



REFLECTION ON THE AGRICULTURAL ACTIVITY IN ACCOUNTING

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Abstract

The specific features of agricultural sector are provided in the International Accounting Standards and Financial Reporting Standards IAS/IFRS, these standards being respected by multinational companies and listed companies that will need to prepare their financial reporting set according to IAS / IFRS. The main piece of roumanian legislation regulating the accounting system is The Accounting Law number 82/1991. Currently, financial accounting in Romania is regulated by O.M.F.P. 1802/2014 organized in a uniform manner across all economic sectors, with a single chart of accounts applies to all businesses, including those specific to the agricultural domain. In this paper the main objective is to point out, on the one hand the terms relating to agricultural activity, and on the other to realize a structured presentation of the main accounts from othe General Chart of Accounts used in agricultural activity in Romania.

Key words: agricultural activity, biological transformation, the biological asset

JEL Classification: M41

I. Introduction

The agriculture alongside industry are branches of material production from Romania. Currently, Romania is characterized by an agricultural complex problematic from economically and socially, Romania being situated on the 5th place in the European Union in terms of the arable land and contributing more than 3 percent to the agricultural production of European Union, as specified in the White Book of the Foreign Investors Council. Also, in the same document indicated that Romania could become the third country from European Union in agriculture domain, after France and Germany, in case the productivity would be close to the European average, but for this being required a

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strategy on long term. In recent years, the Romanian accounting system has undergone of a continuous process of changes designed to improve, simplify and increase the accuracy of accounting operations by harmonizing Romanian accounting regulations with those of the EU.

II. Terms relating to the agricultural activity

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets (live animals and live plants) for sale or for conversion into agricultural products or into additional biological assets.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes of a biological asset.

Specific activities of the agricultural activity:

- agriculture,
- forestry,
- cultivation of annual or perennial plants,
- cultivating orchards or plantations,
- floriculture and aquaculture (including fish farming).

These activities have common characteristics, namely:

- ability to change: living animals and plants are capable of biological transformation;
- change management: the manner of administration facilitates biological transformation by improving or at least stabilizing the conditions necessary for carrying out the process (for example, nutrient levels, moisture, temperature, fertility, and light).
- assessment of change: change in quality (for example, genetic merit, density, ripeness, fat content, protein content and the degree of resistance of the fibers) or quantitative (the number of chicks, weight, volume, length or diameter fibers and number of buds) determined by biological transformation or harvest is measured and monitored as a routine management function.

OMFP no. 1802/2014 introduces the category of biological assets (source being IAS 41 "Agriculture"). Some of them are productive biological assets and will be presenting in the balance sheet to the tangible assets mass, and another part is the nature of inventory and will be presenting in the balance sheet to the positions of stocks.



III. The classification of biological asset

The biological asset is a living animal or a living plant being classified as noted above in two categories: productive biological assets (for which the rules of valuation of tangible assets); biological assets of the nature of inventory (valued and accounted by the rules specified by order for inventories).

This classification is based on the length of time to obtain economic benefits and preparation for use, taking into account criteria such destination. Thus, the productive biological assets are classified in turn in the following categories, succinctly presented in the Table no. 1:

Table no. 1. - Categories of productive biological assets

<i>mature biological assets</i>	which ensures multiple agricultural products and / or biological assets additional over a period exceeding one year (for example, vineyards, orchards, fruit trees, perennial crops of flowers, fodder, vegetables, cows , sheep , pigs, horses adult)
<i>immature biological assets</i>	which include some groups of mature biological assets (eg, rabbits, fur animals, adult birds)

In the biological assets of the inventory nature are delimited the following categories, presented in the Table no.2:

Table no. 2. - Categories of biological assets of inventory nature

<i>growing and fattening animals</i>	which include some groups of mature biological assets (eg, rabbits, fur animals, adult birds)
<i>immature,</i>	like young animals (calves, piglets, lambs) and discarded animals from the base herd (flock) and sending to fattening.

