

THE HISTORY AND THE DEVELOPMENT OF THE FINANCIAL REPORTING SPECIFIC TO THE ROMANIAN AGRICULTURE

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Abstract

Significant amounts from the European Union budget are allocated to agriculture nowadays. This is a reality that has impact in the accounting area, which must be reconsidered in order to satisfy the informational needs of this activity sector. The Romanian agriculture also benefits of financial support from the European Union, which imposes certain rigors regarding the way the accounting information is communicated. We aimed to achieve a normative type research through this study, in order to highlight the features of the financial reporting in the Romanian agriculture, following an evolutionary scheme: from the first attempts till today. This scientific approach will point out when the need of a financial reporting specific to the agricultural field was identified for the first time, which were the features of the financial statements for this domain during the centralized economy and how to develop a financial reporting in agriculture today, based on the past experience and the knowledge of current international realities.

Keywords: financial statements, accounting, agriculture, Romania, history

JEL classification: M41

1. INTRODUCTION

The EU agriculture is today one of the main concerns of the Member States representatives large amounts being allocated to this field of activity. The Romanian's integration in the European Union, among other benefits brought to our country, turned into an opportunity for financing the economy. If, during the pre accession period, the Romanian agriculture was financed from the SAPARD program, starting 2007 the structural funds are its financial support. The structural funds are post accession funds, allocated from the EU budget, whose

purpose is to grant financial assistance to the member states in order to consolidate the economic and social cohesion inside the European Union. Complementary to these financing instruments, Romania can also access funds allocated by the European Union under the Common Agricultural Policy and the Common Fisheries Policy. Therefore, the European Agricultural Fund for Rural Development (EAFRD) supports the increase of competitiveness inside the agricultural sector, the rural development and the improvement of life quality in the rural areas, while the European Fisheries Fund (EFF) supports the investments in the development of the living aquatic resources, the modernization of the Community fishing fleet and the improvement of processing and marketing of fisheries and aquaculture products [Băviță et al., 2008, 164]. Accessing EU funding requires the elaboration of quality financial and technical documentation used to demonstrate the value and the eligibility of the project to be financed. In this context, the accounting held at the farm level has new valences.

Nowadays, the Romanian accounting is unitarily organized at all the branches of the national economy, with a single type of chart of accounts for all economic entities. The Ministry of Finance has developed a set of laws that determine the profile of accounting for the public and credit institutions, but there were no concerns in the defining features of the accounting for each economy branch: agriculture, constructions, industry, trade and tourism etc.

Our intention through this study is to propose and to answer to question such as:

- Was there in Romania a period of time when accounting was organized according to the particularities of each branch of economic activity?
- When have the first signs, which demonstrated the need for a financial reporting specific to the Romanian agricultural sector, emerged?
- Does the knowledge of the accounting past in the financial reporting specific to the agricultural sector help us improve the financial communication process in the agricultural sector today?

Any scientific approach, which appeals to history, imposes fixing some temporal coordinates, on which the research develops. According to the results of the researches in the history of the Romanian accounting [Lapteș, 2007, 14-15], it can be retrospectively studied during the following intervals:

- *The accounting from the first notes till the Middle Ages;*
- *The accounting from the appearance of the early capitalism to its consolidation (1837-1947);*
- *The accounting during the centralized economy (1948-1989);*
- *The accounting during the transition to the market economy (1990-2000);*
- *The accounting in the context of a functional market economy and in threshold of our country accession to the European Union (2001-2007).*

A milestone for the Romanian accounting was the translation done by Emanoil Nichifor, in 1837, which became the first accounting paper in our country, written in the Cyrillic alphabet, under the name of *Commercial Pravila (Pravila comercială)*. Thereby, we intended that this study, dealing with the dynamics of the financial reporting in the Romanian agriculture, to start from the appearance of the first accounting work in the Romanian accounting literature.

If we relate to the Romanian accounting during 1837-1947, due to the economic context, the scientific discourse can be developed on two levels: period 1837-1920 and period 1921-1946. The interwar period was a reference for the Romanian history, due to the impor-

tant changes that occurred at administrative-territorial, economic, social and cultural levels. Therefore, period 1921-1946 must be separately considered, when we intend to bring into attention the Romanian accounting profile, while respecting an evolutionary scheme.

