

Reflection in the non-profit legal persons accounting of the grant-oriented operations

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Abstract

In this paper we will analyse the legal stipulations regarding the reflection in accounting of the grant-oriented (structural funds) operations within a non-profit organization. The suitability and importance of the paper is obvious, since the grants constitute an important source of funds for this category of entities. The paper indicates, in addition to the specific accounting notes, the main problems the grant beneficiaries have to face regarding the organization and management of the project accounting, thus the paper having a profound practical nature.

Keywords: accounting, structural funds, project, non-profit organizations

Introduction

The project accounting is defined in the Manual of internal procedures for the POS DRU implementation as being an activity designed to monitor the management and development of assets and liabilities, as well as the obtained results.

The European projects accounting activity should be organized according to the community and national stipulations, therefore the accounting principles (above mentioned) and their functions will be complied with, of which the most important, in this context, are the supply of documents and information.

Project accounting is also found in the literature under the name of project-oriented accounting, defined as the organization and

accountancy of the project, which gives the project performer the possibility to aggregate the data in accordance with the audit requirements of the financier (Ivan I., Dobre E., Pocatilu P., 2003). The problems arising in the project accounting are related to its purpose or its reflection in the two forms of accounting, financial accounting and management accounting.

Related to the first aspect - project accounting - it is, besides a correct accountancy, also an efficient fund administration, i.e. the observance of the contractual stipulations that led to financing (financing contract, manual of the beneficiary).

As regards the second aspect - its entry in one of the two forms of accounting - we consider, like other authors in literature, that it can be organized:

- within the *financial accounting* of the entity developing the project together with other activities, either by using general accounts with project analytics, or by project dedicated accounts that should close the project incomes and expenses separate from other activities (accounting monism);

- as a project *management accounting*, in the sense required by the theory, regulations and accounting practices for production practices that require the cost calculation per product unit and the income and expense budget analysis per product unit, if the project to be achieved represents such a productive capacity.

Based on this definition, we can affirm that in the case of a project financed through structural funds we use only the financial accounting through the account afferent to the obtained grants, which are credited by the statement funds and debited by the expenses justifying documents, by analytical/project-oriented expense accounts.

With regard to the project accounting as management accounting we consider that we can include the total of activities destined for the project budget, the efficiency principles, the economy and effectiveness, as well as the delimitation of the project eligible and ineligible costs.

In conclusion, the project accounting is based on a new vision which starts with the obtained fund continuing with the use of the possibilities offered by financial accounting simultaneously with the management accounting for a finality of the project activities.

Organization and management of projects accounting by non-profit legal persons

The regulatory document on the legit which underlies the organization and management of non-profit legal persons is the PFMO no.1969/2007 regarding the approval of accounting regulations for non-profit legal persons with further changes (a last essential change being made by PFMO no.2869/2010 for the change and addition of certain accounting regulations). As regards this category of beneficiaries, we should make a clear delimitation between the non-profit legal persons that have the obligation of organizing a single-entry accounting and the ones who are obliged to organize a double-entry accounting.

Given the objective of this paper, i.e. of capturing the way in which the economic-financial operations within the structural funds-financed projects are reflected in accounting, and taking into account the categories of non-profit legal persons that can access such funds, we can notice that the only entities that can organize and manage a single entry accounting are the cult units.

We also need to mention that the accounting notes elaborated in order to reflect the above mentioned operations in the beneficiary's accounting do not differ significantly from those presented in the category of economic entities beneficiaries, due to the fact that, under the law, for the economic activities undertaken by non-profit legal persons, the regulations PFMO no.1969/2007 are supplemented, where appropriate, with accounting regulations in accordance with Directive IV of the European Economic Community, stipulated in the annex PFMO no.3055/2009.

An enquiry-based study conducted among the grants beneficiaries, including the non-profit organization, highlighted the following:

- there is at least one person designated to deal exclusively with the project implementation (their attributions referring especially to the identification of financing sources, writing and grant-oriented projects implementation);

- the financial difficulties are considered to be the most difficult to solve, among the problems that occur during the project implementation;

- the documents elaborated by the management authorities do not reduce/solve the financial problems.

- the occurred problems related to financial management are the most frequent and the most difficult to solve, in time, the problems linked to project accounting are very seldom encountered, being easy to solve;

- the applied procedure regarding the refund of eligible accounts is considered very difficult by non-profit legal persons;

- the main problems encountered during the process of the costs refund was related to the failure in complying with the term of the eligible expense refund;
- the adjustment of the bureaucracy and awareness of the contractors are considered the main solutions in avoiding the above mentioned problems.

