

ACCOUNTING AND FISCAL ASPECTS REGARDING THE PROVISIONS IN THE NEW REGULATIONS CONTEXT

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Abstract: The provisions issue is a controversial one because, on one hand, the application of the prudence principle in various situations imposes that these accounting structures to be used but, on the other hand, the limitation of their formation expenses' deductibility makes many economic entities to avoid their recognition. Another controversy generated by provisions is related to the value estimations that they involve and, also, to other subjective aspects that their valuation and accounting set. The present article tries to emphasize and to offer solutions in order to solve these conflicts taking into consideration the actual accounting and fiscal regulations, namely OMFP 1802/2014 and the new Tax Code, available from the 1st of January 2016.

Key words: provisions, deductibility, prudence.

INTRODUCTION

The term „provisions” is a more or less accurate translation of the French term „provisions”. It is significant only in an accounting context, but not in a daily one. Except from the accounting field, provisions are also used in the banking field. In this context, provisions are used in order to prevent the credits non-refunding risk.

Thus, this term was borrowed from the French accounting, as a source of inspiration for the nowadays Romanian accounting, without having an equivalent term in Romanian. This could have been a good reason for treating it more particularly in the “Regulation of Applying the Accounting Law” at the moment of its introducing, at the beginnings of the Romanian system reform.

Even the term's content was identical with the French one and he has defined at that time (1993), all of the three categories of provisions, namely: “The regulated provisions”, “The risks and expenses provisions” and “The depreciation provisions”.

Afterwards, the accounting system quit “The regulated provisions (by the OMFP 94/2001) AND “The provisions for depreciation” changed their name into “Adjustment for impairment” (OMFP 1752/2005), being more closely to the Anglo-Saxon concept of “provisions”, being reflected by two different notions, namely “Provisions for risks”, defining the “Provisions for risks and expenses” and “Depreciation Reserve”, defining the “Provisions for Depreciations”, the regulated provisions being absent.

Remaining only a category of provisions, their name was changed from “Provisions for risks and expenses” into “Provisions”.

The repeated accounting modifications of these structures had also a fiscal impact, the most important regulations on this side being the HG 355/1995, regarding constituting, using and fiscally deducting the companies and banks' provisions and, later on, the Fiscal Code, with all its modifications, some of them also targeting the fiscal regime of the provisions expenses and revenues.

LITERATURE REVIEW

In the last years, the worldwide economics placed itself in a large process of business globalization, of economic relationships' internationalization of multinational companies and foreign capital investments' development. World widely, in this context, accounting couldn't stay indifferent to these mutations and, naturally, accounting harmonization and normalization phenomena appeared. In our country, the accounting field transformations and changes have followed, in the last twenty years, a way that started from the French accounting system's imitation (after the 1990's), has continued

with the harmonization to the European Directives and to the International Accounting Standards (in the 2000's) and later on (in 2005), it has been followed the conformity with the European Directives and with the International Financial Reporting Standards for a certain number of economic entities (listed companies or those elaborating consolidated accounts) [2]. Nowadays, the Romanian accounting follows the way of harmonization to the European Directive 2012/34/UE and to the IFRS.

On the 9th of July 2009, the IASB issues the IFRS standards for SME's having as purpose providing a financial reporting framework for the small and medium enterprises that belong to its field of reporting. In 2010, the CECCAR issued a study focused on the similarities and differences between the SME's IFRS and the accounting Romanian regulations concerning them. Along this study, the authors also take into consideration the accounting treatment of provisions issue, seen from the Romanian and international accounting regulations' point of view. [15]

A number of professors and researches had concerns in the provisions accounting and fiscal treatment in the context of the Romanian accounting system harmonization to the European and international Referential. Thus, Nicolaescu [10], in the paper "Accounting Structures and Techniques Regarding the Provisions" widely treats the provisions issue, namely the place of provisions in the conceptual accounting framework, their relation to the accounting principles and to the valuation, as a method of accounting, the main techniques for registering the provisions in the accounting and also the differences between the provisions' accounting and taxation.

