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SPECIFIC APPROACHES TO THE ACCOUNTING OF THE COSTS OF LOAN CONTRACTS IN ACCORDANCE WITH NATIONAL AND INTERNATIONAL REGULATIONS

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Abstract
The content of the paper addresses problems that arise in practice regarding the recognition and measurement of interest related to bank credits, loans and leasing operations. The small number of publications focused on the given topic reinforces the degree of importance of the study. In this context, the results of the research of local and foreign scholars are analyzed as well as the provisions of national and international accounting regulations. In the research process, the need of calculation of the annual percentage rate of charge in accordance with advanced international practices is argued particularly. Among the fundamental recommendations, it is reasonable considered to bookkeep mentioned interest rates amounts at the time of their calculation in the total amount. For this purpose, it is proposed to introduce the separate sub-accounts to the accounts of financial liabilities or the methodological application of the accounts of anticipated revenues. Additionally, is analyzed the opportunity to use contingent liability accounts for the accounting of the total interest amount of a loan contract. The recommendations are reasonable for the correct determination of the indicators in the financial statements and serve as a basis for taking economic and managerial decisions. In order to achieve these proposals, the author considers it necessary to make changes in the national accounting standards and the general plan of accounting accounts. The information on the amount of interest rate accounted in accordance with the presented recommendations is to be used in the audit of financial liabilities. The practical implementation of the formulated recommendations will ensure the veracity of the information in the financial statements and their comparability at the national and international level.

Key words: *borrowing costs; loan contract; professional judgment; accounting and auditing.*

JEL Classification: *M40; M41.*

I. INTRODUCTION

The diversification and dynamic evolution of economic relations, especially in the part of lending funds as a method of developing specific businesses for someone and an effective tool for financing entrepreneurial projects for others, has contributed to a qualitative and sometimes complicated development of relations between participants in financial activities. Thus, we observe a development of qualitative and focused object of legal relations, as well as an approach that tends towards exhaustiveness in the administration of relations between debtor and creditor, all being generated by the need to reduce risks and increase the level of transparency.

According to the Information Note (2013) Enterprise access to financing in the Republic of Moldova, developed by the World Bank, "competition for loans offered by commercial banks has increased among medium and large companies. There are indications that the market for large borrowers has become saturated, and some commercial banks are already reaching out to smaller companies through less traditional lending techniques."

The mentioned aspects are today the basis of any fund loan contract, some having a regulated character, others being optional. More than that, depending on the experience and expertise of the creditors, as well as the economic situation, the aspects of transparency and exhaustiveness can be addressed strictly formally or can be the subject of serious negotiations in the context of generating data to perform the calculations that will be used to take managerial decisions.

The purpose of this paper is to investigate the defining aspects of the concept of annual percentage rate of charge (APRC) and the accounting of borrowing costs generated from the operations of borrowing funds during the accounting period, as well as the relationships between debtors and creditors and their impact on the indicators in the financial statements.

Through its theme, content and structure, the paper contains theoretical aspects regarding the definition of APRC and the borrowing costs, as well as their components, accounting aspects regarding the borrowing costs in comparison with the concept of APRC within an enterprise in accordance with the normative and legislative acts in force.

The following main issues are investigated in this article:

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1) comparative analysis of APRC and borrowing costs according to national and international norms;

2) recognition and measurement of debt costs and APRC according to International Financial Reporting Standards (IFRS) and National Accounting Standards (SNC);

3) the impact of APRC amounts and borrowing costs on financial statement indicators.

The theoretical platform for approaching the investigated field is presented through the specialized publications of domestic and foreign scholars, as well as the specific normative acts, which were studied by the author to build a concentrated mass, which contributes to the achievement of the goals, as follows:

• *conceptual international legislative acts:* Directive 2008/48/EC of The European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC; and the proposals for the Directive on credit agreements (2021);

• *national legislative acts:* Law on credit contracts for consumers no. 202/2013; Law on Accounting and financial reporting no. 287/2017;

• *documents with special legal norms:* International Accounting Standard 23 "Borrowing costs" (2008); International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets" (2008); National Accounting Standard "Equity and liabilities" (2013); National Accounting Standard "Borrowing costs" (2013);

• *specialized publications:* Bucur, Bădicu, Dragomir, (2015); PwC (2008); Nederița (2020); Ernst &Young (2009); Russu (2021).

