „Technical installations, means of transport, animals and plantations” | | | „Fixed asset suppliers” |
| | * <i>Cars, equipment and means of transport</i> | | | |
| Moldovan accounting | Debit account 314110 „Procurement of machines and equipment” | | | |
| | Credit account 431100 „Current accounts in the treasury system in the national currency” /or | | | |
| | Credit account 51922 „Debts to suppliers outside the budget system” | | | |

Source: Developed by the author on the basis of (Ordinul MFP nr. 1954/2005; Ordinul MF nr. 216/2015; Ordinul MFP nr. 1917/2005)

The structure of the Moldovan accounting accounts demonstrates that the economic classification is integrated with the chart of accounts being structured in 6 levels: type, category, chapter, article, paragraph, element. Each level of the Economic Classification has a separate meaning represented by a single sign, constituting a code consisting of a total of 6 signs developed in accordance with the

standards of the Government Finance Statistics (GFS) 2001. In this perspective, the model formula proposed in Annex 2 of the Order of the Minister of Finance of the R M no. 216 of 28.12.2015 does not really correspond to the accounting truth, because the reflection of any purchase from suppliers implies the recognition of a debt by crediting this account, and the payment involves the cancellation by debiting this account. The proposed accounting formula does not include these rules and proposes a cash account, which, although it is an asset account, begins to function by crediting, which contradicts the accounting truth. All these inconsistencies and violations of accounting principles are the result of the direct unification of the chart of accounts with the economic budget classification. It is no coincidence that the Romanian accounting model was used for comparison in order to demonstrate how a unification can be achieved, in an indirect way, between the accounting plan and the economic budget classification. Any accounting formula in public institutions in Romania is prepared on the basis of a single chart of accounts specific to both the public and private sectors. The difference is marked by the articles in the economic classification of public finance indicators that are used in the development of each accounting formula. For example, the economic operation presented in table 2 uses the same budget item 71.01.02 for the debtor and creditor account. Another difference that needs to be noted refers to the existence in the Romanian regulatory framework of reconciliation tables between the accounting accounts of expenditure (income) and the economic classification of public finance indicators, as shown in table 3.

Table 3. Extract from the reconciliation table between the income and expenditure accounting accounts and the economic classification

| Accounting account | Indicator name |
|--------------------------------------|--|
| 641 „Employer compensation costs” | 10.01.01 Basic salary 10.01.02 Merit pay 10.01.03 Management allowance 10.01.04 Seniority bonus ... 10.01.07. Overtime 10.01.07. Food allowances |

Source: Developed by the author on the basis of (Ordinul MFP nr. 1954/2005; Ordinul MFP nr. 1917/2005)

As can be seen from the information presented in table 3, each expense (income) accounting account has a list of items from the economic classification that are added for each accounting formula alongside the accounting account. We appreciate this more correct methodology because the accounting principles are not distorted and at the same time the provisions of the regulatory framework specific to economic operations in public institutions financed from the national state budget.

The situation of off-balance sheet accounts

Another problematic aspect to which we would like to refer relates to the content of the off-balance sheet accounts in the chart of accounts (table 1). This time we focus on the financial side of accounting, namely on budget credits and commitments. In the Romanian chart of accounts, these are called special accounts because a good part of them refer to management accounting in public institutions. Budget credits should be the point of reference in examining this issue, but in the RM

public finance law, it is missing. In this perspective, we use Romanian sources to demonstrate the necessity of introducing the budget credit with reference to the amount approved in the budget and represents the maximum limit up to which payments can be ordered and made within the limits of the contracted commitments. It should be noted that the law on public finances and budgetary-fiscal responsibility includes the notion of commitment, but it is not clear to which phase of the budgetary process it refers. Practitioners face a series of actions that should be assigned to one of the elements of the budgetary process:

- budget commitments are strictly limited to approved budget credits;
- commitment credits, legal commitments, the liquidation of expenses, the ordering of expenses and their payment refer to budget execution.

The lack of additional explanations in the national budgetary regulatory framework creates a series of dilemmas for internal and external users of the information provided by public institutions and last but not least the internal managerial control that is missing in the notion of the budgetary process.

