

## THE EUROPEAN FUNDING IN THE ROMANIAN AGRICULTURE AND THE NEED OF A SPECIFIC ACCOUNTING

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### Abstract

*The Romanian acceptance in the European Union space provided an ample opportunity for re-consideration to the agricultural sector, which has its pillars on the European funding. It is a context that should be exploited to the maximum rates due to the fact that, nowadays, worldwide, the idea that the most profound crisis that humankind will experience in the following period is the food crisis is more frequently launched. Nevertheless, the procedure of accessing the European funds involves certain requirements and it is based on the principle of co-funding. Through this study, we intended to analyze the degree in which the structural funds destined to finance the Romanian agriculture were accessed during 2008-2010, on one hand, and to understand and discuss the need of developing an accounting specific to the informational requirements imposed by the current context of funding the agriculture at the European and national level, on the other hand.*

**Keywords:** agriculture, Romania, SAPARD funds, structural funds, accounting

**JEL classification:** M 40

### 1. INTRODUCTION

Certainly, after the fall of the communist regime, one of the major problems of the Romanian agriculture was the under-funding. Among other benefits brought to our country, the Romanian accession to the European Union transformed into a funding opportunity for the economy. If, before becoming a member state with full rights in the European Union, Romania had received financial support through the PHARE, ISPA and SAPARD funds, the period 2007–2013 is the first step in supporting our country through the EU Cohesion Policy.

During the pre-accession period, the funding of the Romanian agriculture was done through the SAPARD program. This program was a financial instrument provided by the European Union in order to help, in the pre-accession process, the countries that applied for the accession, in the field of the agriculture and rural development. Romania was a beneficiary of this program that ended in 2009 [SAPARD, 2010].

The priorities identified for the agriculture and the sustainable development in the pre-accession period are the following [Pitulice, 2009, 400]:

- The improvement of the processing and marketing structures for the agricultural and the fishery products;
- The control of the food quality, the veterinary and phyto-sanitary control;
- The improvement of the infrastructure for the rural development, the rural economy and human resources development.

In Romania, the absorption of the European funds through the SAPARD program was not without setbacks. In 2008, the European Commission, as a result of an audit on the way the program was carried out in our country, took the decision of suspending it.

The pre-accession funds, granted according to the EU regulations, were intended to ensure the gradual preparation of the Romanian farmers and processors, and not only to them, so as to make their entry on the EU market possible [Pitulice, 2009, 400-401].

After the Romanian accession to the European Union, the national economy funding is done by the structural funds. The structural funds are post-accession funds, supplied by the European Union budget, whose purpose is to grant financial support to the member states in order to consolidate the economic and social cohesion inside the Union.

Along with these funding instruments, in Romania, the funds granted by the European Union on the bases of the Common Agricultural Policy and the Common Fisheries Policy can also be accessed. Therefore, the European Agricultural Fund for Rural Development (EAFRD) supports the increase of the competitiveness in the agricultural sector, the rural development and the life quality improvement in the rural areas, while the European Fisheries Fund (EFF) supports the investments for the development of the living aquatic resources, the modernization of the fishing boats and the improvement of the processing and the marketing of the fishery products [Băviță, 2008, 164].

The Common Agricultural Policy (CAP) represents a set of rules and measures which mainly regard: increasing the productivity, ensuring a fair living standard for the farmers, stabilizing the markets, granting the security of the supplies, ensuring supplies at rational prices to the consumers [MADR, 2011].

According to the European Council regulation no 1290/2005 on financing the common agricultural policy, two European funds for agriculture were approved [APDRP, 2011]:

- **EAGF** – the European Agricultural Guarantee Fund, for funding the marketing measures;
- **EAFRD** - the European Agricultural Fund for Rural Development, with a role in funding the rural development programs.

The European Agricultural Fund for Rural Development (EAFRD) is a financing instrument created by the European Union in order to support the member states in implementing the Common Agricultural Policy. EAFRD is a financing opportunity for the Romanian rural space, valued at nearly 7.5 billion euros, an amount to be absorbed during 2007 – 2013 [APDRP, 2011].

In Romania, the European Agricultural Fund for Rural Development was accessed starting march 2008, after the National Program for Rural Development (Programul

Național de Dezvoltare Rurală, PNDR) was approved. Also, the National Strategic Plan for Romania was created based on the European Council Regulation no. 1698/2005, from September, 20th 2005, on the support for the rural development through the European Agricultural Fund for Rural Development (EAFRD). It is the basis for the National Program for Rural Development implementation, during 2007–2013.

