

THE IMPORTANCE AND CLASSIFICATION OF DOCUMENTATION IN ACCOUNTING

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Abstract. *Every economic act about the existence and movement of the assets of an entity must first be recorded in the documents attesting to their materialization, before they can be registered in the accounts.*

In this research paper, the authors have aimed at determining the importance of these specific documents and the relevant information recorded in them. In addition to that, relevant specialty literature was analyzed regarding the concept of document and documentation, the necessary elements to be contained in the documents were laid out and the emphasis was placed on the functions of the documents and on their classification.

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Introduction. The primary role of accounting is to track, control, manage and record the economic and financial situation of an entity. However, in order to achieve these goals, accounting has developed a process that allows understanding of processes and economic phenomena in all their dimensions and together with all characteristics these imply.

The accounting knowledge process starts with the primary data capture, recording and gathering of information.

Accounting is characterized by the substantiation of its data in written documents. No economic operation may be registered in the accounts without a written document recording the operation. The document serves to confirm in writing facts, phenomena or economic decisions that make changes to the entity's patrimony. The document that records the occurrence of facts is usually born outside accounting; accounting merely uses it to achieve its main purpose within the entity's perimeter.

To some extent, the entity must continually pursue and reflect the economic operations in order to obtain and retrieve the necessary data to reflect the current accounting and exercise rigorous control over them. The exposed data must be true, correspond to reality and not admit any deviations.

The importance of the documents lies in the relevance of the information contained therein, which serves:

- ✓ as a basis for making accounting records;
- ✓ in the preparation of documents that are recorded in the accounting;
- ✓ in performing economic and financial control for patrimony protection, being the means used to discover irregularities in its management;
- ✓ as means of trial in the discovery of the truth;
- ✓ organizational and administrative needs that are not related to accounting.

Documents describe the basic aspects of the transaction, such as: date, purpose and the amount. They are made during the (economic) deeds, and if this is impossible - after their occurrence, production. In accounting there are two main principles to comply with:

- ***any business act is recognized only on the basis of a document;***
- ***any accounting records shall be made only on a document basis.***

In keeping with these basic principles, accounting will also be able to guide its work in the future by providing fair and truthful information about the entity's main economic operations.

Doing a literature review, one can easily notice that there are various opinions regarding the notion of **documentation** and **documents**. Regardless of the assigned definitions, each has the same meaning and essential role in accounting for an economic unit. The comparative analysis of

the concepts allows for a more efficient use of them and their application in various areas of daily life.

The local economist Grigoroï L. calls "**documentation**, a method of accounting, represented by the activity of collecting and recording in documents the data regarding the economic operations of an enterprise, at the moment and at the place where they are performed", and **documents** are "written acts registering numerally and literally, natural, material or labor standards, usually at the time and place of their realization, the economic-financial operations as well as the events determined by organizational and administrative needs, with the purpose of serving as proof of the accomplishment of these operations and as a basis for their recording in accounting" [1, p.198]. Similar ideas are found in other sources [2].

Professor Țurcanu V, considers that "among the most distinctive features of accounting is the **documentation**. Only documentation can be characterized by the continuous documentary preparation of economic transactions "and the document" is a written act on the performance of the economic operation prepared in an established manner which gives it legal power or the right to carry it out" [4, p.12].

In the Managerial Accounting paper, professor Nedeřița A. argues that the documentation " is represented by the primary documents, totals, calculations and tables that ensure a fairly large coverage of the enterprise's economic activity" [4, p.12].

According to the provisions of the Accounting and Financial Reporting Act, the primary document is the documentary confirmation that justifies the economic facts or grants the right to perform them, certifies the production of an event.

Documents shall be drawn up in compliance with certain mandatory elements, established by normative acts, to mention the most prominent:

- ✓ name and number of the document, the date when the document was drawn up;
- ✓ name, address, IDNO (fiscal code) of the entity in whose name it is document drawn up;
- ✓ name, address, IDNO (fiscal code) of the recipient of the document, and for individuals - IDNP (personal code);
- ✓ content of economic facts;
- ✓ quantitative and value standards in which economic facts are expressed;
- ✓ functions, names, surnames and signatures of the persons responsible for the registered economic facts.

Depending on their content and destination, the role of documents is manifold. Their functions allow a deeper analysis of the main economic operations taking place in an entity during a period of management, checking them and calculation of production costs, expenses, revenues, financial results and finally for the forecast of future economic operations. In this respect, the documents perform a series of closely related functions, which can be arranged according to a certain logical order, as follows:



Figure 1. Document Functions

Source: written by authors [1, p.199].

The fulfillment of these functions is conditioned primarily by the quality of the documents, the promptness and operability with which they are written and circulated to the place of their registration and appreciation.