Our study continues with the analysis of the financial reporting features, specific to the Romanian agricultural sector during the centralized economy (1947-1989), which meant the shift of the entire Romanian society to another organization model, linked to experience of the former USSR. In the last part of the paper, we will show how much the past experience and the current knowledge of the realities of the international financial reporting in agriculture may become landmarks in the development of the financial-accounting communication process in the Romanian agricultural sector.

2. HIGHLIGHTS ON THE PECULIARITIES OF THE FARM ACCOUNTING DURING 1837 - 1920

Due to the maintenance of the feudal relations in the economic life organization, the aspects of financial information for business decision-making have been outlined with a certain delay compared to other western European states, which had a capitalist economic development. From our researches [Lapteş, 2007, 15], we found that the Romanian authors of the specialty papers were confusing the balance sheet with the trial balance, in the first decade of the twentieth century. [Pantu, 1907, 89].

After a period when the most part of the translations of accounting foreign works, particularly from the French literature, was printed, the first reflections of the Romanian authors in the accounting field started to be outlined in the late 19th century. According to the researches done [Lapteş, 2007, 65], little evidence of financial reporting theory and technique have been preserved for period 1837-1920 in Romania, which demonstrates that, at that time, the need and the importance of publishing accounting information was discussed only at a small extent. Moreover, similar to the situation in other countries, during 1850 -1920, in Romania there was an entrepreneurial type accounting, its organization being generally left to the owners' initiative, who developed their own system of accounts, depending on their needs.

While researching the first accounting papers written in our country in the second part of the 19th century, we found [Lapteş, 2007, 60] that the first Romanian professional, concerned with the appearance and the development of a specific accounting to the agricultural sector, was I. Ionescu de la Brad, a cultural personality with multiple preoccupations. He studied agronomy, political economy, statistics and finances, leading the way for other researchers, who by nature of their profession, came into direct contact with the peasantry, which has been hardly tried at that time. In this context, I. Ionescu de la Brad became a promoter and exponent of a new cultural current of self-knowledge of the country.

I. Ionescu de la Brad researched the accounting field for 50 years. From D. Rusu we find that, since 1844, he wrote "*Calendar for the good householder*" ("*Calendar pentru bunul gospodar*") (Iaşi, 1845), where, in the paragraph "*About computations*" ("*Despre socotele*"), he dealt with accounting problems. On writing this paper, I. Ionescu de la Brad noted that both single entry accounting and double entry accounting were used in practice and he underlined the importance of the inventory in the accounting work: "in accounting, the inventory will show us clearly all the goods that build up the capital we start managing the household with [Rusu, 1991, 207].

I. Ionescu de la Brad proved a real knowledge of the accounting technique existing across Europe at that time and showed, even since 1845, that: “the basis of accounting are: 1) The Ledger, where all the household works are recorded and which shows us all kinds of transformations the capital is put on every day, 2) The Big Book is meant to receive all the articles from the Ledger, in such an arrangement that allows us to see for any thing how much it is and what benefit it brings, so that adding all the creditors’ sums to be equal to all the debtors’ sums, and where comes the so called “balance sheet in the air” from” [Rusu, 1991, 207]. The “balance sheet in the air” was referring to the trial balance of the synthetic records, which was compiled based on the systematic register, named the Big Book.

I. Ionescu de la Brad published, in 1870, “*A Small Accounting Treaty*” (“Un mic tratat de contabilitate”), where he recommended a simplified accounting for the small and medium peasant households, appeared in a large number after the agrarian reform in 1864. He suggested the introduction of a “*Single registry of the grower*” (“Registrului unic al cultivatorului”), which was drawn up based on the simple accounting principles. In the Romanian author’s sense, the accounting could also have the middle role of economic training of the peasantry [Radu, 1995, 36].

I. Ionescu de la Brad was the first Romanian author concerned with the accounting application in agriculture and he had the first attempt of accounting “normalization” in this field, both in Romania and in Europe. He is also the first Romanian author who understood that the double accounting principles can be equally applied in industry, commerce, agriculture and public administration. In his writings, he used symbols for accounts and he was interested by the problem of accounting rationalization.

