THE ROLE OF ACCOUNTING INFORMATION WRITING AND PROJECT IMPLEMENTATION

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ABSTRACT: *In this paper we try to clarify the term "project accounts, making an analysis of literature and legislation, that the documents underlying accessing structural funds (applicant's guides, toady of implementation). This scientific approach is structured in four chapters, the first two being a review of the literature, because the last part of the paper to present particular aspects of project accounting, emphasizing the role of accounting (accounting information) in writing and implementation of projects funded grant.*

KEY WORDS: *Accounting, project, structural funds, legislation, implementation procedures.*

JEL CLASSIFICATION: *M41.*

1. INTRODUCTION

The term *accounting* comes from the French term "comptabilité", and is defined in the Explanatory Dictionary of Romanian language as a set of complex registration operations based on specific rules and regulations, the movement of funds and materials in an institution, accounting or science dealing with these operations theory. Throughout history, accounting has been defined according to the specific stage in this field of knowledge and to the development and evolution of the economic, social and cultural background.

The economic theory defines accounting as a knowledge tool of economic realities in the form values (utilities) and their sources of origin (resources). Defining accounting as a scientific field is a complex process which was made in close connection with economic development and social progress throughout its history;

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accounting evolved continuously, perfecting both its theoretical basis and research methods, ranging from simple to complex, from rudimentary the higher forms, establishing a clear terminology, its study subject and the economical and social usefulness.

Bernard Colasse defines the term “accounting” using the following statement “accounting [...] is not an immutable technique, but an information system which has been constantly adapted to the informational needs of businesses and their environment” (Colasse, 1989). The same author mentions “Accounting is the oldest of all sciences of management. It is the very history of accounting: accounting books were intended to keep after a number of events with economic consequences ...” (Colasse, 1989)”.

According to the Accounting Law no. 82/1991, accounting is an activity specialized in measuring, evaluating, knowing, managing and controlling of assets, liabilities and equity, as well as the results obtained from the work of individuals and businesses. It must provide chronological and systematic recording, processing, publication and maintenance of information on the financial position, financial performance and cash flows, both for their domestic needs and in dealing with present and potential investors, financial and commercial creditors, customers, public institutions and other users. Viewed in terms of information it uses and provides, accounting is seen as “a quantitative technique of collecting, processing and analysing the information on flows of a company's economic activity” (Group of authors of the Economy and Economical Policies Department of the Economical Studies Academy from Bucharest, 1999).

2. THE CONCEPT OF “PROJECT ACCOUNTING” IN LITERATURE

In literature, there are various terms which are found with reference to accounting: accounting, financial accounting, managerial accounting, accrual accounting, cash accounting, managerial accounting, project accounting, accounting through projects.

Financial Accounting (general) is considered as the “external front” of a company and management accounting (internal, managerial, operational, analytical) is considered to be the “internal front” of a company.

Financial accounting (in Anglo-Saxon terminology) provides chronological and systematic recording, processing, publication and preservation of information on the financial position, financial performance and cash flows for both the internal relations as well as external ones; it is highly formalized, governed by laws and binding for all economic entities (Accounting Law no.82/1991).

Financial accounting, also called general, is the one which obtains information on heritage management, which are essential for the decision-makers of an economic entity, and on financial performance needed by external users (exogenous), including the state.

Michel Capron defines analytical accounting as “an essential management tool which provides information and helps in decision making. Unlike the general accounts, it does not respond to external social demands, it is not subject to codification conventions common to all societies, and its results are not meant to be published". (Capron, 1994).

Management accounting, found in literature (the works of different authors) as management, internal, analytical and operational accounting, refers to that type of accounting which tends to decompose as analytically as possible the activity of economic entities, and which must serve managers at different organizational levels, for their information needs.