Berheci [2], in her paper "The Financial Statements' Information Using" leans on the analyzing of different applied accounting treatments, presented on activity cycles without resorting to an exhaustive accounting of the economic and financial events and transactions that could take place within an entity. In the content of the paragraph addressed to the financing cycle, the above mentioned author brings into discussion, in a comparative manner, the provisions and the contingent debts and liabilities theme, from the national and international referential point of view, presenting a range of observations and implications on the national regulations.

Order no. 1802/2014 assumes even the few elements necessary in order to be in accordance with the IAS 37 "Provisions, Contingent Debts and Liabilities" foresights. Thus, we assist to a harmonization of the Romanian accounting referential, regarding the provisions, to the IAS 37 "Provisions, Contingent Debts and Liabilities". Bunea [4] emphasizes these aspects of the harmonization through exemplification and analyzing by resorting to the professional reasoning the texts regarding provision's recognizing, valuation and using from the national regulation point of view.

Shortly after Order no. 1802/2014 came to operation, Rapcencu & Stanciu [12] elaborate a practical guide regarding the new accounting regulations applied from the 1st of January 2015 in which we could find also the issue of the accounting treatment of provisions, the author aiming to emphasize the harmonization to the IAS 37.

Using the provisions and their fiscal impact represented the object of many accounting papers that took into consideration the report between accounting and taxation. One of the first certain papers, a reference paper for analyzing the report between the accounting and the taxation in Romania was "The Company's Accounting and Taxation", written by Ristea & collaborators. [11].

The provisions policy within an entity influences its activity result and, for this reason, the using of provisions is considered one of the creative accounting techniques. This fact represents a consequence of the provisions way of expressing and functioning. When using the creative accounting, companies "swell" the provisions and decrease the level of results during the "good years" and also "un-swell" the provisions and increase the results in during the "bad years", often replacing loss with profit. [2014]. A range of authors brought into discussion in their papers aspects related to the provisions creative

accounting and to their ways of constitution influence. Thus, we recall the concerns of the following professors: Malciu [9], Feleagă și Malciu [7], Dumitrescu [6], Cernușca [5], Groșanu [8] and others.

MATERIALS AND METHODS

The main purpose of this paper is to analyze the accounting and the fiscal treatment of provisions and also this structure's using in the accounting practice. In order to accomplish this purpose, there will be used two work techniques, namely the comparative study and the exploratory study.

The comparative study will focus on the actual theory and practice from the provisions accounting and fiscal approach's point of view by comparing the foresights of the international accounting referential to the foresights of the Romanian accounting referential, namely by comparing the fiscal Romanian regulations related to provisions to the ones of other states' in the past and in the present.

The exploratory study uses as a method the poll/questionnaire, its main objective being the study of the accounting professionals' perception on the approach regarding the provisions' using in the accounting practice. The research is a descriptive, cross-cut one, the period when it took place was February - March 2016, and the research method used being the poll and the research tool being the questionnaire. In order to accomplish this objective, we tried to find out the frequency of using and the practical applicability of provisions, namely their utility within the accounting practice.

RESEARCH RESULTS

International Accounting Standard 37 "Provisions, Contingent Debts and Liabilities" defines provisions as "liabilities with uncertain chargeability or value that are not fully controlled by the entity" (IASB, 2015).

The same standard states that a provision must be recognized if the following conditions are fulfilled:

- ✚ An entity has a present obligation (legal or implicit) as a result of a past event;
- ✚ It is likely that in order to discount the obligation to be necessary an outflow of resources embodying economic benefits;
- ✚ The value of the obligation can be estimated credibly (IASB, 2015).

Referring to the provisions' valuation, the international referential states that the provisions valuation to represent the best estimation, namely the value recognized as a provision should be the best estimation of the expenditure required to settle the present obligation at the balance sheet date (IASB, 2015).

As the accounting recognized value of provisions is determined by estimating, a relatively "subjective" procedure in order to clarify some aspects of IAS 37 comes with some specifications such as (IASB, 2015):

- ✚ In order to determinate the best estimation of a provision, one should consider the risks and uncertainties affecting inevitable events and circumstances;
- ✚ If the effect of the money value in time is significant, the value of a provision should be the present value of the expenditures expected to be required to settle the obligation;
- ✚ Future events that may affect the required values in order to settle an obligation should be reflected in the value of a provision where there is sufficient objective evidence that those events will occur.