We can’t talk about the existence of a rigorous accounting system and, even less, about the accuracy of the financial reporting practice in Romania during 1837-1920. In the prewar period, there were several shortcomings in the Romanian accounting system in seek of its own identity, which were largely possible due to permissive and concise legislation, doubled, on one side, by the absence of the accounting professionals – we must not forget that Academy of Economic Studies from Bucharest was found only in 1913, and, on the other side, by the lack of a careful control from the state authorities on the business conduct and on the way the accounting information were obtained and publishes [Lapteș, 2007, 73].

The results of the researches [Lapteș, 2007, 81] lead to the conclusion that the theory and the practice of the balance sheet were, during 1837-1920, in the phase of the first questionings and, even more, there were too many limits in the area of obtaining and publishing the accounting information. The few Romanian accounting professionals knew the European accounting realities – firstly because they accomplished their economic studies in European countries, and secondly, because they continued to translate the materials of foreign authors, mostly German, French and Italian, with the intention of improving the Romanian accounting system. We can even talk about a certain connection, in theory, between the Romanian accounting and the European one, fully manifested in Transylvania, which was under the Austro-Hungarian domination till 1918. The results had immediately occurred, because due to an economic development without precedent in the interwar period, an original accounting culture started to be shaped in Romania and the Romanian accounting system changed its appearance.

3. COORDINATES OF THE FARM ACCOUNTING FEATURES DURING 1921-1947

In the interwar period, from the law-making point of view, the Romanian referential regarding the balance sheet methodology continued to be, with all its shortcomings, the Commercial Code. Although the law set, by article 24 from the Commercial Code, the obligation of drawing up the inventory and the balance sheet, no normative act specified the technique of doing that. Moreover, one of the main shortcomings of the Romanian Commercial Code applicable till 1938 was related to the absence of some provisions relating the profit and loss account. The Romanian legislator practically ignored the importance of the income statement in the financial information process [Lapteş, 2007, 97].

If for the individual and social entities the publication of the balance sheet was not mandatory, for the listed companies, the limited partnerships, the companies with limited guarantees (presently named limited liabilities companies - Ltd.) and even for cooperatives, the obligation of the balance sheet publication was imposed by the Commercial Code, both from the public interest and the entity's interest points of view.

We must say that, during 1921-1946, the Romanian legislator didn't pay attention to the farm accounting either. The balance sheet regulation based on the activity features and the completion of the evaluation norms, concisely presented by the Commercial Code, occurred only in the 30's, when the criteria regarding the activity of the banking system, the insurances sector or the cooperatives were adopted, but there were no concerns in the farm accounting. Therefore, the need of quality financial-accounting reporting proved to be absolutely necessary in the context of the Great Depression, during 1929-1933.

That is why, on the occasion of the 14th International Congress of Agriculture, which took place in Bucharest during 7th – 10th of June 1929, Ion Luca Ciomac, agronomist and general inspector in the Ministry of Agriculture and Properties said: "due to the fact that an farm accounting organized on a plan and unitary methods, capable of guiding us in our researches, is still missing, we understand that we don't have the possibility to assess the yield of the farms. Therefore, we gave up computations" [Ciomac, 1929, 17]. This statement is supported by filed information. Therefore, the researches done in that period on the farms from the South-West of Transylvania, whose results were presented during the Congress papers, showed that, at the level of the exploitations larger than 200 ha, 36% applied a primitive accounting, while most part of the farms, 64%, didn't organize their accounting. According to the information provided by Ciomac (1929), the detailed situation was:

Table no. 1 The situation of the share of the farms that applied accounting in the 20's

Types of farms based on area	The share of the farms that applied a primitive accounting	The share of the farms that didn't apply any form of evidence
1-25 hectares	13,9%	86,1%
26-50 hectares	20,9%	79,1%
51-100 hectares	14%	86%
101-200 hectares	29%	71%
Peste 200 hectares	36%	64%

Source: [Ciomac, 1929, 18]

The report presented by Ion Luca Ciomac on the occasion of the 14th International Congress of Agriculture (Bucharest, 1929) ended with the following conclusion: "The pea-

sant believes that he has no time or the necessary training for such a concern (to organize accounting evidence – a.n.). A regular accounting implies a specialized person. A qualified person is justified only for the large exploitations. If the peasant wants to keep written evidence, even if it means simple notes, this would provide useful information about his business yield and it would be a useful material for those who seek the truth at any cost. Although the farms from the South-West of Transylvania are not completely free of accounting, the few existing notes don't provide enough information about the results and don't allow us to draw conclusions".

