

**ACCOUNTING IN AGRICULTURE.  
CONCEPTUAL, PARTICULAR AND APPLICATIVE ASPECTS**

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***Abstract:** Agriculture represents a branch of a big importance within the economy of a country, having the role of taking part to the national economic growth. The main objective of this article is emphasizing the conceptual and applicative particularities of the agricultural accounting. In order to be more specific, the paper aims to present the agriculture's characteristics, its conceptual delimitations, the concept of agricultural unit and agricultural holdings and, in the same time, the differences between them and the documents used in the agricultural area. By using these data and a case study, we are going to emphasize the specific operations of this activity field and we are going to present an accounting monograph of a company having such an activity field. We consider this an actual subject, agriculture being an extremely important economic branch.*

**Key words:** agriculture, agricultural unit, agricultural holding, documents, biological assets

**INTRODUCTION**

This article was elaborated in order to highlight the importance of accounting and its impact on economy. It is remarked that agriculture, as a branch of the economy, according to OMFP 1802/2014, comes out with some new information both at the conceptual and at the General Accounts Plan [16]. Agriculture is defined as the branch of material production which consists in plant cultivation and animal husbandry in order to obtain food and raw materials and in all the works and methods used for this purpose [17]. The specific features of agriculture are generated mainly by the characteristics of its resources. Agriculture differs from other branches of the economy by its volume, structure and manifestation. Therefore, IAS 41 on "Agriculture" defines agricultural activity as "the management by a company of the biological transformation and harvesting of biological assets in order to be sold or processed into additional agricultural products or biological assets" [18].

The characteristics that distinguish agriculture from other areas of material production are [3]:

- Earth, as the main means of production that has an active role due to fertility (agricultural activity would not be possible, this particularity of the earth is used in production);
- Natural and biological factors determine the cyclical nature of production;
- Natural conditions widely influence the production process;
- In agriculture, the labor force is of a temporary type due to the difference between the lower working hours and the higher production time;
- Secondary products are produced in significant quantities/ significant quantities in addition to basic production;
- There is a possibility of a discrepancy between the moment when the expenses are advanced and the moment when they are recovered.

A possibility to classify agricultural production from the accounting point of view is the following [3]:

- a) By the nature:
- Industrial, zoo technical and vegetable products;
  - Young and fattened animals, including weight gain, as well as mature animals;
  - Conduct of services and works with own resources to other units and farms.
- b) By the processing period:
- Finished production, which includes those agricultural products that do not require any modification until the production and reproduction of mature animals [14];
  - Semi finished products, as they are presented, can be capitalized, and if they are stored they will need some maintenance and refinement processes [14];
  - Unfinished production, including raw material under processing, agricultural work and stock of young and fattened animals [4].
- c) By the economic importance the finished products are classified in:
- Main products, which represent the purpose of the production activity of which they are part: wheat, eggs, milk, etc;
- Secondary products that are made simultaneously with the main ones, among which are: manure, gorges, wheat straw, corn cobs, etc.

## MATERIALS AND METHODS

### Conceptual delimitation, evaluation of agricultural products and biological assets

Animals and live plants are the components of the biological assets according to IAS 41 on agriculture. Some of the biological assets involve depreciation, feature that delimits them from agricultural products belonging to stocks which are not under depreciation.

Agricultural activity is represented as being managed by an entity in terms of biological transformation and collection of biological assets (animals and live plants) for sale or for the modification, reproduction, degeneration of agricultural products or additional biological assets.

In order to be classified as biological assets in the category of stocks, they are either harvested as agricultural products or are intended to be sold as biological assets. Sales include fish from fish farms, crops such as wheat or maize, trees grown for timber and animals for wool, fur, and meat or eggs production [3].

There is a significant difference between productive biological assets and agricultural products. The first category could be included both as fixed assets or current assets. Biological assets are all other assets that do not include biological assets such as fruit trees, vines, dairy animals, etc.

According to IAS 41 [18], The valuation of biological assets and agricultural products is made at fair value minus estimated point-of-sale costs. In exceptional circumstances, in which the fair value or the alternative fair value is not credible, a biological asset may be valued only by its initial recognition minus any cumulated depreciation. At the time of the collection of the entity's biological assets, they become agricultural products such as cotton, wool, milk, pickled fruits, etc [4].

### **The concept of agricultural holding and agricultural unit**

In Romania, agriculture has been reconstituted, and, as a consequence, various forms of entities have appeared. Within them agricultural and agro-food production activities are carried out. For these entities, certain concepts are used, such as: a company, an agricultural holding or a unit.

The agricultural unit is the “place” where the farmer uses the inputs for the production of agricultural products. One can exploit the land as a landlord, lessee, manager or contractor. Over time, the agricultural unit has developed so that from the family holding it reaches the characteristics of a complex holding unit, even of an integrated type in many cases.

The variety of agricultural units is given by the following particularities: the type of the carried out activities, the legal and economic form of organization, the form of ownership, the dimensions, the production factors, etc. Agriculture has as main forms of economic organization the following: small peasant households, family expropriations, corporations or societies, agricultural cooperatives, farmers’ associations, etc [12].

