

FINANCIAL STATEMENTS FOR LEGAL PERSONS WITHOUT PATRIMONIAL PURPOSE

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Abstract:

Annual financial statements and annual financial statements that are simplified represent a whole. According to the law of accounting, annual financial statements must be accompanied by a written declaration of assumption of responsibility by the leadership of the legal person for annual financial statements in accordance with Accounting rules for legal persons without patrimonial purpose. Annual financial statements are prepared in a clear manner and should be consistent with the provisions of these regulations.

Key words: Annual financial, patrimonial, legal persons, simplified, the profit.

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INTRODUCTION

Legal persons without patrimonial purpose draw up annual financial statements which include¹:

- balance sheet;
- profit and loss account;
- notes to annual financial statements.

Employers' organizations and unions, as well as other organizations without patrimonial purpose, which do not engage in economic activity, prepare simplified annual financial statements comprising:

- shorthand balance sheet;
- shorthand account of the income year;
- notes to annual financial statements simplified.

Annual financial statements give a true and fair view of assets, liabilities, financial position, surplus or deficit on activities without patrimonial purpose and special purpose activities.

RESEARCH METHODOLOGY

Unincorporated subunits, which are legal persons without patrimonial purpose resident in Romania to organize and lead their own accounts to trial balance level, but do not prepare annual financial statements.

The work undertaken² abroad by unincorporated subunits, owned by legal persons without patrimonial purpose established in Romania, is included in the financial statements of the Romanian legal entity and reported in Romania, according to these regulations.

¹ Ordin nr. 1969/2007 din 09/11/2007, privind aprobarea reglementărilor contabile pentru persoanele juridice fără scop patrimonial, Publicat în Monitorul Oficial, Partea I nr. 846 din 10/12/2007

² Virginia Greceanu-Cocoș, Constantin Pătruța – „Contabilitatea comparată, comentată, aliniată, simplificată și actualizată la persoanele juridice fără scop patrimonial”, Editura Pro Universitaria, București 2008

The exchange rate used for conversion into national currency of balance checks drawn in another currency is the exchange rate by the National Bank of Romania, valid for the balance sheet date. This course is specified in the notes.

The regulators may require additional information to be included in the annual financial statements in addition to those to be presented in accordance with these regulations.

The format of the profit and loss account and balance sheet, particularly regarding the form adopted for their presentation, can not be changed from one year to another. In exceptional cases, deviations from this principle are allowed. Any such deviation must be disclosed in the notes, together with an explanation of the reasons which have led to them.

The format, sequence and terminology of the elements in the balance sheet and profit and loss account that are preceded by Arabic numerals must be adapted, if the specific nature of a legal entity without patrimonial purpose requires it. Such adjustments should be made when required by special regulations issued by Regulatory authorities.

To every element of the balance sheet or the profit and loss account, the corresponding value of the element in the previous year must be associated. An element of the balance sheet or the profit and loss account for which no value exists should not be given unless there is a corresponding item from the previous financial year.

The balance sheet is the summary document which sets out the assets, liabilities and capital of the legal entity without patrimonial purpose at the end of the financial year and in other cases provided by law.

In the balance sheet, assets and liabilities are grouped by nature and liquidity or nature and chargeability, respectively.

If an asset or a liability is related to more than one item in the balance sheet format, its relationship with other elements is to be presented in the notes, if such a presentation is essential for understanding the annual financial statements.

Shares in affiliated entities should be presented only in the elements provided for this purpose.

All commitments in the form of guarantees of any kind must, if there is no obligation to present them as liabilities, should be clearly presented in the notes, and a distinction should be made between different types of guarantees recognized by national law. A separate presentation should also be made the value of any collateral that was provided. Commitments of this kind that exists in relationship with affiliated entities should be presented separately.

Presentation of assets as fixed assets or current assets depends on the purpose for which they are intended.

Fixed assets comprise those assets for use on a continuing basis, for the purposes of the legal person's activities without patrimonial purpose.

Movements in the various elements of property are presented in the notes. For this purpose they are presented distinctly, starting with the acquisition or production cost for each fixed element, on the one hand, growth, sales and transfers during the financial year, on the other hand, and the adjustments to the cumulative value at the beginning of the financial year and the balance sheet date as well as adjustments made during the financial year to the value adjustments in previous financial years. Value adjustments are shown in the balance sheet as clear deductions from relevant elements.

If, when annual accounts are prepared under these rules for the first time, the purchase price or production cost of a property can not be determined without unreasonable expense or delay, the residual value at the beginning of the financial year may be treated as the purchase price or production cost. Any application of this provision should be documented in the notes.