Therefore, in the beginning of 30's, in Romania, a farm accounting was not applied in a generalized manner either. As we showed above, there were some exceptions, but the accounting information obtained by the farms were not enough for drawing conclusions on the profitability of their activity.

From the researches we accomplished in the Romanian accounting history [Lapteș, 2007, 151], we found that the financial reporting practice in the first half of the 20th was marked by arbitrariness. At least two major shortcomings can be pointed out: firstly, the absence of the profit and loss accounts in the preoccupations of the Romanian accounting professionals and, secondly, the balance sheet transformation in an instrument for arranging the entity's reality, according to the interest of the managers. Another legislative shortcoming was the absence of any constrains in the event of deviations from regulations, which would have led to a greater rigor in the financial communication process.

Even more, we can't discuss about the existence of a farm accounting and, even less, about the concerns of the legislator and of the professionals to discuss about the need of the financial reporting in agriculture.

Leaving aside these shortcomings, we must mention the fact that the balance sheet theory and technique have made important progresses in Romania during 1921-1947, compared to the reality of the period 1837-1920. There were exceptional accomplishments at the scientific level though: the change from an "imported" accounting culture to an original accounting culture, connected to the international flow of ideas was done and, the economic crisis has raised the need for an accounting information specific to agriculture.

4. PECULIARITIES OF THE FINANCIAL REPORTING SPECIFIC TO AGRICULTURE IN ROMANIA DURING 1947-1989

4.1. AN OVERVIEW OF THE FINANCIAL REPORTING DURING THE CENTRALIZED ECONOMY

The Romanian's transition from a command economy through nationalization and through the coordination of the plan-based activities has inevitably generated reconsiderations and rearrangements in the accounting field. The need of controlling the integrity of the socialist ownership and of monitoring the plan realization unequivocally requires an accounting normalization.

The introduction of a single accounting in the Romanian economic entities and organizations started at the 1st of January 1949. Single charts of accounts, type-schemes for the accounting reporting (presently the financial statements a.n.), methods of organizing records and calculation of the cost price, accurate methods of accounting techniques, form of the documents and accounting legislation were developed and applied for the branches of the national economy.

A step was taken in 1953, when there was a substantial simplification of the charts of accounts and of the reporting. After 1956, the efforts to align the charts of accounts to all the branches of economy increased. The period 1960-1966 was characterized by efforts to deepen the process of theoretical generalization and to increase the mechanization and automation of the accounting calculations. Even more, charts of analytical accounts have been elaborated, comparative studies and analysis was accomplished and the cost price computation, a procedure with a fundamental role in the context of the centralized, was improved [Lapteş, 2007, 158].

Through the actions taken during 1967-1971, a series of objectives which referred to the rationalization and the increase of the accounting information efficiency were accomplished. The accounting technique methods were revised and the reports were simplified. In addition, starting the 1st of January 1971, the entire accounting legislation was revised and Romania is one of the countries which had a common chart of accounts, applicable to all the entities and set by a general framework [Demetrescu et al., 1979, 217].

The existence and the functioning of a centralized type accounting in our country, along four decades, made the close monitoring of the economic-financial situation and the achieved results by all the economic entities necessary. In this context, the existence and the use of an instrument to efficiently serve the state's informational interests, represented by a network of structures: entity, economic headquarter, coordinating ministries of the economy's branches and the Ministry of Finances at the entire national economy was imperative [Lapteş, 2007, 159]. The balance sheet (presently, the financial statements –a. n.) was able to meet the information needs of the state.

The appearance and the implementation of the specific features of the centralized economy, in the second half of the 20th century, made the Romanian balance sheet have a different content and other objectives compared to the previous period.

In the terms of the Romanian economy, the balance sheets were normalized or, in other words, they were elaborated based on type-schemes.

Retrospectively analyzing the structure of the Romanian balance sheet schemes, we can affirm that they were constantly improved in order to allow operative analysis and, based on them, interpretation with a high informational power on the entity's economic-financial situation at one certain moment. The standard and the unitary format of the balance sheet was continuously adapted to the improvements brought in the planning field, in the sphere of the economic entities' management mechanism and of their crediting and financing system.