IAS 37 comes out with clear information regarding the ulterior changing of provisions and their use.

Referring to the first aspect, one states that: provisions should be reviewed at each balance sheet date and adjusted in order to reflect the best current estimation. If that is no

longer probable that, for settling of the obligation, will be required an outflow of resources embodying economic benefits, provision should be resumed (IASB 2015).

Regarding the use of provisions, IAS 37 states that a provision should be used only for expenditures for which it was originally recognized (IASB).

These elements relating to provisions have been also undertaken by the OMPF 1802/2014, they being described in Section 4.10, which includes information concerning: the recognition of provisions, the categories of provisions, measuring provisions, refunds related to provisions.

Generally, provisions are considered for: litigation, fines and penalties, damages, claims and other contingent liabilities, expenses related to service activity during the warranty period and other costs related to the security of clients, decommissioning of the fixed assets, restructure actions, pensions and similar obligations, taxes, termination of employment, bonuses to be granted to staff depending on the obtained profit, according to legal or contractual foresights in connection with concession agreements or contracts for pecuniary interest, etc. (OMPF 1802/2014, Section 337, Paragraph 1).

The previous order, namely the OMPF 3055/2009, has detailed various issues related to: provisions for restructuring (Paragraph 224), provisions for pensions (Paragraph 225) and provisions for taxes (Paragraph 226). In addition, it specifies on provisions that may be part of “Other provisions” (OMPF 3055/2009, Section 227, Paragraph 1):

- ✚ Benefits paid to employees for termination of employment as a result of the decision of an entity to conclude the contract of an employee before normal retirement date or an employee’s decision to accept voluntarily leaving unemployed in exchange for those benefits;
- ✚ Other benefits that the entity is going to pay to employees or to persons depending on them, which are not related to restructuring or retirement;
- ✚ Expenditures related to environmental protection, namely for: protecting the air; wastewater management; waste management, protecting the soil, groundwater and surface water; protecting the biodiversity and landscape; other activities in order to protect the environment;
- ✚ Obligations mutually agreed with a third party etc.

The OMPF 1802/2014 comes with new clarifications referring to other categories of provisions namely: provisions for termination of employment, provisions for concession agreements, and provisions for consideration contracts. Because these elements represent news of the actual regulations, further on will be detailed several aspects.

Thus, according to section 383 of the OMPF 1802/2014 “the provisions for termination of employment are made for obligations assumed by the entity in relation to employees for termination of employment for example, obligations under the collective agreement, to pay an amount in correlation with the number of years worked in the entity. These provisions are recognized when their payment is clear in a predictable period of time.”

Paragraph 384 of the same law provides on “provisions for concession arrangements that if the operator of a concession agreement service has a contractual obligation to maintain infrastructure at a certain level of use or bring infrastructure to some state before being handed over to the grantor at the end of the service agreement, as duties to fulfill as a condition of the license received, these contractual obligations to maintain or restore infrastructure are recognized as a provision and are evaluated at the best estimate of the expenditure that would be required to settle the present obligation at the actual date of the balance sheet.”

Referring to provisions for consideration contracts, Paragraph 385 states that “if an entity has a consideration contract, the current contractual obligation stipulated in the contract should be recognized and measured as a provision. A consideration contract is a contract in which the unavoidable costs in order to fulfill the contractual obligations

exceed the economic benefits expected to be obtained from the contract. The unavoidable costs of a contract reflect the net cost for getting out of the contract, namely the lowest value between the cost of implementation of the contract and any compensation or penalties arising from failure to fulfill the contract. Before making a separate provision for a consideration contract, an entity recognizes any impairment loss on assets allocated to the contract in question". Regarding the accounting of provisions, the OMPF 1802/2014 retains of previous legislation, the 151 account "Provisions", the synthetic grade II accounts being the same, except the fact that it introduces a new account 1517 "Provisions for termination of employment".

The constitution and increasing the provisions continue to be reported by debiting the account 6812 "Operating expenses for provisions" and the cancellation and reduction of provisions by crediting the account 7812 "Income from provisions".