Management accounting provides a detailed picture of each and every activity (hence its name – analytical accounting (Budugan, et al., 2007), focussing mainly on recording information on collecting and distributing expenditures by purpose and activities, phases of production, cost centres, production costs, purchasing, processing data in all fields (OMFP nr. 1826/2003 for approving specifications concerning some measures for organising and controlling management accounting); it is mandatory but it must be adapted to the specific activity.

In Anglo-Saxon literature, managerial accounting (management accounting) is defined as the process of recording, processing, analysis, interpretation and transmission of internal financial information used by managers for budgeting, evaluating and controlling a company's activity and for correct estimation of resources.

In French literature, management accounting deals with cost control, determining the evaluation basis of certain balance sheet items, and the calculation of production cost to be compared to the sales price in order to determine the efficiency of the activity. On the other hand, it also helps to forecast costs' deviations in order to determine actual costs (Călin, et al., 2008).

Accrual is defined as the accounting basis according to which accounting elements are recognized as they appear, regardless of the time of receipt/payment of cash or other forms of compensation.

The Romanian Explanatory Dictionary defines the notion of "project" from three different perspectives – economically, technically and as a plan, but in terms of management of European funds, the term must be defined as all the actions and activities organized with the intention to achieve certain objectives.

The notion of "project" is defined in *Manual de auditoria de gestion* as being "an indivisible operation, submitted to a calendar and a budget, and prepared under the responsibility of an agency".

According to Mariana Mocanu and Carmen Schuster (2001), the project entails a temporary activities aimed at creating a new product or service and the project objectives aim strictly at the project's specialty in order to reach costs, financing and deadline aspects. The project is defined as a non-repetitive process which produces a new, unique and well-defined quantity within specialized organizations (Opran, 2001).

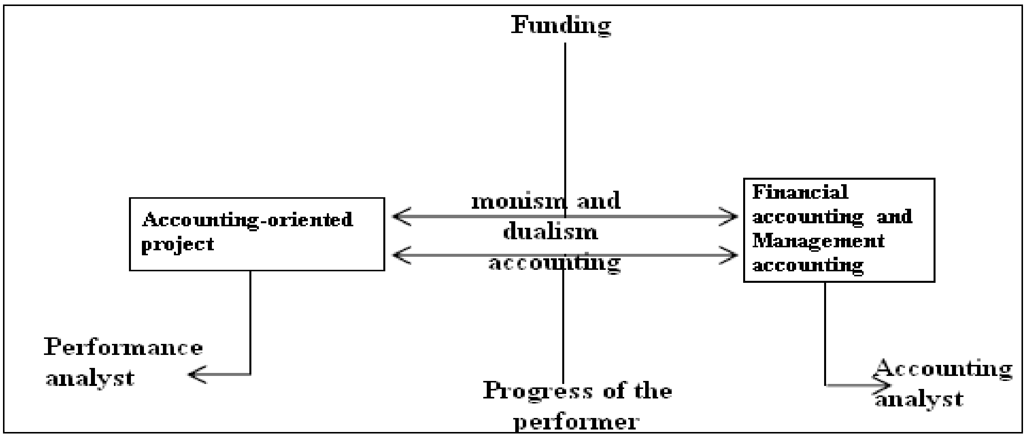
Project accounting should not be limited to the recording of economic and financial operations (to be completed at this time according to Minister of Public Finance Order no. 2169/2009 for changing the rules of accounting procedures for organizing and conducting public institutions, published in the Official Gazette .513 27 July 2009 for Public Institutions and Minister of Public Finance Order no. 3055/2009 for the approval of accounting regulations in accordance with European directives) to ensure accuracy and completeness, as it represents the sum of procedures for financial and monetary transactions that take place within an economic entity with respect to a project.

Project accounting is defined in the Internal Procedures Manual for implementing POS DRU as an activity designed to monitor the management and development of assets and liabilities, as well as the results obtained. The accounting activity for European projects must be conducted according to the Community and national provisions, so it will submit to the general principles of accounting and its functions, out of which the most important is, in this context, providing documents and information. Project accounting is found in literature under the name of *project-oriented accounting,* being defined as the way of organizing and maintaining accounting records of the project, which enables the project's performer to aggregate data in accordance with auditing requirements of the donor (Ivan, et al., 2003).