II. METHODOLOGY

In terms of the methods, techniques and procedures of the research, it is expected the targeted application of modeling approaches by exemplifying specific situations related to borrowing costs and comparing them with the legal concept of APRC.

Among the general study methods, is planned the analysis and synthesis of information from specialized normative acts, scientific works and agreed practices. The application in individual situations of the processes of aggregation and disaggregation, observation, comparison and systemic analysis at a specific level represents a real solution to achieve mentioned objectives.

With a general character, the author also focuses on the application of dialectical methods with reference to the costs of a loan contract and the tracking of the accounting effect with reference to the borrowing costs.

The focused and/or combined use of the methods described, have the aim to capitalize on the potential of the financial accounting of borrowing costs and to adjust their audit to real practices with relevant effects to users, taking into account the legal effects of the APRC concept.

Based on the presented statements, an interdisciplinary type of research with evident applicative elements is outlined that refers to a pronounced dynamic of the economic facts that are the basis of the exploration and affect the initial research sources of the borrowing costs under the legal aspect of APRC, as a potential structure for comparison .

The author focuses on the examination of the economic-financial part of the provisions of the mentioned normative acts, namely on the structure and componence of the costs of a loan contract, the accounting of financial debts and the presentation of mandatory and optional information in the financial statements.

III. RESULTS AND DISCUSSIONS

It should be noted that the subject of the discussion regarding the need for a complete and clear presentation of the legal and economic components of a loan agreement between two economic subjects is also substantiated by the vicious practice of those who, through apparently compliant methods, present separate information that is obviously correct and profitable and/or attractive to users, but as a whole it represents a construction where the most important parts of a loan contract, such as interest rate, have a very small share in the costs of accessing and administering of loans.

Currently, the need for strict and correct regulation of the relationships within the lending of funds takes on an imposing importance. This fact is recognized by world regulators and by the specific moment of interconnection or even direct influence of legal relations on the areas of accounting and auditing of bank credits and loans. The full and complete administration of the legal framework in the mentioned field is a serious objective dictated by the realities and needs of the market.

Various regulatory concepts are imposed by the European Union, the United States of America and by other states. Examining the legislations of the mentioned community agglomerations, the author found that an element common to all legal frameworks is the so-called APRC, as a recognized element in the definition and incorporation of the costs of a loan of funds. Similar concepts regarding the approach to the costs of a loan and its impact on the efficiency of this loan are presented through the official acts at the community level.

Scholars Dlabay Les R. et al, (2009) state in their book Introduction to Business, that in the United States of America since 1968, "the Truth in Lending Act is the document intended to promote informed use, requiring

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disclosures about its terms and costs, in order to standardize how the costs associated with loans are calculated and disclosed'.

At the same time, at European Union level, the Directive 2008/48/EC of The European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC and the proposals for a Directive on credit agreements for consumers (2021) , are the basic documents, which regulate standard information at European level regarding consumer credit.

In the Republic of Moldova, the defining statute of APRC is built as a combination of international norms with a local specification. The national regulatory framework describes APRC through the Law on consumer credit contracts no.202/2013.

Considering the impact and influence of legal norms on financial accounting and auditing, the author mentions that the international and national legislation in the particular field has adapted the specific accounting regulations to the legal norms. The basic acts that thematically specify the costs related to borrowed resources are IFRS and NAS. In particular, International Accounting Standard 23 “Borrowing costs” (IAS 23 “Borrowing costs”) contains representative provisions from an accounting point of view regarding the costs incurred by the entity for accessing and managing loans. At the same time, the National Accounting Standard “Borrowing costs” (NAS “Borrowing costs”) transposes the provisions of the mentioned international standard in similar aspects, with some specific features, which offer to users a higher degree of clarity and a low level of subjective interpretation.

The national and international normative framework relevant to the topic, including the approach to accounting aspects and the presentation of specific information in the financial statements can be delimited according to the pursued goals. In other words, the author presents the particular objectives of the normative framework in force for the assessment of complementarity aspect, as follows:

- **Law no. 202/2013** provides the development of the legal framework necessary to ensure the protection of consumers' economic interests by creating fair conditions for obtaining consumer loans, as well as by establishing rules for the responsible behavior of creditors in granting consumer loans;
- **NAS “Borrowing costs”** aims to establish the way to ensure financial accounting of borrowing costs and to present the related information in the financial statements;
- **IAS 23 “Borrowing costs”** expressly specifies that an entity must apply its provisions for accounting of borrowing costs, as defined in the content.