Conclusions

In examining the problems of professionals in public institutions we note a number of problems much more serious than those in the corporate sector. A good part of the regulators justify the problems on account by the specific nature of the activity. Regardless of the level of economic development and geographical position, the financial reports of public institutions must be prepared on the basis of a clear methodology and by respecting simultaneously the principles of accounting and the budget process. The transparency of the information presented leads us to include detailed information on budget execution. The managerial internal control has a special place and concerns not only to discipline the management persons, but also the need for a clarification in relation to the economic operations that must be approved by the internal control before they are executed.

References

1. Legea contabilității nr. 82 din 24.12.1991. În: Monitorul Oficial al României nr. 454 din 18 iunie 2008, republicată, cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocument/224183>
2. Legea contabilității nr. 113 din 27.04.2007, Parlamentul RM. În: Monitorul Oficial al Republicii Moldova nr.90-93, republicată, cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=98782&lang=ro
3. Legea contabilității și raportării financiare nr. 287 din 15.12.2017. În: Monitorul Oficial al Republicii Moldova nr. 1-6, nr. 22 din 05.01.2018 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=140124&lang=ro#
4. Directiva 2013/34/UE a Parlamentului European și a Consiliului din 26 iunie 2013 privind situațiile financiare anuale, situațiile financiare consolidate și rapoartele conexe ale anumitor tipuri de întreprinderi.
5. Indicatorul documentelor-tip și al termenelor de păstrare pentru organele administrației publice, instituțiile, organizațiile și întreprinderile Republicii Moldova și a Instrucțiunii privind aplicarea Indicatorului, compartimentul 4.2 este destinată documentelor contabile și situațiilor financiare, ordinul Serviciului de stat de arhivă nr. 57 din 27.07.2016. nr. 57 din 27.07.2016. În: Monitorul Oficial al Republicii Moldova Nr. 247-255 art. 1278, 05.08.2016 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=125078&lang=ro#
6. Norme metodologice privind organizarea și conducerea contabilității instituțiilor publice, Planul de conturi pentru instituțiile publice și instrucțiunile de aplicare a acestuia, ordinul MFP nr. 1917/2005. În: Monitorul Oficial al României nr. 1.186 din 29 decembrie 2005, cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocumentAfis/67474>

7. Norme metodologice privind încheierea exercițiului bugetar al anului 2023, ordinul MFP nr. 5389/2023. În: Monitorul Oficial al României nr. 1143 din 18 decembrie 2023, cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocument/277454>
8. Planul de conturi contabil în sistemul bugetar și Normele metodologice privind evidența contabilă și raportarea financiară în sistemul bugetar, ordinul MF nr. 216/2015. În: Monitorul Oficial al Republicii Moldova, Nr. 377-391 art. 1001, 31-12-2015 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=144142&lang=ro#
9. Conceptul și Planul de acțiuni pentru elaborarea Standardelor Naționale de Contabilitate pentru Sectorul Public, ordin MF nr. 159 din 27-12-2016. În: Monitorul Oficial al Republicii Moldova, Nr. 50-59 art. 202, 17.02.2017 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=120037&lang=ro
10. Clasificația indicatorilor privind finanțele publice, cu modificările și completările ulterioare, ordinul MFP nr. 1954/2005. În: Monitorul Oficial al României nr. 1.176 din 27 decembrie 2005, cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocumentAfis/67596>
11. Clasificația bugetară, ordinul MF nr. 208/2015. În: Monitorul Oficial al Republicii Moldova Nr. 68-71 art. 208, 31-12-2015 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=144719&lang=ro#
12. Legea privind finanțele publice nr. 500 din 11 iulie 2002. În: Monitorul Oficial al României nr. 597 din 13 august 2002 cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocumentAfis/37954>
13. Norme metodologice privind angajarea, lichidarea, ordonanțarea și plata cheltuielilor instituțiilor publice, precum și organizarea, evidența și raportarea angajamentelor bugetare și legale, ordinul MF nr. 1792/2002. În: Monitorul Oficial al României nr. 37 din 23 ianuarie 2003, cu modificările și completările ulterioare. <https://legislatie.just.ro/Public/DetaliiDocumentAfis/41403>
14. Legea finanțelor publice și responsabilității bugetar-fiscale nr. 181 din 25 iulie 2014. În: Monitorul Oficial al Republicii Moldova Nr. 68-71 art. 208, 31-12-2015 cu modificările și completările ulterioare. https://www.legis.md/cautare/getResults?doc_id=142656&lang=ro#