From this classification, we can present clear the terms of productive biological assets and the biological assets of inventory nature.

The productive biological assets are any assets other than biological assets of the nature of inventory , such as for example, dairy animals, grape vines, fruit trees, and trees from which get the firewood, but continues to exist after harvesting, being not cut.

These categories of productive biological assets are considered self-regenerating assets. Accounting evidence is on these:



a) Animals employment, production and reproduction, which pays off, and during their operation are getting manure, hoeing, which will be reflected in the accounts as production of residual products.

b) The bearing plantations, are a special category of tangible assets. Wine-growing tree plantations requires the completion of several stages, namely: the training seedlings in nursery (planting material represents the finite production); Young plantations (considered tangible assets in progress); switching to fruit of a young plantations.

Biological assets of nature of inventories and agricultural products are those that are to be harvested as agricultural products or sold as biological assets. Such of biological assets may be animals for meat production, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber.

Agricultural products are the results at harvest moment from the biological assets of the entity, for example, wool, felled trees, cotton, milk, grapes, fruit collected etc. If the reporting entity processed the agricultural products, results finished products, for example, yarn, clothing, carpets, timber, cheese, sugar, processed fruit etc.

Harvest is the separation of the agricultural products by a biological asset (eg milking dairy or the Grape Harvest or fruit) or termination of the life processes of a biological asset (eg felling of trees or slaughter of the animals).

IV. A comparative analysis on the highlight of a biological productive assets and biological assets of inventory nature

A comparative summary concerning the emphasizing a productive biological asset by a biological asset of nature of inventories can be presented in Table no. 3.

Table no. 3. - Biological assets

<i>Productive</i>	<i>inventories nature</i>
<i>- fixed assets</i>	<i>- inventories</i>
<i>- held for more than one year</i>	<i>- held for up to a year</i>
<i>- held for use in the own activity</i>	<i>- held to be sold in the ordinary course of business</i>
<i>- Examples: perennial plantations: the formation of seedlings in nurseries, young plantations, passing on the fruit plantations.</i>	<i>- Examples: animals for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat.</i>



The exemplifying categories of biological assets, agricultural products and products obtained from their processing is shown in Table no. 4.

Table no. 4. - The categories of biological assets, agricultural products and finished products

Biological assets (reflected in the accounts 217 or 361)	Agricultural assets (reflected in the account 347)	Products resulting from processing after harvest (reflected in the account 345)
Hens	Eggs	mayonnaise
Sheep	wool	yarn, carpets
Pigs	enclosures	sausage
Pisciculture	fish good , fry	products from fish
trees in a plantation or forest (forest massif)	felled trees	logs, sawn
Plants	cotton	clothes
cereal crops	cereal, straw	flour, cereal, various combined feed
vegetable crops	vegetables	vegetable cans, pickles
dairy cows	milk	cheese, butter, pressed cheese
fruit trees (orchard)	picked fruit	processed fruits, dried fruit compote, canned fruits
grape –vine	grapes	Wine crude raw material for juices

V. The main accounts used in agricultural sector

A presentation of the accounts used in agricultural activity is shown in the Table no. 5.

Table no. 5. - The main synthetic accounts OF Grade 1 and 2 related to agricultural activity and their economic content according to OMPF 1802/2014

The symbol of account	The name of account	The specificity of each account
217	Productive biological assets	With these accounts tracks the evidence of breeding animals and work and plantations.
227	Productive biological assets in purchase	With these accounts tracks the evidence of productive biological assets purchased, which were transferred risks and benefits, but at the end of the reporting period are under supply (in purchase).