The National Programme for Rural Development 2007–2013 (Programul Național de Dezvoltare Rurală, PNDR) is a document elaborated by the Ministry of Agriculture and Rural Development, which shows the way the investments are financed from the European funds for agriculture and rural development [MADR, 2011].

Through the National Strategic Plan 2007–2013 and, later, through the National Programme for Rural Development (PNDR), four priority axis were set for the EAFRD funding [APDRP, 2011]:

**I<sup>st</sup> Axis – The increase in the competitiveness in the agricultural and forestry sector** aims the restructuring and the development of the agricultural and forestry production, but also of the related manufacturing industries, in order to make them more competitive and to contribute to the economic growth and the revenues convergence in the rural areas (where possible), while ensuring the living conditions and their environmental protection;

**II<sup>nd</sup> Axis – The environment and the rural areas improvement** emphasis on maintaining and improving the environmental quality in Romania's rural areas by promoting a sustainable management, both on the farmlands and on the forests. The objectives for maintaining the biodiversity and the conservation of nature are evidenced by supporting the forests conservation and development, by ensuring a balanced occupation of the territory and by developing sustainable management practices of the agricultural and forest lands. The investments were not forgotten in the development of the rural infrastructure and services, a particular importance being given to the economic multifunctionality of the rural areas, but also to the preservation and the enhancement of the cultural and the architectural heritage;

**III<sup>rd</sup> Axis – The improvement of the life quality in the rural areas and the diversification of the rural economy** aims to manage and to facilitate the transition of the labor force from the agricultural sector to other sectors that could ensure adequate living standards from a social and economical point of view;

**IV<sup>th</sup> Axis – LEADER** envisages the implementation of some local development strategies for improving the administrative governance at the rural level.

We specify that each axis requires simultaneous actions.

Furthermore, we must be aware of the fact that both the SAPARD funds and the European Union structural instruments don't act by themselves, but they are based on the co-funding mechanism. In most of the cases, the European Union structural funds are co-funded from the public resources of the member state and, in many fields, the private contribution is needed. In this context, a natural question raises: does the current economic crisis allow the European money accession for funding the Romanian agriculture?

The state authorities consider that Romania can cross this difficult period in all the fields of activity if it will prove its ability to attract, through viable projects, most of the European money that are allocated to our country. The agriculture is no exception to this rule.

Accessing the European money implies the elaboration of some quality technical and financial documentations, which could prove the value and the eligibility of the project to be funded. In this context, the accounting held at the farm level has new valences [Laptes, 2010, 16].

Furthermore, the impact of the Common Agricultural Policy (CAP) promoted inside the European Union can be measured, nowadays, with the help of the Farm Accountancy Data Network (FADN). FADN is an instrument for data analysis, projected to evaluate the income of the agricultural holdings which activate in the European Union. In other words, FADN is a statistical tool based on an annual survey, conducted on a representative sample of farms in order to assess their economic activity, being supported by the accounting information collected from the farms in the European Union [MADR, 2011].

In Romania, the centralized data transmission in FADN has become mandatory since 2008.

## **2. RESEARCH METHODOLOGY**

In first part of the study we conducted a research by consulting the reports issued by the Ministry of Agriculture and Rural Development (Ministerul Agriculturii și Dezvoltării Rurale, MADR) and by the Agency of Payments for Rural Development and Fishing (Agenția de Plăți pentru Dezvoltare Rurală și Pescuit, APDRP), which are the authorized state institutions to monitor the sustainable development of the Romanian agriculture. The official reports issues by these institutions are publicly accessible on the following website addresses: [www.madr.ro](http://www.madr.ro) and [www.apdrp.ro](http://www.apdrp.ro). Based on this research, we conducted an analysis on the stage the structural funds were accessed in the national agriculture during 2008 – 2010, and we draw conclusions on the absorption degree of the European post-accession funds in the agricultural sector, on types of measures, corresponding to the four axes defined in the National Strategic Plan for 2007-2013.

In the second part of the study, we conducted a normative type research, which allowed us to identify and analyze the issues arising from the new context of European and national agricultural financing, based on structural funds, which have a specific impact on the farm accounting.