As a result of our researches [Lapteş, 2007, 204-206], we reached to the conclusion that, during the four decades of planning the national economy, the components of the balance sheet remained the same: the balance sheet itself, the annex to the balance sheet and the explanatory report. At that time, the functional importance of the profit or loss account wasn't underlined. As a matter of fact, the "piece de resistance" of the balance sheet formation was the balance sheet itself, to whom most of the attention was paid, similar to the accounting practice from our country in the first part of the 20th century. The importance of the profit or loss account was minimized in favor of the balance sheet, which had also the role of informing about the results and the way they are used. Additional information regarding the obtained results was presented in the annex to the balance sheet.

By reference to the actual balance sheet, during the four decades of centralized economy, the bilateral format was adopted: on the left side the active, on the right side the passive. In the balance sheet, the elements were structured in four different groups, both in active and

in passive, each of them developing more positions. In order to analyze and to use the accounting information provided by the balance sheet, a frequent practice was to compute some structural indicators regarding the economic resources and their financing sources, as well to set some economic efficiency indicators (the rate of return, the accumulation rate, benefits obtained for each 1.000 lei of fixed funds.). Due to the fact that in the balance sheet there weren't included all the necessary information for the analysis process (plan indicators, balances of the amended accounts, balances of the analytical accounts, balances of the accounts of order and evidence), this document was accompanied by the annex to the balance sheet and the explanatory report. Therefore, the balance sheet, unitarily seen, wasn't a comprehensive source of accounting information.

The annex to the balance sheet included a number of situations with a role in the particularization and completion of the balance sheet information. This document included a set of forms, in which the accounting information was presented based on other criteria than those used in the elaboration of the actual balance sheet: "the main criteria based on which the annex was structured is the system of indicators approved for every management unit" – [Demetrescu et. al., 1979, 296]. Unlike the balance sheet, which encompassed only the effective indicators, the annex also included financial plan indicators, making possible to establish the variances from the planned values. As a consequence of the normalized character of Romanian accounting, the content, the structure and the drafting of the annex were differentiated by the features of the entity's field of activity. Therefore, *for all the entities from the same branch of economy*, the annex to the balance sheet had a unitary content and structure. Some of the annex forms were common for many branches; other had a specific character, underlining the features of a certain activity branch.

The explanatory report had the role to justify the results obtained, synthesized by the help of the balance sheet and the annex, as well as the causes which generated the failure of the financial plan. Therefore, the analysis of the entities' economic-financial activity was developed by the help of the explanatory report, which specifies the factors which have helped or hindered the efficient conduct of the business at all the organizational levels.

4.2. THE FINANCIAL REPORTING FOR THE AGRICULTURAL ENTITIES: THE ROLE AND THE FEATURES OF THE BALANCE SHEET IN THE CONTEXT OF THE CENTRALIZED ECONOMY

The peculiarities of the farm accounting came from the nature of the agricultural production and of the cooperative socialist ownership, common to the agricultural production cooperatives. There were specific elements, both within the economic resources and the funds, as sources of financing the goods, and within the nature of the economic processes.

In the 70's, in Romania, the agricultural entities were classified by the production resources ownership in two types:

- State enterprises, based on the socialist state ownership;
- Cooperative enterprises, based on the socialist cooperative ownership.

A characteristic of the farm accounting from that period was that the land wasn't recognized as an object of accounting, because it was considered without value. Only the land improvements which needed "important workforce consumes and materialized" – [Cărbunescu et. al., 1976, 11] were recognized in accounting. The animals, birds, bees, young plantations of trees and vineyards also raised special problems of accounting recording, monitoring and control.

In the farm accounting, the questionings took place on three levels:

- accounting for production, revenues and financial results in the state agricultural enterprises;
- accounting for production, revenues and financial results in the resorts for agricultural mechanization;
- accounting for production, revenues and funds in the agricultural cooperatives.

During 1947-1989, in Romania, there were many charts of accounts used by the farm accounting organization [Gherasimatos et. al., 1978, 107]: the chart of accounts for the state agricultural enterprises, the chart of accounts for agricultural mechanization resorts, the chart of accounts for the agricultural cooperatives and the chart of accounts used for the inter-cooperative economic associations.