2817	Amortization of productive biological assets	With these accounts tracks the evidence of amortization of productive biological assets
2917	Impairment of productive biological assets	With these accounts tracks the evidence of the impairment of productive biological assets
3025	Seeds and planting materials	With these accounts tracks the evidence of the the existence and movement of seeds and planting materials.
3026	Feed	
346	Residual products	With this account tracks the evidence of the the existence and movement of the residual products (scrap, salvage, waste materials).
347	Agricultural products	With this account tracks the evidence of the agricultural products
356	Biological assets of the nature of inventories held by third parties	With this account tracks the evidence of the biological assets of the nature of inventories held by third parties
361	Biological assets of inventories nature	With this account tracks the evidence of the Biological assets of the nature of inventories, namely animals born and young animals of any kind (calves, lambs, piglets, etc.) in order to increase and their use for employment and breeding and fattening animals and birds for recovery; bee colonies and production animals (wool, milk, fur).
3946	Impairment of residual products	With these accounts track the evidence of constitution, usually at year-end, adjustments for impairment of inventories of residual products, agricultural products, biological assets such as inventories, as well as supplementing, their reduction or cancellation, according to the policies adopted by the entity.
3947	Impairment of agricultural products	
395	Impairment of inventories held by third parties	
6025	Expenditure on seeds and planting materials	With this account tracks the evidence of the consumables.
6026	Expenditure on fodder	
606	Expenditure on biological assets of the nature of inventories	With this account tracks the evidence of the biological assets of the nature of inventories that are out from the entity.
7017	Income from sale of agricultural products	With these accounts track the evidence of income from the sale of agricultural products and the biological assets of the nature of inventories
7018	Income from sale of biological assets of the nature of inventories	
703	Income from sale of the residual products	With this account tracks the evidence of income from the sale of residual products.



VI. Reflection in accounting of the evidence of biological assets and agricultural products

The summary of the main economic and financial operations regarding evidence of biological assets, the inventory of biological assets, both productive biological assets and biological assets of inventories nature, as well as the productive biological assets in purchase and agricultural products, are presented in Tables no. 6 (217 - Productive biological assets), Tabel no. 7. (227 - Productive biological assets in purchase), Tabel no. 8. (347 - Agricultural products), Tabel no. 9. (361 - Biological assets of inventories nature).

The account 217 - Productive biological assets Contul 217 "Active biologice productive", keep records of breeding and working animals as well as plantations.

Table no. 6. - The account 217 Productive biological assets (active account)

DEBIT	CREDIT
<ul style="list-style-type: none"> ■ the value of biological production assets purchased or made from own production (217=404, 217=231); ■ the value of productive biological assets received through investment grants, free of charge or found plus inventory (217=475); ■ valoarea activelor biologice productive purchased from affiliated entities or associates and jointly controlled entities (217=451, 217=453); ■ increase from the net accounting value resulting from revaluation of productive biological assets, unless there has been a previous decrease recognized as an expense related to the revalued tangible assets (217=105); ■ the increase from the net accounting value resulting from the revaluation of productive biological assets, recognized as income to offset the decreasing expense recognized previously in that asset (217=755). 	<ul style="list-style-type: none"> ■ the unamortized value of the productive biological assets removed from the accounting records (658=217); ■ depreciation of productive biological assets removed from the accounting records (281=217); ■ the decreases in net accounting value resulting from the revaluation of productive biological assets, within the limit of the revaluation reserve (105=217); ■ the value of the decrease resulting from the revaluation of productive biological assets recognized as an expense with the full amount of the impairment when the revaluation reserve is not recorded an amount related to that asset (655=217).
<p><i>Account debit balance represents the value of existing productive biological assets.</i></p>	



For those productive biological assets in purchase, from purchased fixed assets category, for which the related risks and benefits have been transferred but which are under supply at the end of the reporting period, the accounting evidence is presented in Table no. 3 for the account 227 Productive biological assets in purchase.

Table no. 7. - The account 227 Productive biological assets in purchase (active account)

DEBIT	CREDIT
<ul style="list-style-type: none"> ■ the value of the productive biological assets in the category of purchased tangible assets, for which the related risks and benefits have been transferred but are being supplied (227=404). 	<ul style="list-style-type: none"> ■ the value of the productive biological assets of the bought-in fixed assets category, for which the supply process was completed (217=227).
<p><i>Account debit balance represents the value of the biological production assets of the purchased tangible assets category for which the related risks and benefits have been transferred but which, at the end of the reporting period, are in the process of being supplied.</i></p>	

The account 347 - Agricultural products, keep records of agricultural products, being an active account.