## **3. HIGHLIGHTS ON THE STAGE OF THE STRUCTURAL FUNDS ACCESSION IN THE ROMANIAN AGRICULTURE DURING 2008-2010**

The quality of member with full rights in the European Union achieved by Romania in 2007 opened the door to new financing alternatives for agriculture that took the form of the structural funds. For 2007–2013, the priorities of the structural funds are the following [Pitu-lice, 2009, 401]:

- ✓ The Convergence objective, which promotes the development and the structural adjustments of the regions lagging behind in the development process;
- ✓ The Regional Competitiveness and Employment, which supports the regions that are not eligible for the Convergence objective;
- ✓ The European Territorial Cooperation objective, which supports the regions, districts and border areas.

In Romania, in order to implement the National Strategic Plan and the National Programme for Rural Development 2007-2010, the necessary institutional architecture was initially carried out, as follows: the Management Authority, represented by the Ministry of Agriculture and Rural Development (MADR), the Agency of Payments for Rural Development and Fishing (APDRP), the Agency for Payments and Intervention in Agriculture (Agenția de Plăți și Intervenții pentru Agricultură, APIA) and the Certifying Body, repre-

sented by the Audit Authority established by the Romanian Court of Accounts, in order to ensure the reality, the completeness and the accuracy in the administration of the national and European funds for achieving the set goals.

It should be noted that, by 2013, the process of harmonizing the national legislation with the community acquis in the field of agriculture will be completed, and the operating national structures appropriate to those operating at the EU level will be ensured.

From the *National Strategy for the Sustainable Development of Romania - Horizons 2013-2020-2030* we find out that, in order to finance the objectives of the National Plan for Rural Development, funds of around 9.97 billion euros are allocated, of which 80.46% coming from the community co-funding through the European Fund for Agriculture and Rural Development. There are also community allocations of over 5.5 billion euros in the form of direct payments to the farmers, more than 248 million euros for market measures and 230 million euros for fishing. During 2007-2013, about 14 billion euros will be transferred from the Community budget for agriculture, fisheries and rural development. Significant allocations from the Romanian state budget are added to these sums [The Romanian Government, 2009].

Furthermore, during 2008-2010, the Farmer Programme adopted in 2005 had temporarily continued, for supporting the investments in agriculture and in the sectors of processing, storage, preservation and exploitation of the products.

In 2009, Romania has benefited from European funds of 2.666 billion euros, representing 2.5% from the Community budget, and it contributed to the Community budget with 1.217 billion euros, a report that ranks out country among the ten EU Member states regarding the financial aids received, as it is shown in the most recent report submitted by the European Commission [The Romanian Government, 2009].

The rate of acquiring the pre-accession funds has reached, at the end of February 2009, to a level of 90% from the total, amounting 5.1 billion euros, while the payments are of 3.4 billion euros. Overall, up to that period, an amount of 3.469 billion euros was paid, representing 67.88% from the total. As it regards the pre-accession program SAPARD, which was devoted to agriculture, the deadline was extended until December 2009, after the European Commission froze the payments because of the financial irregularities and vulnerabilities mostly found in the public procurement and the internal management. The payments were resumed in July 2009, following an independent audit which confirmed that the Romanian authorities have implemented the action plan requested by the European Commission. Overall, Romania still has to receive approximately 100 million euros from the SAPARD funds [Igreț, 2010, 7].

What is the difference between the funds raised through the SAPARD program and those contracted by the European Agricultural Fund for Rural Development (EAFRD)?

First, in the recent years, there has been a decentralization of this activity: the projects implemented by the National Plan of Rural Development can be filed at the District Offices for Payments for Rural Development and Fisheries, and the contracts are no longer signed at Bucharest, but at the regional centers. This approach leads to shorter periods, with payment to be made regionally, which provides the payment of the amounts even in two weeks and instead of three months as before.

Another significant difference is related to the sums that are allocated to Romania. Through the SAPARD program, Romania has benefited from grants of 1.5 billion euros, while during 2007-2013, through the funds raised by the National Plan of Rural Development, Romania will receive a more consistent amount of about 8 billion euros.

There are differences in the way the payments are made. The structural funds are based on the following principle: „spend first and receive the money later”. As regarding the financing ways, another difference from the SAPARD program refers to the possibility of granting an advance of 20% to the beneficiaries for starting some works, but only for certain measures [Igreț, 2010, 9].

