

Accounting for Activity Units which Perform Agricultural Sector

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Abstract

Agriculture is a domain of nationally and internationally interest, because it has to ensure through the obtained production, the necessary of safe provisions, which are to satisfy the population's needs. Agricultural products are obtained within the agricultural holdings, which may be constituted by individual persons, agricultural associations, self – employed persons, individual enterprises, family partnership, agricultural associations, or companies which activate in the vegetal, livestock or mixed section. In order to obtain high quality agricultural products, the owners of agricultural holdings have to make investments from own financing sources, or as a result of accessing European funds, which are dedicated to developing the agricultural sector. The sum of all economical operations made for performing agricultural activities have to be registered in accounting, having the purpose of establishing the value of owned patrimonial elements and of the results obtained by the entity at a certain point.

Key words: accounting, agriculture, entities, economical operations

J.E.L. classification: M41

1. Introduction

Romanian agriculture is a domain which currently is in constant development, as a result of capital infusion under the form of grants, came from the Government and from the European Union under the of European funds made available for Romanian as a Member State from January 2007 till now. All grants are destined to developing the agricultural activities, through investments in fixed assets purchasing/manufacturing, through enlarging the size of agricultural holdings or by covering the expenses made by activity development. Agricultural holding are most often organized under the form of self – employed persons and of trading company, which according to Law 31/1990 may be: Limited Companies, join stock company, limited partnership, limited joint stock company, general partnership. (Law 31/1990. Trading companies have the obligation to register all operations based on justifying documents into accounting, according to OMFP 1802/2014 "Accounting regulations concerning individual annual financial reports, and consolidated annual reports", and self – employed persons have an either double – entry bookkeeping in compliance with Law 82/1991 "Bookkeeping Law" or single – entry bookkeeping in compliance with OMFP 170/2015 "Accounting regulations concerning single – entry bookkeeping"

2. Methodology

Our research has as objectives both presenting theoretical aspects an presenting practical aspects concerning the accounting of agricultural activities.

As methods and research techniques, in our study we have appealed to theoretical documentation, comparison, synthesis and practical documentation. The theoretical research consisted in studying the specialty literature. We have used comparison in the moment in when we presented the bookkeeping modalities for trading companies respectively self – employed persons.

The synthesis was used in presenting the theoretical aspects, because accounting is a vast study field and we used practical documentation in picking information concerning the activities developed by the entities which perform in the agricultural sector.

3. Types of Agricultural Units

Agricultural activity is developed within agricultural units, which are classified according to a series of criteria, as follows (Băviță,2008, p.10-11):

- a) According to property form:
 - Individual / private agricultural units
 - Agricultural units of the state's private domain / public domain
- b) According to juridical form:
 - Self – employed person
 - Family partnership
 - Trading company: Ltd, SLE, LP, GP, Limited joint – stock company.
 - Agribusiness
 - Cooperative agribusiness
 - Producer group
- c) According to dimension:
 - Small agricultural units
 - Medium sized agricultural units
 - Large agricultural units
- d) According activity nature
 - Plant production agricultural units
 - Animal breeding agricultural units
 - Mixed agricultural units
- e) According to the destination of obtained production
 - Agricultural units which produce for self – consumption
 - Agricultural units which produce for self – consumption and marketing
 - Agricultural units which produce for marketing
- f) According to workforce characteristics
 - Family workforce
 - Employed workforce
 - Full time / part time workforce in agriculture
 - a combination between the formulas presented above

4. European Funds' Beneficiaries Specific to Agricultural Sector

European funds' beneficiaries specific to agricultural sector, presented in guides of existing measures on the Agency's for Rural Investment Financing website (www.apdrp.ro) are next:

- Companies set up based on Law no. 31/1990 – "Trade companies' law" republished, with subsequent modifications and completions. Trading companies have the obligation of keeping accounts in conformity with Law no.82/1991 – "Bookkeeping law" and O.M.F.P. no 1802/2014 – "Accounting regulations concerning individual annual financial reports and consolidated annual reports".
- Agricultural companies set up based in Law no. 36/1991 – "Law concerning agricultural companies and other forms of association in agriculture" with the subsequent modifications and completions. Law no.36/1991 at the 5th article defines "the agricultural company" as being a "private company having variable capital and an unlimited and variable number of partners, having as goal the agricultural exploitation of land, tools, animals and other means brought in the company, as well as making investments for agricultural interest" (Law 36/1991). Agricultural companies perform bookkeeping in accordance with O.M.F.P.'s articles no. 1969/2007 – "Accounting regulations for legal persons without patrimonial purpose"
- Self – employed persons, individual businesses, family partnerships set up based on O.U.G. 44/2008 – " Emergency Ordinance concerning performing economical activities by self-

employed persons, individual businesses and family partnerships". These types of entities have the possibility of choosing between keeping a single-entry accounting in accordance to O.M.F.P.'s stipulations no 170/2015 – "Accounting stipulations concerning single-entry bookkeeping", or a double- entry bookkeeping in accordance with the stipulations of Law no. 82/1991 – "Accounting law".