Just as the OMPF 3055/2009 has provided, the initially estimated costs with dismantling and removal of the fixed asset and with the restoration of the site on which the fixed asset is placed will be recorded in credit of the account 1513 "Provisions for decommissioning of fixed assets and similar actions related to them" and in debit of the appropriate accounts in group 21.

The novelty brought by the OMPF 1802/2014 in the accounting of provisions is also a consequence of harmonizing national accounting regulations with IAS/IFRS and requires the updating of the provisions where the effect of the money value in time is significant, the amount of a provision should represent the present value of the expenditures expected to be required to settle the obligation (IAS 37, pct.45). In this situation the increase of the provision is made by debiting the new financial expense account 6861 "Expenditure on updating provisions".

Also, the OMPF 1802/2014 takes over the accounting treatment of IFRIC 1, which may differ depending on the valuation model used for tangible assets, namely the cost model or the revaluation model. Provisions, namely provisions for decommissioning tangible assets occur when using the first method when any changes to the allowance affects book value of tangible assets for which that provision was created. Thus, the initially estimated costs with dismantling and removal of the fixed asset and those with the restoration site that the fixed asset is positioned on will be recognized in the debit of the correspondent accounts, (212 "Buildings", 213 "Technical installations, vehicles, animals and plantations", 215 "Investment property", 216 "Tangible exploration and evaluation of mineral resources") and in the credit of the account 1513 "Provisions for decommissioning property and other similar actions related").

The changes through which the national tax legislation relating to provisions passed could be found also in the situation of other countries. Thus, for example in France, since 2006 the term of provisions for risks and charges ("provisions pour risques et charges") was replaced, as well as in the Romanian accounting with the provisions ("provisions") and the term of depreciation provisions (provisions pour depreciation) was replaced with the term depreciation ("depreciation"). Also, the regulated provisions ("provisions reglementees") narrowed a lot their area, limiting themselves to derogatory provisions for depreciation ("amortissements derogatoires") and to price increases of inventories ("hausse des prix relatives aux stocks").

Because the mechanism of provisions, namely the formation/increasing and the cancellation/reduction are operations influencing structures of expenses and revenues, and having, thus, an impact on the result, they fall within the interest of taxation, the tax legislation giving details concerning the deductibility of expenses related to the formation/increasing or taxation of income obtained by the cancellation/reduction of provisions.

Next, we make a comparison between the deductibility of the main categories of provisions in various European countries and a comparison between the foresights relating to tax provisions in various regulations which have been settled over time in Romania.

The results of the first comparison are presented in the table below:

Table1

Comparisons Regarding the Fiscal Impact of Provisions in Different European Countries

No.	Country	Provisions for litigation	Provisions for guarantees	Provisions for pensions and other similar obligations	Provisions for taxes	Other provisions
1.	Austria	Limited deductibility, but wide enough	Limited deductibility, but wide enough	Limited deductibility, but wide enough for many situations (e.g. the money cashed to the employees at the dissolution of their contract)	Limited deductibility	There are provisions having a fiscal character
2.	Belgium	Extremely limited deductibility	Extremely limited deductibility	Extremely limited deductibility	Extremely limited deductibility	There are not provisions having a fiscal character
3.	Denmark	Non-deductible	There are not authorized	Non-deductible	There are not authorized	There are not provisions having a fiscal character
4.	Finland	Restrictive deductibility	Restrictive deductibility	Partially deductible	Restrictive deductibility	There are not provisions having a fiscal character
5.	France	Deductible	Deductible	Non-deductible	Limited deductibility	There are provisions having a fiscal character
6.	Germany	Deductible	Deductible	Generally deductible	There are not authorized	There are provisions having a fiscal character
7.	Greece	Non-deductible	Non-deductible	Partially deductible	There are not authorized	There are not provisions having a fiscal Character
8.	Ireland	Only those for specific litigations are deductible	Non-deductible	Only those for paid vacations are deductible	There are not authorized	There are not provisions having a fiscal character
9.	Italy	Non-deductible	Non-deductible	Only those for paid vacations and for compensations for dismissal are deductible	There are not authorized	There are not provisions having a fiscal character
10	Luxembourg	Deductible	Non-deductible	Only those for commissions for staff gratification and those for pensions are deductible	Only those for deductible taxes are deductible	There are not provisions having a fiscal character