Reflection in the beneficiary accounting – non-profit legal persons

Next, we present the main accounting entries related to project implementation by non-profit legal person, as follows:

- The entry of the sum to be received from the Certification and Payment Authority/Managing Authority, under agreement:

1. amounts structural funds, with the budget value afferent to the investment refunded from structural funds (that will be amortized) EFRD:

$$\begin{array}{l} 445.2/\text{analytic Fund} \\ \text{„Grants of subvention nature”} \end{array} = \begin{array}{l} 132/\text{analytic Fund} \\ \text{„Grants of subvention nature for} \\ \text{investments”} \end{array}$$

2. value of eligible expenses, less the investment value:

a. amounts structural funds:

$$\begin{array}{l} 445.2/\text{analytic Fund} \\ \text{„Grants of subvention nature”} \end{array} = \begin{array}{l} 472/\text{analytic Fund} \\ \text{„Incomes registered in advance”} \end{array}$$

b. amounts state budget:

$$\begin{array}{l} 445.2/\text{analytic state budget} \\ \text{„Grants of subvention nature”} \end{array} = \begin{array}{l} 472/\text{analytic state budget} \\ \text{„Incomes registered in} \\ \text{advance”} \end{array}$$

As regards the use of the account 132 “Grants of subvention nature”, there are discussions among the experts, on the grounds that the use of the account 132 for non-profit organizations is not completely justified in this moment, considering the definition of the account use.

According to legal stipulations, this account keeps record of the grants of subvention nature for investments, crediting with the investment subvention value, and debiting with the interest of investment subventions registered at incomes, corresponding to calculated amortization.

There are opinions that, according to the updated law no.15/1994, “Non-profit legal persons that are entitled, by law, to carry out economic activities, will amortize the permanent capital only for those activities conducted for profit and for which, they are taxable on profit”.

Therefore, basically, the credit of the account 132 cannot be performed once with the monthly amortization entry and not a scheduled basis, because it does not exist (Vasile E., 2011).

- If funds are received (pre-financing amounts received from the Certification and Payment Authority/Management Authority) and no expenses that are financed from this source were carried out, then the following accounting notes will be elaborated:

a. amounts structural funds:

445.2/analytic Fund	=	472/analytic Fund
„Grants of subvention nature”		„Incomes registered in advance”

b. amounts state budget:

445.2/analytic state budget	=	472/analytic state budget
„Grants of subvention nature”		„Incomes registered in advance”

According to other experts (Vasile E., 2011), the entry of the pre-financing should be made in the account 462 “Various creditors”, but we consider that the accounting treatment of pre-financing is that of incomes in advance, given the fact this value will be deducted from the amounts submitted to refund in the future stages of the project, after the eligible expense certification.

- Cashing the amounts received from the Certification and Payment Authority/Management Authority as pre-financing:

5121/analytic project	=	%
„Current bank accounts”		445.2/analytic Fund
		„Grants of subvention nature”
		445.2/analytic state budget
		„Grants of subvention nature”

- Based on the eligible expenses afferent to the sums allotted in advance, we will change the funds received in advance into incomes (pre-financing);

a. amounts structural funds:

472/analytic Fund	=	741/analytic project
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Conclusions

Given the outcomes of the enquiry-based survey, conducted among the grants beneficiaries, we can notice that the accounting organization and management of the projects is not consider problematic, even if the management involves problems, and the documents provided by the financer do not contain clear solution to solve them.

Referring to the reflection in the beneficiaries accounting, non-profit legal persons, of the economic-financial operations afferent to the projects financed through structural funds, there are discussions among accounting experts regarding the use of the account 132 “Grants of subvention nature for investments” for the reflection of eligible expenses of the project, as well as the recognition on incomes of the refunded expenses through the account 739 “Other incomes from non-profit activities” (analytical 739.2 “Aids and grants from the country and abroad and grants for incomes”)

As for us, we consider it necessary to align the legal stipulations in the accounting of the non-profit organizations with the ones of the PFMO no.3055/2009, as well as to register separately the eligible value of the project determined by the expenses type EFRD and by the values of other type of expenses (afferent to the purchase of inventory objects, consumables). In the same context, we consider appropriate the recognition of the incomes of refunded expenses relating the calculated depreciation, taking into account the share of the calculated grant (expense type EFRD) of the account 739.2 “Aids and grants in the country and abroad and grants for incomes” instead of the account 741 “Incomes from exploitation subventions” (analytical 741.6 “Incomes from exploitation subventions for other exploitation expenses”) only if the purchased assets are destined to a non-profit activity.

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