The problems which arise in connection with projects accounting are related to its purpose or the choice between the two forms of accounting, financial accounting or management accounting. In connection with the first aspect, that of project accounting purpose, this represents, besides proper accounting, efficient management of funds, i.e. compliance with contractual provisions under which the financing was obtained financing (financing contract, applicant's guide, beneficiary's manual).

Regarding the second issue, framing it in one of the two forms of accounting, we share the opinions of other authors, namely that it can be organized as follows:

- within the *financial accounting* of the entity developing the project together with other activities, either by using general analytical accounts of the project, either through dedicated project accounts which separate the incomes and expenditures from other project activities (monism sheet);
- under the form of *project managing accounting* as required by the theory, regulations and accounting practice for products which require cost calculation and analyzing revenues and expenses per production unit, if the project implies such a production capacity (Ivan, et al., 2003).



Source: Ivan I., Dobre E., Pocatilu P., Contabilitatea orientată proiect, pentru conformitate, 2003

Figure 1. The ratio of general accounting and accounting-oriented project

Project-oriented accounting must clearly outline the amounts received, how they have been used and especially how they have complied with the initial structure of the budget approved and the final destinations, as reflected by the general accounts and /or dedicated to financial accounting and by specific tools of management accounting.

From this statement, we can say that for a project financed by structural funds, only financial accounting is used for the grant account used to credit the bank account on the basis of the account statements and to debit the bank account based on expenditures documents, through accounts of analytical / project oriented expenditures. In this particular situation, the profit and loss account does not reflect the company's project management, which is reflected only by the turnover and balance of special funds through analytical statement of account (accounting monism).

In terms of project accounting as management accounting, we consider that we can fit in this category the sum of activities for budgeting the project, respecting the efficiency, economical and effectiveness principles, as well as the eligible and ineligible expenditure boundaries of the project.

2. ORGANISING THE PROJECTS' ACCOUNTING

Each beneficiary of structural funds will organize the project accounts double entry, as part of or adjacent to its own accounting; it can be held in either classic or electronic system, but preferably electronically.

Each beneficiary must draw up a register and a clear carrying out of the project's implementation activities, in compliance with the procedures set out in professional practice, using different analytical accounts for the project, compiling a separate trial balance.

The basic premises of the European project accounts are, on the one hand, the fact that accounting transactions must demonstrate complete transparency in terms of recording financial operations, provide the necessary information concerning the amounts received from the donor, and, on the other hand, provide information to control authorities as established by national law.

The accounting principles (Mateş, et al., 2005) applicable to the accounts of such projects are: going concern, consistency, prudence and independence, separate evaluation of assets and liabilities, inviolable, and not least netting over form principle. According to some authors, one of the qualities of accounting is creativity, so it uses techniques that aim to (Megan & Cotleț, 2008):

- *Increase or decrease spending*. Accounting rules leave some leeway to quantify costs pertaining to a year. For example, for certain assets, they only indicate the minimum and maximum number of years to be amortized. A longer or shorter amortisation period directly affects the outcome. Similarly, one can analyze the adjustments for depreciation and possible activation of certain expenses.
- *Increase or decrease revenue*. In some cases, it can speed up or slow down the recognition of revenue by applying the precautionary principle or the principle of linking expenditures to revenues.
- *Increase or decrease assets*. The existence of flexibility in terms of calculating amortisation and adjustments for depreciation creates the possibility to increase or

decrease the net asset value in the financial statements. Stocks can be assessed by different methods and, consequently, their value can be different, affecting the profit and loss account.