11.	Holland	Non-deductible	Deductible	Limited deductibility	There are not authorized	There are not provisions having a fiscal character
12.	Portugal	Only those expressly provided by law are deductible	Only those expressly provided by law are deductible	Only those expressly provided by law are deductible	Only those expressly provided by law are deductible	There are provisions having a fiscal character
13.	United Kingdom	Non-deductible	Non-deductible	Non-deductible	There are not authorized	There are not provisions having a fiscal character
14.	Spain	Non-deductible	Non-deductible	Non-deductible	There are not authorized	There are not provisions having a fiscal character
15.	Sweden	Limited deductibility, but wide enough	Limited deductibility, but wide enough	Deductibility in certain conditions	Deductibility according to the law	There are provisions having a fiscal character

Source: own elaboration based on information from "Fiscalitate europeană", by Brezeanu, Șimon and Celea (2005)

In what concerns the Romanian tax law, one of the oldest and explicit acts referring to tax issues generated by the provisions' mechanism consists of the Government Decision no. 335/16.05 1995 about the regime of formation, using and deductibility of the entities and banks' provisions.

In accordance to the foresights of this act, the costs of provisions for performance guarantees to customers in contractual terms were deductible.

Because of their deductibility, these expenses will influence not only the accounting result of the year, but also the fiscal result. Even because of these fiscal implications, the moment when creating provisions for guarantees and their size are clearly defined by the legislation.

Also, provisions for expenses to be distributed over more years (structure that currently does not exist anymore) have not been deductible.

The expenses in order to create provisions for the depreciation of assets (today impairment of assets) have not been deductible.

The exception to this rule were the provisions for impairment of receivables - customers, which, according to HG 335/1995 were deductible within the limits of the claim not covered by advances received and collateral held by the entity on customers.

According to the same act, the provisions for unearned receivables have been constituted if the bankruptcy process has been confirmed by judgment.

As size, the constituted amount could not be greater than the limit of the uncovered receivable by the advances cashed and by the guarantees held by the entity on those clients and any other assurance elements.

Currently, the document that establishes fiscal rules related to provisions is the Law no. 227/2015 regarding the Fiscal Code, which was last updated by Law no. 358 of 31 December 2015.

The foresights related to provisions are included in Article 26 entitled "Provisions/Impairment and reserves".

We should note that, unlike the previous foresights, it is firstly ensured the harmonization of the fiscal terminology with the accounting one by replacing the phrase "Provisions for depreciation" with "Adjustments for depreciation", making the distinction between provisions themselves (subject of group 15 of the General Accounting Plan) and adjustments for depreciation.

According to Paragraph (1) b of the article mentioned above "provisions for performance guarantees to customers are deducted quarterly/yearly only for the delivered

goods, the performed work and the rendered services during the quarter/year respectively are warranted in future periods at the rates laid down in agreements concluded or at the percentages set out in tariff of performed guarantee works or of rendered services". (the Tax Code applicable from the 1st of January 2016, Article 26, Letter b, Paragraph 1).

Paragraph (2) of the same article comes with the following specifications:

a) for the construction works that require performance guarantees, as stipulated in contracts, such provisions are constituted with a quarterly basis, within the quotas set out in contracts, with the condition of reflecting as revenues the full value of the work performed and confirmed by the beneficiary on the basis of the works;

b) the value of the provisions for performance guarantees is recorded as revenue according to the expenses appearance or at the end of the listed in contract guarantee period;

c) the same foresights apply in the case of provisions for performance guarantees of external contracts, awarded under the law of manufacturers and service providers, for complex exports situations, proportionally with the share of participation in their implementation, with the condition that they find themselves distinctly in tariffs of contracts or of works performed/invoices "(Tax Code valid from the 1st of January 2016, Article 26, Letter b, Paragraph 2).

Another category of provisions whose formation/increasing generates deductible expenses are provisions for decommissioning of tangible assets and other actions related to them.