Following an empirical research, conducted in 2009 on 12 companies operating in the agricultural sector in Romania, on the theme of accessing the European funds, the following conclusions were drawn [Pitulice, 2009, 402]:

- 11 companies from the total 12 included in the research perimeter accessed European funds through the SAPARD program;
- The funds accessed through the pre-accession programme SAPARD were used by the beneficiaries for the acquisition of agricultural equipments and machinery in order to modernize the farms or for building and/or modernizing the processing plants for agricultural products (the modernization of a dairy factory, the construction of a meat processing plant or a wine processing plant);
- 72.7% of the companies that accessed SAPARD funds turned to consultants for the elaboration of the mandatory technical-financial documentation in this process;
- Depending on the type of the projects financed by the SAPARD funds, the respondents said that the process of accessing the European funds took between 6 months to 2 years;
- Considering the European funds a significant advantage for supporting the investments, 10 of the 12 entities included in the research area expressed their intention to submit projects for accessing structural funds, the stated objective being the investments in the up-grading and/or in the construction of processing agricultural products plants. These are the measure no 121 “Farm modernization” and the measure no 123 “Adding value to the agricultural and forestry products”.

If we intend to do a structural analysis of the dynamics of accessing funds for the agricultural sector in Romania, during 2008-2010, we must start from the reality that the only official, accurate and objective information about the European Programmes for Agriculture and Rural Development, carried out in Romania, may be obtained from the official websites of the Ministry of Agriculture and Rural Development and the Agency of Payments for Rural Development and Fisheries, which are [www.madr.ro](http://www.madr.ro) and [www.apdrp.ro](http://www.apdrp.ro).

On the website of the Ministry of Agriculture and Rural Development the situation of the submitted and selected projects in the PNDR, during 2008-2010, is regularly updated. After consulting these situations, published in December 2010, we have synthesized the following information on the PNDR projects dynamics in 2008-2010:

*Table no. 1 The stage of accessing the PNDR projects during 2008-2010*

Submitted projects		Selected projects		Funding contracts		Done payments
Number	Public value (Euro)	Number	Public value (Euro)	Number	Public value (Euro)	Public value (Euro)
45.472	12.860.738.432	26.695	3.576.514.654	14.399	3.206.369.091	1.666.486.828

Source: [MADR, 2010]

From the analysis of these data we find out that in Romania, during 2008-2010, only 58.7% of the submitted PNDR projects were deemed eligible and selected. Moreover, ultimately, from the selected projects contracts were drawn up and funding decisions were approved for only 53.94% of them.

From the same situation, we conclude that for the period 2008-2010, only 22.21% of the NRDP funds destined to Romania during 2007-2013 were allocated.

Furthermore, from the analysis of the official statements that can be found on the website of the Ministry of Agriculture and Rural Development, in 2008-2010, nationally, interest was shown only for a part of the funding directions provided by the PNDR. Therefore, only projects that cover the following measures were submitted:

- ✓ 112 - Young farmers set up;
- ✓ 121 - Farms modernization;
- ✓ 123 - Adding value to the agricultural and forestry products;
- ✓ 125 - Improving and developing the infrastructure related to the development and adaptation of agriculture and forestry;
- ✓ 141 - Supporting the semi-subsistence farms;
- ✓ 312 - Support for the creation and development of the micro enterprises;
- ✓ 313 - Encouraging the tourism;
- ✓ 322 - Villages renewal and development, improvement of the basic services for the rural economy and population, enhancement of the rural heritage.

If we perform an analysis of *the number of the PNDR projects submitted* during 2008-2010, based on the types of measures, we obtain the following information:

- The highest number of submitted PNDR projects regard the measure no 141 - *Supporting the semi-subsistence farms*. There are 22,427 projects, representing 49.32% from the total submitted projects;
- The second place is taken by the PNDR projects on the measure no 112 - *Young farmers set up*, amounting 6,572 projects, representing 14.45% from the total submitted projects;
- The next place is occupied by the PNDR projects regarding the measure no 121 - *Farms modernization*, in number of 5,545 projects, representing 12.19% from the total;
- The submitted PNDR projects regarding other measures represent an insignificant weight in the total number of projects.