Therefore, the author schematically exemplifies the information and costs of a loan contract considering the problematic aspect of the research, namely the costs that participate in the APRC calculation, those that do not participate, the borrowing costs according to accounting standards, as well as their content overlap, based on the following figure:

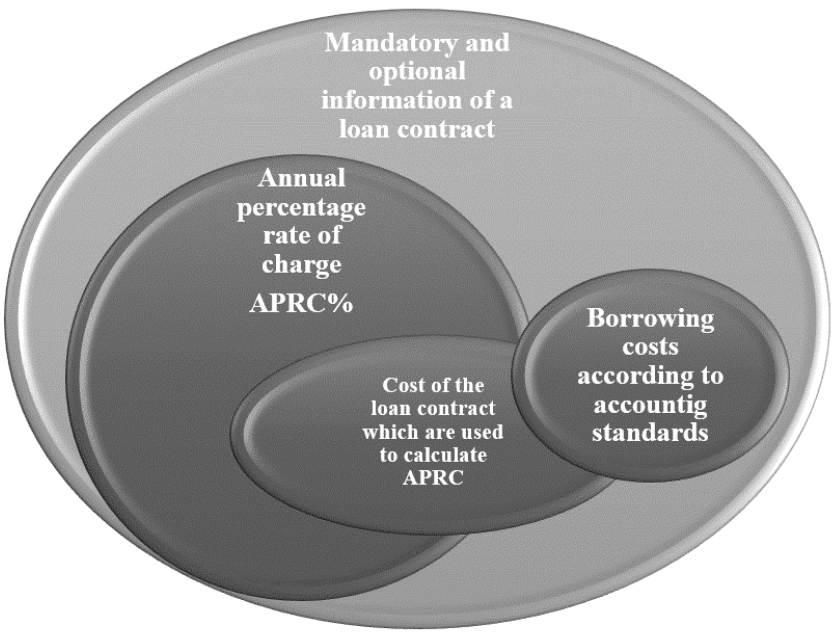

Figure 1 – Schematic framing of the costs of a loan agreement and borrowing costs in the information area of a loan agreement

Source: Developed by the author

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The general and comprehensive informational space of a loan agreement itself includes mandatory and optional information. Some elements related to the research are expressly included in this informational space, namely APRC, which in turn conditions the existence of regulated costs to be calculated. These costs can participate in the APRC calculation having a direct impact, but some costs related to a loan contract that are expressly specified as an exception from the list, do not participate in the calculation of the relative value, and in the figure they are outside of the APRC coverage area. Moreover, the borrowing costs regulated by accounting standards can be an informational structure of the mandatory or optional information platform of a loan contract. All these borrowing costs in most cases are identified with the costs of a loan contract, but being governed by special legislation, they cannot be applied to the calculation of APRC in percentage value.

Law no.202/2013 contains definitions regarding the total cost of credit for consumers and APRC. Moreover, in addition to the mentioned definitions, the regulator also imposes a series of costs related to loan contacts, which are not expressly mentioned, but are generally provided in the content of the law.

At the same time, accounting standards have a less exigent approach and give users the possibility and free space to apply professional judgment. Under these conditions, both the international standard and the national standard provide a definition of borrowing costs and the possible composition of these costs.

At first glance, it stands out that the rules included in different acts can be applied strictly and indisputably, as well as without clear borders and limits, which represents a solution for the content treatment of costs.

However, according to the World Bank Information Note (2013) “the comparability of data from different financial institutions, especially the calculation of annual percentage rates with the inclusion of all the costs of a loan, and not just the interest rate, is still a challenge for borrowers and lenders today. “

In order to specify in detail the similarities and differences between the legal and accounting provisions of the normative framework, the author examined the provisions of the specified normative acts, the main ones of which are presented in Table 1.