Rights of property and similar rights, as defined by national law, should be presented in "Land and buildings".

For the purpose of these rules, by participating interests we mean rights to the capital of other entities, whether or not through certificates, which, by creating a durable link with those entities, are intended to contribute to the activities of the entity. Holding parts of the capital of other entities is presumed to represent a participating interest when exceeding a percentage of 20%.

Costs incurred during the financial year, but are related to a subsequent financial year shall be presented under the heading of "expenses in advance".

Income which, although concerning the current financial year, shall not be received until its expiry, should be submitted under "Claims". If such revenues are significant, they should also be presented in the notes.

Value adjustments include all adjustments which take account of reductions in values of individual assets established at the balance sheet date whether that reduction is final or not. Value adjustments can be: permanent adjustments, referred to as depreciation, and / or temporary adjustments, referred to as adjustments for impairment or loss of value, depending on the permanent or temporary nature of adjustment of asset values.

Provisions are intended to cover debts whose nature is clearly defined and which on balance are likely to be, or it is certain that there will be, but there is uncertainty regarding their value or the date at which they will appear.

Provisions may not be used to adjust asset values.

Income receivable before the balance sheet date but relating to a subsequent financial year shall be presented under the heading of "Revenue in advance."

Expenses which, although concerning that financial year, will be paid only in the subsequent financial year shall be presented as "Debt". If such costs are significant, they should be presented in the notes.

GENERAL ACCOUNTING PRINCIPLES

Evidence³ presented in annual financial statements is evaluated in accordance with general accounting principles provided in this section, under accrual accounting. Thus, the effects of transactions and other events are recognized when transactions and events occur (and not as the treasury or its equivalent is received or paid) and recorded in the accounts and reported in the financial statements of the periods involved.

The principle of going concern. It must be presumed that a legal person without patrimonial purpose operates on the principle of going concern.

This principle requires that the entity continues its normal operation without going into liquidation status or significant reduction in activity. If the managers of an entity are aware of some elements of uncertainty related to certain events that may lead to inability to continue work, these elements must be presented in the notes. If the annual financial statements are not prepared on the basis of continuity, this information should be presented, together with explanations on how they are drawn and reasons for the decision that the entity no longer able to continue working.

The principle of consistency. Assessment methods must be applied consistently from one year to another.

The principle of prudence. Assessment must be made on a prudent basis and, in particular:

- a) only the surplus / profits made at the time of the balance sheet can be included;

³ Ordin nr. 1969/2007 din 09/11/2007, privind aprobarea reglementărilor contabile pentru persoanele juridice fără scop patrimonial, Publicat in Monitorul Oficial, Partea I nr. 846 din 10/12/2007

- b) must take into account all debts incurred during the current financial year or a previous year, even if they become apparent only between the balance sheet date and the date it is drawn up;
- c) must take into account all foreseeable liabilities and deficit / potential losses arising in the current financial year or a previous year, even if they become apparent only between the balance sheet date and the date it is drawn up;
- d) must taken into account all depreciation, whether the result of the financial year is lack / loss or surplus / profit.

The principle of independence of exercise. You must take into account the income and expenditure for the financial year, regardless of the date of receipt or payment of such income and expenditure.

The principle of separate assessment of assets and liabilities. Under this principle, the components of the assets or liabilities must be valued separately.

The principle of inviolability. The opening balance for each financial year must correspond with the closing balance of previous financial year.

The netting principle. Any offset between assets and liabilities or between income and expense items is prohibited. Any compensation between claims and liabilities of the legal person without patrimonial purpose to the same entity can be made, respecting the law, but after recording accounting revenue and expenditure at full value.

General rules for supporting and financial-accounting documents and accounting records. Any economic and financial operations carried out are recorded immediately in a document which underpins the accounting records, acquiring the quality of supporting document.

Under the provisions of art. 6. (2) of the Accounting Law no. 82/1991, republished, with amendments and additions, documents underlying accounting records are binding on the persons who have prepared, endorsed and approved them, as well as those who have registered them in the accounts, as appropriate.

Supporting documents must include the following main elements⁴:

- name of the document;
- name and, where appropriate, registered office of the unit that prepared the document;
- the document number and date of drafting;
- tax code (where appropriate);
- mention of parties involved in the economic and financial operation (when applicable);
- the content of the economic and financial operation and, when necessary, its legal basis;
- quantity and value data related to the economic and financial transaction;
- the full name and signatures of the people who have prepared, endorsed and approved the document, where appropriate;
- other elements to ensure complete record of transactions.