- *Increase or decrease the owners' funds*. The change in revenue and expenditures affects the size of the result, and consequently, the size of reserves. Thus, the value of owners' funds is modified and, as a consequence, the rates calculated.
- *Increase or decrease debt*. In some countries, accounting rules allow the possibility of regularization of certain debts, such as those related to retirement, over a period of time. As a result, a company interested in increasing its income will proceed to a maximum permitted distribution of its debt.
- *Reclassification of assets and liabilities*. Sometimes there may be doubts regarding the classification of an item in one category or another. It is, for example, the case of securities, which, according to the company's intention, should be included in current assets or non-current assets. The main tasks of the European project accountant are (Nicolae, 2010):
  - the obligation to comply with accounting legislation in force in respect of the project;
  - ensure consistency between declared expenditure, accounting records and documents relating to claims for reimbursement;
  - will allow representatives of intermediary organisations and / or the Management Authority to undertake missions to check the accounting, providing all documents related to the project;
  - keeps the accounting of the analytical accounts for each type of contract (services, works) and financial resources;
  - shall keep a strict record of pre-financing amounts, of its use and reimbursement;
  - will keep separate records of eligible expenses and other expenses, afferent to the project;
  - registers separately the claim titles afferent to the project's financial investment, as well as the delay increases and related accessories;
  - must notify the Management Authority and / or Intermediary Organisations about the claim titles related to the project no later than 5 working days after their establishment as a result of the inspection missions of other competent authorities;
  - must ensure that the documents accounted are identifiable, verifiable and be backed by the original documents.

For projects financed by structural funds, the performance of forecasts based on erroneous financial statements may result in failure to achieve the indicators presented in the application to attract funding sources. Under these circumstances the project is jeopardized which may entail a number of side effects such as (Megan & Cotleț, 2008):

- impossibility to achieve the investment objectives by the management team;
- compulsory repayment of funds received by that date;

- impossibility to access future EU funds. During project implementation, the role of accounting may be evidenced by the activities which include:
  - activities done in order to obtain financing;
  - highlighting the necessary operations for the completion of the project, such as: public procurement, implementation arrangements, related facilities and site preparation machinery, facilities and equipment to be used later in the project, hiring and training personnel, disseminating project results, project evaluation and auditing and accounting expertise of the project;
  - operational control of costs;
  - calculation of economic and financial indicators;
  - tracking and informing over the completion of the financing contract clauses;
  - closing the project (Deju, 2005).

4. CONCLUSIONS

In conclusion, project accounting is based on a new vision that is based on obtaining funding and focuses on the project's completion, using the possibilities offered simultaneously by the financial accounting and management accounting.

Another conclusion drawn from this research is the important role of the accountant, who, in addition to his specific tasks, also performs specific activities for projects' implementation; it is therefore recommended that the economic entities that have been implementing several grant projects to organize a special department to implement them, both technically (technical reports, documents supporting the activities) but also in financial terms (drawing up documents such as graphic forecast application for reimbursement, the expenditure requests for reimbursement and pre-financing, financial report and accounts for the project).

The broad role of accounting, also emphasized by other authors (Megan O., chops B., 2008) is highlighted by the importance of accounting information in developing and writing the grant application form, which, in the case of private entities, implies to make a business plan, a feasibility study and a cost-benefit analysis. Being able to achieve all these elements of the project, representing annexes to the application form, means resorting to information provided by financial and accounting statements of the economical entity.

Given the issues presented in this paper and the results of studies on the difficulties encountered by beneficiaries in the implementation of projects financed from structural funds, we believe that all these can be a strong argument for the majority of economic entities in Romania to achieve a more accurate accounting, so that financial statements may provide real and accurate accounting information on the entity's activity and performances. The account of a project is both mandatory and required by law and contractual provisions. The benefits of proper accounting records would be, on the one hand, a direct advantage for the beneficiary of the grant, and also other users of accounting information (management, financial institutions, investors, associations, etc.) will receive reliable information aimed to sustain their future decisions.

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