The agricultural entities were periodically preparing certain consolidated accounting statements in order to have a whole image of their economic and financial situation at one point. The balance sheet ensured the analysis of the way the objectives set in the production plan were accomplished, of the revenues and expenses, for the whole agricultural entity and for every organizational link inside the national economy. Seen from this perspective, the balance sheet was considered the management tool for the agricultural entities.

The balance sheet drawn up by the agricultural entities had common features with those of entities from other branches, but it also had some specific features, determined by: the specific of production, the methodology for the accounting of the production cost, the production cost calculation, the financing and crediting methodology, as well as the type of ownership. A part from these features has or could also have an echo in the present financial statements, reason why we will emphasize them as follows:

- The particularities of the agricultural production led to the presence of specific positions in the balance sheet, along with common positions to other branches of activity, but with specific content. In the category of specific positions, the balance sheet for the agricultural entities brought together: *animals for production and breeding, young animals for fattening, losses from natural disasters*. The use of this classification of the animals is also presently justified. The losses from natural disasters are also a distinctive part of the balance sheet, due to the current change of the presentation structure.
- The assets, components of the agricultural entities' patrimony from the centralized period included: land, fixed assets, material current assets (materials, petty inventory, young animals for fattening, finished goods, half-finished products, work in progress, merchandise, package), funds (cash in hand, cash at bank, cheques with sum limit, letters of credit and other values), settlements (with clients, suppliers, employees, social securities budget).

An interesting landmark, which can be analyzed by recourse to history, is the demarcation "fixed assets" versus "material current assets".

The analysis of the fixed assets can be done based on several particularities. Thereby, in order to ensure a rigorous evidence of the "fixed assets", in the analyzed period, there was a strict classification on analytical steps. For example, for buildings, group 11 "Agricultural buildings" was structured in: 111 "Stables for horses and cattle", 112 "Shelters for swine and sheep" or 113 "Shelter for poultry and small animals" and others, and the detail continued to the fourth step, for example 113.1 "Cages for poultry". Although such a division would be nowadays considered a too detailed analysis for being disclosed in the accounting

rules text, it can be retained as a reference, in the particular case of the agricultural entities in the analytical disclosure of the information.

Another detail, which has importance from the previous experience in the agricultural financial reporting point of view, is the delimitation of the categories of animals, due to the fact that the current Romanian regulations are slightly concise in this regard. Thus, in Order 3055/2009, Accounting regulations consistent with the European directives, we find a few clues about the classification of the categories of animals within the assets. Therefore, in article 154, paragraph f), there is the following classification: “animals and poultry, new born animals and young animals of any kind (calves, lambs, piglets, foals and others) raised and used for breeding, fattening animals and poultry in order be valorized, bees colonies, as well as animals for production – wool, milk and fur”. Another category is the one of the animals for breeding and work, the plantations, related to which the only evidences provided by the current accounting regulations come from the functioning rules of 213 “Plant and machinery, motor vehicles, animals and plantations” account.

Making appeal to history, we found that, in the farms with livestock profile, the animals used for work were recognized as fixed assets, only two categories of animals being considered current assets:

- Adult animals for production and breeding, excepting those from the production agricultural cooperatives and from the inter cooperative associations, which were treated as fixed assets;
- Young animals and animals for fattening (calves, piglets, foals and others), as well as young animals kept for production or to become work animals [Diaconescu & Turdeanu, 1977, 27].

Equally, *there weren't considered fixed assets*, regardless of their value and useful life, the following types of goods:

- The adult animals for production and breeding in the agricultural state enterprises and the experimental resorts for agricultural researches, animals which didn't qualify for the transfer to adult animals, animals for fattening and bee colonies;
- Structures like the lakes, marshes, ponds, woods and fields, which weren't valued because that are not the result of the human labor and, therefore, they weren't recognized in accounting;
- The young plantations before starting to fruit and the protection plantations, up to five years;
- The protection and work equipments, special clothing;
- The engines, the appliances and other subsets of the fixed assets, purchased to replace the worn components during the repairing of any kind or for the purpose of small-scale modernizations during the overhauls, excepting some cases provided by the law;
- The special tools, instruments and devices, which were included in the production cost, while the common tools, instruments and devices were considered fixed assets if they met the cumulative conditions of value and life time;
- The temporary buildings and installations made inside the building site.