As a result of the variety and diversity of documents, in accounting appeared the need for their classification. Knowing the classification allows us to use the appropriate and relevant document for each economic operation. We will delimit and compare several classifications of accounting documents taken from two sources:

a) Based on the nature of the operation to which they refer [1, p.200]:

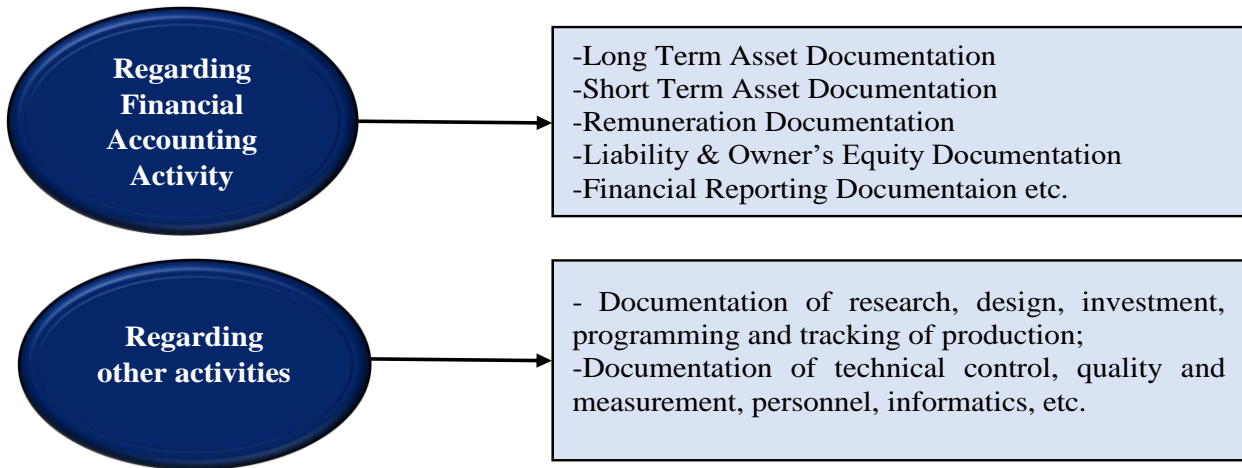


Figure 2. Documentation according to the nature of the operations to which it relates

Source: written by authors

b) Based on the character and function these perform [1, p.200-201]:

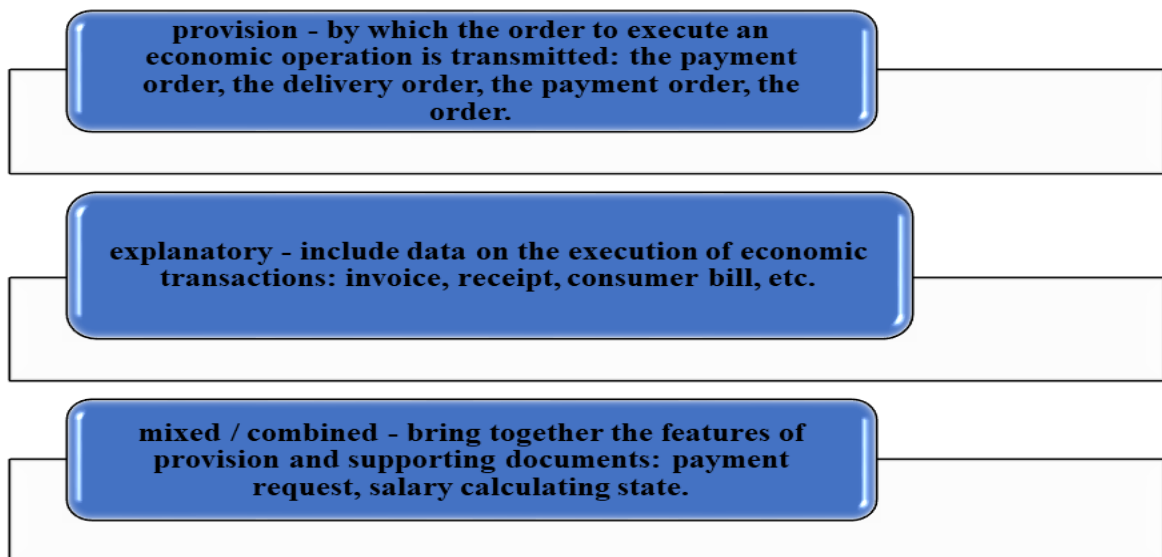


Figure 3. Classification of documents according to the character and function they perform

Source: written by authors

c) Based on the place of production and circulation:

- **Internal documents** are those that are made within the entity and are related to the facts about her work. Some of these documents only circulate inside of the entity (Consumer Bonus), others flow outside the entity (*Exit Tax Invoices, payment order, etc.*).