From the analysis of *the submitted projects value*, we find out that the largest sums of money were required, in 2008-2010, by the PNDR projects aiming at the measure no 322 *Villages renewal and development, improvement of the basic services for the rural economy and population, enhancement of the rural heritage*. The sums required amount 7,429,244,322 euros, which represents 57.77% from the total value of the submitted projects.

The next position is occupied by the PNDR projects submitted for the measure no 121 - *Farms modernization*, with a value of 2,121,050,948 euros, representing 16.49% from the total value of the submitted projects.

As it regards *the selected PNDR projects*, during 2008–2010, analyzed in terms of their significant weight, we find the same situation that was identified in the case of the submitted NRDP projects: most of the selected projects regard the measure no 141- *Supporting the semi-subsistence farms*, amounted to 18,397 projects, followed by the measure 112 - *Young*

*farmers set up*, amounting 2,809 projects, and, nationally, from the submitted projects for the measure no 121 - *Farms modernization*, 1,834 projects were selected.

The measure no 123 - *Adding value to the agricultural and forestry products* was accessed, from the beginning of the programme in March 2008, by 913 beneficiaries, a total of 374 contracts in public value of more than 364 million euros being signed by the end of December 2010. For this measure, during 2008–2010, payments of more than 55 million euros were made.

From the information disclosed on the MADR website, we find out that, for the measure no 123 and only for 2008, two State aid schemes were available - XS13/2008 and XS28/2008, for which 321 projects were contracted, as follows: 184 projects in public value of 80.32 million euros for the XS13/2008 scheme and 137 projects in public value of 59.64 million euros for the XS28/2008 scheme. Starting July 2010 a new State aid scheme - N578/2009 was launched, for whom 167 projects were submitted, in value of around 126 million euros.

For the measure no 322 - *Villages renewal and development, improvement of the basic services for the rural economy and population, enhancement of the rural heritage*, over 3,040 financing applications were submitted, and the sum allocated through PNDR till 2013, 1.57 billion euros, was exceeded by almost five times [Pupezescu, 2010, 3]. From the same source we find out that on this measure 586 projects were contracted, with a total value of 1.50 billion euros, the contracting phase being in progress.

For the measure no 312 - *Support for the creation and development of the micro enterprises*, launched in September 2008, the situation is as follows: 3,980 financing applications were submitted, 1,290 projects being contracted till the end of 2010, with a grant value of 190 million euros, the contracting phase being in progress.

For the measure no 313 - *Encouraging the tourism*, during 2008–2010, more than 1,400 financing applications were submitted, but only 595 projects were signed, in value of 105.11 million euros.

If we want to customize and analyze at a regional level the accession stage of the structural funds for financing the Romanian agriculture, from Mrs. Georgiana Pupezescu, manager of the regional Centre of Payments for Rural Development and Fisheries no. 3 (Centrul Regional de Plăți pentru Dezvoltare Rurală și Pescuit 3 (CRPDRP), South Munte-*nia*), we find that in this center, which covers the Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova and Teleorman counties, "the activity is carried out in fast-paced" [Pupezescu, 2010, 3].

In the last auction sessions, at this regional center, there has been a significant increase in the workload, but there are great difficulties in the implementation of the EAFRD, determined by providing the necessary co-funding resources. The consequence of this shortcoming is reflected in the offset of the established implementation schedules, context in which the requests for the deadlines extension for submitting the applications for procurement or execution times should be handled. The lack of the resources necessary to ensure the co-funding led to handling some calls for the annulment of the funding agreements.

Therefore, the current economic crisis represents for Romania a major obstacle in the optimal implementation of the EAFRD projects. It remains to be seen in what extent we will succeed, in the following period, to attract the European money destined to the sustainable development of the Romanian agricultural sector.



#### **4. CONSIDERATIONS ON THE NEED TO DEVELOP A SPECIFIC FARM ACCOUNTING IN THE CONTEXT OF ACCESSING THE EUROPEAN FUNDS**

The need for correct information, both of the final beneficiaries and the public authorities responsible for managing the European funds for the agricultural sector, is stated in the National Strategic Plan for Rural Development, and it regards the development of a separate accounting or the use of a coding system suitable for the operations involving the EU money [Băviță, 2008, 170].

Nowadays, the Romanian accounting is unitarily organized in all the branches of the national economy, with a single chart of accounts for all the economic entities. The Ministry of Finances has developed a set of regulations that determine the profile of the public institutions and the credit institutions accounting, but there are no concerns in defining some features of the accounting on other economic sectors: agriculture, constructions, industry, commerce, tourism and others [Lapteș, 2010, 16].