Table 1. Characteristics of the costs of a loan contract based on specific aspects according to different normative acts

Law no.202/2013	IAS 23 „Borrowing costs”	NAS „Borrowing costs”
Applicability		
Private persons (in practice it is also applicable to legal entities)	Private and legal persons according to the Law on Accounting and Financial Reporting no. 287/2017	Private and legal persons according to the Law on Accounting and Financial Reporting no. 287/2017
Comments: The focused character of Law 202/2013 on private persons disqualifies legal persons as ineligible for the applicability of the provisions of mentioned law, especially when determining the APRC of borrowed resources. In the author's opinion, this gap is an eloquent limitation and a legal barrier for legal or private persons who are required to ensure their accounting according to the provisions of Law no. 287/2017.		
Degree of coverage and specification		
“All costs” Mentions about components including the excepts	Interest rate and other costs incurred	Interest rate and other related costs
Comments: Law 202/2013 does no leave any space for interpretation, specifying from the start that the costs of a loan contract are all related costs, with some exceptions. At the same time, the accounting standards focus primarily on interest related of loans, as well as other costs, which in the opinion of the author can be selective depending on the relevance factors and the materiality. Moreover, IAS 23 “Borrowing costs” emphasizes that the costs must be borne by the entity, while NAS “Borrowing costs” mentions the costs as related, thus there is a lack of clarity at the time of their specification in the contract and their de facto bearing by entity of these costs.		
Obligation and express specification		
“All costs” “Any other type of cost”	Borrowing costs “may include”	Borrowing costs “include”
Comments: Law 202/2013 has an express approach and tends to include all possible costs. However, the text of the law specifies some costs and excludes others. In the author's opinion, this is benefic from the point of view of the composition. At the same time, the “may include” type specifications from the international accounting standard generate argued aspects of subjective interpretation given the fact of the interpretable approach to the costs that are included in the composition of borrowing costs. Therefore, the author considers this phrase to be one that produces risks regarding abuses of interpretation by users with a direct effect on the fair image of the financial statements. In the part of the national accounting standard, the regulator established precisely and concretely, that the borrowing costs include a specific list, but in the end of it left space for interpretations and extensions, sometimes unargued, which produces an unstable effect on the information in the financial statements.		
Highlighted components		
interest rate, commissions, taxes and any other type of costs that the consumer must bear in connection with the credit agreement and that are known to the creditor, with the	interest on bank overdrafts and short-term and long-term borrowings; amortization of discounts or premiums relating to borrowings;	interest related to loans; additional costs related to loans (for example, the value of consulting services, loan contract expertise, bank commission);

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exception of notary fees; the costs for the ancillary services related to the credit contract, in particular the average value of the insurance fees, are included for obtaining the credit or obtaining it is conditioned by the service contract, .according to the presented clauses and conditions.	amortization of ancillary costs incurred in connection with the arrangement of borrowings; finance charges in respect of finance leases recognized in accordance with IAS 17 Leases; and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.	financial leasing interests recognized in accordance with NAS "Leasing contracts"; the differences in the exchange rate and the amount related to the loans to the extent that they are considered as an adjustment of the interest costs; the amounts of the amortization of the premiums related to the bonds issued, etc.
Comments: All regulatory rules place primary emphasis on interest rate related to loan contracts. This fact essentially demonstrates that the largest share of the costs of attracting and managing borrowed resources is the interest. A specific difference between the provisions of the international accounting standard and the rules mentioned in Law 202/2013 is the fact that overdrafts are not included in the scope of the law, but the international accounting standard considers them eligible to be classified as part component of borrowing costs. Additionally, it should be mentioned that both the international accounting standard and the national one provide some specific elements as borrowing costs, which Law 202/2013 does not qualify as such. Respectively, differences in the exchange rate, financial liabilities related to leasing contracts are specific only to accounting standards. Therefore, as specified in the sections above, the lack of a strict limitation of the provisions of Law 202/2013 can be treated as a practical possibility to incorporate in the composition of the costs of a loan contract the elements described by the accounting standards, except the limitations expressly described by law.		
Particular and characterizable informational aspects		
The term of APRC, which represents the total cost of the credit for the consumer expressed as an annual percentage of the total value of the credit, including the costs mentioned in art. 23 (2), as applicable; For the purpose of calculating APRC, the total cost of the credit for the consumer is determined, with the exception of the costs borne by the consumer for non-compliance with any of the commitments established by the credit contract and other costs outside the purchase price, which, for purchases of goods and services , is obliged to pay it, regardless of whether the transaction is carried out in cash or on credit. The costs of managing an account that registers both payment operations and withdrawals, the costs of using a means of payment for both payment operations and withdrawals, as well as other costs related to payment operations are included in the total cost of the credit to consumer, unless the opening of the account is optional, and the costs of the account have been clearly and separately indicated in the credit agreement or in any other contract concluded with the consumer.	Presentations of specific and relevant information such as: the amount of borrowing costs capitalized during the period; and the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.	Particular and mandatory components of financial statements related to borrowing costs: the amount of borrowing costs capitalized during the period; the amount of debt costs recognized as current expenses; the capitalization rate used to determine the amount of borrowing costs to be capitalized; the amounts obtained from the temporary investment of the loans; the amount of debts related to unpaid interest within the established terms.
Comments: The specific provisions related to different normative acts aim to regulate the particular fields and the relevant information to achieve the regulator's goal in the administration of the legal basis. Law 202/2013 provides definition for a specific term such as APRC, which in turn includes most of the costs related to a loan contract, expressed in relative values, at the moment of the initiation of legal relations. At the same time, accounting standards require users to present relevant and necessary information in absolute values from one period to another. Thus, these fundamental differences have particular purposes and cannot be precisely compared. The basic elements that can be compared between APRC and borrowing costs are the component elements, which largely represent similar elements with specific content. The comparison of these elements was presented above.		