Interesting is that, at that time, the investments in the rented fixed assets or for the lakes, swamps, pond or land improvements were considered fixed assets and, therefore, depreciated. In the same way, nowadays, according to Order no 3055/20109, the investments made for the lakes, swamps, pond or land improvements and for other similar works, are recovered through depreciation, by including them in the operating expenses in a period set by

the administrators or by the persons responsible for the entity's management, based on their useful life time.

The balance sheet for agricultural entities was accompanied by a series of financial situations, which formed the annex. The purpose of the annex was to explain the way the key financial indicators, set in the production, revenues and expensed plan, were achieved. From the agricultural entities specific statements included in the annex, the following structures may be important, in term of a landmark of the financial information in the explanatory notes presented today:

- The situation of the young animals transfer to the heard and of the adult animals reformation, which was characteristic to the livestock units, and it was completed based on the registry for the livestock evolution surveillance and on the accounts "Adult animals for production and breeding" and "Young animals for fattening";
- The situation of the livestock and adult poultry and bees at the 31st of December N, which gathered all the animals, adult poultry and bees in stock at the end of the year. The livestock was presented on species and categories and they were expressed in quantity (heads) and in value. This situation was completed based on the information from the registry for the livestock evolution surveillance and from the account "Adult animals for production and breeding".

As a conclusion, we can say that the historical information may become a landmark in terms of future experience. Therefore, we can identify two dimensions of the importance of the historical experience: the increase of the need for accounting information in the context of the economic crisis on one side, and the use of some situations from the accounting before 1989 as models, in order to detail some external information, on the other side.

5. CURRENT DIMENSIONS OF THE FINANCIAL REPORTING SPECIFIC TO THE AGRICULTURAL SECTOR: FROM THE NATIONAL TO THE INTERNATIONAL APPROACH

The reformation of the Common Agricultural Policy (CAP) in June 2003 and April 2004 has produced major changes to the agricultural production patterns, land management methods and employment work with direct consequences for socio-economic conditions in rural areas. The scale of the disparities between the rural communities, as well as the limits of the Member States' financial resources led to the creation of the European Agricultural Fund for Rural Development. In order to benefit from this financial instrument, each Member State must provide a national strategic plan, which includes a detailed assessment of the economic, social and environmental situation, as well as the development opportunities; the development strategy according to the Community strategic guidelines for the rural policy; the thematic and territorial priorities for the rural development, as well as a list with the rural development programs [Marchiș G., 2008, 34].

A special attention must also be given to the accounting in the agricultural practice. The need for information on the financial performance and conditions of the farms used to support the decision making and the control of CAP is easily understood if we consider the large part from the EU budget directed to agriculture. The current general accounting rules do not adapt very well to the agriculture characteristics, being difficult and expensive to implement in the same time. It is the reason why a farm accounting is needed.

FADN (Farm Accountancy Data Network) was created in the context of the Common Agricultural Policy (CAP), which has been one of the cornerstones of the European eco-

conomic and political integration process [Argiles J.M., Slof E.J., 2001, 8]. FADN is an experienced network that has elaborated very detailed farm procedures, by collecting information at the level of the individual farms across all member states and gathers data from a rotating sample of professional farms every year. The data collected by FADR concerns assets, liabilities, revenues and expenses of the farms in the sample and is summarized in reports similar to the balance sheet and the income statement. Since many European farms don't provide reliable financial statements or they are not comparable between countries, FADR developed and put in practice detailed guidelines and solved specific and general farm accounting issues. Therefore, the questionnaire used for collecting data, named the "Farm Return", has developed to a level of complexity and comprehensiveness comparable to the national accounting plan of countries like France or Spain [Argiles J.M., Slof E.J., 2001, 9-11].

IASB issued a specific standard, IAS 41, for the farming sector, with a suggestive title "Agriculture". Prior to IAS 41 *Agriculture*, the farm accounting was guided by the American Institute of Certified Public Accounts (AICPA, 1996) and the Canadian Institute of Chartered Accountants (CICA, 1986). Also, the French Agricultural General Accounting Chart of Accounts (le Plan Comptable General Agricole) from 1986 set up standards for certain agricultural assets and gave detailed guidelines for the accounting of agricultural transactions and the presentation of the financial statements.

