

Aspects Regarding the Registration in Accounting of Some Active Support Measures for Employees and Employers in Romania During 2020

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Abstract

To slow down and reduce the spread of coronavirus, countries have taken several measures, such as closing borders, banning travel and therefore tourism, increasing social distance and imposing a quarantine period. At the same time, companies have suffered. First, they had to pay for their labor, having no income; second, customers have refocused on product purchases, focusing only on products that ensure daily living. All countries have adopted important measures such as increasing the guarantee ceiling, greater flexibility between funds, private investment, public investment, etc. All the measures taken during this period aimed at rebuilding national economies, and not just relaunching them. Romania has also adopted support measures for employees and employers during Covid-19 pandemic period. The purpose of this study was to detail the accounting records of employee and employer assistance measures in the context of the pandemic situation.

Key words: support measures, employers, microgrants, Covid-19

J.E.L. classification: M41

1. Introduction

The declaration of the Pandemic by the World Health Organization took place on 11.03.2020, causing a substantial negative effect on the growth of the global economy. Thus, the population and governments have also faced some challenges/problems related to food, transport, health and social activities (Ahmad *et al*, 2020), due to blockage, isolation and quarantine. Tempering the lasting economic effects of such a shock is answered in a complex set of measures. Measures to control the spread of the virus must be accompanied by fiscal, monetary, social, industrial and commercial development measures (Baldwin *et al*, 2020; ILO, 2020). In the range of concrete interventions, loans were granted for various economic sectors, including the medical one, fiscal facilities for companies, flexibility of labor relations to comply with the imposed conditions, extension of access to paid leave and health services, as well as increasing the role of social dialogue in identifying solutions. Relaxation of EU restrictions on Member States' debt and budget deficits, formulation of the general framework for temporary State aid measures to support national economies and financial allocation for this purpose, announced in the second half of March 2020 by the European Commission, are consonant with such a complex intervention. The focus was on areas directly affected, with the risk of temporary suspension of activity, respectively small and medium enterprises (Ilie, 2020).

In Romania, the crisis started in March 2020 and the SME sector was affected by. Most office companies implement work from home for the first time in general. SMEs are facing the biggest challenge of the last three decades (Antonescu, 2020). At the level of Romania, the following sources of support for the SME sector were identified during the Covid-19 crisis, grouped as follows: 1. Sources from European Funds; 2. Non-reimbursable aid from the state budget; 3. Bank loans on advantageous terms; 4. Investment funds.

2. Literature review

In order to slow down and reduce the spread of coronavirus, the governments have taken several measures, such as closing borders, banning travel and therefore tourism, increasing social distance and imposing a quarantine period. These drastic measures have certainly prevented a significant increase in cases but also a reduction in the activity of companies (Kettani, 2021). Weder di Mauro (Weder di Mauro, 2020) notes that total or partial blockade, as in China, is one of the most extreme measures and can bring production and consumption almost to a standstill.

The economic impact of the COVID-19 crisis on employment, earnings and the evolution of companies are studied by many authors. For example, Adams-Prassl *et al*, (Adams-Prassl *et al*, 2020); Bachas *et al*, (Bachas *et al*, 2020), argue that the hospitality and arts sectors as well as the manufacturing industry have been hardest hit by the blockade. In these hard-hit sectors, wages are lower and workers usually live in lower-income families, higher poverty and have fewer financial reserves to cover periods of declining incomes (Cantillon, B. *et al*, 2021).

Small companies were most affected during the Covid-19 crisis, both in Romania and globally. To avoid their bankruptcy, governments have taken urgent steps to keep them alive. In Romania, three out of ten companies recorded higher expenses than revenues and fall into the area of risk of bankruptcy (Antonescu, 2020).

Some states have provided aid to companies at 10% of GDP; in Romania, the percentage is 2% of GDP. The supports promoted by the Romanian government for companies that have suspended employee contracts cover only part of salaries. Other measures taken by Romania are: guaranteeing loans for investments and for ensuring the working capital for SMEs, with state subsidized interest.