Thus, according to the same article "taxpayers authorized to conduct business in the exploitation of natural deposits are required to record in the accounts and deduct provisions for the decommissioning of wells, demobilization facilities, outbuildings and annexes and environmental rehabilitation, including the restoration of land affected and playing them in the economic cycle, forestry or agriculture, in the limit of 1% applied to the accounting current result for the segment of exploration and production of natural resources, with the exception of the current result corresponding to marine perimeters including areas of water deeper than 100 m and excluding the result of other business segments of the taxpayer for the entire duration of the exploitation of natural deposits". (the Tax Code, valid from the 1st of January 2016, Article 26, Paragraph 2).

Another specification made by the new Fiscal Code refers to holders of petroleum agreements that carry out petroleum operations in maritime areas which include water areas deeper than 100 m for which "the provision's quota allowance for decommissioning wells, demobilization installations the outbuildings and annexes and environmental rehabilitation is 10% applied to the part of the accounting current result for the segment of exploration and production of natural resources corresponding to these offshore blocks and excluding the result of other business segments of the taxpayer on throughout the oil exploitation". (the Tax Code, valid from the 1st of January 2016, Article 26, Paragraph 3).

Referring to the revenue recognition resulting from cancellation/reduction of provisions made, Paragraph 5 states that reducing any provision that was previously deducted, is included in the fiscal result as taxable income or similar income, whether the reduction or cancellation is due to change in use provision, to distribution of provision to participants in any form of liquidation, to division in any form, to merging of the taxpayer or to any other reason.

The exception to this foresight shall be granted if another taxpayer takes over a provision in connection with a merging or division, in any form, further regulations applying to that provision.

Regarding the use of provisions by the accounting professionals, there have been conducted a survey using a questionnaire in order to attempt the frequency of use and the practical applicability of provisions, namely the applicability of provisions in the practice of accounting.

The questionnaire was distributed to 200 accounting professionals, members of the CECCAR, Arad branch and contains six questions divided into two categories:

- ✚ General questions, their role being to provide a more accurate picture on the personal profile of the accounting professionals from the sample;
- ✚ Questions regarding the perception of the accounting professionals in accordance with the using of provisions within the accounting practice.

Throughout the general questions we sought to emphasize:

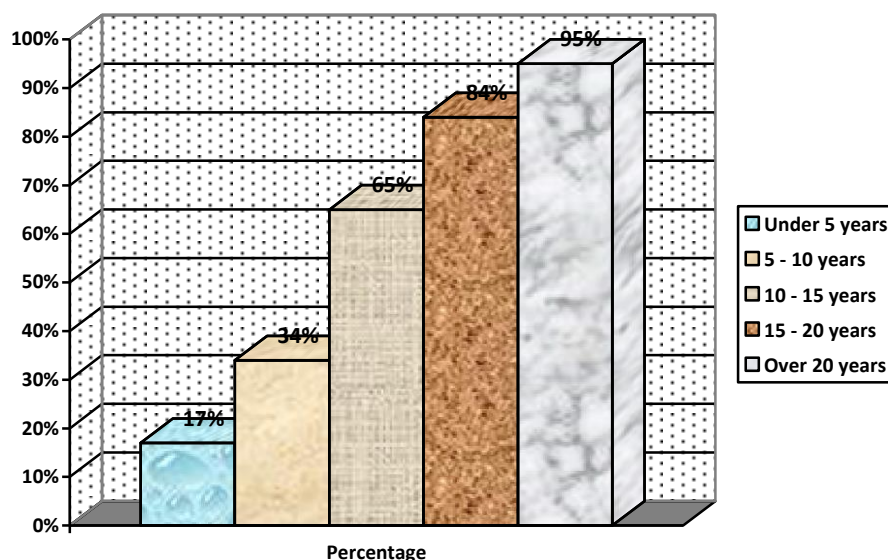
- ✚ The status of respondents in the CECCAR. Of the 200 accountants surveyed, 30 people are authorized accountants and 170 people are expert accountants.
- ✚ The experience of the respondents in the accounting profession. Of those questioned, 44 people have an over 20 years experience in the accounting profession, 49 people between 15 and 20 years, 46 people between 10 and 15 years, 32 people between 5 and 10 years and 29 persons under 5 years.
- ✚ The sex of the accounting professionals interviewed. 160 of the respondents were women and 40 were men.