Source: Developed by the author

Following what has been presented, a common idea emerges among the researchers of the subject of the work, including the authors V. Bucur, et al (2015) who in their work Aspects of Recognition, Measurement and Accounting of Borrowing Costs state, for example, that : "a problem of how to determine the amounts of debt

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costs, depending on the case and their accounting, based on obtaining objective information about the related economic facts and in other situations, reflecting the truth."

As a result of the examination and detailed analysis of the institutional aspect and the comments offered on the procedure for comparing the normative acts in the table above, the author comes up with an extensive list of the issues related to borrowing of financing sources in the essence of APRC and the borrowing costs.

Respectively, the institutional aspect viewed through the lens of the comparison must also be treated from the point of view of the impact on the activity of private and legal persons, who according to Law 287/2017 are required to apply the accounting standards in their practice. More than that, the disturbing and stressful moment for users is the combination of legal documents regulated by civil legislation, especially the APRC concept and special legislation in the context of the borrowing costs from an accounting perspective. Additionally, it should be noted that Ilie (2022) in her work The True Cost of a Quick Credit states that "beyond the visible costs of a loan, there may be costs determined by the financing model, commissions and credit conditions that a consumer may neglect them", which can affect the level of indebtedness and information in the financial statements.

Considering the mentioned, the author proposes the following progressive solutions for users to ensure a sustainable economic process, based on the professional and reasoned application of the provisions of the legislation with reference to attracting and administering loans and determining related costs.

At the pre-contractual and execution stage of the loan agreement, the author considers it necessary to measure the costs of a loan, calculate and identify the components of the APRC according to the financing agreement and their transposition into the financial accounting in order to identify the necessary divergences or additions by applying professional judgment, as appropriate. Thus, the proposal is presented as to generate a comparison list with decision-making elements from the users in order to build a correct and complete information chain from legal provisions to accounting rules with the correct and complete presentation of information in the financial statements, according to the following model:

Table 2. Criteria for identifying and matching the costs of a loan

N#	**Name cost of the loan contract for APRC assessment**	**Other costs not included in the loan agreement, but related**	**Similar costs from the composition of borrowing costs according to accounting standards**	**The character of similarity**	**Possibility of inclusion in the composition of borrowing costs according to accounting standards**
A	1	2	3	4	5
1.					

Source: Developed by the author

According to the information in the table, an exhaustive effect is expected for the assessment of borrowing costs based on the APRC-related information, which is the only mandatory institutional instrument to be mentioned and described in the loan contracts. Accordingly, all costs underlying the APRC calculation can be specified in column 1 of the table. Additionally, applying professional judgment, costs that are legal exceptions but have been or will be borne by the entity can be identified and included in column 2. Column 3 represents the identification by comparison of similar costs provided by accounting standards in terms of borrowing costs. If the costs in columns 1 and 2 can be compared with the costs in column 3, the result is marked in column 4. Column 5 represents the decision to include or the impossibility of including the related costs, mentioned in columns 1-3, in the composition of the borrowing costs.