- **External documents** are drawn outside the entity, but they are still circulating within its framework and justify economic relations with other private and legal persons. For example: *Income tax invoices, bank statement.*

d) Based on the way of compilation, content and their role in the economic information process:

- **Primary documents** are the first ones to record the economic act. They are usually drawn up when performing the economic operations. For example, *tax invoice, consumer bill, etc.*
- **Secondary documents** are documents that are based on primary documents. Secondary documents are considered centralizing.
 - e) Based on the form of their presentation:
- **Standardized documents** are those documents that are being prepared following standard norms, their use is obligatory (Tax Invoices, Purchasing Act, etc.). Every entity uses standard templates of primary documents approved by the MoF and other public authorities. In the absence of standard forms, or if they do not meet the needs of the entity, the entity develops and uses document forms approved by its management, in compliance with the requirements outlined in paragraph (7) and (8) of the Accounting and Financial Reporting Act.
 - **Atypical documents** are those documents that are made following the specific norms specific to each branch of activity. In the absence of standard forms or if they do not meet the entity's needs, the entity shall develop and use document forms approved by its management, subject to the requirements provided in paragraph (7) and (8) of the Accounting and Financial Reporting Act.

f) Based on their printing style:

- **Special - purpose documents** shall be drawn up in accordance with the standard forms and norms and are used in the following cases:
 - ✓ alienation of the assets with the transfer of the right of ownership, except for real estate;
 - ✓ provision of services, with the exception of financial services provided by financial institutions, microfinance organizations, savings and loan associations;
 - ✓ transferring and transporting of assets within and outside a territorially disintegrating entity without transferring the ownership right;
 - ✓ purchase of assets and services from suppliers - citizens;
 - ✓ asset leasing (renting, usufruct, leasing).

The norms to edit, issue, purchase, store, record and use various standardized forms of primary documents with special regime are established by the Moldovan Government. For example: Tax invoice, Purchase Act, Roadmap, Procures, etc.

- **Regular documents** are documents that are used with compliance with the general rules of preparation, movement and retention.

- **Documents with express regulations** are those documents that are used only for certain economic facts, namely: Medical certificates, personal work files.

g) Based on the way these store the information:

- ✓ **Paper storage documents;**
- ✓ **Documents with storage on magnetic media (tapes, diskettes).**

h) Based on the number of economic operations:

- ✓ **Single;**
- ✓ **With multiple operations.**

i) Based on the preparation technique:

- ✓ **Documents that are handwritten;**
- ✓ **Documents that are prepared with technical means, computers.**

Documents must be drawn up at the time of the economic operation, and if this is not possible - immediately after the end of the operation. **Documents are created** by the persons who has the specific responsibility to create them, within specified deadlines and in accordance with established requirements. Documents shall be completed using the relevant forms with mandatory completion of all necessary elements. If some items are not filled entirely, the empty lines are crossed.

Any registration in a document is done with a pen, or with a typing machine and computer. Entries in documents must be clear, readable, free of scratches or erasing. If the

document contains mistakes, correction is made by cutting the text or amount which is wrong with a line, so that anyone could read the information included wrongfully, and then write the text or the correct amount with date of the correction and confirmation of the corrections through the signatures of the original signatories. Cash and bank registers are not allowed to be corrected.

To accomplish their purpose, the documents, from the very moment when they were prepared/ received and until the time when they are archived, have to go through a life cycle. Once completed, the documents are subject to verification and processing. The main purpose of the verification is to avoid mistakes, irregularities and abuses, as well as to reflect reality in accounting. One should verify the form, arithmetic calculations and compliance of the document. Cash registers, payments, and discount documents may be signed also directly only by the entity's manager or by two persons with signature right: the first signature belongs to the leader or another person empowered, the second - the chief accountant or other person empowered.

Documents of any kind must be maintained in a state which would ensure their full integrity for a certain period of time. The entity is bound to keep the accounting documents, which include all primary documents, accounting registers, financial statements and other documents related to the organization and the early years of accounting. The accounting documents are systematized and kept in accordance with the rules and the deadlines set by the State Body for Supervision and Administration of The Archive Fund of the Republic of Moldova.

Accounting documents are kept by the entity on paper or in electronic form. Accounting documents may be kept on technical support, but in case in which accounting is held by a computer, the IT system must ensure that all information can be accessed at any time as required by the entity or at the request of the bodies empowered by the law. By keeping their documents, the entity is required to ensure that they are protected from corrections.

In case of loss, evasion or destruction of accounting documents, the entity is obliged to restore them within 3 months, starting with the date the fact was first detected.

In case of termination of an entity's activity, the accounting documents shall be sent to the archives of the state in accordance with the rules laid down by the State Body for Supervision and Administration of the Archival Fund of the Republic of Moldova.

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