The second part of the questionnaire includes three questions that analyze the perception of the accounting professionals on the use of provisions within the accounting practice. These questions are:

- 1) Have you used throughout your job the practice of provisions?
- 2) If the answer to the above question is “Yes” , what types of provisions within Group 15 of the General Accounting Plan have you used?
- 3) Do you find the provisions practice useful?

The results of the processed questionnaire are presented below:

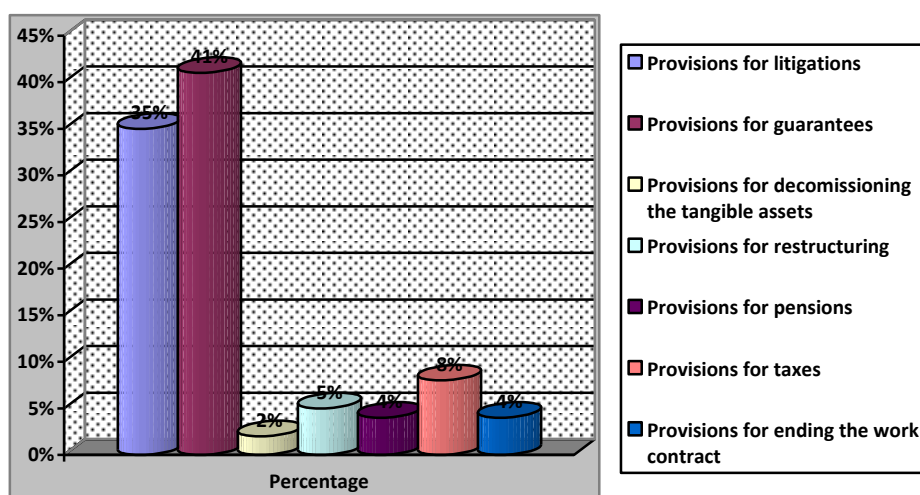
- 1) Have you used throughout your job the practice of provisions?



Source: own elaboration based on the answers within the questionnaire

Figure 1. The using of the provisions practice throughout the professional activity, divided on professional experience categories

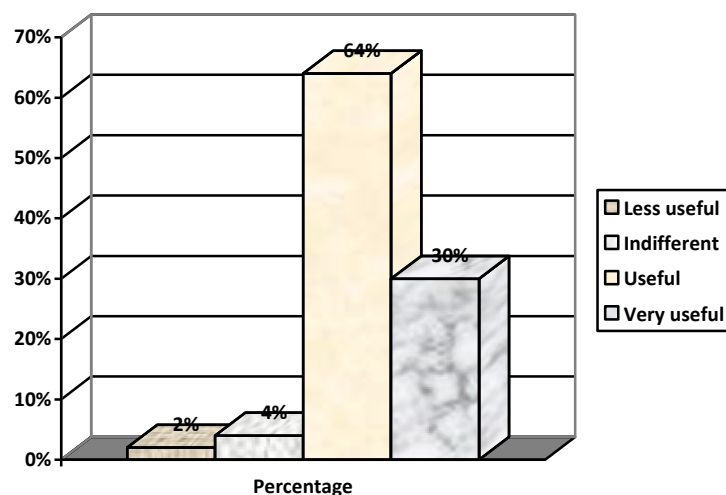
- 2) If the answer to the above question is “Yes”, what types of provisions within Group 15 of the General Accounting Plan have you used?



Source: own elaboration based on the answers within the questionnaire

Figure 2. The using of the provisions from Group 15 of the General Accounting Plan throughout the professional activity

3) Do you find the provisions practice useful?



Source: own elaboration based on the answers within the questionnaire

Figure 3. The utility of the provisions practice

CONCLUSIONS

As this article took into consideration the provisions issue from an accounting and a fiscal point of view and, directly linked to these aspects, their using in the accounting practice, the conclusions will also refer to these issues. Thus, from an accounting perspective we are going to make a comparison between the foresights of the national accounting referential and those issued by the international accounting regulatory bodies, particularly by IASB, and between the accounting treatment of provisions prescribed by the OMFP 3055/2009 and the OMFP 1802/2014.

We are going to do the same approach in what concerns the fiscal issues where conclusions will cover the results of the comparison between the deductibility of provisions in Romania and in other European countries as well as comparisons between new and old foresights of the Tax Code.