The dualistic concept of organizing the accounting, also known as accounting as double circuit, shows as a basic characteristic the organization of accounting as an information system on two levels: the general or financial accounting and the management accounting. This way of organizing the accounting is currently used in Romania [Băviță, 2008, 15].

The various steps taken by the Romanian accounting in the attempt to adapt to the needs of the market economy did not include specific references to the agricultural sector. The adoption of the European Directives as the accounting referential in Romania, from January the 1<sup>st</sup> 2006, didn't bring about specific financial reporting requirements for the agricultural entities, whereas the European regulations represent a general accounting framework, which doesn't contains specific provisions for the specialized sectors. The entities activating in the agricultural sector organize the accounting based on the Order no 3055/2009 approving the regulations harmonized with the European Directives. However, according to the Order no 907/2005 approving the categories of entities who apply accounting rules in accordance with the International Financial Reporting Standards, respectively accounting rules that comply with the European Directives, in our country the International Financial Reporting Standards will gradually be implemented. This means that in the near future the agricultural entities will be able to invoke the provisions of the IFRS for the registration of the agricultural and biological assets [Băviță et al., 2008, 185].

In the middle of 90's, the international regulatory body in financial reporting, IASB, concluded that the exclusion of the agricultural sector from its scope is not an option and approved, in December 2000, IAS 41 Agriculture, the first standard aimed expressly to cover this primary sector. Until its publication by the IASB, no other regulatory body has developed a comprehensive provision on this subject, which led to the existence of a variety of heterogeneous accounting practices [Popa, 2006, 308].

The objective of IAS 41 is to establish the accounting treatment, the disclosure of the financial statements and the information provided for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets) [Deloitte, 2011].

IAS 41 *Agriculture* is useful to the biological assets, the agricultural produce at the harvest point and the specific government grants, all these being the result of developing an agricultural activity. Specifically, IAS 41 *Agriculture* deals with the agricultural activity only until the harvest, the accounting for the products resulting from processing after the

harvest, being dealt by IAS 2 *Inventories*. IAS 41 does not establish any new principles for land related to agricultural activity. Instead, an entity follows IAS 16 *Property, Plant and Equipment* or IAS 40 *Investment Property*, depending on which standard is appropriate in the circumstances [IASB, 2011].

The areas in which this standard is applied are:

- the biological assets, such as living animals or plants. This is the case of the plantations, orchards, crops, sheep and cattle. They are related to the agricultural activities such as the breeding, the cultivation of organic goods, annual or seasonal crops, the fisheries that are in the process of development, degeneration, regeneration or reproduction, the outcome of these processes being an agricultural product;
- the agricultural products at the point of harvest.

A fair value model to be applied in the farm accounting is introduced through this accounting standard. This model represents a major change to the current model of the traditional costs, which also explains the extended period of time before the new standard has become operational in the financial statements.

In order to provide more clear and complete information, which must be presented in relation to the biological assets, a detailed presentation is needed, including the following [Deloitte, 2011]:

- the carrying amount of biological assets;
- the description of an entity's biological assets, by broad group;
- the change in fair value less costs to sell during the period;
- the fair value less costs to sell of agricultural produce harvested during the period;
- the description of the nature of an entity's activities with each group of biological assets and non-financial measures or estimates of physical quantities of output during the period and assets on hand at the end of the period;
- the information about biological assets whose title is restricted or that are pledged as security;
- the commitments for development or acquisition of biological assets;
- the financial risk management strategies;
- the methods and assumptions for determining fair value;
- the reconciliation of changes in the carrying amount of biological assets, showing separately changes in value, purchases, sales, harvesting, business combinations, and foreign exchange differences.

While the information given as a result of the requirements of IAS 41 may be useful and relevant, there are some reservations regarding its use in the revenues recognition. Reserves could come from situations such as [Popa, 2006, 312]:

- The reported earnings based on the fair value model can be unrealized;
- The fair value implies that there is an efficient market for all the biological assets at all stages of growth. When planting and raising a tree, the value of a three years old tree is not relevant, since it takes decades to reach maturity;
- It is based on the assumption that all the agricultural sectors are similar, so they can be accounted for on the same basis. The corn crop is different from the tree growth, however;
- There is the assumption that the biological transformation can be reliably measured.