In order to develop the ideas mentioned above, the author notes that a significant difference between the APRC approach and financial accounting is the identification, recognition and measurement of interest amounts related to a loan contract. The general rules regarding the recognition and measurement of interest mentioned in a loan agreement are specified in NAS "Borrowing costs" and IAS 23 "Borrowing costs". At the same time, the rules regarding interest calculation and their assignment to a loan contract are mentioned in Law 202/2013.

In particular, according to points 8, 13 and 24 of the NAS "Borrowing costs" (2013), interest is recorded in the accounting and financial statements in the "management period in which they were actually incurred (calculated). The method of calculating and paying the interest and other borrowing costs is established in the loan and financial leasing contracts. The entity bears the borrowing costs to the extent of interest calculation and carrying out other costs related to received loans".

At the same time, IAS 23 "Borrowing costs" (2008), provides in point 8 that "an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them".

On the other hand, through the definition of the total cost of credit for consumers, stipulated in Law 202/2013, it is emphasized that the consumer must bear all the costs related to the credit contract and which are

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known to the creditor. Thus, the author comes to the conclusion that through the mentioned law, unlike the information from the financial statements, users can have a much more complete and developed image regarding the interest amounts and the period of their bearing. At the same time, the users of the financial statements qualitatively assess only the amounts of interest incurred by the entity during the respective acconting period, as described in the rules above.

In this situation, it is determined as problematic and necessary to solve the approach of presenting in the financial accounting the complete information on the total interest amounts, for all the subsequent accounting periods, related to a loan contract, without affecting the regulated structure of the financial statements.

To achieve the proposed goal, the author substantiates three possible ways of accounting of the total amounts of interest related to a loan contract for all valid accounting periods, as follows:

1) introduction of separate accounting sub-accounts of financial liabilities accounts to record the interest in the total amount related to received loans, related to the current accounting period and subsequent accounting periods;

2) initial accounting (bookkeeping) in the composition of the anticipated income (liabilities) of the total amount of interest related to the loans for the entire period of the contract, with the subsequent settlement to current liabilities to the extent of compliance with the criteria for their recognition;

3) use of accounting accounts of contingent liabilities for recording interest related to loan contracts in the total amount for all cumulative periods of performance of obligations.

In support of the exposed position, the following theoretical arguments are presented, which contribute to the implementation of the methodology described above. Respectively, NAS “Equity and liabilities” (2013) states that “liabilities are recorded following previous transactions or events, resulting from concluded contracts or from the requirements of the legislation in force. More than that, interest related liabilities are recognized as they are calculated according to the contractual conditions and are recorded as an increase in current expenses or the value of qualifying assets and an increase in liabilities”. Starting from the above, the author considers incomplete and imperfect the accounting regulations by which only part of the amount of interest from a loan contract is recorded in the accounting during the period. This method distorts information on the entity's total obligations and can create uncertainties for users of financial statements in making economic and managerial decisions.

The first approach is put forward to exclude these ambiguities and proposes treating the total amount of interest related to a loan contract as a financial liabilities with its registration in separate sub-accounts of the relevant accounting accounts. In this case, the possible accounting monograph would provide a simultaneous increase in receivables and long-term financial liabilities. As soon as the obligation to calculate and pay off interest liabilities arises, their share is included in current liabilities, according to the provisions of point 35 of the NAS “Equity and liabilities” (2013), which mentions that “at the reporting date the entity determines the current share of long-term liabilities which is recorded as a decrease in long-term liabilities and an increase in current liabilities”.

The second stated recommendation can be applied by entities with the same goal of presenting correct and clear information to the users of the financial statements regarding the existing obligations related to the interests of the borrowed loans. The methodological aspect of the accounting of total interest amounts can be perceived analogously to the one stated above, where long-term financial liabilities are substituted with long-term anticipated income accounts (liabilities). In the author's view, this accounting account is more relevant for the application, citing two arguments: the financial debts regarding the principal and interest are separated in different accounting accounts in order to be highlighted more clearly and transparently; and debts regarding the total amount of interest cannot be argued as being mandatory for calculation and/or payment, once situations of uncertainty generated by the early repayment of the loan or the influence of other contractual provisions on the amount of interest.