3. Research methodology

Romania has adopted support measures for employees and employers during the spread of the coronavirus. These include: *Government Emergency Ordinance no. 30/2020*, *Government Emergency Ordinance no. 92/2020* and *Government Emergency Ordinance no. 130/2020*.

The research method used by the authors in the analysis undertaken in the paper consisted of detailing the accounting records of support measures aimed at employees and employers in the context of the pandemic situation. Tables 1,2 and 3 show concrete accounting records that economic agents operate when they benefit from the measures offered by the three ordinances listed above.

4. Findings

4.1. Government Emergency Ordinance no. 30/2020

Since March 21, 2020, the Romanian government has enacted a number of measures to assist companies in the aftermath of the Covid-19 epidemic, including employee indemnification in technical unemployment. Technical unemployment involves the temporary suspension of the individual employment contract, at the initiative of the employer, pursuant to art. 52 (1) c) of the Labor Code, without terminating the employment relationships in case of interruption of activity or temporary reduction of company activity.

According to the Labor Code, employees will benefit:

- Employees receive an allowance that represent 75% of the salary corresponding to the job held.
- If the employer has opted for a temporary reduction of activity and has reduced the working hours from 5 days to 4 days per week, the employee will receive his salary, but with an appropriate reduction until the situation that caused the reduction of the program is remedied.

Employees of SME who reduced or temporarily interrupted their activities entirely or partially as a result of the effects of the SARS-CoV-2 coronavirus pandemic during the declared state of emergency received technical unemployment benefits.

The allowance (75% of the base wage) is subject to taxation and payment of compulsory social security contributions. The insurance contribution for work is not due for the indemnity. The calculation, withholding and payment of income tax, state social insurance contribution and social health insurance contribution is performed by the employer from the benefits received from the unemployment insurance budget.

Table no. 1 Accounting records related to technical unemployment

Accounting records related to technical unemployment	
calculation of indemnity request AJOFM:	
4382 = 423	20.000
collection of indemnity:	
5121= 4382	20.000
CAS:	
423 = 4315	5.000
CASS:	
423 = 4316	2.000
income tax:	
423 = 444	1.300
payment of technical unemployment:	
423 = 5311	11.700

Source: authors' processing

4.2. Government Emergency Ordinance no. 92/2020

For a period of three months, employers benefit from the settlement of a portion of the salary borne from the unemployment insurance budget, equal to 41.5 percent of the gross basic salary corresponding to the place of employment, but not more than 41.5 percent of the average gross earnings provided in Law no. 6/2020, according to GEO. no. 92/2020.

The major assistance measure adopted by GEO 92/2020, which has an impact on employees and businesses in the context of the COVID-19 scenario, is the settlement of a portion of each employee's pay who was technically jobless. Employers whose employees have received technical unemployment benefits under a state of emergency and/or alert are the beneficiaries.

Settlement mechanism:

- Initially, employers will fully bear the value of salaries of employees;
- After that, between 1 and 25 months after the reporting period, employers must submit a signed application, together with a statement of his own responsibility and a list of those who would benefit from the pay settlement.
- The settlement of the amounts is carried out within maximum 10 days.

Among the most important aspects regulated by GEO 92/2020 are the following:

1. Employers may receive payment of a portion of the salary of employees whose employment contracts have been temporarily stopped during the state of emergency and/or alert for three months.
2. Employers may get a monthly payment equal to 50% of the employee's wage (but not more than 2,500 lei) for each person hired or rehired.

Table no. 2 Accounting records related to the settlement of a part of the salary (41.5% of the gross basic salary)

Accounting records	
The amount approved and granted 5121 = 7414	11.000
Closing the income account 7414 = 121	11.000

Source: authors' processing

4.3. Government Emergency Ordinance no. 130/2020

It aims to support micro-enterprises affected by Covid-19. The aid scheme for SMEs includes 3 categories of non-reimbursable funds:

1. Microgrants, in a fixed value of 2,000 euros;
2. Grants for working capital, between 2,000 and 150,000 euros;
3. Investment grants, between 50,000 and 200,000 euros.