However, despite all these reservations, IAS 41 introduces something that can be called a radical change in the way an agricultural company treats the biological assets.

In 1965, the European Commission established the Farm Accountancy Data Network (FADN), based on the Regulation 79/65/EEC, which established the legal basis for its organization and functioning [MADR, 2011]. Today, FADN uses data from more than 5 million farms from the 27 Member States, covering over 90% of the total EU agricultural production [MADR, 2011].

There are different accounting systems and of FADN data collection. In the case of the farms which already keep accounting records on their activities, a lot of information can be obtained from their financial statements. The accounting professionals inside these farms also complete the standard FADN forms and send them to the competent authority for processing. In other cases, an economist or a professional accountant visit the farm with a portable computer, in which the necessary data supplied by the farmer is introduced, in order to complete the standard form to be sent to the FADN competent authority. Regardless the method of completing the forms, it is very important that they should respect both the European and national guidelines to ensure the comparison of the results. The data is first sent to the region by the liaison agency, where they are checked and processed in national results, and then they are transmitted to the European Commission.

The FADN implementation in Romania was a mandatory requirement for accessing the European Union. As in all Member States, the Farm Accountancy Data Network operates in a legal institutional framework Romania also needed such a framework, in order to provide accurate information about the technical and economic performances of the farms, useful in the development of the agricultural policies. Therefore, Romania's first step was to create an experimental farm accountancy data network started the second half of 2002.

In Romania's case, as it was mentioned before, the centralized data transmission in FADN is mandatory since 2008, because the information obtained so far refer to the pre-accession period. By applying the FADN, the farm managers are able to receive a feedback, including an assessment of the results achieved by the farm compared to average results of other farms in Romania, which participated in this investigation, a new perspective on the results of the farm being provided. This feedback ensures the identification of the strengths and weaknesses of the production and the economic activity, useful in establishing new methods to improve the farm performances [MADR, 2011].

## 5. CONCLUSIONS

The Romanian accession to the European Union brought undeniable benefits to our country and the possibility of financing the economy with European money is a major gain. In this context, it must be mentioned that attracting the European funds is not an easy step. As we had shown in this paper, during 2008–2010, only 58.7% from the submitted PNDR projects were considered eligible and were selected. Furthermore, finally, only for 53.94% of the selected projects, the contracts were drawn up and the funding decisions were approved

Certainly, the biggest drawback faced by the Romanian farms in the process of accessing the structural funds during 2008-2010, years of deep economic crisis, has been and still remains the problem of co-financing. From the analysis we made in this paper, we found that, so far, most of the financing applications for the projects aimed the measure no 141 - Supporting the semi-subsistence farms, amounted to 22,427 projects, with a weight of 49.32% from the total submitted projects.

Because of the importance the agriculture has in the national economy, our own interest may be a sufficient argument for an increased attention to the study this field of activity, as well as to its implications on other areas. In the current context, in order to ensure a clear understanding of the financial operations in the management of the European Union funds and of those from the state budget co-funding, the need to develop an accounting specific to the information requirements imposed by the current context of financing the agriculture at a European and national level becomes a certainty. An imperative of the accounting to approach this segment and to provide policies and alternative treatments to those involved in this sector is thus identified.

The drawbacks the current accounting system is faced with must be considered. Thereby, the traditional model is not sufficient for the information needs in this field of activity, while the biological transformations that alter the substance of the biological assets are difficult to be treated inside an accounting model based on the historical cost. Likewise, as it was mentioned before, the existence of a common set of regulations and of a single chart of accounts for all the economic entities harden the access to the accounting information from the agricultural sector for the interested parties, as a result of its standardization.

We also bring into question the ability of the current accounting practices to meet the information needs in order to protect the agricultural entities from the specific risks, to determine the real financial situation and to face the pressure generated by the competition between the agricultural entities from other countries with a much higher level of government subsidies. The information quality is also significantly affected by the fiscal influences exerted on the Romanian accounting.

In conclusion, we support the accounting role and the potential of the information resulted from an accounting treatment, which is appropriate to obtaining its qualitative characteristics, in assessing, measuring and hedging the risks and uncertainties in agriculture and, in the same time, we stand for the specialization and adaptation of the accounting on branches of the national economy, especially targeting the agricultural sector.

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