As a final conclusion, we are going to make a connection between the accounting, the taxation and the using of provisions in nowadays Romania.

Regarding the provisions accounting, it is clear the continuing and even growing the trend of Romanian legislation to harmonize with the international accounting regarding all aspects related to provisions (definition, recognition, valuation, modification, etc.). All the innovations, details and breakdowns that are found in the OMPF 1802/2014 are “inspired” by the IAS 37 “Provisions, Contingent Debts and Liabilities”.

Comparing the foresights of the OMPF 3055/2009 with those of the OMPF 1802/2014 on the provisions issue, there can be noticed the appearance of certain information concerning the new category of provisions namely: provisions for termination of employment, provisions for concession agreements, and provisions for consideration contracts. In order to account the first category there has been introduced a new account, namely 1517 “Provisions for termination of employment”, other provisions being recorded using different analytical accounts of the account 1518 “Other provisions”.

Another new aspect, as a consequence of the national accounting legislation harmonization with the IAS/IFRS is updating the obligation to amend the provisions where the value of money in time is significant. For the expense caused by the increasing of provisions in this situation it has introduced a new account, namely 6861 “Expenditure on updating provisions”.

There can be also noticed the functioning of the account 1513 “Provisions for decommissioning property and other similar actions related”, which will enter into correspondence with accounts of tangible assets that will be debited with the estimated costs of dismantling and removal and also of site restoration thereof.

Also, the OMPF 1802/2014 takes over the accounting treatment of IFRIC 1, which may differ depending on the valuation model used for tangible assets, namely the cost model or the revaluation model.

About the fiscal issues related to provisions, a comparison between the tax treatments of provisions in various European countries, as shown in Table 1, leads to the conclusion that the treatment of various categories of provisions is different from one country to another. Thus, we can meet permissive countries concerning the deductibility of provisions, such as Sweden or Germany, but also countries where all categories of countries are non-deductible, such as Denmark, the UK or Spain. A rather low degree of deductibility is present in Italy, Greece or Ireland. The other countries are between the two extremes being more permissive with deductibility of certain provisions and less permissive with others deductibility. In this classification, Romania tends towards the quite restrictive countries in terms of provisions’ deductibility the only categories allowed to deduct, under certain conditions, as presented throughout the article, being the provisions for guarantees given to clients and the provisions for the assets’ decommissioning.

Referring to the innovations introduced in the tax provisions by the new Fiscal Code is the issue related to the fiscal terminology harmonization with the accounting one by replacing the expression “provisions for depreciation” with “adjustments for depreciation”, making the distinction between provisions and adjustments for depreciation.

Regarding the interpretation of the questionnaire, the conclusions are the following:

- ✚ The percentage of those using the provisions into accounting practice increases with seniority in the profession, reaching 95% for those with experience in the accounting field of more than 20 years;
- ✚ The most common provisions are the provisions for guarantees given to clients (41% of respondents answered that they used them) followed by the provisions for litigations (35%);
- ✚ Just 2% of the questionnaire respondents found provisions less useful, the vast majority considering them useful (64%) and very useful (30%).

The interpretation of the results of this questionnaire allows us to conclude that the use of provisions in the accounting practice is considered useful by the vast majority of

accounting professionals, who actually uses them and, the most used are the provisions for guarantees given to clients and the provisions for litigations.

The widespread using of provisions for guarantees given to clients could be explained by the permission to deduct the expenses arising from these provisions. For the other categories of provisions, which are not deductible, their use in order to decrease the outcome may be a measure through which the accounting professionals to “temper” the quasi-permanent desire of the companies owners to distribute dividends and, thus, removing liquidity from firm, liquidity which, in case of happening the risk the provisions was constituted for, could be used to cover damages caused by the expected risk.

The wide range of provisions laid down by the OMPF 1802/2014, the quite precise specifications regarding the evaluation of these provisions and their mechanism and, also, the positive impact that the provisions constituting could have on the company treasury, should be as many reasons in order to motivate the accounting professional to appeal to their use as a more accounting, than fiscal measure. In this case we are witnessing an optimization of company’s management, the accountant’s prudence dictated by the principle of prudence, offsetting the often unjustifiably optimism of the manager/owner of the company.

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