The third proposal for the qualitative development of financial accounting methods in the sense of the correct assessment of the information regarding the interest due related to a loan contract, fits perfectly into the normative space of IAS 37 “Provisions, contingent liabilities and contingent assets” (2008). This is also outlined in the objective of the mentioned standard, which stipulates the need “to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount”. More than that, the incorporation of the total amount of interest in the accounts of contingent liabilities corresponds to their definition and is materialized by the fact, as “ obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity”. Based on the above, the author recommends the application of accounting accounts related to contingent liabilities for the accounting of the total interest amount within a loan contract. This procedure will provide the users of the financial statements with relevant information and at the same time will not distort the qualitative aspect, by the fact of unjustified overvaluation of financial liabilities, as also provided by point 13 b) of IAS 37 “Provisions, contingent liabilities and contingent assets” (2008), such as, that “contingent liabilities are not financial liabilities”.

In the part related to the practical aspect of the information and indicators in the financial statements, the major challenge consists in the form and content of the necessary and relevant information based on the

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methodological proposals presented above. Taking into account the provisions of art. 22 of Law no. 287/2017, the author comes with the recommendation regarding the development and application of information notes from the composition of explanatory notes regarding information related to interest and other costs of loan contracts. These notes can contain elements of different order, which gives freedom in their preparation. In this regard, the content of such information note may include, but is not limited to, the following:

1) borrowing costs identified, defined, described, recognized and measured;
2) total costs of a loan contract and APRC;
3) terms of loan contracts;
4) the method of calculating and paying (including the terms) of interest;
5) accounting methodology and accounting accounts used for interest;
6) theoretical-practical argumentation regarding the chosen methods;
7) the impact on the position and fiscal aspects;
8) the comparative procedure in case that nothing would be undertaken in relation to the additional information related to interest in the explanatory note;
9) detailed instruction for users of financial statements regarding the correct and appropriate assessment of interest amounts of a loan agreement, and others.

Based on the above, it is realized that for subjects who apply the accounting standards, it is difficult and troublesome to make the connection and identify the informational need between the legal aspects in the part related to the provisions of Law 202/2013 and the provisions of the accounting standards. Therefore, stands out the importance, necessity and applicability in practice of concepts of relevance, materiality and the professional judgement for the efficient and ergonomic assessment from an economic point of view of the reports related to the attraction and management of borrowed sources.

Users of financial statements, including representatives of supervisory and control bodies, auditors, based on an exhaustive argumentation regarding the costs of a loan contract and their impact on financial accounting, can be sure of a treatment based on professional judgment and a professional analysis with the aim of non-admission and the exclusion of subjective and unargued interpretations.

The separate aspect considered important is the appreciation of materiality and the relevance of some costs to be assigned or cataloged. Accordingly, at all stages of cost management during the loan agreement, as well as the preparation of financial statements with explanatory notes, a unique and reasoned approach regarding relevance and materiality is required. Thus, when assessing the relevance and the materiality of a cost, the author recommends taking into account the following aspects:

1) the provisions regarding the relevance and materiality mentioned in the accounting policies;
2) studies and experience in previous similar contracts (consistency);
3) the legal aspect provided by the loan agreement (eg: in the case of loans between related parties);
4) consulting the auditor, by case;
5) the forecasted financial impact and its volume on the financial statements;
6) influence on fiscal aspects;
7) the level of institutional development and deepening for the given topic, etc.

When establishing the aspects mentioned above, the author is based on the idea that the relevant financial information regarding the costs of a loan contributes directly and effectively to the generation of a difference in the decisions made by users. The relevance in the case of the costs of a loan is an obligation dictated by the legislation, according to the provisions of art. 20 (3) of Law 287/2017 and it cannot be neglected, but it can be developed.

Moreover, the entity that attracts a loan against a payment must take into account all relevant factors and circumstances when evaluating the costs of this loan in order to have a clear image based on calculations, complete information and circumstances characterized by the good will of the parties.