The documents underlying accounting records may become supporting documents if they provide all the information required under the legal rules in place.

Data is documented in ink, pen, or by using automatic data processing systems, as appropriate. Supporting and accounting documents should not feature erasing, modifications or other such practices, empty spaces between transactions entered or missing files.

Errors⁵ are corrected by crossing the text or figure with a line, so it is still legible, and the correct text or figure written above.

⁴ Ordin nr. 1969/2007 din 09/11/2007, privind aprobarea reglementărilor contabile pentru persoanele juridice fără scop patrimonial, Publicat in Monitorul Oficial, Partea I nr. 846 din 10/12/2007

Corrections are made in all copies of supporting documents and confirmed with the signature of the person who drafted / corrected the documents, mentioning the date of the correction.

If the documents are not allowed corrections, as is the case with those from which cash is received, warranted or issued, or other documents for which the rules of use require such restrictions, the document prepared incorrectly is cancelled and remains in that book (is not detached) unless it is a travel order (for a business trip), based on which the difference between actual travel expenses and the advance granted is received or refunded.

In order to be recorded in accounting, financial and economic operations of legal persons without patrimonial purpose must be supported by original documents, prepared or reconstituted according to legal provisions.

In case of loss, theft or destruction of supporting or accounting documents, legal persons without patrimonial purpose will take measures to reconstitute them within maximum 30 days of the discovery, according to regulations issued for this purpose.

Archiving and record keeping of supporting documents and accounts as well as replacing lost, stolen or destroyed documents and accounting shall be in accordance with norms for preparation and use of registers and common forms of business accounting and financial economics, developed and issued by the Ministry of Economy and Finance.

Accounting for capital transactions, property, except for tangible fixed assets, third parties and for the treasury is carried out with the Statement for various operations. Accounting for assets of tangible fixed nature is carried out with the fixed asset statement. Accounting for stocks is carried out with the statement for material values. Accounting of costs depends on the nature of the expenditure, divided between different kinds of activities, in effect activities without patrimonial purpose, special purpose activities according to law and economic activities.

For each kind of expenditure a statement for various operations will be drawn up, which will record all documents chronologically.

Accounting for revenue depends on the kinds of income, by nature, classified based on kinds of activities, with activities without patrimonial purpose, special purpose activities according to the law and economic activities.

For each kind of income a statement for various operations will be drawn up, which will record all documents chronologically.

The classification of revenue and expenses of legal persons without patrimonial purpose is provided in the Accounting rules for legal persons without patrimonial purposes, included in Annex. 1, and is the basis for their revenue and expenditure budget.

Accounting for revenue and expenditure, by nature, can develop analytically, according to the needs imposed by certain rules or according to the needs of the legal entity without patrimonial purpose. In the case of a change over from double entry bookkeeping to accounting in a simple game, trial balances from the previous year will be taken as opening balances in the statement for various transactions for the current year.

With the change over from accounting in a simple game to double accounting, balances sheets for various operations in the year ending December 31st will be the opening trial balances for the current year.

Accounting records

⁵ Virginia Greceanu-Cocoș, Constantin Pătruța – „Contabilitatea comparată, comentată, aliniată, simplificată și actualizată la persoanele juridice fără scop patrimonial”, Editura Pro Universitaria, București 2008

In simple game accounting for legal persons without patrimonial purpose the following accounting records are mandatory: Register – Log journal and Register – inventory.

Accounting records are to be used in strict accordance with their intended purpose, presented in an orderly manner and drafted so that, at any time, identifying and controlling accounting operations performed is possible.

The log journal records of all operations undertaken, based on documentary evidence. Transactions recorded in the journal are totalled both monthly and annually.

The inventory serves to record all assets and liabilities, grouped according to their nature, inventoried according to legal norms.

Legal persons without patrimonial purpose are required to conduct general inventory of assets and liabilities, in cases provided by law, in compliance with applicable accounting regulations and rules issued in this regard the Ministry of Economy and Finance.

CONCLUSION

Deviations from the general accounting principles in this section may be made in exceptional cases. Any such deviations must be listed in the notes and the reasons which have led to them, together with an assessment of their effect on the assets, liabilities, and surplus / profit or deficit / loss.

Annual financial statements give a true and fair view of assets, liabilities, financial position, surplus or deficit on activities without patrimonial purpose and special purpose activities. Annual financial statements and annual financial statements that are simplified represent a whole. According to the law of accounting, annual financial statements must be accompanied by a written declaration from the leadership body of the legal person assuming responsibility for annual financial statements in accordance with Accounting rules for legal persons without patrimonial purpose.

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