5. Fiscal Facilities Specific to Trading Companies and Self – Employed Persons which Perform in the Agricultural Sector

Trading companies which perform in the agricultural sector benefit of a series of fiscal facilities, as follows:

- Pay a 9% value added tax to the suppliers of drinking water and irrigation water from the Danube, inner rivers, streams, accumulation lakes or other sources of water which supply the irrigation systems. (Law no.227/2015)
- Pay a reduced 9% VAT for the delivery of fertilizers and pesticides used in the agriculture, seeds and other agricultural products destined to seeding and planting, as well as service provision of the type used in agricultural sector (Law 227/2015)

Agriculturalists that are not registered for VAT purposes and that perform agricultural activities, produce agricultural products, or provide agricultural services, benefit from a special treatment which supposes that agriculturalists do not deduce VAT for purchases and do not collect VAT for selling, but they receive a compensation from customers by billing, of 1% flat rate (for 2017) for covering the tax afferent to purchasing. The Fiscal Code presents the agriculturalist as being the "legal person, self-employed person, individual enterprise, or family partnership, having the headquarter of economic activity in Romania, which effects activities of agricultural production or agricultural services and which does not make any other economic activities whose annual turnover is inferior to the exemption limit of 65.000 Euros, equivalent to 220.000 Ron for 2017". (Law 227/2015).

6. Study Case Concerning Registering The Economical – Financial Operations in Accounting Specific to Agricultural Sector

6.1. Registering the Operation Specific to Agricultural Sector into Accounting

1. The company AGRO SRL purchased a 80.000 Ron field, having the purpose of making a tomato culture:

- Registering the field's purchasing

2111	=	404	80000
Fields		Assets suppliers	
- Paying the assets suppliers from bank account

404	=	5121	80.000
Assets suppliers		Bank accounts in Ron	

2. For making the tomato culture, the entity makes solariums in own production, for which it purchases raw materials of 7000 Ron and consumables of 3000 Ron, 19% VAT

- Purchasing raw materials and consumables from suppliers

%	=	401	<u>11.900</u>
301		Suppliers	7.000
Raw materials			
3028			3.000
Other consumables			
4426			1.900
- Paying the supplier from bank account

401	=	5121	11.900
Suppliers		Bank accounts in Ron	
- Giving raw materials and the materials for making the solariums for consumption

601	=	301	7.000
Expenses with raw materials		Raw Materials	
6028	=	3028	3.000
Expenses with other consumables		Other consumables	

3. Making the solariums generates other expenses of 2000 Ron, 19% VAT

- Registering other expenses			
%	=	401	<u>2.380</u>
628		Suppliers	2.000
Other expenses with services made by third parties			
4426			380
Deductible VAT			

4. Registering tangible fixed assets under construction, respectively solariums based on reception report

- Registering tangible assets in progress			
231	=	722	12.000
Tangible fixed assets under construction		Incomes from fixed assets production	
- Solariums' reception based on reception record			
212	=	231	12.000
Constructions		Tangible fixed assets under construction	

6.2 Registering the Grants Received from the Government and European Union in Accounting

1. AGRO S.R.L. company registers the to be received grant from the Agency of Payments and Intervention in Agriculture in 2017, for the agricultural area owned in the property, worth 2000 Euros, exchange rate 4.60Ron/Eur

- Registering the to be received grant in 2017			
4451	=	472	9.200
Governmental Grants		Deferred Incomes	
- Registering the grant for the area, in October 2017			
5121	=	4451	9.200
Bank accounts in Ron		Governmental grants	
- Registering the grant as income, in October 2017			
472	=	7417	9.200
Deferred incomes		Incomes from operating grants	

2. AGRO S.R.L. Company receives from the Agency of Payments and Intervention in Agriculture a grant for gasoline worth 1.1 Ron/litre. A consumption of 2500 litres is estimated for accomplishing the agricultural activity within the company.

- Registering the to be received grant from APIA			
4451	=	472	2.750
Governmental grants		Deferred incomes	
- Registering the gasoline consumption for accomplishing ploughing			
6022	=	3022	13.125 (2500 l x 5.25Ron/l)
Expenses concerning fuels		Fuels	

- Registering the grant concomitant to consumption as income	472	=	7412	2.750
Deferred incomes			Incomes from operating grants for raw materials / materials	
- Cashing the gasoline grant	5121	=	4451	2.750
Bank accounts in Ron			Governmental grants	

3. AGRO S.R.L. Company receives from the Agency of Rural Investment Financing a grant for purchasing a combine worth 100.000 Euros, currency rate 4.60 Ron/Eur.

- Registering the to be received grant, when the financing is approved.

	445	=	4752	460.000
Grants			Irredeemable loans with characteristics of investment grants	
- Purchasing the combine	2131	=	404	460.000
Technological equipments			Assets suppliers	
- Cashing the grant in bank account	5121	=	445	460.000
Bank account in Ron			Grants	
- Paying the supplier from the grant cashed from ARIF	404	=	5121	460.000
Fixed assets Supplier			Bank account in Ron	
- Annual registration of combine's amortization on a 10 years period	6811	=	2813	46.000/ year
Exploitation expenses concerning the fixed assets amortization			Amortization of installations and other means of transport	
- Resuming the received grant to incomes	4752	=	7584	46.000/ year
Irredeemable loans having grant characteristics for investments			Incomes from grants for investments	

7. Conclusions

Agriculture represents a domain of national interest, because the entities which perform agricultural activities have to insure the necessary products for satisfying the population's needs for food. The entities which activate in the agricultural area are diverse as form of organisation, and they may be classified according to a series of criteria such as form of property, juridical form, dimension, the nature of activity, the destination of obtained production and the characteristics of workforce. The entities which perform agricultural activities benefit from a series of advantages seen in the Fiscal Code among which we can mention: they pay a 9% reduced rate for supplying drinking water, irrigation water, respectively for purchasing fertilizers, pesticides and seeds used in agriculture. The form of organization for the entities which may benefit from European funds projects is diversified, starting from the simplest form of Self – Employed Persons, to the most complex one of the trading companies.

The grants received from the Government and/or European Union are registered in accounting in the category of grants afferent to assets or in the category of grants afferent to incomes depending of the purpose of their offering.

8. References

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