Thus, in addition to professional reflections, institutional argumentation is also provided by IAS 23 “Borrowing costs “ (2013), which specifies that “determination of the amount of borrowing costs is difficult and the exercise of judgement is required”.

Based on the results of the research carried out, the author positions professional judgment as the legally and professionally argued connecting link from an accounting point of view between economic processes, especially in the part related to the identification, calculation, classification and accounting management of the costs of a loan through the prism of borrowing costs, based on the APRC concept.

IV. CONCLUSIONS

In general conclusions about the research, it should be mentioned that the work brings together some of the most important and problematic aspects of financial liabilities accounting, through the prism of the interconnection with the APRC concept. By applying the methods and techniques of scientific research, the author managed to debate and analyze from a scientific point of view the aspects underlying the accounting of financial liabilities, the

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borrowing costs as well as the legal aspect of APRC, which may contain untapped reserves for institutional development and practice.

A special element that ensured the successful performance of the research were the specialized publications on the topic and the opinions presented, as well as the recommendations submitted. At the same time, the author believes that for a wider opening of the subject, a thematic and in-depth approach to the legal framework is necessary. More than that, the opinions and recommendations presented in specialized publications represent a theoretical-practical argumentation, which in some situations may have divergent effects from the legal provisions and may affect the decision-making process of users of financial statements.

The most obvious difficulties in managing the costs of a loan and recording financial liabilities in financial accounting can be focused on aspects related to the identification of borrowing costs, considering the provisions of national and international accounting regulations, under the content of their definition, as well as similar terms applicable to banking sectors from the perspective of public finance and macroeconomic approaches, especially the description and classification of borrowing costs and APRC calculation. More than that, the particularities of specific terms used by international corporations or entities with foreign capital, members of groups and entities preparing consolidated financial statements and international reports, generate problems in establishing the univocal and indisputable definition of borrowing costs, the costs of a loan contract , APRC, their components, as well as their interconnection with the provisions of the loan contracts.

At the same time, the problems related to the classification and establishment of the components of the borrowing costs and APRC represent a challenge for the users of the financial statements, who in most cases have to contrast the existing regulations, legal classifications, widely accepted practices as well as internal needs and of the entity in establishing the degree of completeness of detailing the component elements and their classification.

In order to mitigate the influence of factors that bring uncertainty and subjective aspects in the accounting and presentation of information on financial liabilities as well as the borrowing costs, the author formulated the following recommendations:

• *application of distinct accounting sub-accounts of the accounting accounts of financial liabilities for the generalization of the information on the total amounts of interest for the entire period of execution of the loan contracts;*

• *accounting of the total interest amounts of a loan contract as part of anticipated income (liabilities) or contingent liabilities;*

• *using the model for identifying and matching the costs of a loan, according to the proposed example;*

• *identification of the nomenclature of information regarding loan contracts and related costs, to be presented in explanatory notes to financial statements;*

• *assessment of the materiality and relevance of the methodological development needs of borrowing cost accounting and the additional information required to be presented in the financial statements, regarding the legal, fiscal and financial aspects;*

• *application of professional judgement in situations subject to multiple interpretations and containing obvious and untapped reserves of methodological development specific to financial liabilities and borrowing costs;*

• *operation of changes and additions in the NAS and the General Plan of accounting accounts of entities from the Republic of Moldova, regarding the recognition and reflection in accounting accounts of the borrowing costs, according to the stated proposals.*

In the end, the accounting of the borrowing costs in particular situations of comparison with APRC and of exemplifying the provisions included in normative documents, is a subject less treated by IFRS, NAS as well as in the specialized literature. This fact represents a challenge for the interested parties in the theoretical and practical development of the mentioned field and the modernization of the existing approaches to achieve an exhaustive presentation of information in the financial statements.

Acceptance of the mentioned challenges can have an effect of regulatory expansion in situations where professional judgment can be treated subjectively by the supervisory and control bodies. At the same time, any movement in this field represents a step towards the sustainable and qualitative edification of the accounting sector of financial liabilities and borrowing costs.

The improvement proposals and possible solutions stated in the paper can be used as a basis for other works in the sense of applying critical thinking and oriented towards the creation of a thematic platform for examining problems and solutions in the field of financial liabilities accounting and borrowing costs.

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