The concept of agricultural holding is defined as „a complex form of ownership organization, by which land, animals and other means of production are valued, constituting a unitary site for the purpose of performing works, providing services and obtaining efficiency of agricultural products.”

The most frequently encountered agricultural holding is the family type one because the labor force used is supplied in a high proportion by the family. In this situation, family’s and farm’s patrimony overlap, due to the existence of a single treasury. These farms have different activities, including plant cultivation, livestock breeding, etc.

The characteristics of the agricultural holding and of the agricultural unit, that emphasize the differences between them are [4]:

- The unit uses the labor force as opposed to a family holding, which is based on family help by being able to work partially / temporarily or totally / permanently in agriculture;
- The agricultural holding has the ratio of „fair income and consumed production factors” as consequence of the activity, as opposed to a unit that has as a consequence the „profit obtained”.

### **The supporting and accounting documents used in agriculture**

The financial and accounting documents used by the agricultural entities are [10]:

- Accounting supporting documents, that include data on economic and financial activity, including invoices, salary states, receipts, tax receipts, reception notes, etc. [7];
- Accounting registers, that have the role of processing, storing and verifying data and accounting information using their own procedures, such as the Logbook, the Accounts Records, the Inventory Register, the Account Balance, etc [6].
- Accounting reporting documents / financial statements that are intended to centralize, summarize and transmit data for the Balance Sheet, Income Statement, Cash Flow Statement, etc [1].

Particular documents used within agricultural holdings, especially within those having a zoo technical profile are presented as follows [11]:

- The feed fodder form, that shall be completed according to the quantity of feed used on animals according to age and species [9];
- The daily harvest bonus, that highlights the harvested assets and the products of zoo technical;

- The milking log, that is used on livestock farms in order to record the production of milk per month [15].
  - The breeding paper that is generally based on weight, specifying the number of females and males. Exceptions are made by cattle and horses where the recording is made for each of them by assigning inventory numbers [13];
  - The mutation paper that is made when changing destination, from a lower to upper category.
  - The animal weighing paper, that is designed in order to emphasize the weight gain of the animals [8];
  - The animals death / disappearance / cutting paper, that is used at the exit of the animals from the evidence;
  - The livestock records, that emphasize the animals` inputs, outputs and stockpiles [2];
  - The young stock records, that are used in order to manage animals for breeding or rearing the original flock [2];
  - The lease contract, that highlights the rights and obligations of the lessee and the landlord;
  - The scale note, that refers to the expression of biological assets and agricultural products in kg, t;
  - The marketing card, that is used by physical persons and agricultural producers in order to highlight agricultural products [5];
- Border for payment of rent that is elaborated when the rent is paid in agricultural products.

## RESEARCH RESULTS

The zoo technical T farm entity obtains from own production chickens valued at a production cost of 800 lei. Chicken is sold at 10,000 lei, 9% VAT and is collected on a CEC file. The same entity acquires 10 families of bees at a purchase price of 9,000 lei, 9% VAT from which honey is valued at production cost of 5,000 lei. Harvested honey is sold at a negotiated price of 8,000 lei, VAT 9%, and its value is collected on the basis of a ticket to be settled at maturity.

### a) Registration of the own production chickens (internally generated)

361	„Stock biological assets”	=	711	„Income corresponding to the production cost”	8.000
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### b) Chicken sale

4111	„Customers”	=	%		<u>10.900</u>
			7018	„Income from selling stock biological assets”	10.000
			4427	„VAT collected”	900

### c) Acceptance of the CEC file

5112	„Cash checks”	=	4111	„Customers”	10.900
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### d) Cashing the CEC file

5121	„Bank accounts in lei”	=	5112	„Checks to be cashd”	10.900
e) Acquisition of the bee families					
	%	=	401	„Suppliers”	<u>9.810</u>
361	„Stock biological assets”				9.000
4426	„VAT deductible”				810
f) Registration of the honey production					
347	„Agricultural products”	=	711	„Income corresponding to the production cost”	5.000
g) Selling the honey production					
4111	„Customers”	=	%		<u>8.720</u>
			7017	„Income from selling agricultural products”	8.000
			4427	„VAT collected”	720
- Discharge of the sold out honey production :					
711	„Income corresponding to the production cost”	=	347	„Agricultural products”	5.000
h) Accepting a promissory note					
413	„Promissory notes to be cashd”	=	4111	„Customers”	8.720
i) The discounting of the promissory note					
5113	„Promissory notes in cashing”	=	413	„Promissory notes to be cashd”	8.720
j) Cash					
5121	„Bank accounts in lei”	=	5113	„Promissory notes in cashing”	8.720

## CONCLUSIONS

Taking into consideration the fact that any economy involves three sectors and the agriculture is included in the first one, which refers to the exploitation of the resources from nature, it is clear that it has a high importance. The accounting regulations, that are continuously in changing, in a permanent evolution, involve modifications within the agricultural activity also. The brief study presented above does not have an exhaustive character, being possible to be developed and improved by other future research.

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