IAS 41 brought important improvements in the definition, valuation and presentation of *the biological assets* (living animals and plants, controlled as a result of past events) and *the agricultural produce* (the harvested product from the biological assets), elements which are directly involved in the transformative capabilities of the agricultural business and in obtaining profit. It introduces a model of the fair values in the accounting for agriculture, which represents a change from the traditional form.

The nature of farming makes a historical cost-based valuation of the biological assets and of the agricultural produce inherently difficult, because their physical state changes over time (strengthen, mature, fatten etc). Furthermore, their quantity is also determined by processes as procreation, growth and death, besides those of acquisition or sale. In spite of these realities, the French PCGA strictly adhered to the historical cost principle. Also the AICPA (1996) and the CICA (1986) recommended the historical cost principle as the main reference for asset valuation, leaving the realizable value as an alternative in exceptional situations. IAS 41 breaks with tradition and turns fair value into rule instead of the exception. According to Elad Ch. (2004), it would be virtually impossible to implement IAS 41 in Francophone countries in the absence of a fundamental revision, if not complete abandonment, of the "plan comptable", at least in view of major conceptual differences between the notions of income, production and value added espoused by national statisticians and those enshrined in IAS 41.

According to the Argiles and Slof (2001) analysis, IAS 41 makes a good conceptual framework, while FADN offers an excellent tool for implementing it in the European farms.

In the Romanian case, starting the 90's, the accounting French experience was welcomed. Nevertheless, only the general Chart of Accounts was adopted in the Romanian accounting, the farm adapted reporting being left aside.

6. CONCLUSIONS

From the researches conducted by us for this study, we found that the first Romanian professional concerned on the development of an accounting specific to the agricultural sector was Ion Ionescu de la Brad, who recommended, in his writings from the second half of the 19th century, that the agricultural exploitations should at least organize minimum accounting records.

Due to the historical context, mostly unfavorable to Romania, a rigorous accounting, based on principles and accounting rules, started to get shape in the interwar period in our country. Our study proves, though filed information, that the organization of accounting within the farms wasn't a generalized practice in the interwar period either. A small number of large farms had understood that, only by organizing their accounting, were able to assess the profitability of their activity. In this context, Romania couldn't speak about a specific financial reporting practice till the implementation of the centralized economic model.

If we look back to the dynamic of the financial reporting specific to the Romanian agriculture, we will find that only during the centralized economy the bases were set and an accounting system was perfected for the branches of the national economy, in order to satisfy the state's informational needs. Period 1947-1989 emerges as a reference for the accounting specific to the Romanian agriculture, which was able to provide quality accounting information, well detailed in the analytical plan, based on a rigorous cost calculation for the finished goods, on one hand, and on a financial reporting system, which perfectly served the Romanian economic and political model from that time, on the other hand.

In the 90's, the Romanian accounting took another course, inspired after the French accounting model, and we abandoned the idea of organizing a differentiated accounting on branches of the national economy. In this context, we can't help wondering why the Ministry of Finances took from France only the idea of the General Chart of Accounts, ignoring the French experience in the Agricultural General Accounting Chart (AGAC). AGAC was elaborated in French in 1986 and proposes an adapted classification of the accounts and a certain model of balance sheet and profit and loss account, specific to the activity of farms. The most important accomplishment presented in the AGAC refers to the living goods. The general accounting chart specific to the agricultural exploitations sets: the definition, the classification criteria, the valuation rules and the treatment of the specific farm transactions for what represents the essential features of the agricultural entities: the livestock.

Nowadays, in Romania, we have a unitary chart of accounts, valid for all the economic entities, doubled by a second plan with specific accounts for the public and banking institutions, which provide a slightly different financial reporting.

The current economic context Romania goes through as European Union full-rights member, where the agriculture is considered a priority, and the access to the European financing which is granted only if the economic entities provide viable technical-financial documentation, surely demand some reconsiderations and regulations for the accounting specific to agriculture.

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Note

This research was financed by the CNCSIS contract no. 1779/2008 Romania in front of a new challenge: the accession of the structural funds for the sustainable development in agriculture. The convergence of the financial reporting of the local entities to the European realities.