In this article we will detail the conditions for granting microgrants in the amount of 2000 euros. The allocated funds for the granting of microgrants within the 2014-2020 POC are in the total amount of 100,000,000 euros, of which 85,000,000 euros are allocated from the 2014-2020 POC budget and 15,000,000 euros from the co-financing from the state budget. The amount of the grant is 2,000 euros granted in the form of a lump sum to the beneficiaries of state aid considered vulnerable to the risk of spreading the SARS-CoV-2 virus and is granted only once.

Small and medium-sized businesses that can demonstrate through financial documents that they do not have employees with individual employment contracts on December 31, 2019 are eligible for this type of award. Beneficiaries must satisfy a few requirements in order to qualify for these funds.

Spending on raw materials, materials, commodities, and other kinds of inventories required for beneficiaries' current/operational activity; current and outstanding commitments to current suppliers, including utility providers under contracts completed; and so on are examples of acceptable spending.

The subsidy is connected with a non-reimbursable micro-grant of 2000 euros, which is recorded in the accounting according to points 392 - 404 of OMFP no. 1802/2014.

Table no. 3 Accounting records related to a microgrant, in a fixed amount of 2,000 euros and incurred expenses

Microgrant (9679 lei equivalent to 2000 euros)	
Collection	
- the right to receive the subsidy (microgrant) at the time of signing the contract with the amount that was approved (application approval):	
<i>Government subsidies = Revenues recorded in advance</i>	
4451 = 472	9.679
- income of the subsidy as expenses are incurred:	
<i>Revenue recorded in advance = Revenue from operating subsidies</i>	
472 = 741	
- since the invoices issued prior to the signing of the contract will be eligible for the settlement of debts, which will be paid from the microgrant granted, after the date of signing the contract, if the expenses have already been made, the right to receive the subsidy (grant) is registered:	
<i>Government subsidies = Operating subsidy revenues</i>	

4451 = 741	
- collection in the bank of the approved amount:	
<i>Bank accounts in lei = Government subsidies</i>	
5121 = 4451	9.679
Recording expenses	
I.	
purchasing goods	
371 = 401	4.000
supplier payment	
401 = 5121	4.000
the registered of income	
472 = 7413	4.000
II.	
services	
628 = 401	5.000
supplier payment	
401 = 5121	5.000
the registered of income	
472 = 7413	5.000
III. refund of unused amounts	
472 = 4551	679
4551 = 5151	679

Source: authors' processing

The value of the micro-grant does not represent taxable income when calculating the income tax of micro-enterprises.

5. Conclusions

Most companies that were affected by the waves generated by the coronavirus were micro and small enterprises, with a maximum of 20 employees in areas such as HoReCa, services to the population (events, beauty salons, game rooms, neighborhood stores, etc.), which closed down due to administrative decisions and, in many cases, as a result of the dramatic decline in revenue from lack of customers. Customers have refocused their priorities and given up certain buying behaviors, focusing only on the products necessary for existence.

During this period, some Romanian companies have terminated employment contracts, increasing the unemployment rate.

Despite the fiscal and monetary measures that have been taken, there will be no continuous protection measures. The costs caused by the C19 crisis are very high and the current crisis is considered worse than the crisis of 2009. This pandemic has generated both negative and some positive aspects, which have turned into real opportunities for companies. Companies are considered very important in the economy of each country/region. Some opportunities have been identified since the beginning of the crisis. For example, the destabilization of import chains has led to an increase in sales of local products.

All countries have adopted important measures such as increasing the guarantee ceiling, greater flexibility between funds, private investment, public investment, etc. All the measures taken during this period aimed at rebuilding national economies, and not just relaunching them.

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