Table no. 8. - The account 347 Agricultural products (active account)

DEBIT	CREDIT
<ul style="list-style-type: none"> ■ the value at the registration price of agricultural products entered into management and inventory pluses (347 =711); ■ the price differences in the minus or favorable (cost of production is lower than the standard price) for incoming products from own production (347 =348); ■ the value at the registration price of agricultural products brought from third parties (347 =354, 347 = 401). 	<ul style="list-style-type: none"> ■ the value at the registration price of the agricultural products sold and the inventory gaps (711=347); ■ price differences in the minus or favorable spread over the products out of the management (348=347); ■ the value at the registration price of agricultural products transferred to their own sales outlets (371=347); ■ the value at the registration price of agricultural products withheld for use in the same entity (301=347, 302=347); ■ the value at the registration price of agricultural products granted to employees as payment in kind, according



	<p>to the law (421=347);</p> <ul style="list-style-type: none"> ■ the value at the registration price of agricultural products sent to third parties (354=347); ■ the value of agricultural products donated or destroyed by calamities (658=347).
<p><i>Account debit balance reflects the value at the cost of recording biological assets of the existing inventories nature .</i></p>	

The account 361 - Biological assets of inventories nature (active account), keep records of biological assets of inventories nature, namely, the animals born and young of any kind (calves, lambs, piglets, foals etc.), in order to grow and use them for labor and reproduction, the animals and the birds fattened for valorization; bee colonies, and production animals (wool, milk and fur).

Table no. 9. - The account 361 Biological assets of inventories nature (active account)

DEBIT	CREDIT
<ul style="list-style-type: none"> ■ the value at the cost of recording biological assets of the inventories nature purchased (361=401, 361=408, 361=326, 361=542); ■ the price differences in the minus or favorable (the registration price is lower than the standard price) of the biological assets of the inventories nature entered into management (361=368); ■ the value at the cost of recording biological assets of the inventories nature that are purchased from affiliated entities or associates and jointly controlled entities (361=451, 361=453); ■ the value at the cost of recording the biological assets of the inventories nature received from the unit or subunits (361=481, 361=482); ■ the value at the cost of recording biological assets of the inventories nature brought from third parties (361=356, 361=401); ■ the value of biological assets of the inventories nature representing the in-kind contribution of shareholders/associates (361=456); 	<ul style="list-style-type: none"> ■ the value at the registration price of biological assets of the inventories nature that are sold - from own or purchased production - found minus inventory and those sent to third parties (711=361, 606 =361, 356=361); ■ the price differences in the negative or favorable prices of the biological assets in the inventories nature out of the management (368=361); ■ the value at the recording cost of the biological assets of the inventories nature delivered to the unit or subunits (481=361, 482=361); ■ the value at the cost of recording biological assets of the inventories sold as such (371=361); ■ the value of losses from disasters (658=361).



<ul style="list-style-type: none">■ the value at the registration price of biological assets of the inventories nature obtained from own production, weight gains and inventory surcharges (361=711);■ the value of biological assets of the inventories nature received free of charge (361=758).	
<p><i>Account debit balance is the value at the cost of recording biological assets of inventories nature existing in stock at the end of the period.</i></p>	

VII. Conclusion

In conclusion, it is important to note that the evaluation of the biological assets of the economic entities which carries out agricultural activities is done in compliance with the provisions of OMFP 1802/2014, by which to the evaluation of the productive biological assets applies the rules for the evaluation of the tangible assets and the biological assets of the inventory nature are evaluated and accounted in according to the specified inventory rules. Thus, in the case of biological assets of the inventory nature, their cost is transferred to the agricultural products at the time of harvesting and for the productive biological assets a cost analysis must be carried out in order to delimit the costs that fall into the production cost of the agricultural products from those that are later expenses for productive biological assets.

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